



CITY OF BUCHANAN

FINANCIAL REPORT

June 30, 2023



CITY OF BUCHANAN
Berrien County, Michigan
June 30, 2023

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Berrien County, Michigan
June 30, 2023

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INDEPENDENT AUDITOR’S REPORT

To the City Commission
City of Buchanan, Michigan

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 Buchanan, 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 table of 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 aggregate 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 ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 current 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,



Kruggel Lawton & Company, LLC

St. Joseph, Michigan
January 31, 2024

As management of City of Buchanan, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2023.

Financial Highlights

- The City received \$261,946 in marihuana excise tax revenue from the State of Michigan.
- The City paid \$282,200 in governmental fixed asset additions during the year.
- The City issued bonds in the amount of \$5,001,971, including premium and discount, during the year in the new Building Authority Construction fund for the purpose of constructing a new Department of Public Works facility.
- Investment earnings totaled \$132,897, a significant increase from \$22,081 the prior year.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 10,391,637	\$ 6,022,123	\$ 3,240,041	\$ 3,404,721	\$ 13,631,678	\$ 9,426,844
Noncurrent assets	69,333	487,475	588,334	813,592	657,667	1,301,067
Capital assets	4,131,376	4,364,005	14,013,555	15,389,327	18,144,931	19,753,332
Total Assets	\$ 14,592,346	\$ 10,873,603	\$ 17,841,930	\$ 19,607,640	\$ 32,434,276	\$ 30,481,243
Deferred Outflows of Resources	\$ 419,605	\$ 174,277	\$ 512,850	\$ 213,005	\$ 932,455	\$ 387,282
Current liabilities	\$ 487,136	\$ 795,613	\$ 301,016	\$ 177,877	\$ 788,152	\$ 973,490
Long-term Liabilities	5,501,955	169,294	10,542,571	10,515,780	16,044,526	10,685,074
Total Liabilities	\$ 5,989,091	\$ 964,907	\$ 10,843,587	\$ 10,693,657	\$ 16,832,678	\$ 11,658,564
Deferred Inflows of Resources	\$ 32,311	\$ 438,620	\$ 39,491	\$ 419,520	\$ 71,802	\$ 858,140
Net Position						
Net investment in capital assets	\$ 4,131,376	\$ 4,342,285	\$ 4,521,889	\$ 5,239,532	\$ 8,653,265	\$ 9,581,817
Restricted	1,592,195	1,621,364	-	-	1,592,195	1,621,364
Unrestricted	3,266,978	3,680,704	2,949,813	3,467,936	6,216,791	7,148,640
Total Net Position	\$ 8,990,549	\$ 9,644,353	\$ 7,471,702	\$ 8,707,468	\$ 16,462,251	\$ 18,351,821

The City's combined net position decreased 10.3 percent from a year ago, decreasing from \$18,351,821 to \$16,462,251.

As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net position decreased by 6.8 percent, from \$9,644,353 to \$8,990,549, while business type activities net position decreased by 14.2 percent, from \$8,707,468 to \$7,471,702.

The City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues:						
Charges for Services	\$ 205,512	\$ 301,678	\$ 2,966,966	\$ 2,655,303	\$ 3,172,478	\$ 2,956,981
Operating Grants	1,045,617	760,357	-	-	1,045,617	760,357
General Revenues:						
Property Taxes	1,959,703	1,906,330	-	-	1,959,703	1,906,330
Intergovernmental	1,058,663	1,044,586	-	-	1,058,663	1,044,586
Investment Earnings	91,753	22,081	41,144	-	132,897	22,081
Other Revenue:						
Cable Franchise Fee	43,433	47,789	-	-	43,433	47,789
Other Miscellaneous Income	158,172	227,428	-	-	158,172	227,428
Total Revenues	<u>\$ 4,562,853</u>	<u>\$ 4,310,249</u>	<u>\$ 3,008,110</u>	<u>\$ 2,655,303</u>	<u>\$ 7,570,963</u>	<u>\$ 6,965,552</u>
Program Expenses:						
General Government	\$ 1,177,247	\$ 1,475,197	\$ -	\$ -	\$ 1,177,247	\$ 1,475,197
Public Safety	1,435,383	1,315,516	-	-	1,435,383	1,315,516
Public Works	2,291,562	1,665,853	-	-	2,291,562	1,665,853
Recreation and Culture	318,265	90,154	-	-	318,265	90,154
Water and Sewer	-	-	4,238,076	3,833,637	4,238,076	3,833,637
Total Expenses	<u>\$ 5,222,457</u>	<u>\$ 4,546,720</u>	<u>\$ 4,238,076</u>	<u>\$ 3,833,637</u>	<u>\$ 9,460,533</u>	<u>\$ 8,380,357</u>
Transfers	5,800	11,600	(5,800)	(11,600)	-	-
Change in Net Position	(653,804)	(224,871)	(1,235,766)	(1,189,934)	(1,889,570)	(1,414,805)
Net Position - Beginning of Year	<u>9,644,353</u>	<u>9,869,224</u>	<u>8,707,468</u>	<u>9,897,402</u>	<u>18,351,821</u>	<u>19,766,626</u>
Net Position - End of Year	<u>\$ 8,990,549</u>	<u>\$ 9,644,353</u>	<u>\$ 7,471,702</u>	<u>\$ 8,707,468</u>	<u>\$ 16,462,251</u>	<u>\$ 18,351,821</u>

Governmental Activities

Compared to the prior fiscal year, governmental activities revenue increased from \$4,310,249 to \$4,685,846, an increase of 8.7 percent, primarily due to an increase in property taxes and operating grants. Governmental expenses increased during the year from \$4,546,720 to \$5,222,457, an increase of 14.9 percent, primarily related to public safety and public works. General government expenses decreased from \$1,475,197 to \$1,177,247, a decrease of 20%.

Business-type Activities

Within business-type activities, charges for water, sewer, and ready-to-serve revenue increased compared to the prior year by \$299,920, increasing from \$2,655,303 to \$2,955,223. Business-type expenses increased by 9.2 percent, from \$3,833,637 to \$4,238,076, due primarily to increased depreciation expense.

The Water and Sewer Fund experienced a decrease of \$1,235,766 in net position, primarily due to continued depreciation of water and sewer infrastructure assets.

Component Units

Component units include the Downtown Development Authority (DDA) and Brownfield Redevelopment Authority. As of June 30, 2023, the DDA has ceased operations and the City intends to allocate the assets during fiscal year June 30, 2024 when the City Commissioners develop a dissolution plan.

General Fund Budgetary Highlights

The General Fund pays for most of the City's governmental services. The primary services provided include police and fire services, administrative services, public services, and parks and recreation.

As shown in the required supplemental information, the City budgeted operational expenditures of \$4,681,157 and revenues of \$4,317,070. During the course of the year, the City amended the expenditures budget to \$3,840,248 and revenues budget to \$3,141,175. The actual operating expenses were \$3,381,612, and actual revenue collected was \$3,696,226.

Capital Assets and Debt Administration

Several capital assets were acquired during fiscal year including a parcel of land and various equipment. The City also incurred preliminary costs that were capitalized for a USDA bond project that is expected to occur during fiscal years 2024 and 2025. The capital improvement expenditures relating to the project includes significant investment in the City's water, sewer, and road infrastructures.

The City issued bonds during fiscal 2023, the spending of which will be for a department of public works building, accounted for in the Building Authority Construction Fund. The City continued making payments on revenue and general obligation bonds incurred to construct major capital projects related to water and sewer treatment infrastructure.

Significant expenses have been incurred over the past two fiscal years relating to engineering and legal fees for the USDA infrastructure project. Upon release of the USDA loan funds, the City is eligible for reimbursement of those expenses, which will provide relief to the associated funds.

During fiscal year June 30, 2024, the City received payment of \$148,779 for prior years' expenses relating to engineering fees for the USDA project. The payment was deemed an overcharge for services rendered in prior years. This payment will also provide relief to those impacted fund balances.

Economic Factors and Next Year's Budgets and Rates

The future of state revenue sharing, which represents a significant portion of the City's revenue, remains uncertain. Taxable values are anticipated to increase, but due to limitations in Michigan's tax laws, the amount of that increase will be minimal and will not mirror corresponding increases in retail market sale values. Consequently, it is important that the City continue to control costs and also continue cooperative efforts with other municipalities to seek opportunities to share costs related to police, fire, and public works. Going forward, it is imperative that the City continues to control costs in the areas of personnel, benefits, utilities and retained services. The management of the City's investments to enhance income within the parameters of the City's investments policy will be critical as well. The City's budget for the next fiscal year reflects a decrease in expenses as management strives to operate in a fiscally prudent manner. A considerable decrease in grant revenue is also apparent in the next fiscal year's budget.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the city manager's office.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,573,091	\$ 2,961,314	\$ 8,534,405	\$ 30,044
Investments	4,515,167	-	4,515,167	372,525
Customer receivables	-	323,040	323,040	-
Lease receivable	69,333	-	69,333	-
Other receivables	35,976	-	35,976	13,829
Due from other governments	223,090	-	223,090	-
Internal balances	44,313	(44,313)	-	-
Restricted assets	-	588,334	588,334	-
Capital assets being depreciated/amortized, net	3,507,325	13,098,769	16,606,094	-
Capital assets not being depreciated/amortized	624,051	914,786	1,538,837	-
Total Assets	\$ 14,592,346	\$ 17,841,930	\$ 32,434,276	\$ 416,398
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	\$ 419,605	\$ 512,850	\$ 932,455	\$ -
Total Deferred Outflows of Resources	\$ 419,605	\$ 512,850	\$ 932,455	\$ -
Liabilities				
Accounts payable	\$ 233,008	\$ 176,402	\$ 409,410	\$ 852
Accrued liabilities and other	81,984	87,110	169,094	-
Unearned revenue	145,385	-	145,385	-
Customer deposits	-	37,504	37,504	-
Due to other governments	26,759	-	26,759	194,181
Noncurrent liabilities:				
Compensated absences - due within one year	78,517	17,789	96,306	-
Compensated absences - due in more than one year	65,620	9,858	75,478	-
Long-term debt - due within one year	93,599	505,000	598,599	-
Long-term debt - due in more than one year	4,908,372	9,575,000	14,483,372	-
Net pension liability	355,847	434,924	790,771	-
Total Liabilities	\$ 5,989,091	\$ 10,843,587	\$ 16,832,678	\$ 195,033
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	\$ 32,311	\$ 39,491	\$ 71,802	\$ -
Total Deferred Inflows of Resources	\$ 32,311	\$ 39,491	\$ 71,802	\$ -
Net Position				
Net investment in capital assets	\$ 4,131,376	\$ 4,521,889	\$ 8,653,265	\$ -
Restricted for streets and highways	1,592,195	-	1,592,195	-
Restricted for economic development	-	-	-	221,365
Unrestricted	3,266,978	2,949,813	6,216,791	-
Total Net Position	\$ 8,990,549	\$ 7,471,702	\$ 16,462,251	\$ 221,365

The Notes to the Financial Statements are an integral part of this statement.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
<i>Governmental Activities</i>								
General Government	\$ 1,177,247	\$ 113,668	\$ 367,875	\$ -	\$ (695,704)		\$ (695,704)	
Public Safety	1,435,383	19,548	-	-	(1,415,835)		(1,415,835)	
Public Works	2,291,562	72,296	677,742	-	(1,541,524)		(1,541,524)	
Recreation and Culture	318,265	-	-	-	(318,265)		(318,265)	
Total Governmental Activities	\$ 5,222,457	\$ 205,512	\$ 1,045,617	\$ -	\$ (3,971,328)		\$ (3,971,328)	
<i>Business-Type Activities</i>								
Water and Sewer	\$ 4,238,076	\$ 2,966,966	\$ -	\$ -		\$ (1,271,110)	\$ (1,271,110)	
Total Business-Type Activities	\$ 4,238,076	\$ 2,966,966	\$ -	\$ -		\$ (1,271,110)	\$ (1,271,110)	
Total Primary Government	\$ 9,460,533	\$ 3,172,478	\$ 1,045,617	\$ -	\$ (3,971,328)	\$ (1,271,110)	\$ (5,242,438)	
Component Units								
Downtown Development Authority	\$ 16,583	\$ 6,935	\$ -	\$ -				\$ (9,648)
Brownfield Redevelopment Authority	-	-	-	-				-
Total Component Units	\$ 16,583	\$ 6,935	\$ -	\$ -				\$ (9,648)

General Revenues

Property Taxes	\$ 1,959,703	\$ -	\$ 1,959,703	\$ 42,565
State Shared Revenues	1,058,663	-	1,058,663	-
Unrestricted Investment Income	91,753	41,144	132,897	12,202
Cable Franchise Fees	43,433	-	43,433	-
Other Miscellaneous Income	158,172	-	158,172	-
Total General Revenues	\$ 3,311,724	\$ 41,144	\$ 3,352,868	\$ 54,767
Transfers	5,800	(5,800)	-	-
Change in Net Position	\$ (653,804)	\$ (1,235,766)	\$ (1,889,570)	\$ 45,119
Net Position - Beginning of Year	9,644,353	8,707,468	18,351,821	176,246
Net Position - Ending	\$ 8,990,549	\$ 7,471,702	\$ 16,462,251	\$ 221,365

The Notes to the Financial Statements are an integral part of this statement.

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023**

	Major Governmental Funds					Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Building Authority Construction Fund	Non-Major Governmental Funds	
Assets						
Cash and cash equivalents	\$ 1,373,788	\$ 1,396,641	\$ 829,237	\$ 338,990	\$ 1,634,435	\$ 5,573,091
Investments	-	-	-	4,515,167	-	4,515,167
Lease receivable	69,333	-	-	-	-	69,333
Other receivables	35,526	450	-	-	-	35,976
Due from other governments	110,482	-	84,350	-	28,258	223,090
Due from other funds	44,313	-	-	-	51,880	96,193
Total Assets	\$ 1,633,442	\$ 1,397,091	\$ 913,587	\$ 4,854,157	\$ 1,714,573	\$ 10,512,850
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 89,952	\$ 19,514	\$ 17,734	\$ 25	\$ 105,783	\$ 233,008
Due to other funds	51,880	-	-	-	-	51,880
Due to other governments	26,759	-	-	-	-	26,759
Accrued liabilities and other	75,928	-	4,392	-	1,664	81,984
Unearned revenue	122,993	-	-	-	22,392	145,385
Total Liabilities	\$ 367,512	\$ 19,514	\$ 22,126	\$ 25	\$ 129,839	\$ 539,016
Deferred Inflows of Resources						
Unavailable revenue	\$ 69,333	\$ -	\$ -	\$ -	\$ -	\$ 69,333
Total Deferred Inflows of Resources	\$ 69,333	\$ -	\$ -	\$ -	\$ -	\$ 69,333
Fund Balances						
Restricted for major streets	\$ -	\$ -	\$ 891,461	\$ -	\$ -	\$ 891,461
Restricted for local streets	-	-	-	-	700,734	700,734
Restricted for capital projects	-	-	-	4,854,132	-	4,854,132
Committed for street repair	-	-	-	-	547,151	547,151
Committed for Oak Ridge Cemetery	-	-	-	-	336,849	336,849
Assigned for capital projects	-	1,377,577	-	-	-	1,377,577
Unassigned	1,196,597	-	-	-	-	1,196,597
Total Fund Balances	\$ 1,196,597	\$ 1,377,577	\$ 891,461	\$ 4,854,132	\$ 1,584,734	\$ 9,904,501
Total Liabilities and Fund Balances	\$ 1,633,442	\$ 1,397,091	\$ 913,587	\$ 4,854,157	\$ 1,714,573	\$ 10,512,850

The Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2023**

Total Fund Balances - Governmental Funds \$ 9,904,501

Amounts reported for governmental activities in the statement of net position are different because:

Net capital assets used in governmental activities are not financial resources and are not reported in the funds	4,131,376
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue	69,333
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Net pension liability	(355,847)
Bonds payable	(4,930,000)
Unamortized premium on bonds payable	(185,194)
Unamortized discount on bonds payable	113,223
Employee compensated absences	(144,137)
Deferred outflows of resources related to pension plan	419,605
Deferred inflows of resources related to pension plan	(32,311)

Total Net Position - Governmental Activities \$ 8,990,549

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2023

	Major Governmental Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Building Authority Construction Fund		
Revenues						
Property taxes	\$ 1,777,122	\$ -	\$ -	\$ -	\$ 182,581	\$ 1,959,703
Federal grants	325,000	-	-	-	-	325,000
State-shared revenue and grants	1,101,538	-	497,429	-	180,313	1,779,280
Charges for services	72,607	-	-	-	40	72,647
Licenses and permits	176,298	-	-	-	-	176,298
Investment income and rentals	33,501	16,966	12,059	16,463	12,764	91,753
Other revenues	87,167	30,042	-	-	40,963	158,172
Total Revenues	\$ 3,573,233	\$ 47,008	\$ 509,488	\$ 16,463	\$ 416,661	\$ 4,562,853
Expenditures						
General government	\$ 1,316,638	\$ 3,081	\$ -	\$ -	\$ -	\$ 1,319,719
Public safety	1,355,052	-	-	-	-	1,355,052
Public works	556,990	34,936	474,462	164,302	656,041	1,886,731
Recreation and culture	152,932	108,987	-	-	-	261,919
Total Expenditures	\$ 3,381,612	\$ 147,004	\$ 474,462	\$ 164,302	\$ 656,041	\$ 4,823,421
Excess(Deficiency) of Revenues Over(Under) Expenditures	\$ 191,621	\$ (99,996)	\$ 35,026	\$ (147,839)	\$ (239,380)	\$ (260,568)
Other Financing Sources(Uses)						
Operating transfers in	\$ 22,486	\$ 151,663	\$ -	\$ -	\$ 466,949	\$ 641,098
Operating transfers out	(435,238)	-	-	-	(200,060)	(635,298)
Proceeds from sale of capital assets	8,667	-	-	-	-	8,667
Proceeds from sale of bonds, net of premium/discount	-	-	-	5,001,971	-	5,001,971
Total Other Financing Sources(Uses)	\$ (404,085)	\$ 151,663	\$ -	\$ 5,001,971	\$ 266,889	\$ 5,016,438
Net Change in Fund Balances	\$ (212,464)	\$ 51,667	\$ 35,026	\$ 4,854,132	\$ 27,509	\$ 4,755,870
Fund Balances - Beginning of Year	1,409,061	1,325,910	856,435	-	1,557,225	5,148,631
Fund Balances - End of Year	\$ 1,196,597	\$ 1,377,577	\$ 891,461	\$ 4,854,132	\$ 1,584,734	\$ 9,904,501

The Notes to the Financial Statements are an integral part of this statement.

CITY OF BUCHANAN

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 4,755,870

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation/amortization.

Depreciation/amortization expense	(514,829)
Capital outlay	282,200

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond proceeds	(4,930,000)
Bond issuance premiums	(185,194)
Bond issuance discounts	113,223
Lease principal payments	21,720

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(8,667)
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Change in compensated absences	3,437
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Change in net pension expense related to the pension plan, including deferred inflows and outflows	<u>(191,564)</u>
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Change in Net Position of Governmental Activities \$ (653,804)

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2023

	Water and Sewer Fund
Assets	
Cash and cash equivalents	\$ 2,961,314
Receivables	323,040
Noncurrent Assets:	
Restricted cash and cash equivalents	588,334
Capital assets being depreciated, net	13,098,769
Capital assets not being depreciated	914,786
Total Assets	\$ 17,886,243
Deferred Outflows of Resources	
Deferred charges related to pension	\$ 512,850
Liabilities	
Accounts payable	\$ 176,402
Accrued liabilities and other	87,110
Customer deposits	37,504
Due to other funds	44,313
Noncurrent Liabilities:	
Compensated absences, current portion	17,789
Compensated absences, less current portion	9,858
Long-term debt, current portion	505,000
Long-debt debt, less current portion	9,575,000
Net pension liability	434,924
Total Liabilities	\$ 10,887,900
Deferred Inflows of Resources	
Deferred charges related to pension	\$ 39,491
Net Position	
Net investment in capital assets	\$ 4,521,889
Unrestricted	2,949,813
Total Net Position	\$ 7,471,702

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	Water and Sewer Fund
Operating Revenues	
Sale of water	\$ 612,339
Sewage disposal services	923,307
Ready to serve	1,063,701
Interest and penalty charges	52,887
Other operating revenue	314,732
Total Operating Revenues	\$ 2,966,966
Operating Expenses	
Cost of water	\$ 700,111
Cost of sewage treatment	898,742
Depreciation	2,323,568
Total Operating Expenses	\$ 3,922,421
Operating Loss	\$ (955,455)
Nonoperating Revenues (Expenses)	
Interest income	\$ 41,144
Interest expense	(285,673)
Loss on disposal of capital assets	(29,982)
Transfers out	(5,800)
Total Nonoperating Revenues (Expenses)	\$ (280,311)
Change in Net Position	\$ (1,235,766)
Net Position - Beginning of Year	8,707,468
Net Position - Ending	\$ 7,471,702

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

	Water and Sewer Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,932,908
Payments to suppliers	(588,174)
Payments to employees	(875,537)
Intercompany activity	(44,200)
Net cash flows from operating activities	\$ 1,424,997
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	\$ (5,800)
Net cash flows from noncapital financing activities	\$ (5,800)
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	\$ (726,795)
Principal and interest paid on capital debt	(710,655)
Net cash flows from capital and related financing activities	\$ (1,437,450)
Cash Flow From Investing Activities	
Interest received	\$ 41,144
Net cash flows from investing activities	\$ 41,144
Net change in cash and cash equivalents	\$ 22,891
Cash and cash equivalents - beginning	3,526,757
Cash and cash equivalents - ending	\$ 3,549,648
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (955,455)
Adjustment to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	2,323,568
Change in Assets and Liabilities	
Receivables	(31,358)
Prepaid expenses	9,303
Accounts payable	133,695
Accrued liabilities and other	(7,856)
Customer deposits	(2,700)
Due to/from other funds	(44,200)
Net cash flows from operating activities	\$ 1,424,997
Reconciliation to the Statement of Net Position:	
Cash and cash equivalents	\$ 2,961,314
Restricted cash and cash equivalents	588,334
Total	\$ 3,549,648

The Notes to the Financial Statements are an integral part of this statement.

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2023**

	Custodial Funds		
	Trust & Agency Fund	Property Tax Collection Fund	Total Custodial Funds
Assets			
Cash and cash equivalents	\$ 67,704	\$ -	\$ 67,704
Liabilities			
Payable to other governmental funds	\$ 67,704	\$ -	\$ 67,704

The Notes to the Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
Year Ended June 30, 2023

	Custodial Funds		Total Custodial Funds
	Trust & Agency Fund	Property Tax Collection Fund	
Additions			
Taxes for other governments	\$ 205,177	\$ 4,899,028	\$ 5,104,205
Deductions			
Payments of tax to other governments	205,177	4,899,028	5,104,205
Changes in net position	\$ -	\$ -	\$ -
Net position - Beginning of year	-	-	-
Net position - End of year	\$ -	\$ -	\$ -

The Notes to the Financial Statements are an integral part of this statement.

COMPONENT UNITS
STATEMENT OF NET POSITION
June 30, 2023

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 7,135	\$ 22,909	\$ 30,044
Investments	174,069	198,456	372,525
Notes receivable	13,829	-	13,829
Total Assets	<u>\$ 195,033</u>	<u>\$ 221,365</u>	<u>\$ 416,398</u>
Liabilities			
Accounts payable	\$ 852	\$ -	\$ 852
Due to other governments	194,181	-	194,181
Total Liabilities	<u>\$ 195,033</u>	<u>\$ -</u>	<u>\$ 195,033</u>
Net Position			
Restricted	<u>\$ -</u>	<u>\$ 221,365</u>	<u>\$ 221,365</u>
Total Net Position	<u><u>\$ -</u></u>	<u><u>\$ 221,365</u></u>	<u><u>\$ 221,365</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**COMPONENT UNITS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
Downtown Development Authority	\$ 16,583	\$ 6,935	\$ -	\$ -	\$ (9,648)	\$ -	\$ (9,648)
Brownfield Redevelopment Authority	-	-	-	-	-	-	-
Total	<u>\$ 16,583</u>	<u>\$ 6,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,648)</u>	<u>\$ -</u>	<u>\$ (9,648)</u>
General Revenues							
Property Taxes					\$ -	\$ 42,565	\$ 42,565
Investment income					9,648	2,554	12,202
Total General Revenues					<u>9,648</u>	<u>45,119</u>	<u>54,767</u>
Change in Net Position					\$ -	\$ 45,119	\$ 45,119
Net Position - Beginning of Year					-	176,246	176,246
Net Position - Ending					<u>\$ -</u>	<u>\$ 221,365</u>	<u>\$ 221,365</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Buchanan, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

A. Reporting Entity

The City is governed by an elected five-member commission. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Units— The City's Dial-A-Ride Fund is governed by the City Commission. Although it is legally separate from the City, the Dial-A-Ride Fund is reported as if it were part of the primary government because it is governed by the same legislative authority. Prior to this fiscal 2023 year, this fund was shown on the basis of its fiscal year end of September 30, 2022. However, the activities and management of the Dial-A-Ride operations have been transferred to the City of Niles, Michigan. Dial-A-Ride is now a special revenue fund of the City, which maintains a millage to support Dial-A-Ride operations. Accordingly, the audit of Dial-A-Ride included in the City's June 30, 2022 financial report included the final audit for Dial-A-Ride.

The City of Buchanan Building Authority is legally separate from the City. However, because its debt will be repaid entirely with resources from the City, it is considered a blended component unit and is reported in the City's funds as the Building Authority Fund.

Discretely Presented Component Units—The following component units are reported within the "component unit" column in the government-wide financial statements. The discretely presented component units are entities that are legally separate from the City, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**A. Reporting Entity, Concluded**

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission. The DDA does not issue separate financial statements. The DDA has ceased operations and it is the City Commission's desire to allocate the assets to continuing downtown development activities.

Brownfield Redevelopment Authority - The Brownfield Redevelopment Authority (BRA) was created to clean up the State of Michigan-designated brownfield sites within the City of Buchanan, Michigan and prepare these sites for new development. The BRA's governing body, which consists of five individuals, is selected by the City Commission. In addition, the BRA's budget is subject to approval by the City Commission. The BRA does not issue separate financial statements.

Jointly Governed Organizations— The Southeast Berrien County Landfill Authority (the "Authority") is a joint venture of the cities of Buchanan, Michigan and Niles, Michigan and the townships of Bertrand, Buchanan, and Niles. The Authority was created pursuant to Act 233, Michigan Public Acts of 1955. The Authority's allowed purpose is to acquire and operate a solid waste disposal facility. The Authority provides solid waste disposal services to the participating municipalities in Berrien County, Michigan and to companies in northern Indiana. The City does not have an equity interest in the Authority.

B. 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 primary government and its component units. For the most part, 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-wide and Fund Financial Statements, Concluded**

Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

C. 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 fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on December 1 of the following year. The taxes are due on August 10, with a final collection date of February 28 before they are added to the county tax rolls.

The City's 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the City totaled \$108.6 million, on which ad valorem taxes levied which consisted of 17.9793 mills for the City's operating purposes, 16.9793 for operating purposes and 1.0 mills for the Dial-A-Ride Fund. These amounts are recognized in the respective General Fund and Dial-A-Ride Fund financial statements as property tax revenue.

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 general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for assets being accumulated for future capital expenditures and other large projects.

The **Major Streets Fund** is a special revenue fund that accounts for the resources of state gas and weight tax revenue that is restricted for use on major streets.

The **Building Authority Construction Fund** is a capital projects fund that accounts for certain public works capital project activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

The City reports the following major proprietary funds:

The **Water and Sewer Fund** account for the activities of the water distribution system and sewage collection system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Bank Deposits and Investments – Cash and cash equivalents are comprised of cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired, and certificates of deposit. Investments are stated at acquisition value and consist of only certificates of deposit greater than 90 days.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Interfund Activity – During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the governmentwide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. In addition, the Water and Sewer Fund reported restricted assets related to unspent bond proceeds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Capital Assets – Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital 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 estimated fair market value at the date of donation. The City has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with GASB Statement No. 34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Right-of-use assets of the City are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives.

Property and equipment are depreciated/amortized using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Roads and sidewalks	20
Water and sewer distribution systems	15 - 100
Buildings and improvements	10 - 50
Machinery and equipment	5 - 25
Vehicles	3 - 25
Office furnishings and equipment	3 - 10
Right-of-use assets	3 - 10

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports one item that qualifies for reporting in this category, deferred outflows of resources related to the defined benefit pension plan, which is reported in the government-wide financial statements and the Water and Sewer Fund

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City reports two types of deferred inflows. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from accounts receivable to be received outside of the revenue recognition period. These receivables are deferred and recognized as an inflow of resources in the period that the amounts become available. A second item, property taxes received in advance of the period levied, is reported as deferred inflows of resources in the government-wide statement of net position and governmental funds balance sheet. Lastly, the government-wide statements and the Water and Sewer Fund report deferred inflows as resources related to the defined benefit pension plan.

Compensated Absences (Vacation and Sick Leave) – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and the Water and Sewer Fund, primarily) are used to liquidate the obligations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position - Net position of the City is classified in three components. Net investment in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption – The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bonds 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 fund 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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Fund Balance Flow Assumptions - The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the city treasurer to assign fund balance. The City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Pensions – The City offers a defined benefit pension plan to its employees. The City records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position. For the purpose of measuring the net pension asset, 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/additions 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 the employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Proprietary Funds Operating Classification – Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Estimates – The process of preparing financial statements in conformity with GAAP requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures.

Leases and Subscription-Based IT Arrangements (“SBITAs”) – The City recognizes a lease/SBITA liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease/SBITA liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a lease/SBITA, the City initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized over its useful life.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Concluded**

Key estimates and judgments related to leases/SBITAs include how the City determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITAs.
- The lease/SBITA term includes the noncancelable period of the lease. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Right-to-use assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the Statement of Net Position.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Construction Code Fees – The City oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at beginning of year	\$ (493,934)
Current year building permit revenue	43,433
Related expenses - direct costs	<u>(62,307)</u>
Cumulative shortfall at end of year	<u>\$ (512,808)</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority.

The investments held by the City's component units are commingled with the primary government's investments shown below.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$8,082,496 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2023, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

<u>Investment Type</u>	<u>Fair Value</u>	<u>How Held</u>
Government and agency bonds	\$ 2,070,159	Counterparty's trust department
US Treasury bills	2,445,008	Counterparty's trust department

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government and agency bonds	\$ 2,070,159	Aaa	Moody's
US Treasury bills	2,445,008	Aaa	Moody's

Fair Value Measurement - The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

The City has the following recurring fair value measurement as of June 30, 2023:

Government agencies in the amount of \$4,515,167 are valued using Level 2 inputs.

The fair value of government agencies at June 30, 2023 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as a interest rates, yield curves, and investment statements provided by the broker.

NOTE 4. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated/ amortized				
Land	\$ 399,166	\$ 131,056	\$ -	\$ 530,222
Construction in progress	5,250	88,579	-	93,829
Subtotal	<u>\$ 404,416</u>	<u>\$ 219,635</u>	<u>\$ -</u>	<u>\$ 624,051</u>
Capital assets being depreciated/ amortized				
Roads and sidewalks	\$ 12,829,866	\$ -	\$ -	\$ 12,829,866
Buildings and improvements	2,481,572	20,000	(250,000)	2,251,572
Furniture and equipment	2,177,149	42,565	-	2,219,714
Vehicles	1,393,959	-	(23,501)	1,370,458
Other furnishings	157,348	-	(29,107)	128,241
Subtotal	<u>\$ 19,039,894</u>	<u>\$ 62,565</u>	<u>\$ (302,608)</u>	<u>\$ 18,799,851</u>
Accumulated depreciation/ amortization				
Roads and sidewalks	\$ (10,961,207)	\$ (225,728)	\$ -	\$ (11,186,935)
Buildings and improvements	(1,442,066)	(88,734)	250,000	(1,280,800)
Furniture and equipment	(1,292,445)	(123,295)	-	(1,415,740)
Vehicles	(1,296,359)	(56,346)	23,501	(1,329,204)
Other furnishings	(88,228)	(20,726)	29,107	(79,847)
Subtotal	<u>\$ (15,080,305)</u>	<u>\$ (514,829)</u>	<u>\$ 302,608</u>	<u>\$ (15,292,526)</u>
Net capital assets being depreciated/ amortized	<u>\$ 3,959,589</u>			<u>\$ 3,507,325</u>
Net capital assets	<u>\$ 4,364,005</u>			<u>\$ 4,131,376</u>

NOTE 4. CAPITAL ASSETS, CONCLUDED

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated/ amortized				
Land	\$ 40,776	\$ -	\$ -	\$ 40,776
Construction in progress	-	874,010	-	874,010
Subtotal	<u>\$ 40,776</u>	<u>\$ 874,010</u>	<u>\$ -</u>	<u>\$ 914,786</u>
Capital assets being depreciated/ amortized				
Buildings and improvements	\$ 17,009,577	\$ -	\$ (7,828)	\$ 17,001,749
Furniture and equipment	2,302,790	52,217	(71,927)	2,283,080
Land Improvements	7,258,033	51,551	-	7,309,584
Subtotal	<u>\$ 26,570,400</u>	<u>\$ 103,768</u>	<u>\$ (79,755)</u>	<u>\$ 26,594,413</u>
Accumulated depreciation/amortization				
Buildings and improvements	\$ (6,213,468)	\$ (2,100,342)	\$ 7,828	\$ (8,305,982)
Furniture and equipment	(1,711,860)	(75,887)	41,945	(1,745,802)
Land Improvements	(3,296,521)	(147,339)	-	(3,443,860)
Subtotal	<u>\$ (11,221,849)</u>	<u>\$ (2,323,568)</u>	<u>\$ 49,773</u>	<u>\$ (13,495,644)</u>
Net capital assets being depreciated/ amortized	<u>\$ 15,348,551</u>			<u>\$ 13,098,769</u>
Net capital assets	<u>\$ 15,389,327</u>			<u>\$ 14,013,555</u>

Depreciation/amortization expense was allocation between functions as follows:

Governmental activities:	
Governmental government	\$ 20,726
Public safety	88,734
Public works	349,023
Recreation and culture	56,346
	<u>\$ 514,829</u>
Business-type activities	<u>\$ 2,323,568</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City has made the following advances between funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 44,313
Cemetery Fund	General Fund	51,880
		<u>\$ 96,193</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS, CONCLUDED

The General Fund advanced \$400,000 to the Water and Sewer Fund to assist with capital asset purchases during fiscal year 2014. The remaining balance is the amount due as of June 30, 2023.

The General Fund owes the Cemetery Fund \$51,880 for current year operations.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Cemetery Fund	\$ 16,686
	Water and Sewer Fund	5,800
	Total General Fund	\$ 22,486
Capital Projects Fund	General Fund	151,663
Street Repair and Maintenance Fund	General Fund	283,575
Local Streets Fund	Street Repair and Maintenance Fund	183,374
	Total	\$ 641,098

The Cemetery Fund transferred funds to the General Fund to finance future operational expenditures.

The Water and Sewer Fund transferred funds to the General Fund to finance future operational expenditures.

The City allocated 4.0000 mills of its general operations millage to the Street Repair and Maintenance Fund to assist with street repair.

The General Fund transferred funds to the Capital Projects Fund for future capital projects.

The Street Repair and Maintenance Fund transferred funds to the Local Streets Fund to assist with street repair.

NOTE 6. LONG TERM DEBT

Long-term debt activity for the year ended June 30th can be summarized as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Direct borrowing and direct placements:						
Other:						
In September of 2021 the City entered in to a two-year bobcat lease due in two annual payments through September 10, 2022, with no interest.						
		\$ 21,720	\$ -	\$ (21,720)	\$ -	\$ -
General Obligation Bonds:						
<i>Limited Tax</i>						
Series 2023 limited tax building authority bonds	4.25%-5.00%	-	4,930,000	-	4,930,000	90,000
Unamortized bond premiums		-	185,194	-	185,194	9,260
Unamortized bond discounts		-	(113,223)	-	(113,223)	(5,661)
Total bonds payable		-	5,001,971	-	5,001,971	93,599
Compensated absences		147,573	-	(3,436)	144,137	78,517
Total governmental activities		\$ 169,293	\$ 5,001,971	\$ (25,156)	\$ 5,146,108	\$ 172,116
Business-Type Activities						
Direct placements:						
General Obligation Bonds						
<i>Revenue Bonds</i>						
Series 2009A water supply and sewage disposal system	2.50%	\$ 820,000	\$ -	\$ (95,000)	\$ 725,000	\$ 95,000
Series 2010 DWRF bond	2.50%	860,000	-	(100,000)	760,000	100,000
Series 2020 water supply and sewage disposal system	2.80%	8,795,000	-	(200,000)	8,595,000	310,000
Total bonds payable		10,475,000	-	(395,000)	10,080,000	505,000
Compensated absences		40,779	-	(13,132)	27,647	17,789
Total business-type activities		\$ 10,515,779	\$ -	\$ (408,132)	\$ 10,107,647	\$ 522,789

Revenue Bonds - Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The City has pledged substantially all of the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds listed below. The bonds are payable solely from the net revenue from the water and sewer system.

NOTE 6. LONG TERM DEBT, CONCLUDED

Annual debt service requirements to maturity for the above bonds obligations are as follows:

Year Ended June 30,	Direct Placements			Direct Placements		
	Business-Type Activities			Governmental-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 505,000	\$ 274,428	\$ 779,428	\$ 90,000	\$ 208,271	\$ 298,271
2025	525,000	260,740	785,740	85,000	214,094	299,094
2026	535,000	246,585	781,585	90,000	209,844	299,844
2027	550,000	236,840	786,840	90,000	205,344	295,344
2028	560,000	233,963	793,963	100,000	200,844	300,844
2029-2033	2,870,000	847,722	3,717,722	570,000	925,220	1,495,220
2034-2038	3,145,000	441,770	3,586,770	700,000	769,220	1,469,220
2039-2043	1,390,000	49,000	1,439,000	845,000	604,620	1,449,620
2044-2048	-	-	-	1,050,000	415,764	1,465,764
2049-2053	-	-	-	1,310,000	171,906	1,481,906
Bond premiums	-	-	-	185,194		185,194
Bond discounts	-	-	-	(113,223)		(113,223)
Total	\$ 10,080,000	\$ 2,591,048	\$ 12,671,048	\$ 5,001,971	\$ 3,925,127	\$ 9,040,321

NOTE 7. RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League shared risk program for claims relating to workers' compensation and property liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; members premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 8. PENSION PLAN

Plan Description - The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System ("MERS") of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 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 accessing the MERS website at www.mersofmich.com

NOTE 8. PENSION PLAN, CONTINUEDBenefits Provided

For junior officers, retirement benefits are calculated as 2.5 percent of the employee's final three-year average salary. For senior officers, retirement benefits are calculated as 2.5 percent of the employee's final five-year average salary. For all other employees, retirement benefits are calculated as 2.0 percent of the employee's final five-year average salary.

The vesting period is 10 years for all employee divisions.

Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Final average compensation is calculated based on 3 or 5 years based on employee division. Member contributions are 5%.

Employees Covered by Benefit Terms – At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to, but not yet receiving benefits	26
Active employees	30
	<u>94</u>

Contributions – The City is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees 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 ranged from 4.81% to 12.47% based on employee divisions.

Net Pension Liability – The City's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

NOTE 8. PENSION PLAN, CONTINUED

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

- Inflation 2.5%
- Salary increases 3% plus merit and longevity: 3% in the long-term
- Investment rate of return of 7.00% net of investment and administrative expense including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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 or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.45%	4.20%	2.50%	2.70%
Global fixed income	20.0%	4.90%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
	100.0%		7.00%		4.50%

NOTE 8. PENSION PLAN, CONTINUED

Discount rate – The discount rate used to measure the total pension liability is 7.25%. The current rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas, for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance at 12-31-21	\$ 9,256,630	\$ 10,127,692	\$ (871,062)
Changes for the Year			
Service cost	229,577	-	229,577
Interest on the total pension liability	656,642	-	656,642
Difference between expected and actual experience	(114,267)	-	(114,267)
Changes in assumptions	-	-	-
Employer contributions	-	137,444	(137,444)
Employee contributions	-	102,292	(102,292)
Net investment income	-	(1,111,311)	1,111,311
Benefit payments, including employee refunds	(628,587)	(628,587)	-
Administrative expense	-	(18,307)	18,307
Other changes	(1)	-	(1)
Net changes	<u>\$ 143,364</u>	<u>\$ (1,518,469)</u>	<u>\$ 1,661,833</u>
Ending Balance at 12-31-22	<u>\$ 9,399,994</u>	<u>\$ 8,609,223</u>	<u>\$ 790,771</u>

NOTE 8. PENSION PLAN, CONCLUDED

Sensitivity of the net pension liability/asset to changes in the discount rate – The following presents the net pension liability/asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s net pension liability/asset would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% decrease (6.25%)	Current discount rate (7.25%)	1% increase (8.25%)
Net Pension (Asset) Liability		\$ 790,771	
Change in Net Pension (Asset) Liability (NPA/NPL)	265,965	-	(1,671,972)
Calculated NPL	<u>\$ 1,056,736</u>	<u>\$ 790,771</u>	<u>\$ (881,201)</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2023, the City recognized pension expense of \$69,744. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ -	\$ 71,802
Changes in assumptions	105,105	-
Net difference between projected and actual earnings on pension plan investments	757,607	-
Employer contributions to the plan subsequent to the measurement date*	69,743	-
Total	<u>\$ 932,455</u>	<u>\$ 71,802</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension liability for the year ending June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	Amount
2023	\$ 114,345
2024	90,007
2025	235,762
2026	350,796
Total	<u>\$ 790,910</u>

NOTE 9. CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan Act, delivered \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The City received a total of \$447,993 related to this program in prior fiscal years. The total expenditures incurred during the fiscal year 2023 was \$325,000. Accordingly, \$325,000 is reported as earned revenue during fiscal 2023, and \$122,993 is unearned revenue as of June 30, 2023.

NOTE 10. CONTINGENT LIABILITIES

Grants – In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 11. UPCOMING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

NOTE 12. CALCULATION OF NET INVESTMENT IN CAPITAL ASSETS

As of June 30, 2023, the calculation of the City's net investment in capital assets in the Statement of Net Position is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets being depreciated/amortized, net	\$ 3,507,325	\$ 13,098,769
Capital assets not being depreciated/amortized	624,051	914,786
Restricted cash and cash equivalents related to debt issuance	-	588,334
Less:		
Long-term debt - due within one year	-	(505,000)
Long-term debt - due in more than one year	-	(9,575,000)
Net investment in capital assets	<u>\$ 4,131,376</u>	<u>\$ 4,521,889</u>

Note: Governmental activities net investment in capital assets is not reduced by governmental long-term debt due to unspent bond proceeds.

NOTE 13. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

As of June 30, 2023, the calculation of the City's unearned revenues and deferred inflows of resources in the Governmental Funds Balance Sheet consist of the following:

	<u>General Fund</u>	<u>Non-major Funds</u>
Unearned revenue		
Unspent ARPA funds	\$ 122,993	\$ -
Unspent other grant funding	-	22,392
Deferred inflows of resources		
Unavailable revenue from leases	69,333	-

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the City implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

GASB Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the City’s financial statement after the adoption of GASB Statement 96.

NOTE 15. SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 31, 2024, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition of disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 2,157,080	\$ 1,747,153	\$ 1,777,122	\$ 29,969
Federal grants	-	-	325,000	325,000
State-shared revenue and grants	1,609,290	991,074	1,101,538	110,464
Charges for services	63,474	72,489	72,607	118
Licenses and permits	355,400	176,700	176,298	(402)
Investment income	30,900	23,500	33,501	10,001
Other revenues	100,926	130,259	87,167	(43,092)
Total Revenues	\$ 4,317,070	\$ 3,141,175	\$ 3,573,233	\$ 432,058
Expenditures				
General government				
City Commission	\$ 589,845	\$ 446,199	\$ 441,555	\$ 4,644
City Manager	581,752	525,791	252,178	273,613
Treasurer	189,607	226,911	161,550	65,361
Assessing	31,435	29,126	31,105	(1,979)
Clerk	60,529	69,139	93,095	(23,956)
Building and grounds	311,750	273,447	288,511	(15,064)
Elections	31,407	29,920	41,274	(11,354)
Property rentals	36,286	6,379	6,379	-
Other general government	15,500	1,000	991	9
Public safety				
Police	1,291,393	1,263,461	1,173,211	90,250
Fire	111,351	112,431	87,771	24,660
Crossing guards	44,143	31,920	31,593	327
Building inspections and related	84,504	50,233	62,477	(12,244)
Public works				
Streets	897,505	397,923	404,702	(6,779)
Cemetery maintenance	225,375	223,416	152,288	71,128
Recreation and culture	178,775	152,952	152,932	20
Total Expenditures	\$ 4,681,157	\$ 3,840,248	\$ 3,381,612	\$ 458,636
Other Financing Sources (Uses)				
Operating transfers in	\$ 5,800	\$ 5,800	\$ 22,486	\$ (16,686)
Operating transfers out	(339,713)	(435,238)	(435,238)	-
Sale of capital assets	218,666	-	8,667	8,667
Total Other Financing Sources (Uses)	\$ (115,247)	\$ (429,438)	\$ (404,085)	\$ (8,019)
Net Change in Fund Balance	\$ (479,334)	\$ (1,128,511)	\$ (212,464)	\$ 916,047
Beginning of Year Fund Balance	1,409,061	1,409,061	1,409,061	
End of Year Fund Balance	\$ 929,727	\$ 280,550	\$ 1,196,597	

See notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance
Revenues				
State-shared revenue and grants	\$ 581,517	\$ 487,199	\$ 497,429	\$ 10,230
Investment income	3,000	4,500	12,059	7,559
Total Revenues	<u>\$ 584,517</u>	<u>\$ 491,699</u>	<u>\$ 509,488</u>	<u>\$ 17,789</u>
Expenditures				
Public works				
Streets	\$ 509,527	\$ 468,657	\$ 441,096	\$ 27,561
Stormwater drainage	35,260	34,273	33,366	907
Total Expenditures	<u>\$ 544,787</u>	<u>\$ 502,930</u>	<u>\$ 474,462</u>	<u>\$ 28,468</u>
Net Change in Fund Balance	\$ 39,730	\$ (11,231)	\$ 35,026	<u>\$ 46,257</u>
Beginning of Year Fund Balance	856,435	856,435	856,435	
End of Year Fund Balance	<u>\$ 896,165</u>	<u>\$ 845,204</u>	<u>\$ 891,461</u>	

See notes to required supplemental information.

**SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
Plan Year Ended December 31st**

	<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	\$ 229,577	\$ 194,211	\$ 173,629	\$ 154,062	\$ 149,614	\$ 148,776	\$ 145,371	\$ 134,606	\$ 127,212
Interest	656,642	614,393	601,309	606,163	583,740	572,661	562,901	544,130	527,997
Difference between expected and actual experience	(114,267)	13,130	99,383	(171,753)	(496)	(149,856)	(164,861)	(197,584)	-
Changes of assumptions	-	315,314	230,812	236,263	-	-	-	388,836	-
Benefit payments including employee refunds	(628,587)	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Other	(1)	29,660	-	75	-	-	-	-	-
Net Change in Total Pension Liability	<u>\$ 143,364</u>	<u>\$ 591,991</u>	<u>\$ 573,841</u>	<u>\$ 354,944</u>	<u>\$ 294,962</u>	<u>\$ 142,474</u>	<u>\$ 126,301</u>	<u>\$ 417,823</u>	<u>\$ 180,677</u>
Total Pension Liability - Beginning	<u>\$ 9,256,630</u>	<u>\$ 8,664,639</u>	<u>\$ 8,090,798</u>	<u>\$ 7,735,854</u>	<u>\$ 7,440,892</u>	<u>\$ 7,298,418</u>	<u>\$ 7,172,117</u>	<u>\$ 6,754,294</u>	<u>\$ 6,573,617</u>
Total Pension Liability - Ending	<u>\$ 9,399,994</u>	<u>\$ 9,256,630</u>	<u>\$ 8,664,639</u>	<u>\$ 8,090,798</u>	<u>\$ 7,735,854</u>	<u>\$ 7,440,892</u>	<u>\$ 7,298,418</u>	<u>\$ 7,172,117</u>	<u>\$ 6,754,294</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 137,444	\$ 166,189	\$ 190,600	\$ 162,642	\$ 160,866	\$ 156,042	\$ 148,611	\$ 130,854	\$ 107,605
Contributions - employee	102,292	92,620	85,328	78,515	78,176	74,738	72,878	70,465	67,236
Net Investment income (loss)	(1,111,311)	1,232,081	1,160,736	1,020,890	(314,508)	964,855	765,979	(105,298)	439,960
Benefit payments including employee refunds	(628,587)	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Administrative expense	(18,307)	(14,614)	(16,672)	(17,585)	(15,635)	(15,279)	(15,125)	(15,513)	(16,097)
Net Change in Plan Fiduciary Net Position	<u>\$ (1,518,469)</u>	<u>\$ 901,559</u>	<u>\$ 888,700</u>	<u>\$ 774,596</u>	<u>\$ (528,997)</u>	<u>\$ 751,249</u>	<u>\$ 555,233</u>	<u>\$ (371,657)</u>	<u>\$ 124,172</u>
Plan Fiduciary Net Position - Beginning	<u>\$ 10,127,692</u>	<u>\$ 9,226,133</u>	<u>\$ 8,337,433</u>	<u>\$ 7,562,837</u>	<u>\$ 8,091,834</u>	<u>\$ 7,340,585</u>	<u>\$ 6,785,352</u>	<u>\$ 7,157,009</u>	<u>\$ 7,032,837</u>
Plan Fiduciary Net Position - Ending	<u>\$ 8,609,223</u>	<u>\$ 10,127,692</u>	<u>\$ 9,226,133</u>	<u>\$ 8,337,433</u>	<u>\$ 7,562,837</u>	<u>\$ 8,091,834</u>	<u>\$ 7,340,585</u>	<u>\$ 6,785,352</u>	<u>\$ 7,157,009</u>
Employer Net Pension Liability (Asset)	<u>\$ 790,771</u>	<u>\$ (871,062)</u>	<u>\$ (561,494)</u>	<u>\$ (246,635)</u>	<u>\$ 173,017</u>	<u>\$ (650,942)</u>	<u>\$ (42,167)</u>	<u>\$ 386,765</u>	<u>\$ (402,715)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	92%	109%	106%	103%	98%	109%	101%	95%	106%
Covered Employee Payroll	\$ 1,926,808	\$ 1,744,576	\$ 1,668,490	\$ 1,521,344	\$ 1,491,015	\$ 1,471,336	\$ 1,429,260	\$ 1,390,319	\$ 1,306,896
Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll	41%	-50%	-34%	-16%	12%	-44%	-3%	28%	-31%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City presents information for those years for which information is available.

See notes to required supplemental information.

**SCHEDULE OF EMPLOYER’S CONTRIBUTIONS
Years Ended June 30th**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$ 137,444	\$ 166,189	\$ 190,600	\$ 166,975	\$ 162,498	\$ 157,913	\$ 159,475	\$ 136,659	\$ 118,989	\$ 102,778
Contributions in relation to the actuarially determined contribution	137,444	166,189	190,600	166,975	162,498	157,913	159,475	136,659	118,989	102,778
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,926,808	\$ 1,744,576	\$ 1,718,688	\$ 1,572,389	\$ 1,547,564	\$ 1,518,474	\$ 1,518,321	\$ 1,411,015	\$ 1,395,480	\$ 1,479,116
Contributions as a percentage of covered employee payroll	7.1%	9.5%	11.1%	10.6%	10.5%	10.4%	10.5%	9.7%	8.5%	6.9%

Notes to Schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	17 years
Asset valuation method	5 year smoothed market beginning in 2016; 10-year smoothed market prior to 2016
Inflation	2.5%
Salary increases	3% plus merit and longevity
Investment rate of return	7.00%
Retirement age	60 years old
Mortality	Pub-2010 and fully generational MP-2019

Above dates are based on fiscal year, not necessarily the measurement date.

See notes to required supplemental information.

Pension Information**Changes in Assumptions****Stewardship, Compliance and Accountability****Budgetary Information**

The annual budget is prepared by the City's management and adopted by the City Commission; subsequent amendments are approved by the City Commission. The budgets are prepared on a basis consistent with GAAP, except that operating transfers have been included in the expenditures categories, rather than as other financing uses. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budgets were amended in a legally permissible manner.

The budget documents present information by fund, function, department, and line item. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds - See previous Budgetary Comparison Schedules for budget variances as they apply to the City. There were several expenditures in excess of their budget in the General Fund during the current fiscal year. Funds sufficient to provide for such overages were made available from other activities within the fund.

OTHER SUPPLEMENTARY INFORMATION

**BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	Special Revenue Funds					Total Non-Major Governmental Funds
	Local Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund	Housing Grant Fund	Cemetery Fund	
Assets						
Cash and cash equivalents	\$ 675,636	\$ 547,151	\$ 104,287	\$ 22,392	\$ 284,969	\$ 1,634,435
Due from other governments	28,258	-	-	-	-	28,258
Due from other funds	-	-	-	-	51,880	51,880
Total Assets	<u>\$ 703,894</u>	<u>\$ 547,151</u>	<u>\$ 104,287</u>	<u>\$ 22,392</u>	<u>\$ 336,849</u>	<u>\$ 1,714,573</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,496	\$ -	\$ 104,287	\$ -	\$ -	\$ 105,783
Accrued liabilities and other	1,664	-	-	-	-	1,664
Unearned revenue	-	-	-	22,392	-	22,392
Total Liabilities	<u>\$ 3,160</u>	<u>\$ -</u>	<u>\$ 104,287</u>	<u>\$ 22,392</u>	<u>\$ -</u>	<u>\$ 129,839</u>
Fund Balances						
Restricted	\$ 700,734	\$ -	\$ -	\$ -	\$ -	\$ 700,734
Committed	-	547,151	-	-	336,849	884,000
Total Fund Balances	<u>\$ 700,734</u>	<u>\$ 547,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,849</u>	<u>\$ 1,584,734</u>
Total Liabilities and Fund Balances	<u>\$ 703,894</u>	<u>\$ 547,151</u>	<u>\$ 104,287</u>	<u>\$ 22,392</u>	<u>\$ 336,849</u>	<u>\$ 1,714,573</u>

CITY OF BUCHANAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	Special Revenue Funds					Total Non-Major Governmental Funds
	Local Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund	Housing Grant Fund	Cemetery Fund	
Revenues						
Property taxes	\$ -	\$ -	\$ 182,581	\$ -	\$ -	182,581
State-shared revenue and grants	166,516	-	13,797	-	-	180,313
Charges for services	-	-	40	-	-	40
Investment income	-	6,909	1,975	-	3,880	12,764
Other revenues	32,551	-	-	-	8,412	40,963
Total Revenues	\$ 199,067	\$ 6,909	\$ 198,393	\$ -	\$ 12,292	\$ 416,661
Expenditures						
Public works						
Streets	\$ 345,842	\$ 6,817	\$ 279,075	\$ -	\$ -	\$ 631,734
Stormwater drainage	24,307	-	-	-	-	24,307
Total expenditures	\$ 370,149	\$ 6,817	\$ 279,075	\$ -	\$ -	\$ 656,041
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (171,082)	\$ 92	\$ (80,682)	\$ -	\$ 12,292	\$ (239,380)
Other Financing Sources(Uses)						
Operating transfers in	\$ 183,374	\$ 283,575	\$ -	\$ -	\$ -	\$ 466,949
Operating transfers out	-	(183,374)	-	-	(16,686)	(200,060)
Total Other Financing Sources(Uses)	\$ 183,374	\$ 100,201	\$ -	\$ -	\$ (16,686)	\$ 266,889
Net Change in Fund Balance	\$ 12,292	\$ 100,293	\$ (80,682)	\$ -	\$ (4,394)	\$ 27,509
Fund Balance - Beginning of Year	688,442	446,858	80,682	-	341,243	1,557,225
Fund Balance - End of Year	\$ 700,734	\$ 547,151	\$ -	\$ -	\$ 336,849	\$ 1,584,734