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CITY OF BUCHANAN
FINANCIAL REPORT
June 30, 2022

CITY OF BUCHANAN
Berrien County, Michigan
June 30, 2022

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Berrien County, Michigan
June 30, 2022**

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Respectfully submitted,

Kruggel Lawton & Company, LLC

St. Joseph, Michigan
October 31, 2022

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, 2022.

Financial Highlights

- The City received \$282,267 in marihuana excise tax revenue from the State of Michigan.
- The City paid \$521,676 in fixed asset additions during the year.
- The City did not issue any bonds in the current 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	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 6,022,123	\$ 5,731,440	\$ 3,404,721	\$ 3,567,167	\$ 9,426,844	\$ 9,298,607
Noncurrent assets	487,475	270,170	813,592	2,190,021	1,301,067	2,460,191
Capital assets	4,364,005	4,335,163	15,389,327	16,674,747	19,753,332	21,009,910
Total Assets	\$ 10,873,603	\$ 10,336,773	\$ 19,607,640	\$ 22,431,935	\$ 30,481,243	\$ 32,768,708
Deferred Outflows of Resources	\$ 174,277	\$ 219,311	\$ 213,005	\$ 187,068	\$ 387,282	\$ 406,379
Current liabilities	\$ 795,613	\$ 250,348	\$ 177,877	\$ 1,583,719	\$ 973,490	\$ 1,834,067
Long-term Liabilities	169,294	150,314	10,515,780	10,896,286	10,685,074	11,046,600
Total Liabilities	\$ 964,907	\$ 400,662	\$ 10,693,657	\$ 12,480,005	\$ 11,658,564	\$ 12,880,667
Deferred Inflows of Resources	\$ 438,620	\$ 286,198	\$ 419,520	\$ 241,596	\$ 858,140	\$ 527,794
Net Position						
Net investment in capital assets	\$ 4,342,285	\$ 4,322,907	\$ 5,239,532	\$ 7,691,646	\$ 9,581,817	\$ 12,014,553
Restricted	1,621,364	1,367,747	-	-	1,621,364	1,367,747
Unrestricted	3,680,704	4,178,570	3,467,936	2,205,756	7,148,640	6,384,326
Total Net Position	\$ 9,644,353	\$ 9,869,224	\$ 8,707,468	\$ 9,897,402	\$ 18,351,821	\$ 19,766,626

The City's combined net position decreased 7.2 percent from a year ago, decreasing from \$19,766,626 to \$18,351,821.

As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net position decreased by 2.3 percent, from \$9,869,224 to \$9,644,353, while business type activities decreased by 12.0 percent, from \$9,897,402 to \$8,707,468.

The City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for Services	\$ 301,678	\$ 261,130	\$ 2,655,303	\$ 2,513,346	\$ 2,956,981	\$ 2,774,476
Operating Grants	760,357	903,217	-	-	760,357	903,217
Capital Grants	-	14,731	-	-	-	14,731
General Revenues:						
Property Taxes	1,906,330	1,793,503	-	-	1,906,330	1,793,503
Intergovernmental	1,044,586	845,761	-	-	1,044,586	845,761
Investment Earnings	22,081	10,244	-	-	22,081	10,244
Other Revenue:						
Cable Franchise Fee	47,789	47,655	-	-	47,789	47,655
Other Miscellaneous Income	227,428	178,007	-	-	227,428	178,007
Total Revenues	\$ 4,310,249	\$ 4,054,248	\$ 2,655,303	\$ 2,513,346	\$ 6,965,552	\$ 6,567,594
Program Expenses:						
General Government	\$ 1,475,197	\$ 895,013	\$ -	\$ -	\$ 1,475,197	\$ 895,013
Public Safety	1,315,516	1,297,689	-	-	1,315,516	1,297,689
Public Works	1,665,853	1,305,469	-	-	1,665,853	1,305,469
Recreation and Culture	90,154	76,931	-	-	90,154	76,931
Water and Sewer	-	-	3,833,637	1,971,395	3,833,637	1,971,395
Total Expenses	\$ 4,546,720	\$ 3,575,102	\$ 3,833,637	\$ 1,971,395	\$ 8,380,357	\$ 5,546,497
Transfers	11,600	5,800	(11,600)	(5,800)	-	-
Change in Net Position	(224,871)	484,946	(1,189,934)	536,151	(1,414,805)	1,021,097
Net Position - Beginning of Year	9,869,224	9,384,278	9,897,402	9,361,251	19,766,626	18,745,529
Net Position - End of Year	\$ 9,644,353	\$ 9,869,224	\$ 8,707,468	\$ 9,897,402	\$ 18,351,821	\$ 19,766,626

Compared to the prior fiscal year, governmental activities revenue increased from \$4,054,248 to \$4,310,249, an increase of 6.3 percent, primarily due to an increase in property taxes and intergovernmental revenue. Governmental expenses increased during the year from \$3,575,102 to \$4,546,720, an increase of 27.2 percent, primarily related to general government and public works.

Within business-type activities, charges for water, sewer, and ready-to-serve revenue increased compared to the prior year by \$141,957, increasing from \$2,513,346 to \$2,655,303. Business-type expenses increased by 94.5 percent, from \$1,971,395 to \$3,833,637, due primarily to increased depreciation expense.

Governmental Activities

- The City completed a large improvement of the wastewater treatment plant. The plant improvement represents a \$9,000,000 commitment by the City to maintain compliance with our State issued NPDES discharge permit, while decreasing operational costs and improving removal efficiencies. The upgrade consisted of an extended aeration secondary treatment process, UV disinfection, sludge press and a lab/administrative building. Overall, these items should provide service to the City for the next 50+ years.

Business-type Activities

The Water and Sewer Fund experienced a decrease of \$1,189,934 in net position, primarily due to the oxidation ditch being completed in the current year and depreciation of this asset being recorded.

Component Units

Component units include the Downtown Development Authority (DDA) and Brownfield Redevelopment Authority. As of June 30, 2022, the DDA has ceased operations and the City will allocate the assets during fiscal year June 30, 2023 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 \$3,760,780 and revenues of \$3,683,039. During the course of the year, the City amended the expenditures budget to \$5,043,232 and revenues budget to \$3,658,226. The actual operating expenses were \$3,719,079, and actual revenue collected was \$2,929,153.

Capital Assets and Debt Administration

The City continued making payments on revenue and general obligation bonds incurred to construct major capital projects related to infrastructure, including prior water and sewer projects and the recent completion of a new state-of-the-art wastewater treatment plant.

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. The City's budget for the next fiscal year reflects a marked increase in grant revenue and a corresponding increase in expenditures tied to spending related to the projects receiving grants or stimulus funding.

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.

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GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,655,578	\$ 1,442,060	\$ 3,097,638	\$ 41,598
Investments	4,013,182	1,759,492	5,772,674	299,443
Customer receivables	-	291,682	291,682	-
Lease receivable	78,000	-	78,000	-
Other receivables	48,072	-	48,072	20,344
Due from other governments	216,778	-	216,778	-
Internal balances	88,513	(88,513)	-	-
Prepaid expense and other assets	17,497	9,303	26,800	-
Restricted assets	-	325,205	325,205	-
Net pension asset	391,978	479,084	871,062	-
Capital assets being depreciated/amortized, net	3,959,589	15,348,551	19,308,140	-
Capital assets not being depreciated/amortized	404,416	40,776	445,192	-
Total Assets	\$ 10,873,603	\$ 19,607,640	\$ 30,481,243	\$ 361,385
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	\$ 174,277	\$ 213,005	\$ 387,282	\$ -
Total Deferred Outflows of Resources	\$ 174,277	\$ 213,005	\$ 387,282	\$ -
Liabilities				
Accounts payable	\$ 244,414	\$ 42,707	\$ 287,121	\$ 12
Accrued liabilities and other	59,308	94,966	154,274	-
Unearned revenue	470,143	-	470,143	-
Customer deposits	-	40,204	40,204	-
Due to other governments	21,748	-	21,748	185,127
Noncurrent liabilities:				
Compensated absences - due within one year	88,293	33,365	121,658	-
Compensated absences - due in more than one year	59,281	7,415	66,696	-
Lease financing notes payable - due in one year	21,720	-	21,720	-
Long-term debt - due within one year	-	395,000	395,000	-
Long-term debt - due in more than one year	-	10,080,000	10,080,000	-
Total Liabilities	\$ 964,907	\$ 10,693,657	\$ 11,658,564	\$ 185,139
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	\$ 343,244	\$ 419,520	\$ 762,764	\$ -
Property taxes levied for the following year	95,376	-	95,376	-
Total Deferred Inflows of Resources	\$ 438,620	\$ 419,520	\$ 858,140	\$ -
Net Position				
Net investment in capital assets	\$ 4,342,285	\$ 5,239,532	\$ 9,581,817	\$ -
Restricted for streets and highways	1,540,682	-	1,540,682	-
Restricted for Dial-A-Ride	80,682	-	80,682	-
Restricted for economic development	-	-	-	176,246
Unrestricted	3,680,704	3,467,936	7,148,640	-
Total Net Position	\$ 9,644,353	\$ 8,707,468	\$ 18,351,821	\$ 176,246

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

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022**

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total		
					Governmental Activities	Business-Type Activities				
Primary Government										
<i>Governmental Activities</i>										
General Government	\$ 1,475,197	\$ 177,325	\$ 15,161	\$ -	\$ (1,282,711)	\$ (1,282,711)	\$ -	\$ (1,282,711)		
Public Safety	1,315,516	15,462	-	-	(1,300,054)	(1,300,054)	-	(1,300,054)		
Public Works	1,665,853	108,891	745,196	-	(811,766)	(811,766)	-	(811,766)		
Recreation and Culture	90,154	-	-	-	(90,154)	(90,154)	-	(90,154)		
Total Governmental Activities	\$ 4,546,720	\$ 301,678	\$ 760,357	\$ -	\$ (3,484,685)	\$ (3,484,685)	\$ -	\$ (3,484,685)		
<i>Business-Type Activities</i>										
Water and Sewer	\$ 3,833,637	\$ 2,655,303	\$ -	\$ -	\$ (1,178,334)	\$ (1,178,334)	\$ (1,178,334)	\$ (1,178,334)		
Total Business-Type Activities	\$ 3,833,637	\$ 2,655,303	\$ -	\$ -	\$ (1,178,334)	\$ (1,178,334)	\$ (1,178,334)	\$ (1,178,334)		
Total Primary Government	\$ 8,380,357	\$ 2,956,981	\$ 760,357	\$ -	\$ (3,484,685)	\$ (3,484,685)	\$ (1,178,334)	\$ (4,663,019)		
Component Units										
Downtown Development Authority	\$ 6,084	\$ 5,305	\$ -	\$ -					\$ (779)	
Brownfield Redevelopment Authority	-	-	-	-					-	
Total Component Units	\$ 6,084	\$ 5,305	\$ -	\$ -					\$ (779)	
General Revenues										
Property Taxes					\$ 1,906,330	\$ 1,906,330	\$ -	\$ 1,906,330	\$ 41,729	
State Shared Revenues					1,044,586	1,044,586	-	1,044,586	-	
Unrestricted Investment Income					22,081	22,081	-	22,081	974	
Cable Franchise Fees					47,789	47,789	-	47,789	-	
Other Miscellaneous Income					227,428	227,428	-	227,428	-	
Total General Revenues					\$ 3,248,214	\$ 3,248,214	\$ -	\$ 3,248,214	\$ 42,703	
Transfers					11,600	11,600	(11,600)	-	-	
Change in Net Position					\$ (224,871)	\$ (1,189,934)	\$ (1,189,934)	\$ (1,414,805)	\$ 41,924	
Net Position - Beginning of Year					9,869,224	9,869,224	9,897,402	19,766,626	134,322	
Net Position - Ending					\$ 9,644,353	\$ 8,707,468	\$ 8,707,468	\$ 18,351,821	\$ 176,246	

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022**

	Major Governmental Funds						Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund	Non-Major Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,165,860	\$ 157,092	\$ 91,321	\$ 59,242	\$ 112,747	\$ 69,316	\$ 1,655,578
Investments	763,501	1,164,542	700,194	587,616	100,718	896,611	4,013,182
Lease receivable	78,000	-	-	-	-	-	78,000
Other receivables	11,507	7,204	-	-	29,361	-	48,072
Due from other governments	117,850	-	74,121	-	-	24,807	216,778
Due from other funds	88,513	-	-	-	-	68,566	157,079
Prepaid expense	13,302	-	2,139	-	-	2,056	17,497
Total Assets	\$ 2,238,533	\$ 1,328,838	\$ 867,775	\$ 446,858	\$ 242,826	\$ 1,061,356	\$ 6,186,186
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 194,097	\$ 2,928	\$ 1,221	-	\$ 45,020	\$ 1,148	\$ 244,414
Due to other funds	68,566	-	-	-	-	-	68,566
Due to other governments	-	-	-	-	21,748	-	21,748
Accrued liabilities and other	40,816	-	10,119	-	-	8,373	59,308
Unearned revenue	447,993	-	-	-	-	22,150	470,143
Total Liabilities	\$ 751,472	\$ 2,928	\$ 11,340	\$ -	\$ 66,768	\$ 31,671	\$ 864,179
Deferred Inflows of Resources							
Unavailable revenue	\$ 78,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,000
Property taxes levied for the following year	-	-	-	-	95,376	-	95,376
Total Deferred Inflows of Resources	\$ 78,000	\$ -	\$ -	\$ -	\$ 95,376	\$ -	\$ 173,376
Fund Balances							
Non-spendable - prepaid items	\$ 13,302	\$ -	\$ 2,139	\$ -	\$ -	\$ 2,056	\$ 17,497
Restricted for major streets	-	-	854,296	-	-	-	854,296
Restricted for local streets	-	-	-	-	-	686,386	686,386
Restricted for Dial-A-Ride	-	-	-	-	80,682	-	80,682
Committed for street repair	-	-	-	446,858	-	-	446,858
Committed for Oak Ridge Cemetery	-	-	-	-	-	341,243	341,243
Assigned for capital projects	-	1,325,910	-	-	-	-	1,325,910
Unassigned	1,395,759	-	-	-	-	-	1,395,759
Total Fund Balances	\$ 1,409,061	\$ 1,325,910	\$ 856,435	\$ 446,858	\$ 80,682	\$ 1,029,685	\$ 5,148,631
Total Liabilities and Fund Balances	\$ 2,238,533	\$ 1,328,838	\$ 867,775	\$ 446,858	\$ 242,826	\$ 1,061,356	\$ 6,186,186

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, 2022**

Total Fund Balances - Governmental Funds \$ 5,148,631

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	4,364,005
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	78,000
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Net pension asset	391,978
Employee compensated absences	(147,574)
Lease payable	(21,720)
Deferred outflows of resources related to pension plan	174,277
Deferred inflows of resources related to pension plan	(343,244)

Total Net Position - Governmental Activities \$ 9,644,353

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2022**

	Major Governmental Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund		
Revenues							
Property taxes	\$ 1,440,356	\$ -	\$ -	\$ 373,607	\$ 92,367	\$ -	\$ 1,906,330
Federal grants	-	-	-	-	20,336	-	20,336
State-shared revenue and grants	1,059,747	-	482,549	-	80,753	161,558	1,784,607
Charges for services	99,578	-	-	-	13,813	-	113,391
Licenses and permits	236,076	-	-	-	-	-	236,076
Investment income and rentals	15,736	1,550	870	468	16	3,441	22,081
Other revenues	77,660	121,423	-	-	765	27,581	227,429
Total Revenues	\$ 2,929,153	\$ 122,973	\$ 483,419	\$ 374,075	\$ 208,050	\$ 192,580	\$ 4,310,250
Expenditures							
General government	\$ 1,703,502	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 1,718,502
Public safety	1,228,686	-	-	-	-	-	1,228,686
Public works	769,801	-	342,712	-	225,672	235,975	1,574,160
Recreation and culture	17,090	12,811	-	-	-	-	29,901
Total Expenditures	\$ 3,719,079	\$ 27,811	\$ 342,712	\$ -	\$ 225,672	\$ 235,975	\$ 4,551,249
Excess(Deficiency) of Revenues Over(Under) Expenditures	\$ (789,926)	\$ 95,162	\$ 140,707	\$ 374,075	\$ (17,622)	\$ (43,395)	\$ (240,999)
Other Financing Sources(Uses)							
Operating transfers in	\$ 130,041	\$ 60,138	\$ -	\$ -	\$ -	\$ 183,374	\$ 373,553
Operating transfers out	(60,138)	-	-	(298,374)	-	(3,441)	(361,953)
Proceeds from sale of capital assets	8,666	-	-	-	-	-	8,666
Lease financing	45,971	-	-	-	-	-	45,971
Total Other Financing Sources(Uses)	\$ 124,540	\$ 60,138	\$ -	\$ (298,374)	\$ -	\$ 179,933	\$ 66,237
Net Change in Fund Balances	\$ (665,386)	\$ 155,300	\$ 140,707	\$ 75,701	\$ (17,622)	\$ 136,538	\$ (174,762)
Fund Balances - Beginning of Year	2,074,447	1,170,610	715,728	371,157	98,304	893,147	5,323,393
Fund Balances - End of Year	\$ 1,409,061	\$ 1,325,910	\$ 856,435	\$ 446,858	\$ 80,682	\$ 1,029,685	\$ 5,148,631

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, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ (174,762)

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

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.

Lease financing sources	(45,971)
Lease principal payments	36,507

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)

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	(492,834)
Capital outlay	521,676

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.

Change in compensated absences (9,516)

Change in net pension expense related to the pension plan, including deferred inflows and outflows (51,304)

Change in Net Position of Governmental Activities \$ (224,871)

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2022

	Water and Sewer Fund
Assets	
Cash and cash equivalents	\$ 1,442,060
Investments	1,759,492
Receivables	291,682
Prepaid expenses and other assets	9,303
Noncurrent Assets:	
Restricted assets	325,205
Net pension asset	479,084
Capital assets being depreciated, net	15,348,551
Capital assets not being depreciated	40,776
Total Assets	\$ 19,696,153
Deferred Outflows of Resources	
Deferred charges related to pension	\$ 213,005
Liabilities	
Accounts payable	\$ 42,707
Accrued liabilities and other	94,966
Customer deposits	40,204
Due to other funds	88,513
Noncurrent Liabilities:	
Compensated absences, current portion	33,365
Compensated absences, less current portion	7,415
Long-term debt, current portion	395,000
Long-term debt, less current portion	10,080,000
Total Liabilities	\$ 10,782,170
Deferred Inflows of Resources	
Deferred charges related to pension	\$ 419,520
Net Position	
Net investment in capital assets	\$ 5,239,532
Unrestricted	3,467,936
Total Net Position	\$ 8,707,468

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, 2022

	Water and Sewer Fund
Operating Revenues	
Sale of water	\$ 546,503
Sewage disposal services	860,028
Ready to serve	969,774
Interest and penalty charges	5,066
Other operating revenue	273,932
Total Operating Revenues	\$ 2,655,303
Operating Expenses	
Cost of water	\$ 630,656
Cost of sewage treatment	772,759
Depreciation	2,164,891
Total Operating Expenses	\$ 3,568,306
Operating Loss	\$ (913,003)
Nonoperating Revenues (Expenses)	
Interest expense	\$ (265,331)
Transfers out	(11,600)
Total Nonoperating Revenues (Expenses)	\$ (276,931)
Change in Net Position	\$ (1,189,934)
Net Position - Beginning of Year	9,897,402
Net Position - Ending	\$ 8,707,468

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,618,759
Payments to suppliers	(592,142)
Payments to employees	(1,000,701)
Intercompany activity	(119,854)
Net cash flows from operating activities	<u>\$ 906,062</u>
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	\$ (11,600)
Net cash flows from noncapital financing activities	<u>\$ (11,600)</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	\$ (2,288,636)
Principal and interest paid on capital debt	(640,001)
Net cash flows from capital and related financing activities	<u>\$ (2,928,637)</u>
Cash Flow From Investing Activities	
Proceeds from sale of investment securities	\$ 3,089,442
Net cash flows from investing activities	<u>\$ 3,089,442</u>
Net change in cash and cash equivalents	<u>\$ 1,055,267</u>
Cash and cash equivalents - beginning	<u>386,793</u>
Cash and cash equivalents - ending	<u><u>\$ 1,442,060</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (913,003)
Adjustment to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	2,164,891
Change in Assets and Liabilities	
Receivables	(36,542)
Prepaid expenses	(2)
Net pension asset	(170,263)
Accounts payable	(1,022)
Accrued liabilities and other	(17,461)
Customer deposits	(682)
Due to/from other funds	(119,854)
Net cash flows from operating activities	<u>\$ 906,062</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities	
Capital assets included in accounts payable at year end	<u>\$ 20,000</u>

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2022

	Custodial Funds		Total Custodial Funds
	Trust & Agency Fund	Property Tax Collection Fund	
Assets			
Cash and cash equivalents	\$ 106,149	\$ -	\$ 106,149
	\$ 106,149	\$ -	\$ 106,149
Liabilities			
Payable to other governmental funds	\$ 106,149	\$ -	\$ 106,149
	\$ 106,149	\$ -	\$ 106,149

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FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
Year Ended June 30, 2022

	Custodial Funds		Total Custodial Funds
	Trust & Agency Fund	Property Tax Collection Fund	
Additions			
Taxes for other governments	\$ 138,976	\$ 4,722,441	\$ 4,861,417
Deductions			
Payments of tax to other governments	138,976	4,722,441	4,861,417
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, 2022

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 10,613	\$ 30,985	\$ 41,598
Investments	154,182	145,261	299,443
Notes receivable	20,344	-	20,344
Total Assets	<u>\$ 185,139</u>	<u>\$ 176,246</u>	<u>\$ 361,385</u>
Liabilities			
Accounts payable	\$ 12	\$ -	\$ 12
Due to other governments	185,127	-	185,127
Total Liabilities	<u>\$ 185,139</u>	<u>\$ -</u>	<u>\$ 185,139</u>
Net Position			
Restricted	\$ -	\$ 176,246	\$ 176,246
Total Net Position	<u>\$ -</u>	<u>\$ 176,246</u>	<u>\$ 176,246</u>

COMPONENT UNITS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Downtown Development Authority	Brownfield Redevelopment Authority	Total
Downtown Development Authority	\$ 6,084	\$ 5,305	\$ -	\$ (779)	\$ -	\$ (779)
Brownfield Redevelopment Authority	-	-	-	-	-	-
Total	\$ 6,084	\$ 5,305	\$ -	\$ (779)	\$ -	\$ (779)

General Revenues

Property Taxes	\$ -	\$ 41,729	\$ 41,729
Investment income	779	195	974
Total General Revenues	779	41,924	42,703

Change in Net Position

Net Position - Beginning of Year

Net Position - Ending

Change in Net Position	\$ -	\$ 41,924	\$ 41,924
Net Position - Beginning of Year	-	134,322	134,322
Net Position - Ending	\$ -	\$ 176,246	\$ 176,246

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. This fund is shown on the basis of its fiscal year end of September 30, 2021. The September 30 year end is the fiscal year end of the grant programs from which the Dial-A-Ride Fund receives federal funding. Complete financial statements for the Dial-A-Ride Fund can be obtained at the city manager's office.

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.

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. As of June 30, 2022, the DDA has ceased operations and the City will allocate the assets during fiscal year June 30, 2023 when the City Commissioners develop a dissolution plan.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

A. Reporting Entity, Concluded

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.

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.

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.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the City totaled \$96 million, on which ad valorem taxes levied which consisted of 19.1128 mills for the City's operating purposes, 17.6000 for operating purposes (13.6000 mills are allocated to the General Fund and 4.0000 mills are allocated to the Street Repair and Maintenance Fund) and .9924 mills for the Dial-A-Ride Fund. These amounts are recognized in the respective General Fund, Street Repair and Maintenance 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 **Street Repair and Maintenance Fund** is a special revenue fund that accounts for the property tax revenue, which is committed for use on street repairs and maintenance.

The **Dial-A-Ride Fund** is a special revenue fund that accounts for the revenue related to providing bus services.

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 considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. 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.

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 - leased equipment	5 - 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, Concluded

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 – The City is a lessee for a noncancelable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$25,000 or more.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

Leases, concluded – Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease 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.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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	\$ (452,180)
Current year building permit revenue	10,962
Related expenses - direct costs	(52,716)
Cumulative shortfall at end of year	<u>\$ (493,934)</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.

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

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 \$3,356,815 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.

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, 2022, 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>
Governmental agencies	\$ 985,996	Counterparty's trust department
Money market	5,411,326	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.

At year end, the City's average maturities of investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-average Maturity (Years)</u>
Governmental agencies	\$ 985,996	0.114

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

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, 2022, 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>
Governmental agencies	\$ 985,996	Unrated	N/A
Money market	5,411,326	Unrated	N/A

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.

The City has the following recurring fair value measurement as of June 30, 2022:

Government agencies in the amount of \$985,996 are valued using Level 2 inputs.

The fair value of government agencies at June 30, 2022 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	\$ 366,166	\$ 33,000	\$ -	\$ 399,166
Construction in progress	5,250	-	-	5,250
Subtotal	\$ 371,416	\$ 33,000	\$ -	\$ 404,416
Capital assets being depreciated/ amortized				
Roads and sidewalks	\$ 12,540,978	\$ 288,888	\$ -	\$ 12,829,866
Buildings and improvements	2,364,218	117,354	-	2,481,572
Furniture and equipment	2,148,048	29,101	-	2,177,149
Vehicles	1,388,320	5,639	-	1,393,959
Other furnishings	109,654	47,694	-	157,348
Right to use - leased equipment	10,000	35,971	-	45,971
Subtotal	\$ 18,561,218	\$ 524,647	\$ -	\$ 19,085,865
Accumulated depreciation/ amortization				
Roads and sidewalks	\$ (10,749,616)	\$ (211,591)	\$ -	\$ (10,961,207)
Buildings and improvements	(1,365,708)	(76,358)	-	(1,442,066)
Furniture and equipment	(1,169,972)	(122,473)	-	(1,292,445)
Vehicles	(1,234,279)	(62,080)	-	(1,296,359)
Other furnishings	(67,896)	(20,332)	-	(88,228)
Right to use - leased equipment	-	-	-	-
Subtotal	\$ (14,587,471)	\$ (492,834)	\$ -	\$ (15,080,305)
Net capital assets being depreciated/ amortized	\$ 3,973,747			\$ 4,005,560
Net capital assets	\$ 4,345,163			\$ 4,409,976

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	8,413,673	-	(8,413,673)	-
Subtotal	\$ 8,454,449	\$ -	\$ (8,413,673)	\$ 40,776
Capital assets being depreciated/ amortized				
Buildings and improvements	\$ 7,781,671	\$ 9,227,906	\$ -	\$ 17,009,577
Furniture and equipment	2,259,147	43,643	-	2,302,790
Land Improvements	7,236,438	21,595	-	7,258,033
Subtotal	\$ 17,277,256	\$ 9,293,144	\$ -	\$ 26,570,400
Accumulated depreciation/a mortization				
Buildings and improvements	\$ (4,266,924)	\$ (1,946,544)	\$ -	\$ (6,213,468)
Furniture and equipment	(1,639,864)	(71,996)	-	(1,711,860)
Land Improvements	(3,150,170)	(146,351)	-	(3,296,521)
Subtotal	\$ (9,056,958)	\$ (2,164,891)	\$ -	\$ (11,221,849)
Net capital assets being depreciated/ amortized	\$ 8,220,298			\$ 15,348,551
Net capital assets	\$ 16,674,747			\$ 15,389,327

Depreciation/amortization expense was allocation between functions as follows:

Governmental activities:

Governmental government	\$ 17,221
Public safety	74,236
Public works	341,124
Recreation and culture	60,253
	<u>\$ 492,834</u>

Business-type activities \$ 2,164,891

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City has made the following long-term advances between funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 88,513
Cemetery Fund	General Fund	68,566
		<u>\$ 157,079</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, 2022.

The General Fund owes the Cemetery Fund \$68,566 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	\$ 3,441
	Water and Sewer Fund	11,600
	Street Repair and Maintenance Fund	115,000
	Total General Fund	<u>\$ 130,041</u>
Capital Projects Fund	General Fund	60,138
	Street Repair and Maintenance Fund	183,374
Local Streets Fund		<u>183,374</u>
	Total	<u><u>\$ 373,553</u></u>

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 allocates 4.0000 mills from the Street Repair and Maintenance Fund to the General 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Governmental Activities						
Direct borrowing and direct placements:						
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.						
	\$ -	\$ 45,971	\$ (24,251)	\$ 21,720	\$ 21,720	
Compensated absences	138,058	9,515	-	147,573	88,293	
Total governmental activities	\$ 138,058	\$ 55,486	\$ (24,251)	\$ 169,293	\$ 110,013	
	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities						
Direct placements:						
General Obligation Bonds						
<i>Revenue Bonds</i>						
Series 2009A water supply and sewage disposal system	2.50%	\$ 910,000	\$ -	\$ (90,000)	\$ 820,000	\$ 95,000
Series 2010 DWRf bond	2.50%	955,000	-	(95,000)	860,000	100,000
Series 2020 water supply and sewage disposal system	2.80%	8,990,000	-	(195,000)	8,795,000	200,000
Total bonds payable		10,855,000	-	(380,000)	10,475,000	395,000
Compensated absences		41,286	-	(507)	40,779	33,365
Total business-type activities		\$ 10,896,286	\$ -	\$ (380,507)	\$ 10,515,779	\$ 428,365

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 Borrowing		
	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 395,000	\$ 285,673	\$ 680,673
2024	505,000	274,428	779,428
2025	525,000	260,740	785,740
2026	535,000	246,585	781,585
2027	550,000	232,150	782,150
2028-2032	2,850,000	933,005	3,783,005
2033-2037	3,060,000	528,010	3,588,010
2038-2040	2,055,000	101,920	2,156,920
Total	\$ 10,475,000	\$ 2,862,510	\$ 13,337,510

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, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to, but not yet receiving benefits	21
Active employees	29
	<u>89</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 Asset – The City's Net Pension Asset was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Asset 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, 2021 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 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 12-31-20	\$ 8,664,639	\$ 9,226,133	\$ (561,494)
Changes for the Year			
Service cost	194,211	-	194,211
Interest on the total pension liability	614,393	-	614,393
Difference between expected and actual experience	13,130	-	13,130
Changes in assumptions	315,314	-	315,314
Employer contributions	-	166,189	(166,189)
Employee contributions	-	92,620	(92,620)
Net investment income	-	1,232,081	(1,232,081)
Benefit payments, including employee refunds	(574,717)	(574,717)	-
Administrative expense	-	(14,614)	14,614
Other changes	29,660	-	29,660
Net changes	<u>\$ 591,991</u>	<u>\$ 901,559</u>	<u>\$ (309,568)</u>
Ending Balance at 12-31-21	<u>\$ 9,256,630</u>	<u>\$ 10,127,692</u>	<u>\$ (871,062)</u>

NOTE 8. PENSION PLAN, CONTINUED

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		\$ (871,062)	
Change in Net Pension (Asset) Liability (NPL)	1,886,665	-	17,721
Calculated NPL	<u>\$ 1,015,603</u>	<u>\$ (871,062)</u>	<u>\$ (853,341)</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2022, the City recognized pension expense of \$51,304. 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	\$ 41,881	\$ -
Changes in assumptions	287,147	-
Net difference between projected and actual earnings on pension plan investments	-	(762,764)
Employer contributions to the plan subsequent to the measurement date*	58,254	-
Total	<u>\$ 387,282</u>	<u>\$ (762,764)</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 asset for the year ending June 30, 2023.

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
2022	\$ 102,359
2023	(198,361)
2024	(222,700)
2025	(115,034)
Total	<u>\$ (433,736)</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 \$447,993 from the program for the year ended June 30, 2022. The total expenditures incurred during the fiscal year was \$0. Accordingly, the \$447,993 is reported as unearned revenue as of March 31, 2022.

NOTE 10. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the City implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

GASB Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

NOTE 11. SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 31, 2022, 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

DRAFT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 1,771,196	\$ 1,423,081	\$ 1,440,356	\$ 17,275
Federal grants	-	223,999	-	(223,999)
State-shared revenue and grants	1,024,603	1,426,414	1,059,747	(366,667)
Charges for services	88,763	103,673	99,578	(4,095)
Licenses and permits	261,434	303,196	236,076	(67,120)
Investment income	30,900	18,000	15,736	(2,264)
Other revenues	506,143	159,863	77,660	(82,203)
Total Revenues	<u>\$ 3,683,039</u>	<u>\$ 3,658,226</u>	<u>\$ 2,929,153</u>	<u>\$ (729,073)</u>
Expenditures				
General government				
City Commission	\$ 331,045	\$ 586,930	\$ 218,850	\$ 368,080
City Manager	557,646	633,906	312,926	320,980
Treasurer	161,215	381,165	358,494	22,671
Assessing	59,785	59,785	26,528	33,257
Clerk	70,408	79,808	79,007	801
Building and grounds	311,750	703,500	671,840	31,660
Elections	30,612	34,030	24,347	9,683
Property rentals	37,186	38,871	4,925	33,946
Other general government	15,500	15,500	6,585	8,915
Public safety				
Police	1,208,466	1,243,560	1,069,298	174,262
Fire	105,320	116,530	84,959	31,571
Crossing guards	41,410	41,410	21,433	19,977
Building inspections and related	82,390	88,690	52,996	35,694
Public works				
Streets	414,652	663,402	568,578	94,824
Cemetery maintenance	231,445	252,795	201,223	51,572
Recreation and culture	101,950	103,350	17,090	86,260
Total Expenditures	<u>\$ 3,760,780</u>	<u>\$ 5,043,232</u>	<u>\$ 3,719,079</u>	<u>\$ 1,324,153</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 126,424	\$ 187,428	\$ 130,041	\$ 57,387
Operating transfers out	(60,138)	(60,138)	(60,138)	-
Sale of capital assets	8,927	17,333	8,666	(8,667)
Lease financing	210,000	210,000	45,971	(164,029)
Total Other Financing Sources (Uses)	<u>\$ 285,213</u>	<u>\$ 354,623</u>	<u>\$ 124,540</u>	<u>\$ (115,309)</u>
Net Change in Fund Balance	<u>\$ 207,472</u>	<u>\$ (1,030,383)</u>	<u>\$ (665,386)</u>	<u>\$ 364,997</u>
Beginning of Year Fund Balance	<u>2,074,447</u>	<u>2,074,447</u>	<u>2,074,447</u>	
End of Year Fund Balance	<u><u>\$ 2,281,919</u></u>	<u><u>\$ 1,044,064</u></u>	<u><u>\$ 1,409,061</u></u>	

See notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - MAJOR STREETS FUND
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
State-shared revenue and grants	\$ 530,103	\$ 549,445	\$ 482,549	\$ (66,896)
Investment income	3,000	3,000	870	(2,130)
Total Revenues	<u>\$ 533,103</u>	<u>\$ 552,445</u>	<u>\$ 483,419</u>	<u>\$ (69,026)</u>
Expenditures				
Public works				
Streets	\$ 499,747	\$ 533,291	\$ 320,929	\$ 212,362
Stormwater drainage	33,356	33,356	21,783	11,573
Total Expenditures	<u>\$ 533,103</u>	<u>\$ 566,647</u>	<u>\$ 342,712</u>	<u>\$ 223,935</u>
Net Change in Fund Balance	\$ -	\$ (14,202)	\$ 140,707	<u>\$ 154,909</u>
Beginning of Year Fund Balance	715,728	715,728	715,728	
End of Year Fund Balance	<u>\$ 715,728</u>	<u>\$ 701,526</u>	<u>\$ 856,435</u>	

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See notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - DIAL-A-RIDE FUND
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ -	\$ -	\$ 92,367	\$ 92,367
Federal grants	-	-	20,336	20,336
State-shared revenue and grants	-	-	80,753	80,753
Farebox revenue	-	-	13,813	13,813
Investment income	-	-	16	16
Other revenue	-	-	765	765
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,050</u>	<u>\$ 208,050</u>
Expenditures				
Operating costs	\$ -	\$ -	\$ 225,672	\$ (225,672)
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,672</u>	<u>\$ (225,672)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (17,622)	<u>\$ (17,622)</u>
Beginning of Year Fund Balance	80,682	80,682	98,304	
End of Year Fund Balance	<u>\$ 80,682</u>	<u>\$ 80,682</u>	<u>\$ 80,682</u>	

See notes to required supplemental information.

CITY OF BUCHANAN

BUDGETARY COMPARISON SCHEDULE - STREET REPAIR AND MAINTENANCE FUND
Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 345,722	\$ 345,722	\$ 373,607	\$ 27,885
Investment income	2,104	2,104	468	(1,636)
Total Revenues	<u>\$ 347,826</u>	<u>\$ 347,826</u>	<u>\$ 374,075</u>	<u>\$ 26,249</u>
Expenditures				
Public works				
Streets	\$ 49,452	\$ 49,452	\$ -	\$ 49,452
Total Expenditures	<u>\$ 49,452</u>	<u>\$ 49,452</u>	<u>\$ -</u>	<u>\$ 49,452</u>
Other Financing Sources (Uses)				
Operating transfers out	\$ (298,374)	\$ (298,374)	\$ (298,374)	\$ -
Net Change in Fund Balance	\$ -	\$ -	\$ 75,701	<u>\$ 75,701</u>
Beginning of Year Fund Balance	371,157	371,157	371,157	
End of Year Fund Balance	<u>\$ 371,157</u>	<u>\$ 371,157</u>	<u>\$ 446,858</u>	

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See notes to required supplemental information.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 194,211	\$ 173,629	\$ 154,062	\$ 149,614	\$ 148,776	\$ 145,371	\$ 134,606	\$ 127,212
Interest	614,393	601,309	606,163	583,740	572,661	562,901	544,130	527,997
Difference between expected and actual experience	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	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Other	29,660	-	75	-	-	-	-	-
Net Change in Total Pension Liability	\$ 591,991	\$ 573,841	\$ 354,944	\$ 294,962	\$ 142,474	\$ 126,301	\$ 417,823	\$ 180,677
Total Pension Liability - Beginning	\$ 8,664,639	\$ 8,090,798	\$ 7,735,854	\$ 7,440,892	\$ 7,298,418	\$ 7,172,117	\$ 6,754,294	\$ 6,573,617
Total Pension Liability - Ending	\$ 9,256,630	\$ 8,664,639	\$ 8,090,798	\$ 7,735,854	\$ 7,440,892	\$ 7,298,418	\$ 7,172,117	\$ 6,754,294
Plan Fiduciary Net Position								
Contributions - employer	\$ 166,189	\$ 190,600	\$ 162,642	\$ 160,866	\$ 156,042	\$ 148,611	\$ 130,854	\$ 107,605
Contributions - employee	92,620	85,328	78,515	78,176	74,738	72,878	70,465	67,236
Net Investment income (loss)	1,232,081	1,160,736	1,020,890	(314,508)	964,855	765,979	(105,298)	439,960
Benefit payments including employee refunds	(574,717)	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Administrative expense	(14,614)	(16,672)	(17,585)	(15,635)	(15,279)	(15,125)	(15,513)	(16,097)
Net Change in Plan Fiduciary Net Position	\$ 901,559	\$ 888,700	\$ 774,596	\$ (528,997)	\$ 751,249	\$ 555,233	\$ (371,657)	\$ 124,172
Plan Fiduciary Net Position - Beginning	\$ 9,226,133	\$ 8,337,433	\$ 7,562,837	\$ 8,091,834	\$ 7,340,585	\$ 6,785,352	\$ 7,157,009	\$ 7,032,837
Plan Fiduciary Net Position - Ending	\$ 10,127,692	\$ 9,226,133	\$ 8,337,433	\$ 7,562,837	\$ 8,091,834	\$ 7,340,585	\$ 6,785,352	\$ 7,157,009
Employer Net Pension Liability (Asset)	\$ (871,062)	\$ (561,494)	\$ (246,635)	\$ 173,017	\$ (650,942)	\$ (42,167)	\$ 386,765	\$ (402,715)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	109%	106%	103%	98%	109%	101%	95%	106%
Covered Employee Payroll	\$ 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	-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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial determined contributions	\$ 166,189	\$ 190,600	\$ 166,975	\$ 162,498	\$ 157,913	\$ 159,475	\$ 136,659	\$ 118,989	\$ 102,778	\$ 96,946
Contributions in relation to the actuarially determined contribution	166,189	190,600	166,975	162,498	157,913	159,475	136,659	118,989	102,778	96,946
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,718,688	\$ 1,718,688	\$ 1,572,389	\$ 1,547,564	\$ 1,518,474	\$ 1,518,321	\$ 1,411,015	\$ 1,393,480	\$ 1,479,116	\$ 1,431,607
Contributions as a percentage of covered employee payroll	9.7%	11.1%	10.6%	10.5%	10.4%	10.5%	9.7%	8.5%	6.9%	6.8%

Notes to Schedule:

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

As of December 31, 2021, the discount rate was adjusted down from 7.60 to 7.25 percent.

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.

The Dial-A-Ride Fund is a special revenue fund contained in the governmental funds statement of revenue, expenditures, and changes in fund balances. This fund accounts for a blended component unit that has a September 30 year end. This fund is budgeted on the September 30 fiscal year rather than the City's June 30 year end. Therefore, the required supplemental information includes a budget for the year from October 1, 2021 through September 30, 2022.

Excess of Expenditures Over Appropriations in Budgeted Funds - See previous Budgetary Comparison Schedules for budget variances as they apply to the City. There were no expenditures in excess of their budget during the current fiscal year.

OTHER SUPPLEMENTARY INFORMATION

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BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue Funds			Total Non-Major Governmental Funds
	Local Streets	Housing Grant	Cemetery	
Assets				
Cash and cash equivalents	\$ 17,979	\$ 150	\$ 51,187	\$ 69,316
Investments	653,121	22,000	221,490	896,611
Receivables:				
Due from other governments	24,807	-	-	24,807
Due from other funds	-	-	68,566	68,566
Prepaid expenses	2,056	-	-	2,056
Total Assets	\$ 697,963	\$ 22,150	\$ 341,243	\$ 1,061,356
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,148	\$ -	\$ -	\$ 1,148
Accrued liabilities and other	8,373	-	-	8,373
Unearned revenue	-	22,150	-	22,150
Total Liabilities	\$ 9,521	\$ 22,150	\$ -	\$ 31,671
Fund Balances				
Nonspendable	\$ 2,056	\$ -	\$ -	\$ 2,056
Restricted	686,386	-	-	686,386
Committed	-	-	341,243	341,243
Total Fund Balances	\$ 688,442	\$ -	\$ 341,243	\$ 1,029,685
Total Liabilities and Fund Balances	\$ 697,963	\$ 22,150	\$ 341,243	\$ 1,061,356

CITY OF BUCHANAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2022**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Local Streets	Housing Grant	Cemetery	
Revenues				
State-shared revenue and grants	\$ 161,558	\$ -	\$ -	\$ 161,558
Investment income	-	-	3,441	3,441
Other revenues	21,575	-	6,006	27,581
Total Revenues	\$ 183,133	\$ -	\$ 9,447	\$ 192,580
Expenditures				
Public works				
Streets	\$ 213,384	\$ -	\$ -	\$ 213,384
Stormwater drainage	22,591	-	-	22,591
Total expenditures	\$ 235,975	\$ -	\$ -	\$ 235,975
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (52,842)	\$ -	\$ 9,447	\$ (43,395)
Other Financing Sources(Uses)				
Operating transfers in	\$ 183,374	\$ -	\$ -	\$ 183,374
Operating transfers out	-	-	(3,441)	(3,441)
Total Other Financing Sources(Uses)	\$ 183,374	\$ -	\$ (3,441)	\$ 179,933
Net Change in Fund Balance	\$ 130,532	\$ -	\$ 6,006	\$ 136,538
Fund Balance - Beginning of Year	557,910	-	335,237	893,147
Fund Balance - End of Year	\$ 688,442	\$ -	\$ 341,243	\$ 1,029,685

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