

City of Eaton Rapids
Eaton County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Eaton Rapids, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eaton Rapids, 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 units, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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, budgetary comparison information, the pension schedules, and the OPEB schedules, 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 financial statements, utility fund information, combining internal service fund financial statements, combining component units' fund financial statements, individual component units' budgetary comparison 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, supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

November 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Eaton Rapids' (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$2,318,631 (11.1 percent) as a result of this year's activities. The net position of the governmental activities decreased by \$37,683 and the net position of the business-type activities increased by \$2,356,314.
- Of the \$23,180,629 total net position reported, \$5,496,295 (24 percent) is available to be used at the Council's discretion, 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 \$2,129,655, which represents 69 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer, water and electrical systems.
 - Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a custodian for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2023 and 2022 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component units* - The City includes other entities in its report - the Downtown Development Authority and LDFA Island Industrial Park. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The City Council establishes other funds to show that it is properly using certain taxes and other restricted revenues (like the motor fuel taxes collected for the street funds).

The City has three types of funds:

- *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
 - The City uses two internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service funds are the Motor Pool Fund and Public Employees Benefit Fund.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

The total net position at the end of the fiscal year was \$23,180,629. Of this total, \$13,645,216 represents a net investment in capital assets and \$4,039,118 is restricted for various purposes. Consequently, unrestricted net position was \$5,496,295 or 24 percent of the total.

*Condensed financial information
Net position*

	<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>
Assets						
Current and other assets	\$ 5,428,967	\$ 4,963,515	\$ 12,744,866	\$ 11,591,637	\$ 18,173,833	\$ 16,555,152
Capital assets, net	<u>8,249,644</u>	<u>8,591,401</u>	<u>7,915,650</u>	<u>8,994,882</u>	<u>16,165,294</u>	<u>17,586,283</u>
Total assets	<u>13,678,611</u>	<u>13,554,916</u>	<u>20,660,516</u>	<u>20,586,519</u>	<u>34,339,127</u>	<u>34,141,435</u>
Deferred outflows of resources	<u>1,755,574</u>	<u>1,345,723</u>	<u>693,529</u>	<u>866,459</u>	<u>2,449,103</u>	<u>2,212,182</u>
Liabilities						
Current	6,419,091	1,374,451	2,816,927	917,795	9,236,018	2,292,246
Long-term debt	<u>859,329</u>	<u>4,683,049</u>	<u>1,662,300</u>	<u>5,463,357</u>	<u>2,521,629</u>	<u>10,146,406</u>
Total liabilities	<u>7,278,420</u>	<u>6,057,500</u>	<u>4,479,227</u>	<u>6,381,152</u>	<u>11,757,647</u>	<u>12,438,652</u>
Deferred inflows of resources	<u>1,197,535</u>	<u>1,847,226</u>	<u>652,419</u>	<u>1,205,741</u>	<u>1,849,954</u>	<u>3,052,967</u>
Net position:						
Invested in capital assets - net of related debt	7,391,866	7,484,626	6,253,350	6,742,582	13,645,216	14,227,208
Restricted	2,274,496	2,278,899	1,764,622	1,973,067	4,039,118	4,251,966
Unrestricted	<u>(2,708,132)</u>	<u>(2,767,612)</u>	<u>8,204,427</u>	<u>5,150,436</u>	<u>5,496,295</u>	<u>2,382,824</u>
Total net position	<u>\$ 6,958,230</u>	<u>\$ 6,995,913</u>	<u>\$ 16,222,399</u>	<u>\$ 13,866,085</u>	<u>\$ 23,180,629</u>	<u>\$ 20,861,998</u>

Changes in net position

The City's total revenues for the current fiscal year were \$20,331,821, which is \$1,438,248 higher than the prior year. Approximately 73 percent of the City's revenues comes from charges for services, primarily utility charges, and 8.2 percent comes from property taxes. Operating grants revenue represent 9 percent of total revenues in the current year.

The total cost of the City's programs, covering a wide range of services, totaled \$18,013,190, which is \$1,950,434 higher than the prior year. About 67 percent of the City's expenses relates to the provision of utility services. Public safety expenses account for 12 percent of the City's total expenses in the current year, while general government expenses represent just under 10 percent.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 552,810	\$ 1,143,015	\$ 14,255,373	\$ 12,381,916	\$ 14,808,183	\$ 13,524,931
Operating grants and contributions:	1,572,163	1,471,236	253,648	-	1,825,811	1,471,236
Capital grants and contributions	41,507	674,770	-	449,847	41,507	1,124,617
General revenues:						
Property taxes	1,093,835	1,041,131	580,008	586,724	1,673,843	1,627,855
Local community stabilization	304,309	152,154	-	241,312	304,309	393,466
State shared revenue	612,179	606,437	-	-	612,179	606,437
Investment earnings	224,107	14,297	-	3,669	224,107	17,966
Other	841,337	86,963	545	40,102	841,882	127,065
Transfers	-	388,395	-	(388,395)	-	-
Total revenues	<u>5,242,247</u>	<u>5,578,398</u>	<u>15,089,574</u>	<u>5,538,840</u>	<u>20,331,821</u>	<u>18,893,573</u>
Expenses:						
General government	1,717,188	977,177	-	-	1,717,188	977,177
Public safety	2,145,953	1,429,420	-	-	2,145,953	1,429,420
Public works	1,427,558	719,879	12,099,533	12,474,143	13,527,091	13,194,022
Health and welfare	-	13,938	-	-	-	13,938
Community and economic development	100,510	103,521	-	-	100,510	103,521
Recreation and culture	495,950	343,732	-	-	495,950	343,732
Interest on long-term debt	26,498	946	-	-	26,498	946
Total expenses	<u>5,913,657</u>	<u>3,588,613</u>	<u>12,099,533</u>	<u>12,474,143</u>	<u>18,013,190</u>	<u>16,062,756</u>
Transfers	<u>633,727</u>	<u>-</u>	<u>(633,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ (37,683)</u>	<u>\$ 1,989,785</u>	<u>\$ 2,356,314</u>	<u>\$ 841,032</u>	<u>\$ 2,318,631</u>	<u>\$ 2,830,817</u>
Net position, end of year	<u>\$ 6,958,230</u>	<u>\$ 6,995,913</u>	<u>\$ 16,222,399</u>	<u>\$ 13,866,085</u>	<u>\$ 23,180,629</u>	<u>\$ 20,861,998</u>

Governmental activities

Governmental activities decreased the City's net position by \$37,683, in the current year, compared to a \$1,989,785 increase in the prior year. The increase in net position was lower in the current year, as revenues decreased by \$336,151 and expenses increased by \$2,325,044

Total expenses increased due to a \$740,011 increase in general government expenses, \$716,533 in public safety and \$707,679 in public works related to increased costs related to Net Pension Liability. Total revenues decreased primarily due to a \$633,263 decrease in capital grants, as large federal grants were received in the previous year.

The total cost of governmental activities this year was \$5,913,657. After subtracting the direct charges to those who directly benefited from the programs (\$552,810), operating grants (\$1,572,163), and capital grants (\$41,507) the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$3,747,177.

Business-type activities

Business-type activities increased the City's net position by \$2,356,314 in the current year compared to a \$841,032 increase in the prior year. Net position has increased as charges for services are set to cover operating expenses and a reduction in net pension liability.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,682,595, an increase of \$1,238,596 in comparison with the prior year.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$2,287,848. Revenues exceeded expenditures by \$791,246, and net other financing sources were \$336,687, which caused fund balance to increase by \$1,127,933.

Proprietary funds

The Utility Fund experienced an increase in net position of \$2,356,314 in the current year, primarily because user fees have been set so the fund is covering its costs. Total net position is \$16,222,399 at year end, of which \$8,204,427 is unrestricted.

General Fund budgetary highlights

The City amended its revenue budget to increase total revenues by \$496,400, primarily to increase federal and state grant revenues to expected amounts. The City also amended its appropriations during the current year so that budgeted expenditures were increased by \$496,400 to reflect changes that occurred over the course of the year.

Total revenues were \$406,436 more than budgeted, as state grants and investment returns were more than anticipated. Expenditures were \$613,404 less than the amounts appropriated, as costs were in line with expectations. These variances, along with a positive variance in net other financing sources (\$172,937) resulted in a \$1,192,777 positive budget variance due to a \$1,127,933 increase in fund balance compared to a budgeted decrease of \$64,844.

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 \$16,165,294, net of accumulated depreciation. Governmental capital assets amount to \$8,249,644 and business-type capital assets totaled \$7,915,650. These investments include a broad range of assets, including land, buildings, equipment, streets, and sewer, water and electrical facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$1,420,989 as additions (\$421,534) were lower than depreciation (\$1,842,523).

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Total</i>
Land	\$ 747,077	\$ -	747,077
Infrastructure	2,330,711	7,915,650	10,246,361
Land improvements	2,370,199	-	2,370,199
Buildings and improvements	1,826,076	-	1,826,076
Furniture and equipment	238,511	-	238,511
Vehicles	737,070	-	737,070
	<u>\$ 8,249,644</u>	<u>\$ 7,915,650</u>	<u>\$ 16,165,294</u>
Totals			

Major capital asset events during the current fiscal year included the following:

- Street improvements were made at a cost of \$317,927
- Equipment was purchased for \$59,430

More detailed information about the City's capital assets is presented in Note 4 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the City had total long-term debt outstanding, in the amount of \$2,521,629, which represents a decrease of \$837,446. No new debt was issued, and principal payments of \$837,446, were made in a timely manner.

Other long-term debt obligations of the governmental and business-type activities, totaling \$170,571 and \$56,676, respectively, represent accrued compensated absences. The City's governmental activities and business-type activities also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$7,235,960, and a Net OPEB Liability of \$1,319,014.

More detailed information about the City's long-term liabilities is presented in Note 5 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2024 budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities and plans to primarily use current revenues to provide essential services in order to maintain current fund balances.

The City carefully monitors both revenues and expenditures on a regular basis in order to maintain an operational budget. Revenues continue to be stable, with staff continuing to evaluate based on economic conditions. Expenditures are monitored with the delivery of operationally balanced budgets with appropriate reserves as the result. Further, we regularly review fees for services, through the municipal policy manual, to assure costs for services are reflected.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances 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:

Yvonne Ridge, Manager
City of Eaton Rapids
200 South Main Street
Eaton Rapids, MI 48827

Phone: (571) 663-8118

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2023

	Primary government			Component Units
	Governmental activities	Business-type activities	Totals	
ASSETS				
Current assets:				
Cash	\$ 3,919,572	\$ 8,518,294	\$ 12,437,866	\$ 1,389,103
Investments	1,025,962	-	1,025,962	-
Receivables	319,978	1,161,048	1,481,026	24,650
Prepays and deposits	163,455	674,720	838,175	433
Inventories	-	477,885	477,885	-
Total current assets	5,428,967	10,831,947	16,260,914	1,414,186
Noncurrent assets:				
Cash and investments - restricted	-	1,912,919	1,912,919	-
Capital assets not being depreciated	-	-	-	1,147,954
Capital assets, net of accumulated depreciation	8,249,644	7,915,650	16,165,294	1,143,279
Total noncurrent assets	8,249,644	9,828,569	18,078,213	2,291,233
Total assets	13,678,611	20,660,516	34,339,127	3,705,419
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	-	-	68,190
Deferred outflows of resources related to pensions	880,823	348,589	1,229,412	8,916
Deferred outflows of resources related to OPEB	874,751	344,940	1,219,691	20,210
Total deferred outflows of resources	1,755,574	693,529	2,449,103	97,316
LIABILITIES				
Current liabilities:				
Payables	214,585	46,256	260,841	5,056
Accrued liabilities	-	38,815	38,815	-
Accrued interest payable	-	8,831	8,831	-
Current portion of compensated absences	122,917	56,676	179,593	-
Current portion of long-term debt	225,107	550,000	775,107	250,000
Total current liabilities	562,609	700,578	1,263,187	255,056
Noncurrent liabilities:				
Customer deposits	-	145,310	145,310	-
Noncurrent portion of compensated absences	47,654	-	47,654	-
Noncurrent portion of long-term debt	634,222	1,112,300	1,746,522	1,120,000
Net pension liability	5,184,265	2,051,695	7,235,960	52,477
Net other post-employment benefit liability	849,670	469,344	1,319,014	18,292
Total noncurrent liabilities	6,715,811	3,778,649	10,494,460	1,190,769
Total liabilities	7,278,420	4,479,227	11,757,647	1,445,825
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	243,359	96,310	339,669	2,463
Deferred inflows of resources related to OPEB	954,176	556,109	1,510,285	20,252
Total deferred inflows of resources	1,197,535	652,419	1,849,954	22,715
NET POSITION				
Net investment in capital assets	7,391,866	6,253,350	13,645,216	1,274,423
Restricted:				
Bond retirement	-	1,105,272	1,105,272	-
Electric utility	-	659,350	659,350	-
Highways and streets	2,149,042	-	2,149,042	-
Act 302 training	24,141	-	24,141	-
Drug law enforcement	77	-	77	-
Cemetery perpetual care	68,453	-	68,453	-
Friends of the island	31,555	-	31,555	-
Dog park	1,228	-	1,228	-
Unrestricted	(2,708,132)	8,204,427	5,496,295	1,059,772
Total net position	\$ 6,958,230	\$ 16,222,399	\$ 23,180,629	\$ 2,334,195

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			Component Units
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 1,717,188	\$ 269,449	\$ 492,186	\$ 41,507	\$ (914,046)		\$ (914,046)	
Public safety	2,145,953	154,082	11,086	-	(1,980,785)		(1,980,785)	
Public works	1,427,558	54,529	935,204	-	(437,825)		(437,825)	
Community and economic development	100,510	-	89,610	-	(10,900)		(10,900)	
Recreation and culture	495,950	74,750	44,077	-	(377,123)		(377,123)	
Interest on long-term debt	26,498	-	-	-	(26,498)		(26,498)	
Total governmental activities	5,913,657	552,810	1,572,163	41,507	(3,747,177)		(3,747,177)	
Business-type activities:								
Electric	11,086,643	12,108,753	-	-		\$ 1,022,110	1,022,110	
Sewer	86,960	1,192,306	253,648	-		1,358,994	1,358,994	
Water	925,930	954,314	-	-		28,384	28,384	
Total business-type activities	12,099,533	14,255,373	253,648	-		2,409,488	2,409,488	
Total primary government	\$ 18,013,190	\$ 14,808,183	\$ 1,825,811	\$ 41,507	(3,747,177)	2,409,488	(1,337,689)	
Component units:								
LDFA Island Industrial Park	\$ (42,907)	\$ -	\$ -	\$ -				\$ 42,907
DDA	124,768	-	25,569	-				(99,199)
Total component units	\$ 81,861	\$ -	\$ 25,569	\$ -				(56,292)
General revenues:								
Property taxes					1,093,835	580,008	1,673,843	198,105
Local community stabilization revenue					304,309	-	304,309	-
State shared revenue					612,179	-	612,179	-
Investment earnings					224,107	545	224,652	-
Franchise fee					841,337	-	841,337	-
Transfers					633,727	(633,727)	-	-
Total general revenues and transfers					3,709,494	(53,174)	3,656,320	198,105
Changes in net position					(37,683)	2,356,314	2,318,631	141,813
Net position - beginning					6,995,913	13,866,085	20,861,998	2,192,382
Net position - ending					\$ 6,958,230	\$ 16,222,399	\$ 23,180,629	\$ 2,334,195

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2023

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,085,587	\$ 2,300,086	\$ 3,385,673
Investments	1,025,962	-	1,025,962
Accounts receivables	96,636	-	96,636
Due from other governmental units	96,997	126,345	223,342
Inventory	647	-	647
Prepaid expenditures	<u>158,193</u>	<u>4,615</u>	<u>162,808</u>
Total assets	<u>\$ 2,464,022</u>	<u>\$ 2,431,046</u>	<u>\$ 4,895,068</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 86,301	\$ 23,422	\$ 109,723
Accrued wages payable	28,478	12,877	41,355
Accrued liabilities	<u>61,395</u>	<u>-</u>	<u>61,395</u>
Total liabilities	<u>176,174</u>	<u>36,299</u>	<u>212,473</u>
Fund balances:			
Nonspendable	158,193	4,615	162,808
Restricted	-	2,274,496.00	2,274,496
Assigned	-	115,636	115,636
Unassigned	<u>2,129,655</u>	<u>-</u>	<u>2,129,655</u>
Total fund balances	<u>2,287,848</u>	<u>2,394,747</u>	<u>4,682,595</u>
Total liabilities and fund balances	<u>\$ 2,464,022</u>	<u>\$ 2,431,046</u>	<u>\$ 4,895,068</u>

See notes to financial statements

June 30, 2023

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

Total fund balance - total governmental funds (page 15)	\$ 4,682,595
Amounts reported for <i>governmental activities</i> in the statement of net position (page 13) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	7,777,187
The net OPEB is not due and payable in the current period and is not reported in the funds.	(849,670)
Deferred outflows of resources, related to OPEB, are not available to pay current period expenditures, and are not reported in the funds.	874,751
Deferred outflows of resources, related to the pension plan, relate to future years, and are not reported in the funds.	880,823
Compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(170,571)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(859,329)
Interest payable, related to long-term debt, is not due and payable in the current period and, therefore, is not reported in the funds.	(2,112)
The net pension liability is not due and payable in the current period and is not reported in the funds.	(5,184,265)
Deferred inflows of resources, related to the pension plan, relate to future years, and are not reported in the funds.	(243,359)
Deferred inflows of resources, related to OPEB, and are not reported in the funds.	(954,176)
The internal service fund is used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.	<u>1,006,356</u>
Net position of <i>governmental activities</i>	<u>\$ 6,958,230</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2023

	<i>General</i>	<i>Nonmajor governmental funds</i>	<i>Total</i>
REVENUES			
Property taxes	\$ 1,063,775	\$ 96,239	\$ 1,160,014
Licenses and permits	841,522	71,825	913,347
Intergovernmental			
Federal grants	404,322	130,111	534,433
State grants	1,040,863	774,171	1,815,034
Contributions from local units	-	180,691	180,691
Charges for services	105,489	67,245	172,734
Fines and forfeitures	17,124	-	17,124
Interest and rentals	278,865	5,004	283,869
Other	138,592	16,895	155,487
	<u>3,890,552</u>	<u>1,342,181</u>	<u>5,232,733</u>
EXPENDITURES			
Current:			
General government	745,864	41,507	787,371
Public safety	1,440,105	199,933	1,640,038
Public works	754,364	477,639	1,232,003
Community and economic development	100,396	-	100,396
Recreation and culture	18,334	355,980	374,314
Capital outlay	-	88,604	88,604
Debt service:			
Principal retirement	29,152	185,000	214,152
Interest and other charges	11,091	15,895	26,986
	<u>3,099,306</u>	<u>1,364,558</u>	<u>4,463,864</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>791,246</u>	<u>(22,377)</u>	<u>768,869</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	536,687	160,000	696,687
Transfers out	(200,000)	(26,960)	(226,960)
	<u>336,687</u>	<u>133,040</u>	<u>469,727</u>
NET CHANGES IN FUND BALANCES	1,127,933	110,663	1,238,596
FUND BALANCES - BEGINNING	<u>1,159,915</u>	<u>2,284,084</u>	<u>3,443,999</u>
FUND BALANCES - ENDING	<u>\$ 2,287,848</u>	<u>\$ 2,394,747</u>	<u>\$ 4,682,595</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) \$ 1,238,596

Amounts reported for *governmental activities* in the statement of activities (page 14) are different because:

Capital assets:

Capital asset acquisitions	377,357
Provision for depreciation	(606,228)

Long-term debt:

Principal payments	214,152
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Changes in other liabilities:

Net increase in compensated absences	(12,116)
Net decrease in interest payable	488
Net decrease in net OPEB liability	87,304
Net increase in net pension liability	(2,346,766)

Changes in deferred outflows of resources and deferred inflows of resources:

Net increase in deferred outflows of resources related to pension	482,506
Net decrease in deferred inflows of resources related to pension	349,061
Net decrease in deferred outflows of resources related to OPEB	(72,655)
Net decrease in deferred inflows of resources related to OPEB	300,630

Certain changes in net position of the internal service fund are reported with *governmental activities* in the statement of activities.

(50,012)

Change in net position of *governmental activities*

\$ (37,683)

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2023

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Utility Fund</i>	<i>Internal Service Funds</i>
ASSETS		
Current assets:		
Cash and investments	\$ 8,518,294	\$ 533,899
Accounts receivable	1,161,048	-
Prepays	674,720	-
Inventories	477,885	-
Total current assets	<u>10,831,947</u>	<u>533,899</u>
Noncurrent assets:		
Cash and investments - restricted	1,912,919	-
Capital assets, net of accumulated depreciation	7,915,650	472,457
Total noncurrent assets	<u>9,828,569</u>	<u>472,457</u>
Total assets	<u>20,660,516</u>	<u>1,006,356</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	348,589	-
Deferred outflows of resources related to OPEB	344,940	-
Total deferred outflows of resources	<u>693,529</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	46,256	-
Accrued payroll	38,815	-
Accrued interest payable	8,831	-
Current portion of compensated absences	56,676	-
Current portion of long-term debt	550,000	-
Total current liabilities	<u>700,578</u>	<u>-</u>
Noncurrent liabilities:		
Customer deposits	145,310	-
Noncurrent portion of long-term debt	1,112,300	-
Net pension liability	2,051,695	-
Net other post-employment benefits liability	469,344	-
Total noncurrent liabilities	<u>3,778,649</u>	<u>-</u>
Total liabilities	<u>4,479,227</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	96,310	-
Deferred inflows of resources related to OPEB	556,109	-
Total deferred inflows of resources	<u>652,419</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	6,253,350	472,457
Restricted		
Bond retirement	1,105,272	-
Electric utility	659,350	-
Unrestricted	8,204,427	533,899
Total net position	<u>\$ 16,222,399</u>	<u>\$ 1,006,356</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>Utility Fund</i>	<i>Internal Service Funds</i>
OPERATING REVENUES		
Charges for services:	\$ 14,065,958	\$ -
Fine and forfeitures	94,997	-
Other	94,418	3,153
Total operating revenues	<u>14,255,373</u>	<u>3,153</u>
OPERATING EXPENSES		
Personal services	1,693,918	-
Contractual services	464,654	-
Supplies	286,320	-
Energy charges	8,576,111	-
Utilities	256,994	-
Telephone	17,182	-
Maintenance	247,327	-
Franchise Fees	806,988	-
Reduction in pension liability	(1,490,015)	-
Other expense	71,173	113,793
Depreciation	1,123,409	112,886
Total operating expenses	<u>12,054,061</u>	<u>226,679</u>
OPERATING INCOME (LOSS)	<u>2,201,312</u>	<u>(223,526)</u>
NONOPERATING REVENUES (EXPENSES)		
Property taxes	580,008	-
Gain on sale of asset	-	9,514
Local community stabilization	253,648	-
Interest Income	545	-
Interest expense	(45,472)	-
Net nonoperating revenues (expenses)	<u>788,729</u>	<u>9,514</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>2,990,041</u>	<u>(214,012)</u>
TRANSFERS		
Transfers in	-	164,000
Transfers out	(633,727)	-
Total transfers	<u>(633,727)</u>	<u>164,000</u>
CHANGES IN NET POSITION	<u>2,356,314</u>	<u>(50,012)</u>
NET POSITION - BEGINNING	<u>13,866,085</u>	<u>1,056,368</u>
NET POSITION - ENDING	<u>\$ 16,222,399</u>	<u>\$ 1,006,356</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2023

	<u>Business-type activities</u>	<u>Governmental activities</u>
	<u>Utility Fund</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 14,240,668	\$ -
Cash receipts from contributions	-	3,153
Cash paid to employees	(1,144,191)	-
Cash paid for employee benefits	-	(73,991)
Cash paid to suppliers	(11,319,251)	(39,802)
Net cash provided by (used in) operating activities	<u>1,777,226</u>	<u>(110,640)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out)	(633,727)	164,000
Receipt from interfund balances	1,354,798	578,500
Payments on due to other funds	(2,598,193)	(371,673)
Net cash provided by (used in) noncapital financing activities	<u>(1,877,122)</u>	<u>370,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes	580,008	-
Local community stabilization	253,648	-
State grants	79,738	-
Proceeds from sale of assets	-	9,514
Purchases of capital asset	(44,178)	-
Decrease in accounts payable	(152,627)	-
Principal payments on long-term debt	(590,000)	(33,294)
Interest and fiscal charges	(48,549)	(1,357)
Net cash provided by (used in) capital and related financing activities	<u>78,040</u>	<u>(25,137)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	545	-
NET CHANGE IN CASH	(21,311)	235,050
CASH - BEGINNING	<u>10,452,524</u>	<u>298,849</u>
CASH - ENDING	<u>\$ 10,431,213</u>	<u>\$ 533,899</u>

See notes to financial statements

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

Year ended June 30, 2023

	<u><i>Business-type activities</i></u>	<u><i>Governmental activities</i></u>
	<u><i>Utility Fund</i></u>	<u><i>Internal Service Funds</i></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 2,201,312	\$ (223,526)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,123,409	112,886
Changes in assets and liabilities and DIOR and DOOR		
Accounts receivable	(14,705)	-
Prepays and deposits	3,822	-
Deferred outflows of resources	172,930	-
Accounts payable	(13,699)	-
Compensated absences	(7,814)	-
Customer deposits	(36,552)	-
Net pension liability	(1,063,729)	-
Net other post-employment benefits liability	(34,427)	-
Deferred inflows of resources	<u>(553,321)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 1,777,226</u>	<u>\$ (110,640)</u>

STATEMENT OF FIDUCIARY NET POSITION - *fiduciary fund*

June 30, 2023

	<u>Other Post- Employment Benefits</u>	<u>Custodial Fund Tax Fund</u>
ASSETS		
Cash and investments	\$ 415,419	\$ -
LIABILITIES		
Undistributed collections payable	-	-
NET POSITION		
Restricted - Other post-employment benefits	<u>\$ 415,419</u>	<u>\$ -</u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - *fiduciary fund*

Year ended June 30, 2023

	<u>Other Post- Employment Benefits</u>	<u>Custodial Fund Tax Collection</u>
ADDITIONS		
Contributions - employer	\$ 224,773	\$ -
Property tax collections for other governmental units	-	4,313,295
Investment earnings	<u>27,184</u>	<u>-</u>
Total additions	<u>251,957</u>	<u>4,313,295</u>
DEDUCTIONS		
Administrative expenses	677	-
Benefit payments	155,111	-
Property tax distributions to other governmental units	<u>-</u>	<u>4,313,295</u>
Total deductions	<u>155,788</u>	<u>4,313,295</u>
NET CHANGE IN FIDUCIARY NET POSITION	96,169	-
NET POSITION - BEGINNING	<u>319,250</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 415,419</u>	<u>\$ -</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Eaton Rapids, 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:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Eaton County, and its component units described below, for which the City is financially accountable. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

Discretely presented component units:

Eaton Rapids Downtown Development Authority - The Downtown Development Authority (the Authority) was established in 1991, 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 Council 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 make the City financially accountable for the Authority and require the City to report it in the City's financial statements.

L DFA Island Industrial Park - L DFA Island Industrial Park is a legally separate, tax-exempt organization that was created in 2016 pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the Industrial Park. The Authority is fiscally dependent on the City because the City Council 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 make the City financially accountable for the Authority and require the City to report it in the City's financial statements.

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. 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. Property 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. All other revenue items are considered to be measurable and available 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 City reports the following major proprietary funds:

The Utility Fund is used to account for activities and operations of the electric plant, water, and sewage treatment plant. These activities are financed primarily through property taxes and user charges.

Additionally, the City reports the following fund type:

Internal service funds account for the management of the motor pool and public employee benefits provided to various departments of the City on cost reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for 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, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is allocated proportionately to all funds.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to 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 accounting periods and are recorded as prepaids in the fund basis and government-wide financial statements.

Restricted assets - Certain revenues and resources in the proprietary fund types are classified as restricted on the balance sheet because their use is limited. The restricted cash and investments of the City reported in the Utility Fund represent customer deposits and accumulated funds required for the applicable bond covenants are held in a separate account.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more 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:

Land improvements	10 - 20 years
Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	3 - 10 years
Utility systems	10 - 40 years
Infrastructure	20 - 25 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City has two items that are included in this category: a deferred amounts relating to the defined benefit pension plan and OPEB plan. The deferred amounts relating to the pension plan are discussed in Note 6 and the OPEB plan in Note 8. No deferred outflows of resources affect the governmental funds financial statements.

Compensated absences - 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 and sick leave 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 governmental funds only for employee terminations as of year end.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has two items that are included in this category: deferred amounts relating to the defined benefit pension plan and a OPEB plan. The deferred grant revenue, in the governmental funds, relates to revenue that was unavailable at year end that will be recognized when received in the subsequent year. The deferred amounts relating to the pension plan are discussed in Note 6 and the OPEB plan in Note 8.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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, and increases by balances of deferred outflows of resources related to 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of these resources by grantors, contributors, or laws and regulations of other governments. The City Council has delegated the authority to assign fund balance to the City Manager. Unassigned fund balance is the residual classification for the General Fund. 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 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 31, 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 generally accepted accounting principles 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 the City’s general and special revenue 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. All annual appropriations lapse at the end of the fiscal year

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General Government	Clerk	\$ 67,050	\$ 100,089	\$ (33,039)
		Treasurer	75,550	130,550	(55,000)
		City Manager	106,551	133,196	(26,645)
		City Council	41,875	49,702	(7,827)
Building Department	Public Safety	Inspections	175,200	199,933	(24,733)
MSHDA CDBG	Public Works	CDBG Expense	-	16,670	(16,670)

NOTE 3 - CASH AND INVESTMENTS

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

	<u>Primary government</u>	<u>Component units</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
Statement of net position:				
Cash	\$ 12,437,866	\$ 1,389,103	\$ -	\$ 13,826,969
Restricted cash	1,912,919	-	-	1,912,919
Investments	1,025,962	-	415,419	1,441,381
Totals	<u>\$ 15,376,747</u>	<u>\$ 1,389,103</u>	<u>\$ 415,419</u>	<u>\$ 17,181,269</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

At June 30, 2023, cash and investments consist of the following:

Cash on hand	\$	650
Deposits with financial institutions		15,739,238
Investments		<u>1,441,381</u>
Total	\$	<u>17,181,269</u>

Restricted cash - As a condition of a specific debt issue, the City is required to maintain certain separate cash reserves. At June 30, 2023, all required reserves have been adequately funded and are as follows:

		<u>Utility Fund</u>
Customer deposits	\$	194,242
Bond reserve		<u>1,718,677</u>
Total	\$	<u>1,912,919</u>

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

Custodial credit risk for deposits 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 does not specifically address custodial credit risk for deposits. As of June 30, 2023, \$3,726,752 of the City’s bank balances of \$15,925,332 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled bank accounts for all its funds and component units. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component units.

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.

The City’s investments are summarized as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>	<u>Source</u>
US government securities:				
Federal National Mortgage	\$ 236,707	7/26/2024	AA+	S & P
Federal Home Loan Bank	303,882	11/29/2024	AA+	S & P
Federal Home Loan Bank	244,070	7/28/2025	AA+	S & P
Federal Home Loan Bank	241,303	7/28/2026	AA+	S & P
MERS total market portfolio	<u>415,419</u>	NA	NA	NA
Total investments	<u>\$ 1,441,381</u>			

NOTE 3 - CASH AND INVESTMENTS (Continued)

Fair value measurement - The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurement as of June 30, 2023:

- U.S. government and agency securities are valued using observable fair values of similar assets (Level 2).

The City’s investments are subject to several types of risk, which are discussed below:

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State law does not require, and the City’s investment policy does not contain, requirements that would limit the exposure to custodial credit risk for investments. At year end, all of the U.S. government and agency security investments were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the City.

Credit risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City’s investment policy does not contain requirements that would limit the exposure to credit risk for investments. The credit quality ratings of the City’s investments are identified above.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. State law and the City’s investment policy place no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. treasury securities) that represent 5% or more of the City’s total investments are as follows:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage</u>
US government securities:		
Federal National Mortgage	\$ 236,707	16.4%
Federal Home Loan Bank	303,882	21.1%
Federal Home Loan Bank	244,070	16.9%
Federal Home Loan Bank	241,303	16.7%
 MERS total market portfolio	 <u>415,419</u>	 28.8%
 Total investments	 <u>\$ 1,441,381</u>	 100%

Interest rate risk - Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The City’s investment policy has no specific limitations with respect to maturities of investments. The maturities of the City’s investments are identified above.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 747,077	\$ -	\$ -	\$ 747,077
Capital assets being depreciated:				
Infrastructure	4,610,814	317,927	-	4,928,741
Land improvements	3,342,511	-	-	3,342,511
Buildings and improvements	4,956,039	-	-	4,956,039
Furniture and equipment	871,643	59,430	-	931,073
Vehicles	2,496,964	-	-	2,496,964
Subtotal	<u>16,277,971</u>	<u>377,357</u>	<u>-</u>	<u>16,655,328</u>
Less accumulated depreciation for:				
Infrastructure	(2,337,457)	(260,573)	-	(2,598,030)
Land improvements	(816,233)	(156,079)	-	(972,312)
Buildings and improvements	(3,038,948)	(91,015)	-	(3,129,963)
Furniture and equipment	(661,335)	(31,227)	-	(692,562)
Vehicles	(1,579,674)	(180,220)	-	(1,759,894)
Subtotal	<u>(8,433,647)</u>	<u>(719,114)</u>	<u>-</u>	<u>(9,152,761)</u>
Total capital assets being depreciated, net	<u>7,844,324</u>	<u>(341,757)</u>	<u>-</u>	<u>7,502,567</u>
Governmental activities capital assets, net	<u>\$ 8,591,401</u>	<u>\$ (341,757)</u>	<u>\$ -</u>	<u>\$ 8,249,644</u>

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

Governmental activities:	
General government	\$ 492,723
Public safety	68,528
Public works	35,025
Recreation and culture	9,952
Depreciation on internal service fund assets	<u>112,886</u>
Total depreciation expense	<u>\$ 719,114</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 14,998,776	\$ -	\$ -	\$ 14,998,776
Electric	10,653,775	-	-	10,653,775
Water system	<u>9,480,032</u>	<u>44,177</u>	<u>-</u>	<u>9,524,209</u>
Subtotal	<u>35,132,583</u>	<u>44,177</u>	<u>-</u>	<u>35,176,760</u>
Less accumulated depreciation for:				
Sewer system	(12,068,429)	(540,377)	-	(12,608,806)
Electric	(7,905,983)	(293,616)	-	(8,199,599)
Water system	<u>(6,163,289)</u>	<u>(289,416)</u>	<u>-</u>	<u>(6,452,705)</u>
Subtotal	<u>(26,137,701)</u>	<u>(1,123,409)</u>	<u>-</u>	<u>(27,261,110)</u>
Total capital assets being depreciated, net	<u>8,994,882</u>	<u>(1,079,232)</u>	<u>-</u>	<u>7,915,650</u>
Business-type activities capital assets, net	<u>\$ 8,994,882</u>	<u>\$ (1,079,232)</u>	<u>\$ -</u>	<u>\$ 7,915,650</u>

Depreciation expense was charged to the City's enterprise functions as follows:

Business-type activities	
Sewer system	\$ 540,377
Electric	293,616
Water system	<u>289,416</u>
Total depreciation expense	<u>\$ 1,123,409</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component Units				
Capital assets not being depreciated -				
Land	\$ 1,147,954	\$ -	\$ -	\$ 1,147,954
Capital assets being depreciated:				
Land improvements	1,530,045	27,667	-	1,557,712
Infrastructure	417,359	-	-	417,359
Subtotal	<u>1,947,404</u>	<u>27,667</u>	<u>-</u>	<u>1,975,071</u>
Less accumulated depreciation for:				
Land improvements	(688,520)	(77,886)	-	(766,406)
Infrastructure	(57,039)	(8,347)	-	(65,386)
Subtotal	<u>(745,559)</u>	<u>(86,233)</u>	<u>-</u>	<u>(831,792)</u>
Total capital assets being depreciated, net	<u>1,201,845</u>	<u>(58,566)</u>	<u>-</u>	<u>1,143,279</u>
Component units capital assets, net	<u>\$ 2,349,799</u>	<u>\$ (58,566)</u>	<u>\$ -</u>	<u>\$ 2,291,233</u>

NOTE 5 - LONG-TERM LIABILITIES

At June 30, 2023, long-term liabilities are comprised of the following:

Primary government:

Governmental activities:

Bonds:

\$265,000 Capital Improvement Bonds dated September 15, 2009, due in annual installments ranging from \$20,000 to \$25,000 through June 2029 with interest ranging from 4.60% to 5.00%, payable semi-annually. \$ 25,000

\$1,600,000 General Obligation Bonds dated June 30, 2016, due in annual installments ranging from \$165,000 to \$180,000 through June 2026, with interest ranging from 1.85% to 2.25%, payable annually. 525,000

Total bonds 550,000

Installment purchase agreement:

\$399,247 Installment Purchase Agreement dated September 15, 2020, due in an annual installment ranging from \$28,227 to \$38,966 through April 2032, including interest at 3.28%. The purchase agreement is secured by the fire truck purchased. The agreement contains provisions that in an event of default the lender has various options including declaring the entire unpaid balance due immediately, require prompt return or secure possession of real property, and charge the City for reasonable fees and other expenses as a result of the default. 309,329

Compensated absences 170,571

Total governmental activities long-term liabilities \$ 1,029,900

Business-type activities:

Bonds:

\$9,545,000 WWTP Improvement Bonds dated September 23, 2004, due in annual installments ranging from \$540,000 to \$560,000 through April 2026, with interest of 2.125%, payable semi-annually. \$ 1,662,300

Compensated absences 56,676

Total business-type activities long-term liabilities \$ 1,718,976

Total primary government long-term liabilities \$ 2,748,876

Component Units

Bonds:

\$710,000 Capital Improvement Bonds dated September 15, 2009, due in annual installments ranging from \$40,000 to \$55,000 through June 2029, with interest ranging from 4.60% to 5.00%, payable semi-annually. \$ 285,000

\$2,155,000 Local Development Finance Authority Bond dated October 24, 2016, due in annual installments ranging from \$210,000 to \$220,000 through June 2028, with interest ranging from 1.95% to 2.45%, payable semi-annually. 1,085,000

Total component units long-term liabilities \$ 1,370,000

NOTES TO FINANCIAL STATEMENTS (Continued)**NOTE 5 - LONG-TERM LIABILITIES (Continued)**

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
General obligation bonds					
2009 Capital improvement bonds	\$ 45,000	\$ -	\$ (20,000)	\$ 25,000	\$ 25,000
2016 General obligation bonds	690,000	-	(165,000)	525,000	170,000
Notes from direct borrowing and direct placements					
Installment purchase agreement	33,294	-	(33,294)	-	-
Installment purchase agreement	<u>338,481</u>	<u>-</u>	<u>(29,152)</u>	<u>309,329</u>	<u>30,107</u>
Total long-term debt	1,106,775	-	(247,446)	859,329	225,107
Compensated absences	<u>158,455</u>	<u>126,302</u>	<u>(114,186)</u>	<u>170,571</u>	<u>122,917</u>
Total governmental activities	<u>\$ 1,265,230</u>	<u>\$ 126,302</u>	<u>\$ (361,632)</u>	<u>\$ 1,029,900</u>	<u>\$ 348,024</u>
Business-type activities:					
General obligation bonds					
2008 Capital improvement bonds	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
Other long-term obligations					
2004 WWTP improvements bonds	<u>2,202,300</u>	<u>-</u>	<u>(540,000)</u>	<u>1,662,300</u>	<u>550,000</u>
Total long-term debt	2,252,300	-	(590,000)	1,662,300	550,000
Compensated absences	<u>64,490</u>	<u>60,224</u>	<u>(68,038)</u>	<u>56,676</u>	<u>56,676</u>
Total business-type activities	<u>\$ 2,316,790</u>	<u>\$ 60,224</u>	<u>\$ (658,038)</u>	<u>\$ 1,718,976</u>	<u>\$ 606,676</u>
Total primary government	<u>\$ 3,582,020</u>	<u>\$ 186,526</u>	<u>\$ (1,019,670)</u>	<u>\$ 2,748,876</u>	<u>\$ 954,700</u>
Component Units					
General obligation bonds					
2009 Capital improvement bonds - DDA	\$ 325,000	\$ -	\$ (40,000)	\$ 285,000	\$ 40,000
2016 Tax increment refunding bonds - LDFA	<u>1,295,000</u>	<u>-</u>	<u>(210,000)</u>	<u>1,085,000</u>	<u>210,000</u>
Total component units	<u>\$ 1,620,000</u>	<u>\$ -</u>	<u>\$ (250,000)</u>	<u>\$ 1,370,000</u>	<u>\$ 250,000</u>

NOTE 5 - LONG-TERM LIABILITIES (Continued)

At June 30, 2023, debt service requirements, with the exception of compensated absences, are as follows:

Year ended June 30:	General Obligation Bonds			
	Governmental activities		Component unit	
	Principal	Interest	Principal	Interest
2024	\$ 195,000	\$ 12,548	\$ 250,000	\$ 38,798
2025	175,000	7,812	260,000	32,492
2026	180,000	4,050	265,000	25,620
2027	-	-	270,000	18,420
2028	-	-	325,000	13,393
Totals	<u>\$ 550,000</u>	<u>\$ 24,410</u>	<u>\$ 1,370,000</u>	<u>\$ 128,723</u>

Year ended June 30:	Notes from Direct Borrowings and Direct Placements		Other Long-term Obligations	
	Installment Purchase Agreements		Revenue Bonds	
	Governmental Activities		Business-type activities	
June 30:	Principal	Interest	Principal	Interest
2024	\$ 30,107	\$ 10,136	\$ 550,000	\$ 35,324
2025	31,093	9,149	560,000	23,636
2026	32,112	8,131	552,300	11,736
2027	33,164	7,078	-	-
2028	34,251	5,992	-	-
2029 - 2032	148,602	12,369	-	-
Totals	<u>\$ 309,329</u>	<u>\$ 52,855</u>	<u>\$ 1,662,300</u>	<u>\$ 70,696</u>

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan description:

The City participates in the Municipal Employees’ Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:

Benefits provided include plans with multipliers ranging from 1.50% to 2.50% with an 80% or no max, depending on division. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with unreduced early retirement at 50 to 55, with 25 years of service, depending on division. Reduced early retirement age is 50 with 25 years of service or 55 with 15 years of service, depending on division. Final average compensation is calculated based on 3 to 5 years, depending on division. Member contributions are 0.00% to 6.25%, depending on division. Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Benefit terms may be subject to binding arbitration in certain circumstances.

Employees covered by benefit terms:

At the December 31, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>22</u>
 Total	 <u>91</u>

Contributions:

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 1.25% to 15.98% based on annual payroll for open divisions. Seven divisions closed to new employees had total annual employer contribution of \$681,413.

At June 30, 2023, there was \$63,394 consisting of both employer and employee contributions, outstanding and owed to the pension plan.

Net pension liability:

The City’s net pension liability reported at June 30, 2023, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2022. The total pension liability was determined by an annual actuarial valuation as of that date.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.00%	net of investment expense, including inflation

Mortality rates were based on scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of the actuarial experience studies covering 2014-2018 and dated 2020.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability</i> <i>(a) - (b)</i>
Balances at December 31, 2021	\$ 16,933,312	\$ 10,716,332	\$ 6,216,980
Changes for the year:			
Service cost	143,942	-	143,942
Interest	1,191,687	-	1,191,687
Difference between expected and actual experience	(684,267)	-	(684,267)
Changes in assumptions	-	-	-
Employer contributions	-	700,190	(700,190)
Employee contributions	-	68,309	(68,309)
Net investment income	-	(1,169,220)	1,169,220
Benefit payments, including refunds	(1,136,500)	(1,136,500)	-
Administrative expenses	-	(19,374)	19,374
Net changes	(485,138)	(1,556,595)	1,071,457
Balances at December 31, 2022	\$ 16,448,174	\$ 9,159,737	\$ 7,288,437

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net pension liability	\$ 9,098,751	\$ 7,288,437	\$ 5,767,369

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expenses when due and payable in accordance with benefit terms.

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense, deferred outflows of resources, and deferred inflows of resources related to the pension plan:

For the fiscal year ended June 30, 2023, the City recognized pension expense of \$490,234. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference in experience	\$ -	\$ 342,132
Net difference between projected and actual earnings on pension plan investments	890,329	-
Difference in assumptions	-	-
	<u>890,329</u>	<u>342,132</u>
Contributions made subsequent to the measurement date	<u>347,999</u>	-
Totals	<u>\$ 1,238,328</u>	<u>\$ 342,132</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$347,999 will be recognized as a reduction in the net pension liability in fiscal year 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense as follows:

<i>Year ended</i>	<i>Pension Expense</i>
2024	\$ (273,329)
2025	162,185
2026	272,916
2027	<u>386,425</u>
	<u>\$ 548,197</u>

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN (Continued)

Effective November 2011, as amended June 2019, the City Council established and adopted the Municipal Employees' Retirement System (MERS) 457 Supplemental Retirement Program Plan and Trust (the Plan) which is administered by MERS. The City Council can amend the Plan, as well as establish and amend the contribution requirements. The Plan is intended to qualify under Code Section 457(b) and the Plan is intended to be tax-exempt under Code Section 501(a). All full-time employees are eligible to participate in the defined contribution plan. The City is required to contribute 7% to 10% of earnings for all eligible employees.

The City's contributions to the Plan for the year ended June 30, 2023, totaled \$34,445.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City of Eaton Rapids Other Post-Employment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the City of Eaton Rapids. The Plan was established and is being funded under the authority of the City and under agreements with the unions representing various classes of employees. The Plan can be amended at the discretion of the City. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

Benefits Eligibility

Administration - Hired on or before 1/1/2019 and age 55 with 20 years of service.

Police - Hired on or before 7/1/2019 age 50 with 25 years of service.

Union - Age 50 with 25 years of service.

Benefits - Medical, Dental and Vision

Administration

Normal Retirement - Retiree must pay 2.5 % of the premium with the employer paying 97.5% of the full premium for an employee and spouse.

Early Retirement

If employee has not reached the age of 55 but has 20 years of service at retirement, the percent of premium paid by the employer will be the employee's age at retirement divided by 55.

If employee is age 55 but has less than 20 years of service at retirement, the percent of premium paid by the employer will be the employee's years of service divided by 20.

Police

Hired before 7/1/2013 - Retiree must pay 20% of the premium with the employer paying 80%.

Hired on or after 7/1/2013, but on or before 7/1/2019 - Retiree must pay 50% of the premium with the employer paying 50%

Union

Hired before 6/30/2018 - Retiree must pay 30% of the premium with the employer paying 70%.

Medicare - a fixed stipend amount coverage secondary to Medicare is available to the retiree and spouse provided that retiree and spouse are enrolled in Medicare at retiree's expense and continue to pay the percent of premium as summarized above. The retiree must enroll in Medicare when eligible. Payments of \$285 per month will be made on behalf of the retiree and spouse if married, into the Health Care Savings Account at MERS.

Summary of Plan Participants

At the June 30, 2023, valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	22
Active employees	<u>17</u>
Total	<u><u>39</u></u>

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

For the year ended June 30, 2023, the City’s only contributions were its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined through an actuarial valuation as of that date.

Actuarial Assumption

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using the following assumptions:

Inflation	2.50%	
Salary increases	3.00%	for purpose of allocating liability
Investment rate of return	7.00%	including inflation
20-yr Aa municipal bond rate	4.13%	(S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality		2010 Public General Employees and Health Retirees, Headcount weighted
Improvement Scale		MP-2021

The assumptions used in the June 30, 2022 valuation was determined by the City’s management as of June 30, 2023. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	60.00%	4.50%
Global fixed income	20.00%	2.00%
Private assets	20.00%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00%

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City will first use assets to pay benefits and then pay benefits on a pay-as-you-go basis. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members through 2024 -the cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20- year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2023, is as follows:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at June 30, 2022	\$ 1,780,304	\$ 319,250	\$ 1,461,054
Changes for the year:			
Service cost	31,759	-	31,759
Interest	121,415	-	121,415
Difference between expected and actual experience	(30,582)	-	(30,582)
Changes in assumptions	4,940	-	4,940
Employer contributions	-	224,773	(224,773)
Change in plan terms	-	-	-
Net investment income	-	27,184	(27,184)
Benefit payments, including refunds	(155,111)	(155,111)	-
Administrative expenses	-	(677)	677
Net changes	(27,579)	96,169	(123,748)
Balances at June 30, 2023	\$ 1,752,725	\$ 415,419	\$ 1,337,306

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.00%, as well as what the employer's net OPEB liability would be using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net OPEB liability	\$ 1,479,816	\$ 1,337,306	\$ 1,213,196

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
City's net OPEB liability	\$ 1,307,364	\$ 1,337,306	\$ 1,371,604

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB revenue of (\$87,677). At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 821,587	\$ 787,007
Net difference between projected and actual earnings on OPEB plan investments	14,685	-
Difference in assumptions	<u>403,629</u>	<u>743,530</u>
Totals	<u>\$ 1,239,901</u>	<u>\$ 1,530,537</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended</u>	<u>OPEB Expense</u>
2024	\$ (216,473)
2025	(218,765)
2026	(209,648)
2027	123,073
2028	166,983
Thereafter	<u>64,194</u>
	<u>\$ (290,636)</u>

NOTE 9 - INTERFUND TRANSFER

During the year ended June 30, 2023, the enterprise funds transferred \$633,727 to general fund and the equipment fund to cover its share of administration and equipment costs. The General fund transferred \$200,000 to the Equipment fund and nonmajor funds to cover its share of equipment use and to cover shortages in the nonmajor funds. Nonmajor fund transfers to the General Fund were to cover perpetual care costs and to close the Build Authority Debt Service Fund.

<u>Transfers in</u>		<u>Trasnfers out</u>	
		Enterprise	\$ 509,727
		Nonmajor	<u>26,960</u>
General	<u>\$ 536,687</u>		<u>536,687</u>
		Enterprise	124,000
		General	<u>40,000</u>
Internal Service	<u>164,000</u>		<u>164,000</u>
Nonmajor	<u>160,000</u>	General	<u>160,000</u>

NOTE 10 - CONTINGENT LIABILITIES

The City continues to monitor and perform annual testing of the City’s landfill that has been closed for several years. Environment, Great Lakes, and Energy (EGLE) requires that this maintenance be performed. At this time, it is impossible to predict with any accuracy what, if any, additional remedial work may be required by EGLE prior to approval for final closure of the landfill.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 - PROPERTY TAX REVENUE

The 2022 taxable valuation of the City approximated \$124,048,000, on which taxes levied consisted of 8.4071 mills for operating purposes, 0.8403 mills for parks, and 4.6679 mills for Sewer Debt raising approximately \$1,041,000 less captures for operating, \$104,000 less captures for parks, and \$577,900 for sewer debt, which is recognized in the financial statement as property tax revenue.

NOTE 12 - DETAILS OF FUND BALANCE CLASSIFICATIONS

The following details fund balance classifications as of June 30, 2023:

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Prepays	\$ 158,193	\$ 4,615	\$ 162,808
Restricted			-
Highways and streets	-	2,149,042	2,149,042
Act 302 training	-	24,141	24,141
Drug law enforcement	-	77	77
Capital projects	-	1,228	1,228
Cemetery perpetual care	-	68,453	68,453
Friends of the island	-	31,555	31,555
Assigned			-
Parks and recreation	-	41,077	41,077
Building department	-	74,504	74,504
Dog park	-	55	55
Unassigned	<u>2,129,655</u>	<u>-</u>	<u>2,129,655</u>
 Total Fund Balances	 <u>\$ 2,287,848</u>	 <u>\$ 2,394,747</u>	 <u>\$ 4,682,595</u>

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers' compensation, and employee medical costs 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 14 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 replaces GASB 16, *Accounting for Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the City's 2023 statements and had no effect on the beginning fund balance or net position in any fund.

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				
Taxes				
Property taxes	\$ 1,065,650	\$ 1,065,650	\$ 955,287	\$ (110,363)
Penalties and interest	4,000	4,000	42,309	38,309
Administration fees	55,000	55,000	66,179	11,179
Trailer fee	800	800	-	(800)
Total taxes	<u>1,125,450</u>	<u>1,125,450</u>	<u>1,063,775</u>	<u>(61,675)</u>
Licenses and permits				
Licenses	750	750	185	(565)
Franchise Fees	836,988	836,988	841,337	4,349
Zoning board of appeals	300	300	-	(300)
Total licenses and permits	<u>838,038</u>	<u>838,038</u>	<u>841,522</u>	<u>3,484</u>
Intergovernmental				
Federal grants	-	416,400	404,322	(12,078)
State grants	780,000	860,000	1,040,863	180,863
Contributions from local units	4,000	4,000	-	(4,000)
Total intergovernmental	<u>784,000</u>	<u>1,280,400</u>	<u>1,445,185</u>	<u>164,785</u>
Charges for services				
Grave openings	86,178	86,178	105,489	19,311
Fines and forfeitures				
	13,000	13,000	17,124	4,124
Investment return and rentals				
Interest	5,000	5,000	219,103	214,103
Rentals	55,050	55,050	59,762	4,712
Total interest and rentals	<u>60,050</u>	<u>60,050</u>	<u>278,865</u>	<u>218,815</u>
Other				
Donations	5,000	5,000	50	(4,950)
Reimbursements	-	-	4,733	4,733
Misc	76,000	76,000	133,809	57,809
Total other	<u>81,000</u>	<u>81,000</u>	<u>138,592</u>	<u>57,592</u>
Total revenues	<u>2,987,716</u>	<u>3,484,116</u>	<u>3,890,552</u>	<u>406,436</u>
EXPENDITURES				
Current				
General government				
City council	35,175	41,875	49,702	(7,827)
City manager	46,951	106,551	133,196	(26,645)
General election	17,250	19,250	12,944	6,306
Assessor	61,000	61,000	64,766	(3,766)
Treasurer	54,550	75,550	130,550	(55,000)
City clerk	54,050	67,050	100,089	(33,039)
Board of review	500	500	370	130
Building and grounds	20,000	31,000	28,271	2,729
Other	223,600	516,900	225,976	290,924
Total general government	<u>513,076</u>	<u>919,676</u>	<u>745,864</u>	<u>173,812</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Public safety				
Police	\$ 1,298,409	\$ 1,298,409	\$ 1,226,169	\$ 72,240
Fire	271,525	271,525	197,272	74,253
Building department	15,050	15,050	16,664	(1,614)
Total public safety	<u>1,584,984</u>	<u>1,584,984</u>	<u>1,440,105</u>	<u>144,879</u>
Public works				
Public works	766,300	775,700	635,556	140,144
Cemetery	123,250	123,250	118,808	4,442
Total public works	<u>889,550</u>	<u>898,950</u>	<u>754,364</u>	<u>144,586</u>
Community and economic development				
Planning and zoning	16,700	101,000	100,396	604
Community development	20,000	20,000	-	20,000
Total community and economic development	<u>36,700</u>	<u>121,000</u>	<u>100,396</u>	<u>20,604</u>
Health and welfare	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Recreation and culture				
Library	20,500	16,000	13,856	2,144
Other	-	600	4,478	(3,878)
Total recreation and culture	<u>20,500</u>	<u>16,600</u>	<u>18,334</u>	<u>(1,734)</u>
Capital outlay	<u>115,500</u>	<u>115,500</u>	<u>-</u>	<u>115,500</u>
Debt service				
Principal	30,000	30,000	29,152	848
Interest	12,000	12,000	11,091	909
Total expenditures	<u>3,216,310</u>	<u>3,712,710</u>	<u>3,099,306</u>	<u>613,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(228,594)</u>	<u>(228,594)</u>	<u>791,246</u>	<u>1,019,840</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	560,000	560,000	536,687	(23,313)
Transfers out:	<u>(396,250)</u>	<u>(396,250)</u>	<u>(200,000)</u>	<u>196,250</u>
Net other financing sources (uses)	<u>163,750</u>	<u>163,750</u>	<u>336,687</u>	<u>172,937</u>
NET CHANGES IN FUND BALANCES	<u>(64,844)</u>	<u>(64,844)</u>	<u>1,127,933</u>	<u>1,192,777</u>
FUND BALANCES - BEGINNING	<u>1,159,915</u>	<u>1,159,915</u>	<u>1,159,915</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,095,071</u>	<u>\$ 1,095,071</u>	<u>\$ 2,287,848</u>	<u>\$ 1,192,777</u>

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:									
Service cost	\$ 143,942	\$ 150,815	\$ 177,390	\$ 184,609	\$ 189,258	\$ 195,392	\$ 204,593	\$ 204,313	\$ 183,651
Interest	1,191,687	1,212,856	1,212,063	1,169,163	1,148,388	1,133,114	1,113,118	996,015	996,054
Differences between expected and actual experience	(684,267)	(349,534)	(668,869)	516,313	(48,907)	(163,693)	(120,921)	456,514	-
Changes in assumptions	-	585,187	394,458	543,372	-	-	-	672,241	-
Benefit payments, including employee refunds	(1,136,500)	(1,098,459)	(1,084,204)	(1,068,156)	(985,309)	(956,317)	(928,190)	(864,911)	(761,548)
Other changes	-	-	1	-	-	-	4	31,125	(1)
Net change in total pension liability	(485,138)	500,865	30,839	1,345,301	303,430	208,496	268,604	1,495,297	418,156
Total pension liability, beginning of year	16,933,312	16,432,447	16,401,608	15,056,307	14,752,877	14,544,381	14,275,777	12,780,480	12,362,324
Total pension liability, end of year	<u>\$ 16,448,174</u>	<u>\$ 16,933,312</u>	<u>\$ 16,432,447</u>	<u>\$ 16,401,608</u>	<u>\$ 15,056,307</u>	<u>\$ 14,752,877</u>	<u>\$ 14,544,381</u>	<u>\$ 14,275,777</u>	<u>\$ 12,780,480</u>
Plan fiduciary net position:									
Contributions - employer	\$ 700,190	\$ 643,250	\$ 552,579	\$ 529,993	\$ 482,265	\$ 460,910	\$ 380,873	\$ 400,477	\$ 386,982
Contributions - employee	68,309	75,909	80,438	74,525	75,471	76,225	74,369	78,082	79,309
Net investment income (loss)	(1,169,220)	1,298,308	1,224,192	1,121,146	(347,836)	1,111,084	904,943	(127,375)	529,900
Benefit payments, including employee refunds	(1,136,500)	(1,098,459)	(1,084,204)	(1,068,156)	(985,309)	(956,317)	(928,190)	(864,911)	(761,548)
Administrative expenses	(19,374)	(15,414)	(17,881)	(19,292)	(17,600)	(17,622)	(17,889)	(18,667)	(19,419)
Net change in plan fiduciary net position	(1,556,595)	903,594	755,124	638,216	(793,009)	674,280	414,106	(532,394)	215,224
Plan fiduciary net position, beginning of year	10,716,332	9,812,738	9,057,614	8,419,398	9,212,407	8,538,127	8,124,021	8,656,415	8,441,191
Plan fiduciary net position, end of year	<u>\$ 9,159,737</u>	<u>\$ 10,716,332</u>	<u>\$ 9,812,738</u>	<u>\$ 9,057,614</u>	<u>\$ 8,419,398</u>	<u>\$ 9,212,407</u>	<u>\$ 8,538,127</u>	<u>\$ 8,124,021</u>	<u>\$ 8,656,415</u>
City's net pension liability, end of year	<u>\$ 7,288,437</u>	<u>\$ 6,216,980</u>	<u>\$ 6,619,709</u>	<u>\$ 7,343,994</u>	<u>\$ 6,636,909</u>	<u>\$ 5,540,470</u>	<u>\$ 6,006,254</u>	<u>\$ 6,151,756</u>	<u>\$ 4,124,065</u>
Plan fiduciary net position as a percent of total pension liability	56%	63%	60%	55%	56%	62%	59%	57%	68%
Covered payroll	\$ 1,448,720	\$ 1,584,982	\$ 1,864,854	\$ 1,904,311	\$ 1,919,070	\$ 1,860,156	\$ 1,970,006	\$ 2,030,058	\$ 1,750,141
City's net pension liability as a percentage of covered payroll	503%	392%	355%	386%	346%	298%	305%	303%	236%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Year ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service cost	\$ 31,759	\$ 181,255	\$ 127,993	\$ 364,251	\$ 353,279	\$ 342,989
Interest on total OPEB liability	121,415	97,481	152,862	312,942	302,250	288,279
Differences between expected and actual experience	(30,582)	(1,243,928)	27,243	1,377,195	28,012	-
Change in benefit terms	-	(540,474)	-	(7,931,229)	-	-
Changes in assumptions	4,940	(906,046)	648,483	(326,210)	-	-
Benefit payments	<u>(155,111)</u>	<u>(155,947)</u>	<u>(310,380)</u>	<u>(324,644)</u>	<u>(351,649)</u>	<u>(310,031)</u>
Net change in total OPEB liability	(27,579)	(2,567,659)	646,201	(6,527,695)	331,892	321,237
Total OPEB liability, beginning of year	<u>1,780,304</u>	<u>4,347,963</u>	<u>3,701,762</u>	<u>10,229,457</u>	<u>9,897,565</u>	<u>9,576,328</u>
Total OPEB liability, end of year	<u>\$ 1,752,725</u>	<u>\$ 1,780,304</u>	<u>\$ 4,347,963</u>	<u>\$ 3,701,762</u>	<u>\$ 10,229,457</u>	<u>\$ 9,897,565</u>
Plan fiduciary net position:						
Contributions to OPEB trust	\$ 69,662	\$ -	\$ -	\$ 140,000	\$ 140,000	\$ -
Contributions - employer	155,111	155,947	310,380	324,644	351,649	310,031
Net investment income (loss)	27,184	(28,683)	66,350	470	2,328	-
Benefit payments	(155,111)	(155,947)	(310,380)	(324,644)	(351,649)	(310,031)
Administrative expenses	<u>(677)</u>	<u>(625)</u>	<u>(578)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>
Net change in plan fiduciary net position	96,169	(29,308)	65,772	140,470	142,316	-
Plan fiduciary net position, beginning of year	<u>319,250</u>	<u>348,558</u>	<u>282,786</u>	<u>142,316</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position, end of year	<u>\$ 415,419</u>	<u>\$ 319,250</u>	<u>\$ 348,558</u>	<u>\$ 282,786</u>	<u>\$ 142,316</u>	<u>\$ -</u>
City's net OPEB liability, end of year	<u>\$ 1,337,306</u>	<u>\$ 1,461,054</u>	<u>\$ 3,999,405</u>	<u>\$ 3,418,976</u>	<u>\$ 10,087,141</u>	<u>\$ 9,897,565</u>
Plan fiduciary net position as a percent of total OPEB liability	24%	18%	8%	8%	1%	0%
Covered payroll	\$ 722,623	\$ 1,141,514	\$ 1,639,787	\$ 1,475,429	\$ 2,826,837	\$ 2,171,316
City's net OPEB liability as a percentage of covered payroll	185%	128%	244%	232%	357%	456%

Note: This schedule is being built prospectively after the implementation of GASB 75 in fiscal year 2018.

Ultimately, ten years of data will be presented.

SCHEDULE OF CITY EMPLOYER OPEB CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annually determined contributions	\$ 217,932	\$ 397,608	\$ 377,342	\$ 1,178,224	\$ 1,115,623	\$ 996,959
Contributions in relation to the annually determined contributions	<u>155,111</u>	<u>155,947</u>	<u>310,380</u>	<u>464,644</u>	<u>491,649</u>	<u>310,031</u>
Contribution deficiency	<u>\$ 62,821</u>	<u>\$ 241,661</u>	<u>\$ 66,962</u>	<u>\$ 713,580</u>	<u>\$ 623,974</u>	<u>\$ 686,928</u>
Covered payroll	<u>\$ 722,623</u>	<u>\$ 1,141,514</u>	<u>\$ 1,639,787</u>	<u>\$ 1,475,429</u>	<u>\$ 2,826,837</u>	<u>\$ 2,171,316</u>
Contributions as a percentage of covered payroll	21%	14%	19%	31%	17%	14%

Methods and assumptions used to determine actuarial determined contribution:

Valuation date	June 30, 2022																																		
Measurement date	June 30, 2023																																		
Actuarial methods:																																			
Cost method	Entry age normal (level percent of compensation)																																		
Asset valuation method	Market value																																		
Actuarial assumptions:																																			
Discount rate	7.00% for 2023 contribution, liability and 2024 contribution																																		
20-year Aa Municipal Bond Rate	4.13% (S&P Municipal Bond 20-Year High Grade Rate Index)																																		
Salary scale	3.00%																																		
Return on plan assets	7.00%																																		
Mortality rates	2010 Public General and Public Safety Employees and Healthy Retirees, headcount weighted; MP-2021 improvement																																		
Utilization	100% of future retirees will elect coverage at retirement; actual coverage used for non-active																																		
Termination rates	None																																		
Retirement rates	See rates below:																																		
	<table border="1"> <thead> <tr> <th>Age</th> <th>Rate</th> </tr> </thead> <tbody> <tr><td>50-54</td><td>3%</td></tr> <tr><td>55</td><td>4%</td></tr> <tr><td>56-58</td><td>4%</td></tr> <tr><td>59-61</td><td>15%</td></tr> <tr><td>62</td><td>30%</td></tr> <tr><td>63</td><td>50%</td></tr> <tr><td>64</td><td>70%</td></tr> <tr><td>65</td><td>100%</td></tr> </tbody> </table>	Age	Rate	50-54	3%	55	4%	56-58	4%	59-61	15%	62	30%	63	50%	64	70%	65	100%																
Age	Rate																																		
50-54	3%																																		
55	4%																																		
56-58	4%																																		
59-61	15%																																		
62	30%																																		
63	50%																																		
64	70%																																		
65	100%																																		
Marital assumption	60% of future retirees will have a covered spouse at retirement with males three years older than females; actual single/double coverage used for retirees																																		
Claims costs	See rates (annual) below:																																		
	<table border="1"> <thead> <tr> <th>Age</th> <th>Annual Costs</th> </tr> </thead> <tbody> <tr><td>50</td><td>\$ 9,247</td></tr> <tr><td>51</td><td>9,646</td></tr> <tr><td>52</td><td>10,084</td></tr> <tr><td>53</td><td>10,528</td></tr> <tr><td>54</td><td>11,006</td></tr> <tr><td>55</td><td>11,485</td></tr> <tr><td>56</td><td>12,003</td></tr> <tr><td>57</td><td>12,527</td></tr> <tr><td>58</td><td>13,085</td></tr> <tr><td>59</td><td>13,366</td></tr> <tr><td>60</td><td>13,925</td></tr> <tr><td>61</td><td>14,409</td></tr> <tr><td>62</td><td>14,731</td></tr> <tr><td>63</td><td>15,131</td></tr> <tr><td>64</td><td>15,379</td></tr> <tr><td>65</td><td>3,420</td></tr> </tbody> </table>	Age	Annual Costs	50	\$ 9,247	51	9,646	52	10,084	53	10,528	54	11,006	55	11,485	56	12,003	57	12,527	58	13,085	59	13,366	60	13,925	61	14,409	62	14,731	63	15,131	64	15,379	65	3,420
Age	Annual Costs																																		
50	\$ 9,247																																		
51	9,646																																		
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61	14,409																																		
62	14,731																																		
63	15,131																																		
64	15,379																																		
65	3,420																																		
Implicit subsidy	Not applicable																																		
Medical trend rates	Pre-65 - 7.25% graded down to 4.5% by 0.25% per year Medicare eligible - N/A; fixed stipend provided at retirement																																		

Assumption changes since prior valuation:

Trend rates updated to those prescribed by PA 202 for year 2023

Assumptions used for PA 202 Reporting

Discount Rate 6.85%

Note: This schedule is being built prospectively after the implementation of GASB 75 in fiscal year 2018.

Ultimately, ten years of data will be presented.

SCHEDULE OF CITY EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	6.54%	-8.8%	20.8%	0.2%	3.3%	0%

SUPPLEMENTARY INFORMATION

	Special				Revenue Funds						Debt Service	Capital Project	Permanent Funds		Total
	Major Streets	Local Streets	Eaton County Road Fund	Act 302 Training	Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	ARPA	Dog Park	Building Authority Debt	Capital Project	Cemetery Perpetual Care	Friends of the Island	
ASSETS															
Cash and investments	\$ 1,130,716	\$ 697,439	\$ 216,922	\$ 24,141	\$ 50,791	\$ 78,709	\$ 77	\$ -	\$ -	\$ 55	\$ -	\$ 1,228	\$ 68,453	\$ 31,555	\$ 2,300,086
Due from other governmental units	92,101	31,804	-	-	2,440	-	-	-	-	-	-	-	-	-	126,345
Prepaid expenditures	-	-	-	-	1,992	2,623	-	-	-	-	-	-	-	-	4,615
Total assets	\$ 1,222,817	\$ 729,243	\$ 216,922	\$ 24,141	\$ 55,223	\$ 81,332	\$ 77	\$ -	\$ -	\$ 55	\$ -	\$ 1,228	\$ 68,453	\$ 31,555	\$ 2,431,046
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$ 18,558	\$ 392	\$ -	\$ -	\$ 3,685	\$ 787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,422
Accrued wages payable	625	365	-	-	8,469	3,418	-	-	-	-	-	-	-	-	12,877
Total liabilities	19,183	757	-	-	12,154	4,205	-	-	-	-	-	-	-	-	36,299
Fund balances:															
Nonspendable	-	-	-	-	1,992	2,623	-	-	-	-	-	-	-	-	4,615
Restricted	1,203,634	728,486	216,922	24,141	-	-	77	-	-	-	1,228	68,453	31,555	-	2,274,496
Assigned	-	-	-	-	41,077	74,504	-	-	-	55	-	-	-	-	115,636
Total fund balances	1,203,634	728,486	216,922	24,141	43,069	77,127	77	-	-	55	1,228	68,453	31,555	-	2,394,747
Total liabilities and fund balances	\$ 1,222,817	\$ 729,243	\$ 216,922	\$ 24,141	\$ 55,223	\$ 81,332	\$ 77	\$ -	\$ -	\$ 55	\$ -	\$ 1,228	\$ 68,453	\$ 31,555	\$ 2,431,046

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - nonmajor governmental funds

Year ended June 30, 2023

	Special				Revenue Funds						Debt Service	Capital Project	Permanent Funds		Total
	Major Streets	Local Streets	Eaton County Road Fund	Act 302 Training	Parks and Recreation	Building Department	Drug Law Enforcement	MSHDA CDBG	ARPA	Dog Park	Building Authority Debt	Capital Project	Cemetery Perpetual Care	Friends of the Island	
REVENUES															
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 96,239	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,239
Licenses and permits	-	-	-	-	-	71,825	-	-	-	-	-	-	-	-	71,825
Intergovernmental															
Federal grants	-	-	-	-	-	-	-	130,111	-	-	-	-	-	-	130,111
State grants	542,682	187,412	-	-	44,077	-	-	-	-	-	-	-	-	-	774,171
Contributions from local units	7,304	-	173,387	-	-	-	-	-	-	-	-	-	-	-	180,691
Charges for services	-	-	-	-	62,645	-	-	-	-	-	-	-	4,600	-	67,245
Interest	4,000	1,000	-	-	-	-	-	-	-	-	4	-	-	-	5,004
Other	-	-	-	550	12,105	4,240	-	-	-	-	-	-	-	-	16,895
Total revenues	553,986	188,412	173,387	550	215,066	76,065	-	130,111	-	4	-	4,600	-	1,342,181	
EXPENDITURES															
Current:															
General government	-	-	-	-	-	-	-	41,507	-	-	-	-	-	-	41,507
Public safety	-	-	-	-	-	199,933	-	-	-	-	-	-	-	-	199,933
Public works	372,096	88,873	-	-	-	-	16,670	-	-	-	-	-	-	-	477,639
Recreation and culture	-	-	-	-	355,980	-	-	-	-	-	-	-	-	-	355,980
Capital outlay	-	-	-	-	-	-	-	88,604	-	-	-	-	-	-	88,604
Debt service:															
Principal retirement	20,000	-	165,000	-	-	-	-	-	-	-	-	-	-	-	185,000
Interest and other charges	1,380	-	14,515	-	-	-	-	-	-	-	-	-	-	-	15,895
Total expenditures	393,476	88,873	179,515	-	355,980	199,933	-	16,670	130,111	-	-	-	-	1,364,558	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	160,510	99,539	(6,128)	550	(140,914)	(123,868)	-	(16,670)	-	4	-	4,600	-	(22,377)	
OTHER FINANCING SOURCES (USES)															
Transfers in	-	-	-	-	160,000	-	-	-	-	-	-	-	-	-	160,000
Transfers out	-	-	-	-	-	-	-	-	-	-	(16,960)	-	(10,000)	-	(26,960)
Net other financing sources (uses)	-	-	-	-	160,000	-	-	-	-	-	(16,960)	-	(10,000)	-	133,040
NET CHANGES IN FUND BALANCES	160,510	99,539	(6,128)	550	19,086	(123,868)	-	(16,670)	-	-	(16,956)	-	(5,400)	-	110,663
FUND BALANCES - BEGINNING	1,043,124	628,947	223,050	23,591	23,983	200,995	77	16,670	-	55	16,956	1,228	73,853	31,555	2,284,084
FUND BALANCES - ENDING	\$ 1,203,634	\$ 728,486	\$ 216,922	\$ 24,141	\$ 43,069	\$ 77,127	\$ 77	\$ -	\$ -	\$ 55	\$ -	\$ 1,228	\$ 68,453	\$ 31,555	\$ 2,394,747

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - utility fund

Year ended June 30, 2023

	<i>Electric Department</i>	<i>Water Department</i>	<i>Sewage Department</i>	<i>Total</i>
OPERATING REVENUES				
Charges for services:	\$ 11,987,973	\$ 953,194	\$ 1,124,791	\$ 14,065,958
Fine and forfeitures	94,997	-	-	94,997
Other	25,783	1,120	67,515	94,418
	<u>12,108,753</u>	<u>954,314</u>	<u>1,192,306</u>	<u>14,255,373</u>
Total operating revenues				
OPERATING EXPENSES				
Personal services	955,731	294,506	443,681	1,693,918
Contractual services	158,444	102,526	203,684	464,654
Supplies	135,344	113,016	37,960	286,320
Energy charges	8,576,111	-	-	8,576,111
Utilities	5,986	65,518	185,490	256,994
Telephone	9,464	4,039	3,679	17,182
Maintenance	109,360	44,872	93,095	247,327
Franchise Fees	806,988	-	-	806,988
Reduction in pension liability	-	-	(1,490,015)	(1,490,015)
Other expense	35,599	12,037	23,537	71,173
Depreciation	293,616	289,416	540,377	1,123,409
	<u>11,086,643</u>	<u>925,930</u>	<u>41,488</u>	<u>12,054,061</u>
Total operating expenses				
OPERATING INCOME (LOSS)	<u>1,022,110</u>	<u>28,384</u>	<u>1,150,818</u>	<u>2,201,312</u>
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	580,008	580,008
Local community stabilization	-	-	253,648	253,648
Interest Income	-	-	545	545
Interest expense	-	-	(45,472)	(45,472)
	<u>-</u>	<u>-</u>	<u>788,729</u>	<u>788,729</u>
Net nonoperating revenues (expenses)				
INCOME (LOSS) BEFORE TRANSFERS	1,022,110	28,384	1,939,547	2,990,041
TRANSFERS				
Transfers out	(124,000)	-	(509,727)	(633,727)
	<u>(124,000)</u>	<u>-</u>	<u>(509,727)</u>	<u>(633,727)</u>
Total transfers				
CHANGES IN NET POSITION	<u>898,110</u>	<u>28,384</u>	<u>1,429,820</u>	<u>2,356,314</u>

STATEMENT OF NET POSITION - *internal service funds*

June 30, 2023

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and investments	\$ 333,179	\$ 200,720	\$ 533,899
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u> -</u>	<u> 472,457</u>	<u> 472,457</u>
Total assets	<u> 333,179</u>	<u> 673,177</u>	<u> 1,006,356</u>
NET POSITION			
Investment in capital assets	-	472,457	472,457
Unrestricted	<u> 333,179</u>	<u> 200,720</u>	<u> 533,899</u>
Total net position	<u>\$ 333,179</u>	<u>\$ 673,177</u>	<u> 1,006,356</u>

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

Year ended June 30, 2023

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
OPERATING REVENUES			
Contributions	\$ 3,153	\$ -	\$ 3,153
OPERATING EXPENSES			
Other expense	73,991	39,802	113,793
Depreciation	-	112,886	112,886
Total operating expenses	73,991	152,688	226,679
OPERATING INCOME (LOSS)	(70,838)	(152,688)	(223,526)
NONOPERATING REVENUES (EXPENSES)			
Gain on asset sale	-	9,514	9,514
INCOME (LOSS) BEFORE TRANSFERS	(70,838)	(143,174)	(214,012)
TRANSFERS			
Transfers in	-	164,000	164,000
CHANGES IN NET POSITION	(70,838)	20,826	(50,012)
NET POSITION - BEGINNING	404,017	652,351	1,056,368
NET POSITION - ENDING	\$ 333,179	\$ 673,177	\$ 1,006,356

STATEMENT OF CASH FLOWS - internal service funds

Year ended June 30, 2023

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from contributions	\$ 3,153	\$ -	\$ 3,153
Cash paid for employee benefits	(73,991)	-	(73,991)
Cash paid to suppliers	-	(39,802)	(39,802)
Net cash provided by (used in) operating activities	<u>(70,838)</u>	<u>(39,802)</u>	<u>(110,640)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	164,000	164,000
Receipt from interfund balances	105,168	473,332	578,500
Payments on interfund balances	-	(371,673)	(371,673)
Net cash provided by (used in) noncapital financing activities	<u>105,168</u>	<u>265,659</u>	<u>370,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of assets	-	9,514	9,514
Payment on capital lease	-	(33,294)	(33,294)
Interest paid	-	(1,357)	(1,357)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(25,137)</u>	<u>(25,137)</u>
NET CHANGE IN CASH	<u>34,330</u>	<u>200,720</u>	<u>235,050</u>
CASH - BEGINNING	<u>298,849</u>	<u>-</u>	<u>298,849</u>
CASH - ENDING	<u>\$ 333,179</u>	<u>\$ 200,720</u>	<u>\$ 533,899</u>

STATEMENT OF CASH FLOWS - internal service funds (Continued)

Year ended June 30, 2023

	<i>Public Employee Benefit</i>	<i>Motor Pool Fund</i>	<i>Total</i>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (70,838)	\$ (152,688)	\$ (223,526)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	112,886	112,886
Net cash provided by (used in) operating activities	<u>\$ (70,838)</u>	<u>\$ (39,802)</u>	<u>\$ (110,640)</u>

BALANCE SHEET - component units

Year ended June 30, 2023

	<u>Downtown Development Authority</u>	<u>LDFA Island Industrial Park</u>
ASSETS		
Cash	\$ 29,003	\$ 1,360,100
Receivables	24,650	-
Prepays	<u>200</u>	<u>233</u>
Total assets	<u>\$ 53,853</u>	<u>\$ 1,360,333</u>
LIABILITIES AND FUND BALANCE		
Liabilities - payables	<u>\$ 81</u>	<u>\$ 1,896</u>
Fund balance - unrestricted	<u>53,772</u>	<u>1,358,437</u>
Total liabilities and fund balance	<u>\$ 53,853</u>	<u>\$ 1,360,333</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balance	\$ 53,772	\$ 1,358,437
Amounts reported for the <i>component unit</i> in the statement of net position (above) are different because:		
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	722,434	1,568,799
Interest payable is not due and payable in the current period and, therefore, is not reported in the fund.	(1,033)	(2,046)
Deferred outflows of resources, related to net pension liability	-	8,916
Deferred outflows of resources, related to net OPEB liability	-	20,210
Deferred outflows of resources, related to bond refunding	-	68,190
Deferred inflows of resources, related to net pension liability	-	(2,463)
Deferred inflows of resources, related to net OPEB liability	-	(20,252)
Net pension liability	-	(52,477)
Net OPEB liability	-	(18,292)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund.	<u>(285,000)</u>	<u>(1,085,000)</u>
Net position of the <i>component unit</i>	<u>\$ 490,173</u>	<u>\$ 1,844,022</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - component units

Year ended June 30, 2023

	<u>Downtown Development Authority</u>	<u>LDFA Island Industrial Park</u>
REVENUES		
Tax increment financing	\$ 100,754	\$ 97,351
State grant	25,569	-
	<u>126,323</u>	<u>97,351</u>
EXPENDITURES		
Current:		
Community and economic development	108,479	75,012
Capital outlay	-	27,667
Debt service:		
Principal	40,000	210,000
Interest	8,250	28,643
	<u>156,729</u>	<u>341,322</u>
Total expenditures		
	<u>156,729</u>	<u>341,322</u>
NET CHANGE IN FUND BALANCE	(30,406)	(243,971)
FUND BALANCE - BEGINNING	<u>84,178</u>	<u>1,602,408</u>
FUND BALANCE - ENDING	<u>\$ 53,772</u>	<u>\$ 1,358,437</u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net change in fund balance - component units (above)	\$ (30,406)	\$ (243,971)
Capital assets:		
Capital asset acquisitions	-	27,667
Provision for depreciation	(8,347)	(77,886)
Long-term debt:		
Principal payments	40,000	210,000
Changes in other liabilities:		
Net decrease in net OPEB liabilities	-	2,017
Net decrease in interest payable	308	341
Net decrease in net pension liability	-	211,580
Changes in deferred outflows of resources and deferred inflows of resources:		
Net decrease in deferred outflows of resources related to OPEB	-	(325)
Net increase in deferred inflows of resources related to OPEB	-	6,946
Net decrease in deferred outflows of resources related to pension	-	(13,805)
Net decrease in deferred inflows of resources related to pension	-	31,331
Net decrease in deferred outflows of resources related to bond refunding	<u>-</u>	<u>(13,637)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,555</u>	<u>\$ 140,258</u>

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

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				
Tax increment financing	\$ 89,000	\$ 89,000	\$ 100,754	\$ 11,754
State grant	5,000	5,000	25,569	20,569
Intergovernmental	20,000	20,000	-	(20,000)
Interest	100	100	-	(100)
Other	10,000	10,000	-	(10,000)
	<u>124,100</u>	<u>124,100</u>	<u>126,323</u>	<u>2,223</u>
Total revenues				
EXPENDITURES				
Community and economic development	106,025	106,025	108,479	(2,454)
Debt service:				
Principal	40,000	40,000	40,000	-
Interest	22,608	22,608	8,250	14,358
	<u>168,633</u>	<u>168,633</u>	<u>156,729</u>	<u>11,904</u>
Total expenditures				
NET CHANGES IN FUND BALANCES	(44,533)	(44,533)	(30,406)	14,127
FUND BALANCES - BEGINNING	<u>84,178</u>	<u>84,178</u>	<u>84,178</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 39,645</u>	<u>\$ 39,645</u>	<u>\$ 53,772</u>	<u>\$ 14,127</u>

BUDGETARY COMPARISON SCHEDULE - LDFA Island Industrial Park

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				
Tax increment financing	\$ 91,800	\$ 91,800	\$ 97,351	\$ 5,551
State grant	151,000	151,000	-	(151,000)
Interest	9,000	9,000	-	(9,000)
Total revenues	<u>251,800</u>	<u>251,800</u>	<u>97,351</u>	<u>(154,449)</u>
EXPENDITURES				
Community and economic development	68,975	76,975	75,012	1,963
Capital outlay	-	55,000	27,667	27,333
Debt service:				
Principal	210,000	210,000	210,000	-
Interest	29,143	29,143	28,643	500
Total expenditures	<u>308,118</u>	<u>371,118</u>	<u>341,322</u>	<u>29,796</u>
NET CHANGES IN FUND BALANCES	(56,318)	(119,318)	(243,971)	(124,653)
FUND BALANCES - BEGINNING	<u>1,602,408</u>	<u>1,602,408</u>	<u>1,602,408</u>	-
FUND BALANCES - ENDING	<u>\$ 1,546,090</u>	<u>\$ 1,483,090</u>	<u>\$ 1,358,437</u>	<u>\$ (124,653)</u>