

City of Otsego
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

City Commission
City of Otsego, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Otsego, Michigan (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the City adopted GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

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

Siegfried Crandall P.C.

August 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Otsego, Michigan

Management's Discussion and Analysis

The following discussion and analysis is intended as a narrative overview of the City of Otsego, Michigan's (the City) operations over the fiscal year and its financial condition on June 30, 2024. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net position increased by \$1,523,344, or 7.1 percent, as a result of this year's operations. The net position of the governmental activities increased by \$1,198,166 and the net position of the business-type activities increased by \$325,178.
- Of the \$22,884,969 total net position reported, \$6,353,265 is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,424,536, which represents 64 percent of the actual total General Fund expenditures and transfers out for the fiscal year.

Overview of the financial statements

This discussion and analysis introduce the City's basic financial statements, that follow this section, and includes a comparative analysis of the basic financial statements using summarized information from the current and prior year's government-wide financial statements.

The City's annual report is comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. Additional supplementary information is also included to provide a more detailed view of the City's financial structure and to support the information provided in the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a format similar to that of private-sector financial statements. The Statement of Net Position and the Statement of Activities are designed to be corporate-like, in that all the governmental and business-type activities are consolidated into columns that add to a total for the primary government. These statements should help the reader to answer the question: Is the City, as a whole, in a better or worse financial position as a result of this year's activities? These statements include all nonfiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized, regardless of when cash is received or paid.

The Statement of Net Position reports all of the City's assets and liabilities, along with the difference between the two, which is identified as the net position. This statement combines and consolidates short-term spendable resources (e.g., cash, receivables, inventory, etc.) with capital assets. Increases and decreases in net position may serve as an indicator, over time, as to whether the City's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position, such as the status of the City's infrastructure and property tax base.

The Statement of Activities reports both the gross and net cost of the various programs and activities of the City that are funded by property taxes and other revenue sources. This presentation is intended to summarize the cost of providing the various governmental services. This Statement also shows the change in the City's net position over the fiscal year. All changes in net position are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements report two types of activities:

1. *Governmental activities.* These activities include functions most commonly associated with government (e.g., police, fire, public works, parks, etc.). Property taxes and intergovernmental revenues usually fund these services.
2. *Business-type activities.* These activities provide services that are supported by customer user fees. The user fees are calculated to provide all, or the majority, of the operating costs involved in providing the services. The City operates two business-type activities that reflect the private-sector type operations: sewer and water services.

Fund financial statements

Fund financial statements are presented in a manner similar to the reporting format of prior years. These statements detail the activity that has occurred in the City's most significant funds. Individual funds, or fund accounting, are necessary to track revenues and expenditures that are directly related to specific activities or required by statute/ordinance to be budgeted and accounted for separately. To be reported separately and considered as a major fund, however, a fund's total assets, liabilities, revenues, or expenditures must be at least 10 percent of the total assets, liabilities, revenues, or expenditures for all funds of that category or type.

The City's funds are classified into three categories, which each use a different accounting approach:

1. *Governmental funds.* These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements mentioned above. The governmental funds statements, however, are presented on a modified accrual basis, which focuses on the short-term (60 day) sources and uses of available resources, as well as the balance of spendable resources at the end of the fiscal year. A review of these statements can show if there has been an increase or decrease in the resources available to continue providing services to our residents. The relationship between governmental activities reported in the Statement of Net Position and Statement of Activities is reconciled in the governmental fund's financial statements. The City's governmental funds include the General Fund, special revenue funds, and capital projects funds.
2. *Proprietary funds.* Proprietary funds account for the expenses involved in providing particular services to customers who are then charged fees calculated to recover the costs of operation. These funds use accrual accounting, which is the same method used by private-sector businesses. The City maintains two different types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water services. Internal service funds are used to accumulate and allocate costs internally across various City functions. The DPW Motor Pool Fund serves as an internal service fund to provide contractor equipment used in the other funds. Because the equipment is rented by the hour to provide services, which predominately benefit governmental rather than business-type functions, it is included within governmental activities of the government-wide financial statements.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily property taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the basic financial statements

The notes provide additional information that is necessary to understand the data reported in the government-wide and fund financial statements.

Required supplementary information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

Supplementary information

Following the required supplementary information are combining financial statements for nonmajor governmental funds. These funds are added together and presented in a single column in the basic financial statements but are not reported individually, as with major funds, on the governmental fund's financial statements. This section also includes governmental funds balance sheets and budgetary comparison schedules for each of the City's funds.

Financial analysis of the City as a whole

Statement of Net Position

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Statement of Net Position reveals favorable or positive balances in all three of the government-wide columns (governmental activities, business-type activities, and totals). A negative balance would indicate a deficit situation that would require further disclosure of plans to reverse the balance in the subsequent fiscal year.

A two-year comparison of the Statement of Net Position is shown in Schedule 1. In the City's case, total assets exceeded total liabilities at the end of the fiscal year by \$22,884,969. However, the majority of the City's net position, in the amount of \$14,392,448 (63 percent), represents an investment in capital assets (e.g., land, streets, storm sewers, sewer and water systems, buildings, and equipment), less outstanding debt used to acquire or construct these assets. Because the City uses these capital assets to provide essential services to citizens, these assets are not available to be liquidated for future spending needs. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay the debt must be provided from other sources because the capital assets themselves cannot be used to satisfy these liabilities.

A total of \$2,139,256 of the City's net position is restricted for public safety (\$659) and public works (\$2,138,597). The City may use the remaining balance of unrestricted net position of \$6,353,265 to meet its ongoing obligations to citizens and creditors. The unrestricted net position for the governmental activities increased by \$311,819 (10.7 percent) for the fiscal year, and the unrestricted net position for the business-type activities increased by \$908.

The unrestricted net position for governmental activities increased primarily due to receiving \$298,000 more in Community Stabilization revenues than originally anticipated. The current level of unrestricted net position for governmental activities represents 90 percent of the fiscal year's expenses.

The unrestricted net position of the business-type activities remained virtually unchanged, increasing only \$908. The ending unrestricted balance of \$3,127,562 represents 192 percent of the business-type expenses for the fiscal year. Although the unrestricted net position is not necessarily cash and cash equivalents, this balance could be depleted by one or more significant capital improvement projects.

Schedule 1
Statement of Net Position - Two Year Comparison

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 5,767,574	\$ 5,269,797	\$ 3,609,976	\$ 3,616,042	\$ 9,377,550	\$ 8,885,839
Capital assets	<u>8,017,239</u>	<u>7,065,747</u>	<u>7,370,208</u>	<u>7,105,938</u>	<u>15,387,447</u>	<u>14,171,685</u>
Total assets	<u>13,784,813</u>	<u>12,335,544</u>	<u>10,980,184</u>	<u>10,721,980</u>	<u>24,764,997</u>	<u>23,057,524</u>
Current and other liabilities	402,615	151,512	482,414	489,388	885,029	640,900
Long-term debt	-	-	994,999	1,054,999	994,999	1,054,999
Total liabilities	<u>402,615</u>	<u>151,512</u>	<u>1,477,413</u>	<u>1,544,387</u>	<u>1,880,028</u>	<u>1,695,899</u>
Net position:						
Net investment in capital assets	8,017,239	7,065,747	6,375,209	6,050,939	14,392,448	13,116,686
Restricted	2,139,256	2,204,401	-	-	2,139,256	2,204,401
Unrestricted	<u>3,225,703</u>	<u>2,913,884</u>	<u>3,127,562</u>	<u>3,126,654</u>	<u>6,353,265</u>	<u>6,040,538</u>
Total net position	<u>\$ 13,382,198</u>	<u>\$ 12,184,032</u>	<u>\$ 9,502,771</u>	<u>\$ 9,177,593</u>	<u>\$ 22,884,969</u>	<u>\$ 21,361,625</u>

Statement of Activities

A similar two-year comparison of the Statement of Activities is shown in Schedule 2. This schedule identifies many of the substantial changes that occurred in revenues and expenses over the fiscal year.

The increase in net position was lower than the prior year, as revenues decreased by \$1,926,696, though expenses only increased by \$5,073. The reduction in revenues was the result of a \$2,546,495 decrease in capital grants.

Governmental activities increased the City's net position by \$1,198,166 primarily due to over 30 percent increases in property tax and investment revenues and nearly 27 percent decreases in public works and community and economic development expenditures from the previous fiscal year.

Business-type activities increased the City's net position by \$325,178 primarily due to... charges for services and investment earnings exceeding total expenses. This excess revenue was invested in capital assets, as shown in the Statement of Net Position.

Schedule 2
Statement of Activities - Two Year Comparison

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Program revenues:						
Charges for services	\$ 558,029	\$ 412,634	\$ 1,810,109	\$ 1,728,515	\$ 2,368,138	\$ 2,141,149
Operating grants	818,206	783,231	-	-	818,206	783,231
Capital grants	-	1,708,724	-	837,771	-	2,546,495
General revenues:						
Property taxes	1,936,181	1,476,414	-	-	1,936,181	1,476,414
Community stabilization	675,220	731,729	-	-	675,220	731,729
State shared revenue	520,851	512,531	-	-	520,851	512,531
Franchise fees	43,325	47,571	-	-	43,325	47,571
Investment earnings	145,319	111,338	141,604	71,785	286,923	183,123
Insurance recoveries	58,669	151,853	-	-	58,669	151,853
Gain (loss) on sale of assets	7,500	72,427	-	(4,814)	7,500	67,613
Total revenues	<u>4,763,300</u>	<u>6,008,452</u>	<u>1,951,713</u>	<u>2,633,257</u>	<u>6,715,013</u>	<u>8,641,709</u>
Expenses:						
General government	601,451	567,972	-	-	601,451	567,972
Public safety	1,749,591	1,477,441	-	-	1,749,591	1,477,441
Public works	957,817	1,308,195	-	-	957,817	1,308,195
Health and welfare	7,793	9,757	-	-	7,793	9,757
Community and economic development	39,465	54,029	-	-	39,465	54,029
Recreation and culture	209,017	142,352	-	-	209,017	142,352
Sewer	-	-	1,041,003	1,086,294	1,041,003	1,086,294
Water	-	-	585,532	540,556	585,532	540,556
Total expenses	<u>3,565,134</u>	<u>3,559,746</u>	<u>1,626,535</u>	<u>1,626,850</u>	<u>5,191,669</u>	<u>5,186,596</u>
Changes in net position	<u>\$ 1,198,166</u>	<u>\$ 2,448,706</u>	<u>\$ 325,178</u>	<u>\$ 1,006,407</u>	<u>\$ 1,523,344</u>	<u>\$ 3,455,113</u>
Net position, end of year	<u>\$ 13,382,198</u>	<u>\$ 12,184,032</u>	<u>\$ 9,502,771</u>	<u>\$ 9,177,593</u>	<u>\$ 22,884,969</u>	<u>\$ 21,361,625</u>

Financial analysis of the City's funds

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

General Fund

The General Fund is the primary operating fund of the City. At the end of the fiscal year, total fund balance increased by \$327,102 to \$1,454,482. The ending fund balance represents 66 percent of current year expenditures and transfers out.

The City amended its expenditure budget, increasing appropriations by \$82,835, most of which was necessary because of public works activity. In addition, the City purchased a \$34,000 vacant commercial property adjacent to City Hall in order to control the future development of that site. Total expenditures were \$100,156 less than the final amounts appropriated. The lone negative expenditure variance occurred in the recreation and culture function where expenditures were \$13,209 more than appropriated because of increased maintenance projects to City parks late in the fiscal year.

The General Fund subsidized the Public Safety Fund through a transfer out of \$910,085 which represents 41 percent of total General Fund expenditures and transfers out.

Major Street Fund

The City receives revenues from the State of Michigan to maintain 8.71 miles of major streets, as defined by Public Act 51 of 1951. Also included in this fund are operating costs to maintain the M-89 State Highway, according to contract. This year's expenditures and transfers out were higher than revenues by \$290,077 due to substantial street improvement costs. Fund balance at the end of the fiscal year amounts to \$854,023. Fund balance is accumulated to help offset future capital improvement projects.

Local Street Fund

The City receives revenues from the State of Michigan to maintain 12.64 miles of local streets, as defined by Public Act 51 of 1951. Subsidies are regularly transferred from the Major Street Fund and/or the Street and Bridge Fund to accumulate sufficient resources to cover anticipated street maintenance and capital improvement costs. Revenues and transfers in of \$341,412, were more than expenditures of \$207,460. Fund balance increased by \$133,952 to \$539,460 at year end. Fund balance is accumulated to help offset future capital improvement projects or revenue shortfalls resulting from subsidies being temporarily redirected to other projects.

Public Safety Fund

Normal operating costs were \$1,613,958 while transfers out to capital project funds were \$86,110, bringing the total of expenditures plus other uses to \$1,700,068. Tax revenue generated \$448,913, or 26 percent of total uses of funds. The \$910,085 transfer in, from the General Fund, provided 54 percent of the total uses of funds. The fund ended the year with a fund balance of \$347,719 which represents 22 percent of operating costs.

Street and Bridge Fund

Allegan County voters approved a road maintenance millage to be collected as part of property taxes to help maintain and improve roads within the County. Because the County does not maintain any roads within the City, the County provides a portion of these monies to the City for capital improvement projects or road maintenance, in accordance with Michigan Compiled Laws 224.20b. Revenues exceeded expenditures and transfers to the street funds (\$80,000), which caused fund balance to increase by \$85,184. The restricted fund balance amounts to \$475,720.

Solid Waste & Recycling Fund

This governmental fund was created to separate out the City's transfer station and recycling functions from the General Fund. Appropriations are funded by a solid waste reduction millage, as allowed by Michigan Compiled Law 123.261, and the Allegan County Recycle Surcharge Program. Normal operating costs, including transfers to capital project funds of \$67,060, were \$350,509; however, revenues amounted to \$357,061, which resulted in an increase in fund balance of \$6,552.

Governmental Capital Projects Fund

This capital project fund used for future improvements to existing City facilities. Transfers in from the General Fund, Public Safety Fund, and Solid Waste & Recycling Fund totaled \$59,970, based on projected depreciation of applicable capital assets. The transfers in, plus interest of \$15,184, less capital outlay expenditures of \$181,870 resulted in an ending fund balance of \$236,885.

Equipment Replacement Fund

This capital project fund accumulates resources over time in order to purchase vehicles and equipment exceeding the \$5,000 capitalization threshold. This fund received transfers in of \$132,250 from the General Fund, Public Safety Fund, and Solid Waste & Recycling Fund, based on estimated annual depreciation of capital assets purchased by these funds. The transfers in, plus interest revenue of \$12,024, and insurance proceeds of \$45,934, less capital outlay expenditures of \$275,788 resulted in an ending fund balance of \$208,701.

Special Assessment Capital Project Fund

The fund generated revenues of \$31,783 and incurred no expenditures. Fund balance available for future capital improvement projects totals \$480,024.

Sewer Fund

A usage increase of 6 percent and an overall rate increase of 5 percent resulted in an increase in charges for services of \$48,546 (1,128,468-1,079,922) from the prior year. Operating expenses were reduced by \$43,885 due to the completion of a construction project requiring a construction manager and less extensive sewer main maintenance than in the prior fiscal year. Operating income of \$137,128 and, together with net nonoperating revenues of \$54,736, increased net position by \$191,864 for the fiscal year. Total net position was \$6,133,541 at year end, of which \$2,076,754 was unrestricted. Unrestricted net position represents 205 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects. The balance of long-term debt amounts to \$994,999 at year-end. User fees provide debt repayment funding while still supporting operating costs.

Water Fund

Usage increased 2.8 percent, and a similar overall rate increase of 5 percent resulted in an increase in charges for services of \$33,603 (641,199-607,596) from the prior year. Operating expenses increased 44,976 (8.3 percent) primarily due to increased depreciation of newer capital assets, laboratory testing and the purchase of replacement water meters to improve billing accuracy. Operating income amounted to \$72,446 and, together with nonoperating revenues of \$60,868, increased net position by \$133,314 for the fiscal year. Total net position was \$3,369,230 at year end, of which \$1,050,808 was unrestricted. Unrestricted net position represents 179 percent of operating expenses and is accumulated to offset future capital improvement or maintenance projects.

Motor Pool Fund

This fund is a proprietary fund used to allocate the costs of public works equipment and supplies to the City's operating departments. Equipment is charged to departments using rental rates derived by the State. Supplies are charged at actual costs. The fund's net position increased by \$27,199 in the current year, as operating expenses exceeded interfund charges by \$4,341 and the fund recognized nonoperating revenues of \$31,540. Net position is comprised of an investment in capital assets of \$547,336, and unrestricted net position of \$512,713, totaling \$1,060,049 at year end. The unrestricted net position is accumulated to offset future capital asset purchases.

Capital assets and debt administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to \$15,387,447 (net of accumulated depreciation). This investment includes a broad range of assets. Overall, there was a \$1,215,762 net increase in the City's net investment in capital assets in the current fiscal year, comprised of \$2,181,206 in additions, \$922,726 in current depreciation, and \$42,718 in dispositions.

Capital acquisitions during the year included:

- \$710,364 for street improvement projects completed during the year.
- \$930,590 for street improvement projects in process at the end of the year.
- \$102,534 for City Hall improvements
- \$155,546 for police vehicles
- \$87,775 for a refuse compactor for the transfer station
- \$31,072 for a commercial building adjacent to City Hall.
- \$106,818 for sewer system improvements
- \$224,800 for water system improvements
- \$92,188 for new Motor Pool equipment

Additional information regarding the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the City had total long-term debt outstanding of \$994,999, reflecting a decrease of \$60,000 related to a timely principal payment. The debt was issued in a prior year to make sewer system improvements. Moody's Investors Service gives the City a rating of Aa3 as of February 2024. State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property, which is equal to \$16,689,790 based upon 2023 property value assessments.

Other long-term debt obligations, totaling \$32,575, represent accrued compensated absences. Additional information is presented in Note 6 of the notes to the basic financial statements.

Economic factors and the 2024-25 budget and rates

The City continued to anticipate economic and community growth while preparing the 2024-25 annual appropriations bill. Although some lingering side effects of the Covid-19 Pandemic that emerged two years ago are still affecting the economy, the most significant has been inflation. Increased cost of goods and services is now more restrictive to the City's ability to make improvements than supply chains or talent pools. Despite rising costs, the City continues to work towards the redevelopment of an abandoned industrial site and the central business district. Careful planning is allowing these projects to move forward without taking on additional long-term debt.

Property values continue to increase in the community. Commercial, industrial, and residential property values increased an average of 4.7, 38.7 and 14.6 percent, respectively. The Consumer Price Index used by the State was 5.1 percent, which will result in the taxable value increases being limited to 5 percent for non-transferred properties. Because total taxable values increased faster than the rate of inflation, the Headlee Amendment to the state constitution did require millage rollbacks of the City's operating and public safety millage rates. General Fund property tax revenue projections increased by 5.6 percent and community stabilization funds by 98.1 percent, while estimates for State Shared Revenues increased by only 1.1 percent. The City's General Fund projected revenues budgeted an overall increase of 16.2 percent over the previous year.

Total General Fund appropriations increased 12.9 percent, resulting in a projected increase in fund balance of \$27,985. A \$1,000,000 transfer/subsidy to the Public Safety Fund comprises 40 percent of General Fund appropriations. This remains necessary to maintain an adequate Public Safety Fund balance at year end. The City strives to maintain fund balances of 25 to 30 percent of operating costs to assure the City will have monies available to maintain services. The current budget projects fund balances of 58 percent for the General Fund and 24 percent for the Public Safety Fund.

The Major and Local Street Funds budgeted increases of .8 percent for Act 51 Revenues (gas and vehicle weight taxes collected and shared by the state). Each fund continued to maintain services and include capital preservation projects. The Major Street Fund budgeted \$1,334,370 for the rehabilitation of Helen Avenue and John Streets and the Local Street Fund budgeted \$54,000 for street surface preservation (slurry-seal).

The Solid Waste and Recycling Fund continues to be in a strong financial position with a fund balance equivalent to 54 percent of operating costs. Property taxes continue to fund 47 percent of operations, while reimbursements from Allegan County Recycle Surcharge collections continues to fund about 10 percent of operations. Intentions are to keep the millage lower and use fund balance to cover 15 to 20 percent of operations until it is reduced to 25 percent.

The City's Water and Sewer funds continue to be financially sound. Although the utilities have excess capacity, due to reductions of industrial use, and the respective departments have attempted to maintain aging equipment within reduced operating budgets, the City continues a proactive campaign to update infrastructure. In addition, the State of Michigan's lead and copper rules require an inventory of possible lead services and a schedule to replace those services. The City endeavors to abate 20 percent of the lead services annually, at an average cost of \$5,000 each. The City was awarded a State grant this year, in the amount of \$260,000, to assist in identifying all the remaining lead services within the City. Historically, these funds have recovered depreciation, which has left both in reasonably strong positions to maintain infrastructure and occasionally fund improvements to their respective systems.

Plans to assist in the redevelopment of the former Rock-Tenn Paper Mill site are included the annual appropriations bill. Allegan County has cleared the former industrial site and is working with a developer to construct middle income housing of up to 470 units along the Kalamazoo River. Most of the water and sewer infrastructure serving the site is undersized and very old or non-existent. Construction is currently underway for water main improvements of \$1.1 million and sewer improvements of about \$600,000. One of the access streets, Helen Avenue, is in extremely poor condition, requiring total replacement that is projected to approach \$1.7 million. These amounts will likely exceed water fund and street fund reserves. The shortfall will be covered by internal short-term interfund loans to avoid additional legal fees and higher interest involved with issuing long-term debt.

As previously mentioned, the City purchased a commercial building adjacent to both city hall and the fire department facilities. The building was the former Elks Lodge which had ceased operations. The Elks governing body negotiated with the City to sell the aging building for an amount to cover outstanding liabilities of the former local social club. The City hopes to either find a suitable developer to use the site to complement the central business district, or raze the building for green space in the downtown.

The City anticipated economic and community growth while preparing the 2024-25 annual appropriations bill. While the City continues to experience the side effects of the Covid-19 Pandemic that emerged in the previous fiscal year, namely inflation, restricted supply chains and a shrinking talent pool, the City received renewed interest in the redevelopment of a previously abandoned industrial sites and the central business district. Inflation remains the largest challenge to the City, as it may require the City to increase its long-term debt in order to replace aged and undersized infrastructure necessary for the redevelopment of an old industrial site. Therefore, the City will continue to carefully consider all operating decisions and capital improvements, while maintaining sufficient fund balances to maintain operations should revenue streams change or be interrupted.

Contacting the City's financial management

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

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

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2024

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 2,107,055	\$ 908,482	\$ 3,015,537
Investments	3,046,700	2,171,447	5,218,147
Receivables	453,994	474,505	928,499
Prepaid expenses	136,409	19,581	155,990
Inventories	18,269	36,530	54,799
Internal balances	569	(569)	-
Total current assets	<u>5,762,996</u>	<u>3,609,976</u>	<u>9,372,972</u>
Noncurrent assets:			
Receivables	4,578	-	4,578
Capital assets not being depreciated	1,463,385	587,541	2,050,926
Capital assets, net of accumulated depreciation	<u>6,553,854</u>	<u>6,782,667</u>	<u>13,336,521</u>
Total noncurrent assets	<u>8,021,817</u>	<u>7,370,208</u>	<u>15,392,025</u>
Total assets	<u>13,784,813</u>	<u>10,980,184</u>	<u>24,764,997</u>
LIABILITIES			
Current liabilities:			
Accounts payable	316,289	463,039	779,328
Accrued payroll liabilities	59,742	7,165	66,907
Accrued interest payable	-	6,219	6,219
Bonds payable - due within one year	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Total current liabilities	<u>376,031</u>	<u>536,423</u>	<u>912,454</u>
Noncurrent liabilities:			
Compensated absences	26,584	5,991	32,575
Bonds payable - due in more than one year	<u>-</u>	<u>934,999</u>	<u>934,999</u>
Total noncurrent liabilities	<u>26,584</u>	<u>940,990</u>	<u>967,574</u>
Total liabilities	<u>402,615</u>	<u>1,477,413</u>	<u>1,880,028</u>
NET POSITION			
Net investment in capital assets	8,017,239	6,375,209	14,392,448
Restricted for:			
Public safety	659	-	659
Public works	2,138,597	-	2,138,597
Unrestricted	<u>3,225,703</u>	<u>3,127,562</u>	<u>6,353,265</u>
Total net position	<u>\$ 13,382,198</u>	<u>\$ 9,502,771</u>	<u>\$ 22,884,969</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2024

Functions/Programs	<i>Net (expenses) revenues and changes in net position</i>					
	<i>Expenses</i>	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Governmental activities:						
General government	\$ 601,451	\$ 88,033	\$ -	\$ (513,418)		\$ (513,418)
Public safety	1,749,591	367,358	31,260	(1,350,973)		(1,350,973)
Public works	957,817	100,086	786,946	(70,785)		(70,785)
Health and welfare	7,793	-	-	(7,793)		(7,793)
Community and economic development	39,465	902	-	(38,563)		(38,563)
Recreation and culture	209,017	1,650	-	(207,367)		(207,367)
Total governmental activities	<u>3,565,134</u>	<u>558,029</u>	<u>818,206</u>	<u>(2,188,899)</u>		<u>(2,188,899)</u>
Business-type activities:						
Sewer	1,041,003	1,152,131	-		\$ 111,128	\$ 111,128
Water	585,532	657,978	-		72,446	72,446
Total business-type activities	<u>1,626,535</u>	<u>1,810,109</u>	<u>-</u>		<u>183,574</u>	<u>183,574</u>
Total	<u>\$ 5,191,669</u>	<u>\$ 2,368,138</u>	<u>\$ 818,206</u>	<u>(2,188,899)</u>	<u>183,574</u>	<u>(2,005,325)</u>
General revenues:						
Property taxes				1,936,181	-	1,936,181
Local community stabilization revenue				675,220	-	675,220
State shared revenue				520,851	-	520,851
Franchise fees				43,325	-	43,325
Interest income				145,319	141,604	286,923
Insurance recoveries				58,669	-	58,669
Gain on sales of capital assets				7,500	-	7,500
Total general revenues, insurance recoveries, and gain on sales of capital assets				<u>3,387,065</u>	<u>141,604</u>	<u>3,528,669</u>
Changes in net position				1,198,166	325,178	1,523,344
Net position - beginning				<u>12,184,032</u>	<u>9,177,593</u>	<u>21,361,625</u>
Net position - ending				<u>\$ 13,382,198</u>	<u>\$ 9,502,771</u>	<u>\$ 22,884,969</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2024

	<u>Special revenue</u>					<u>Total governmental funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Public Safety</u>	<u>Nonmajor funds</u>	
ASSETS						
Cash	\$ 717,554	\$ 396,113	\$ 287,433	\$ 43,503	\$ 444,726	\$ 1,889,329
Investments	647,316	583,347	227,141	63,100	1,274,177	2,795,081
Receivables	107,027	76,852	24,385	235,241	14,871	458,376
Due from other funds	517	-	-	-	-	517
Prepays	29,946	1,657	1,718	75,862	2,396	111,579
	<u>29,946</u>	<u>1,657</u>	<u>1,718</u>	<u>75,862</u>	<u>2,396</u>	<u>111,579</u>
Total assets	<u>\$ 1,502,360</u>	<u>\$ 1,057,969</u>	<u>\$ 540,677</u>	<u>\$ 417,706</u>	<u>\$ 1,736,170</u>	<u>\$ 5,254,882</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables	\$ 17,994	\$ 202,326	\$ 160	\$ 25,591	\$ 52,045	\$ 298,116
Accrued payroll liabilities	13,972	1,380	681	41,831	1,165	59,029
Due to other funds	1,089	240	376	2,565	397	4,667
Customer deposits	1,210	-	-	-	-	1,210
Due to other governmental units	13,613	-	-	-	-	13,613
	<u>13,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,613</u>
Total liabilities	<u>47,878</u>	<u>203,946</u>	<u>1,217</u>	<u>69,987</u>	<u>53,607</u>	<u>376,635</u>
Deferred inflows of resources - unavailable special assessment revenue	-	-	-	-	11,839	11,839
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,839</u>	<u>11,839</u>
Fund balances:						
Nonspendable - prepaids	29,946	1,657	1,718	75,862	2,396	111,579
Restricted for:						
Public safety	-	-	-	659	-	659
Public works	-	852,366	537,742	-	742,718	2,132,826
Committed for:						
Public safety	-	-	-	271,198	-	271,198
Public works	-	-	-	-	480,024	480,024
Capital outlay	-	-	-	-	445,586	445,586
Unassigned	1,424,536	-	-	-	-	1,424,536
	<u>1,424,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,424,536</u>
Total fund balances	<u>1,454,482</u>	<u>854,023</u>	<u>539,460</u>	<u>347,719</u>	<u>1,670,724</u>	<u>4,866,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,502,360</u>	<u>\$ 1,057,969</u>	<u>\$ 540,677</u>	<u>\$ 417,706</u>	<u>\$ 1,736,170</u>	<u>\$ 5,254,882</u>

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

Total fund balance - total governmental funds \$ 4,866,408

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

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 7,469,903

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows in the funds. 11,839

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (26,001)

The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 1,060,049

Net position of *governmental activities* \$ 13,382,198

See notes to financial statements

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

Year ended June 30, 2024

	<i>Special revenue</i>					<i>Total governmental funds</i>
	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Public Safety</i>	<i>Nonmajor funds</i>	
REVENUES						
Property taxes	\$ 1,323,153	\$ -	\$ -	\$ 448,913	\$ 227,973	\$ 2,000,039
Special assessments	-	-	-	-	6,566	6,566
Licenses and permits	46,054	-	-	-	-	46,054
State grants	1,084,934	450,870	159,125	83,620	61,235	1,839,784
Intergovernmental	-	-	-	327,286	148,249	475,535
Charges for services	19,119	-	-	24,933	55,492	99,544
Fines and forfeitures	-	-	-	2,520	-	2,520
Interest and rentals	56,082	40,111	19,986	9,114	80,932	206,225
Other	4,880	456	381	3,505	789	10,011
Total revenues	<u>2,534,222</u>	<u>491,437</u>	<u>179,492</u>	<u>899,891</u>	<u>581,236</u>	<u>4,686,278</u>
EXPENDITURES						
Current:						
General government	562,622	-	-	-	-	562,622
Public safety	-	-	-	1,613,958	-	1,613,958
Public works	432,780	164,991	138,216	-	283,449	1,019,436
Health and welfare	7,793	-	-	-	-	7,793
Community and economic development	37,363	-	-	-	-	37,363
Recreation and culture	190,359	-	-	-	-	190,359
Capital outlay	31,067	534,603	69,244	-	457,658	1,092,572
Total expenditures	<u>1,261,984</u>	<u>699,594</u>	<u>207,460</u>	<u>1,613,958</u>	<u>741,107</u>	<u>4,524,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>1,272,238</u>	<u>(208,157)</u>	<u>(27,968)</u>	<u>(714,067)</u>	<u>(159,871)</u>	<u>162,175</u>
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	3,999	-	-	4,573	45,934	54,506
Transfers in	-	-	161,920	910,085	192,220	1,264,225
Transfers out	(949,135)	(81,920)	-	(86,110)	(147,060)	(1,264,225)
Net other financing sources (uses)	<u>(945,136)</u>	<u>(81,920)</u>	<u>161,920</u>	<u>828,548</u>	<u>91,094</u>	<u>54,506</u>
NET CHANGES IN FUND BALANCES						
	327,102	(290,077)	133,952	114,481	(68,777)	216,681
FUND BALANCES - BEGINNING						
	<u>1,127,380</u>	<u>1,144,100</u>	<u>405,508</u>	<u>233,238</u>	<u>1,739,501</u>	<u>4,649,727</u>
FUND BALANCES - ENDING						
	<u>\$ 1,454,482</u>	<u>\$ 854,023</u>	<u>\$ 539,460</u>	<u>\$ 347,719</u>	<u>\$ 1,670,724</u>	<u>\$ 4,866,408</u>

See notes to financial statements

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

Year ended June 30, 2024

Reconciliation of the statement of revenues, expenditures, and changes
in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 18)	\$ 216,681
Amounts reported for <i>governmental activities</i> in the statement of activities (page 16) are different because:	
Capital assets:	
Asset acquisitions	1,488,564
Provision for depreciation	(493,666)
Basis of assets disposed	(42,719)
Deferred inflows of resources - decrease in unavailable special assessments	(6,566)
Changes in other liabilities - net decrease in compensated absences	8,673
The net revenues of the internal service fund are reported with governmental activities.	<u>27,199</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,198,166</u>

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2024

	<i>Business-type activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal service</i>
ASSETS				
Current assets:				
Cash	\$ 578,077	\$ 330,405	\$ 908,482	\$ 217,726
Investments	1,213,791	957,656	2,171,447	251,619
Receivables	324,777	149,728	474,505	196
Due from other funds	-	-	-	4,719
Inventories	4,769	31,761	36,530	18,269
Prepays	14,251	5,330	19,581	24,830
Total current assets	2,135,665	1,474,880	3,610,545	517,359
Noncurrent assets:				
Land	23,052	-	23,052	-
Construction in progress	64,332	500,157	564,489	-
Capital assets, net of accumulated depreciation:				
Sewer system	4,964,402	-	4,964,402	-
Water system	-	1,818,265	1,818,265	-
Buildings and equipment	-	-	-	547,336
Total noncurrent assets	5,051,786	2,318,422	7,370,208	547,336
Total assets	7,187,451	3,793,302	10,980,753	1,064,695
LIABILITIES				
Current liabilities:				
Accounts payable	44,932	418,107	463,039	3,350
Accrued payroll liabilities	4,036	3,129	7,165	713
Accrued interest payable	6,219	-	6,219	-
Due to other funds	187	382	569	-
Bonds payable - due within one year	60,000	-	60,000	-
Total current liabilities	115,374	421,618	536,992	4,063
Noncurrent liabilities:				
Compensated absences	3,537	2,454	5,991	583
Bonds payable - due in more than one year	934,999	-	934,999	-
Total noncurrent liabilities	938,536	2,454	940,990	583
Total liabilities	1,053,910	424,072	1,477,982	4,646
NET POSITION				
Net investment in capital assets	4,056,787	2,318,422	6,375,209	547,336
Unrestricted	2,076,754	1,050,808	3,127,562	512,713
Total net position	\$ 6,133,541	\$ 3,369,230	\$ 9,502,771	\$ 1,060,049

See notes to financial statements

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

Year ended June 30, 2024

	<i>Business-type activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal service</i>
OPERATING REVENUES				
Charges for services	\$ 1,128,468	\$ 641,199	\$ 1,769,667	\$ 222,419
Other	23,663	16,779	40,442	26,267
Total operating revenues	<u>1,152,131</u>	<u>657,978</u>	<u>1,810,109</u>	<u>248,686</u>
OPERATING EXPENSES				
Mains	212,314	257,975	470,289	-
Wastewater treatment plant	483,339	-	483,339	-
Water pumping	-	185,326	185,326	-
Administration	61,992	63,406	125,398	-
Equipment pool operations	-	-	-	160,152
Depreciation	257,358	78,825	336,183	92,875
Total operating expenses	<u>1,015,003</u>	<u>585,532</u>	<u>1,600,535</u>	<u>253,027</u>
OPERATING INCOME (LOSS)	<u>137,128</u>	<u>72,446</u>	<u>209,574</u>	<u>(4,341)</u>
NONOPERATING REVENUES (EXPENSES)				
Insurance recoveries	-	-	-	4,163
Gain on sale of capital assets	-	-	-	7,500
Interest income	80,736	60,868	141,604	19,877
Interest expense	(26,000)	-	(26,000)	-
Total nonoperating revenues (expenses)	<u>54,736</u>	<u>60,868</u>	<u>115,604</u>	<u>31,540</u>
CHANGES IN NET POSITION	191,864	133,314	325,178	27,199
NET POSITION - BEGINNING	<u>5,941,677</u>	<u>3,235,916</u>	<u>9,177,593</u>	<u>1,032,850</u>
NET POSITION - ENDING	<u>\$ 6,133,541</u>	<u>\$ 3,369,230</u>	<u>\$ 9,502,771</u>	<u>\$ 1,060,049</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2024

	<i>Business-type activities</i>			<i>Governmental</i>
	<i>Enterprise funds</i>			<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	<i>Internal service</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,156,489	\$ 666,419	\$ 1,822,908	\$ 27,201
Receipts from interfund services provided	-	-	-	222,419
Payments to suppliers	(495,181)	(319,284)	(814,465)	(139,962)
Payments to employees	(248,371)	(153,418)	(401,789)	(28,868)
Payments for interfund services	(16,594)	(29,586)	(46,180)	-
Net cash provided by (used in) operating activities	<u>396,343</u>	<u>164,131</u>	<u>560,474</u>	<u>80,790</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	-	-	(2,584)
Increase (decrease) in due to other funds	(494)	(181)	(675)	-
Net cash provided by (used in) noncapital financing activities	<u>(494)</u>	<u>(181)</u>	<u>(675)</u>	<u>(2,584)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	135,204	48,387	183,591	-
Proceeds from sales of capital assets	-	-	-	11,500
Insurance proceeds	-	-	-	4,163
Acquisition of capital assets	(74,201)	(87,272)	(161,473)	(92,188)
Decrease in payables	(341,232)	(113,097)	(454,329)	-
Principal payment on capital debt	(60,000)	-	(60,000)	-
Interest payments on capital debt	(26,375)	-	(26,375)	-
Net cash provided by (used in) capital and related financing activities	<u>(366,604)</u>	<u>(151,982)</u>	<u>(518,586)</u>	<u>(76,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	17,065	6,154	23,219	6,525
Purchase of investments	(305,249)	(145,787)	(451,036)	-
Net cash provided by (used in) investing activities	<u>(288,184)</u>	<u>(139,633)</u>	<u>(427,817)</u>	<u>6,525</u>
NET CHANGE IN CASH	<u>(258,939)</u>	<u>(127,665)</u>	<u>(386,604)</u>	<u>8,206</u>
CASH - BEGINNING	<u>837,016</u>	<u>458,070</u>	<u>1,295,086</u>	<u>209,520</u>
CASH - ENDING	<u>\$ 578,077</u>	<u>\$ 330,405</u>	<u>\$ 908,482</u>	<u>\$ 217,726</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2024

	<u>Business-type activities</u>			<u>Governmental</u>
	<u>Enterprise funds</u>			<u>activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal service</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 137,128	\$ 72,446	\$ 209,574	\$ (4,341)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	257,358	78,825	336,183	92,875
(Increase) decrease in:				
Receivables	4,358	8,441	12,799	934
Inventories	(1,378)	(1,954)	(3,332)	(1,524)
Prepaid expenses	(2,602)	(898)	(3,500)	(5,948)
Increase (decrease) in:				
Accounts payable	4,739	8,404	13,143	(1,386)
Accrued payroll liabilities	(434)	(186)	(620)	(403)
Compensated absences	(2,826)	(947)	(3,773)	583
Net cash provided by (used in) operating activities	<u>\$ 396,343</u>	<u>\$ 164,131</u>	<u>\$ 560,474</u>	<u>\$ 80,790</u>
Noncash capital and related financing activities:				
Acquisition of capital assets	\$ 106,818	\$ 493,635	\$ 600,453	\$ (92,188)
Less increase in payables	<u>(32,617)</u>	<u>(406,363)</u>	<u>(438,980)</u>	<u>-</u>
Net cash used	<u>\$ 74,201</u>	<u>\$ 87,272</u>	<u>\$ 161,473</u>	<u>\$ (92,188)</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - Custodial funds

June 30, 2024

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial funds

Year ended June 30, 2024

	<u>General Custodial</u>	<u>Tax Collection</u>
ADDITIONS		
Property taxes collections for other governments	\$ -	\$ 3,680,730
DEDUCTIONS		
Payments of property taxes to other governments	<u>-</u>	<u>3,680,730</u>
CHANGE IN FIDUCIARY NET POSITION	-	-
NET POSITION - BEGINNING	<u>-</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ -</u>	<u>\$ -</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

The City is governed by an elected five-member Commission. As required by generally accepted accounting principles, these financial statements present the City (located in Allegan County), as management has determined that there are no other entities for which the City is financially accountable.

Government-wide and fund financial statements:

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund type:

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, deferred inflows of resources, and equity:

Cash and investments - Cash includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value. Pooled investment income is proportionately allocated to all funds.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Prepays - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the government-wide and fund financial statements.

Inventories - The costs of inventories are recorded as assets when purchased and charged to expenses when used. Inventories, reported in the proprietary funds, are valued at the lower of cost or market. Cost is determined under the first-in, first-out method.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Furniture, fixtures, and equipment	3 - 20 years
Vehicles	3 - 20 years
Sewer and water systems	50 years

Compensated absences (vacation and sick leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has one item included in this category - special assessments. Special assessment revenues, which are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) are deferred and recognized as an inflow of resources in the period that the assessments become available.

Net position - Net position represents the difference between assets and liabilities. The City reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the City's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net position flow assumption - Sometimes, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Commission. A formal resolution of the City Commission is required to establish, modify, or rescind a fund balance commitment. The City Commission retains the authority to assign fund balance. Unassigned fund balance is the residual classification for the amounts that do not fall into any of the above categories. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, followed by committed fund balance, then assigned fund balance and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and culture	Parks	\$ 177,150	\$ 190,359	\$ 13,209

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as of June 30, 2024, are classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary activities</u>	<u>Totals</u>
Cash	\$ 2,107,055	\$ 908,482	\$ -	\$ 3,015,537
Investments	<u>3,046,700</u>	<u>2,171,447</u>	<u>-</u>	<u>5,218,147</u>
Totals	<u>\$ 5,153,755</u>	<u>\$ 3,079,929</u>	<u>\$ -</u>	<u>\$ 8,233,684</u>

Cash and investments, as of June 30, 2024, consist of the following:

Cash on hand	\$ 1,192
Deposits with financial institutions	3,014,345
Investments	<u>5,218,147</u>
Total	<u>\$ 8,233,684</u>

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy addresses custodial credit risk for deposits, as the City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories. At June 30, 2024, \$2,010,350 of the City’s bank balances of \$3,117,728 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments - State statutes and the City’s investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The City’s investment policy does not address credit risk or interest rate risk for investments.

Investments in entities that calculate net asset value per share - The City holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At June 30, 2024, the fair value, unfunded commitments, and redemption rules of these investments are as follows:

	<u>Michigan CLASS</u>
Fair value at June 30, 2024	\$ 5,218,147
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Michigan CLASS investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The Pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2024, for the City's individual major funds, nonmajor funds, in the aggregate, were as follows:

<u>Funds</u>	<u>Accounts</u>	<u>Interest</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental:					
General	\$ 11,738	\$ 10,493	\$ -	\$ 84,796	\$ 107,027
Major Street	1,137	12	-	75,703	76,852
Local Street	624	-	-	23,761	24,385
Public Safety	9,608	-	-	225,633	235,241
Nonmajor	<u>1,203</u>	<u>1,829</u>	<u>11,839</u>	<u>-</u>	<u>14,871</u>
Total governmental	<u>\$ 24,310</u>	<u>\$ 12,334</u>	<u>\$ 11,839</u>	<u>\$ 409,893</u>	<u>\$ 458,376</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,578</u>	<u>\$ -</u>	<u>\$ 4,578</u>
Proprietary:					
Enterprise:					
Sewer	\$ 324,777	\$ -	\$ -	\$ -	\$ 324,777
Water	<u>149,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,728</u>
Total enterprise	474,505	-	-	-	474,505
Internal service	<u>196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196</u>
Total proprietary	<u>\$ 474,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,701</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,001,783	\$ -	\$ -	\$ 1,001,783
Construction in progress	<u>126,329</u>	<u>976,392</u>	<u>(641,119)</u>	<u>461,602</u>
Total capital assets not being depreciated	<u>1,128,112</u>	<u>976,392</u>	<u>(641,119)</u>	<u>1,463,385</u>
Capital assets being depreciated:				
Buildings	3,509,905	116,037	-	3,625,942
Improvements	5,877,850	761,467	(5,950)	6,633,367
Furniture, fixtures, and equipment	1,116,767	130,576	(19,750)	1,227,593
Vehicles	<u>1,778,933</u>	<u>237,400</u>	<u>(82,517)</u>	<u>1,933,816</u>
Subtotal	<u>12,283,455</u>	<u>1,245,480</u>	<u>(108,217)</u>	<u>13,420,718</u>
Less accumulated depreciation for:				
Buildings	(1,197,656)	(92,728)	-	(1,290,384)
Improvements	(3,215,414)	(303,148)	5,950	(3,512,612)
Furniture, fixtures, and equipment	(676,749)	(82,128)	19,750	(739,127)
Vehicles	<u>(1,256,001)</u>	<u>(108,539)</u>	<u>39,799</u>	<u>(1,324,741)</u>
Subtotal	<u>(6,345,820)</u>	<u>(586,543)</u>	<u>65,499</u>	<u>(6,866,864)</u>
Total capital assets being depreciated, net	<u>5,937,635</u>	<u>658,937</u>	<u>(42,718)</u>	<u>6,553,854</u>
Governmental activities capital assets, net	<u>\$ 7,065,747</u>	<u>\$ 1,635,329</u>	<u>\$ (683,837)</u>	<u>\$ 8,017,239</u>

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

Governmental activities:	
General government	\$ 42,722
Public safety	97,936
Public works	332,476
Community and economic development	2,107
Recreation and culture	18,427
Depreciation on capital assets held by internal service fund	<u>92,875</u>
Total governmental activities	<u>\$ 586,543</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 23,052	\$ -	\$ -	\$ 23,052
Construction in progress	<u>231,321</u>	<u>551,368</u>	<u>(218,200)</u>	<u>564,489</u>
Total capital assets not being depreciated	<u>254,373</u>	<u>551,368</u>	<u>(218,200)</u>	<u>587,541</u>
Capital assets being depreciated:				
Sewer system	9,144,587	42,485	-	9,187,072
Water system	<u>3,252,172</u>	<u>224,800</u>	<u>-</u>	<u>3,476,972</u>
Subtotal	<u>12,396,759</u>	<u>267,285</u>	<u>-</u>	<u>12,664,044</u>
Less accumulated depreciation for:				
Sewer system	(3,965,313)	(257,358)	-	(4,222,671)
Water system	<u>(1,579,881)</u>	<u>(78,825)</u>	<u>-</u>	<u>(1,658,706)</u>
Subtotal	<u>(5,545,194)</u>	<u>(336,183)</u>	<u>-</u>	<u>(5,881,377)</u>
Total capital assets being depreciated, net	<u>6,851,565</u>	<u>(68,898)</u>	<u>-</u>	<u>6,782,667</u>
Business-type activities capital assets, net	<u>\$ 7,105,938</u>	<u>\$ 482,470</u>	<u>\$ (218,200)</u>	<u>\$ 7,370,208</u>

NOTE 6 - LONG-TERM DEBT

At June 30, 2024, long-term debt consists of the following individual issue:

Business-type activities:

\$1,325,000 2017 State Revolving Fund revenue bonds - payable in annual installments ranging from \$50,000 to \$85,000, plus interest at 2.50%, final payment due April, 2038 \$ 994,999

Long-term debt activity for the year ended June 30, 2024, was as follows:

	<u>Beginning balance</u>	<u>Net change</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities - compensated absences	\$ 35,420	\$ (8,836)	\$ -	\$ 26,584	\$ -
Business-type activities:					
SRF bonds payable	\$ 1,054,999	\$ -	\$ (60,000)	\$ 994,999	\$ 60,000
Compensated absences	9,764	(3,773)	-	5,991	-
Total business-type activities	<u>\$ 1,064,763</u>	<u>\$ (3,773)</u>	<u>\$ (60,000)</u>	<u>\$ 1,000,990</u>	<u>\$ 60,000</u>

Debt service requirements at June 30, 2024, excluding compensated absences, were as follows:

<u>Year ended June 30:</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 60,000	\$ 24,875
2026	60,000	23,375
2027	65,000	21,875
2028	65,000	20,250
2029	65,000	18,625
2030-2034	360,000	67,375
2035-2038	<u>319,999</u>	<u>20,375</u>
Total	<u>\$ 994,999</u>	<u>\$ 196,750</u>

All debt is secured by the full faith and credit of the City and is considered direct placement debt.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
DPW Equipment	\$ 4,719	General	\$ 1,089
		Public Safety	2,048
		Major st	240
		Local st	376
		Nonmajor	397
		Sewer	187
		Water	382
			<u>4,719</u>
General	<u>517</u>	Public Safety	<u>517</u>
Totals	<u>\$ 5,236</u>	Totals	<u>\$ 5,236</u>

The interfund balances are explained, as follows:

- Amounts due to the DPW Equipment Fund represent current amounts due for equipment charges.
- The amount due to the General Fund represents a reimbursement for costs incurred.

Interfund transfers occurred during the year ended June 30, 2024, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Public Safety	\$ 910,085	General	\$ 910,085
Local Street	<u>161,920</u>	Major Street	81,920
		Street and Bridge	<u>80,000</u>
			<u>161,920</u>
Capital Projects	<u>59,970</u>	General	30,020
		Public Safety	21,020
		Solid Waste	<u>8,930</u>
			<u>59,970</u>
Equipment Replacement	<u>132,250</u>	General	9,030
		Public Safety	65,090
		Solid Waste	<u>58,130</u>
			<u>132,250</u>
Totals	<u>\$ 1,264,225</u>	Totals	<u>\$ 1,264,225</u>

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

- The General Fund transfer to the Public Safety Fund represents unrestricted funds to support expenditures recorded in the Public Safety Fund.
- Transfers to the Local Street Fund, from the Major Street Fund and the Street and Bridge Fund, a nonmajor governmental fund, represent support for street maintenance costs in the current year.
- Transfers to the Capital Projects Fund represent resources set aside for future capital acquisitions.
- Transfers to the Equipment Replacement Fund represent support for future capital acquisitions.

NOTE 8 - PROPERTY TAX REVENUES

The taxable valuation of the City, for the 2023 tax year, amounted to \$109,005,214, on which ad valorem taxes levied consisted of 11.1452 mills for operating purposes, 2.0206 mills for solid waste/recycling, and 4.0000 mills for public safety, raising approximately \$1,226,000 for operating purposes, \$221,000 for solid waste/recycling, and \$436,000 for public safety. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 9 - TAX ABATEMENTS

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

For the fiscal year ended June 30, 2024, the City abated property taxes as follows:

<i>Purpose</i>	<i>State statute</i>	<i>Percentage of taxes abated</i>	<i>City taxes abated</i>
Manufacturer investment in property	PA 198 of 1974	50%	\$ 21,528
Paper mill investment in property	PA 198 of 1974	50%	26,194
Industrial building rehabilitation	PA 198 of 1974	42%	<u>2,253</u>
			<u>\$ 49,975</u>

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City contributes to the City of Otsego Group Pension Plan (the Plan), a defined contribution pension plan, for all its full-time employees. The Plan is administered by a third-party administrator.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City Commission. For each eligible employee in the Plan, the City is required to contribute 10% of covered payroll to the individual employee’s account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2024, employee contributions totaled \$48,053, and the City recognized pension expense of \$158,136.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in City contributions and earnings on City contributions after completion of two years of credited service with the City. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan’s administrative expenses. For the year ended June 30, 2024, there were no forfeitures and the City reported \$4,019 in accrued liabilities as part of the contributions to the Plan.

NOTE 11 - CONTINGENT LIABILITIES

The City is contingently liable to its employees for \$292,414 in accumulated non-vested sick pay benefits.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, and employee health and medical claims. The risks of loss arising from general liability, building contents, workers’ compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 13 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2024, is as follows. At June 30, 2024, there was no cumulative excess of revenues from construction code enforcement activities.

Excess cumulative revenues, beginning of year	<u>\$ -</u>
Fiscal year 2024 activity:	
Revenues	\$ 22,212
Expenses	<u>25,263</u>
Deficiency of revenues over expenses	<u>\$ (3,051)</u>
Excess cumulative revenues, end of year	<u>\$ -</u>

NOTE 14 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$2,139,256 of restricted net position, which is restricted by enabling legislation. Of this amount, \$659 is restricted for public safety expenditures and \$2,138,597 is restricted for public works expenditures.

NOTE 15 - ECONOMIC DEPENDENCY

For the fiscal year ended June 30, 2024, the City received approximately 12 percent of its utility revenues from one industrial property owner.

NOTE 16 - CONSTRUCTION COMMITMENT

The City has a contract to improve infrastructure on several streets at a cost of \$2,579,667. Costs incurred on the contract amounted to \$599,270 through June 30, 2024, leaving a commitment of \$1,980,397. The project costs are being funded with available resources of the City's Major Street, Sewer, and Water funds.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2024, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 replaces GASB Statement No. 16, *Accounting for Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the City's fiscal year 2024 financial statements and had no effect on the beginning net position or fund balance of any fund.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
REVENUES				
Property taxes	\$ 1,322,450	\$ 1,322,450	\$ 1,323,153	\$ 703
Licenses and permits	52,365	52,365	46,054	(6,311)
State grants	790,110	1,088,100	1,084,934	(3,166)
Charges for services	16,775	16,775	19,119	2,344
Interest and rentals	6,000	40,000	56,082	16,082
Other	1,000	1,000	4,880	3,880
Total revenues	<u>2,188,700</u>	<u>2,520,690</u>	<u>2,534,222</u>	<u>13,532</u>
EXPENDITURES				
General government	594,450	615,850	562,622	53,228
Public works	461,525	475,225	432,780	42,445
Health and welfare	10,245	10,245	7,793	2,452
Community and economic development	49,670	49,670	37,363	12,307
Recreation and culture	163,415	177,150	190,359	(13,209)
Capital outlay	-	34,000	31,067	2,933
Total expenditures	<u>1,279,305</u>	<u>1,362,140</u>	<u>1,261,984</u>	<u>100,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>909,395</u>	<u>1,158,550</u>	<u>1,272,238</u>	<u>113,688</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	3,999	3,999
Transfers out	(949,135)	(949,135)	(949,135)	-
Net other financing sources (uses)	<u>(949,135)</u>	<u>(949,135)</u>	<u>(945,136)</u>	<u>3,999</u>
NET CHANGES IN FUND BALANCES	(39,740)	209,415	327,102	117,687
FUND BALANCES - BEGINNING	<u>1,127,380</u>	<u>1,127,380</u>	<u>1,127,380</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,087,640</u>	<u>\$ 1,336,795</u>	<u>\$ 1,454,482</u>	<u>\$ 117,687</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 852,800	\$ 852,800	\$ 450,870	\$ (401,930)
Interest	10,000	35,000	40,111	5,111
Other	-	-	456	456
Total revenues	<u>862,800</u>	<u>887,800</u>	<u>491,437</u>	<u>(396,363)</u>
EXPENDITURES				
Public works	206,135	229,800	164,991	64,809
Capital outlay	<u>690,565</u>	<u>990,565</u>	<u>534,603</u>	<u>455,962</u>
Total expenditures	<u>896,700</u>	<u>1,220,365</u>	<u>699,594</u>	<u>520,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33,900)	(332,565)	(208,157)	124,408
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(81,920)</u>	<u>18,080</u>
NET CHANGES IN FUND BALANCES	(133,900)	(432,565)	(290,077)	142,488
FUND BALANCES - BEGINNING	<u>1,144,100</u>	<u>1,144,100</u>	<u>1,144,100</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,010,200</u>	<u>\$ 711,535</u>	<u>\$ 854,023</u>	<u>\$ 142,488</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 160,700	\$ 160,700	\$ 159,125	\$ (1,575)
Interest	3,000	18,000	19,986	1,986
Other	-	-	381	381
Total revenues	<u>163,700</u>	<u>178,700</u>	<u>179,492</u>	<u>792</u>
EXPENDITURES				
Public works	176,655	192,800	138,216	54,584
Capital outlay	<u>54,000</u>	<u>74,000</u>	<u>69,244</u>	<u>4,756</u>
Total expenditures	<u>230,655</u>	<u>266,800</u>	<u>207,460</u>	<u>59,340</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(66,955)	(88,100)	(27,968)	60,132
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>180,000</u>	<u>180,000</u>	<u>161,920</u>	<u>(18,080)</u>
NET CHANGES IN FUND BALANCES	113,045	91,900	133,952	42,052
FUND BALANCES - BEGINNING	<u>405,508</u>	<u>405,508</u>	<u>405,508</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 518,553</u>	<u>\$ 497,408</u>	<u>\$ 539,460</u>	<u>\$ 42,052</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 448,475	\$ 448,475	\$ 448,913	\$ 438
State grants	52,845	74,160	83,620	9,460
Intergovernmental	391,975	391,975	327,286	(64,689)
Charges for services	50,500	50,500	24,933	(25,567)
Fines and forfeitures	3,000	3,000	2,520	(480)
Interest and rentals	6,000	6,000	9,114	3,114
Other	5,000	5,000	3,505	(1,495)
Total revenues	<u>957,795</u>	<u>979,110</u>	<u>899,891</u>	<u>(79,219)</u>
EXPENDITURES				
Public safety:				
Police Department	1,054,690	1,066,690	1,054,709	11,981
Fire Department	664,035	693,235	533,766	159,469
Building inspections	37,760	37,760	25,483	12,277
Total expenditures	<u>1,756,485</u>	<u>1,797,685</u>	<u>1,613,958</u>	<u>183,727</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(798,690)</u>	<u>(818,575)</u>	<u>(714,067)</u>	<u>104,508</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	4,573	4,573
Transfers in	910,085	910,085	910,085	-
Transfers out	(86,110)	(86,110)	(86,110)	-
Net other financing sources (uses)	<u>823,975</u>	<u>823,975</u>	<u>828,548</u>	<u>4,573</u>
NET CHANGES IN FUND BALANCES	25,285	5,400	114,481	109,081
FUND BALANCES - BEGINNING	<u>233,238</u>	<u>233,238</u>	<u>233,238</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 258,523</u>	<u>\$ 238,638</u>	<u>\$ 347,719</u>	<u>\$ 109,081</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2024

	<u>Special revenue</u>		<u>Capital projects</u>			<u>Totals</u>
	<u>Street and Bridge</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Equipment Replacement</u>	<u>Special Assessment</u>	
ASSETS						
Cash	\$ 126,816	\$ 150,196	\$ 117,771	\$ 28,404	\$ 21,539	\$ 444,726
Investments	348,904	124,762	117,285	224,741	458,485	1,274,177
Receivables	-	1,203	1,829	-	11,839	14,871
Prepays	-	2,396	-	-	-	2,396
Total assets	<u>\$ 475,720</u>	<u>\$ 278,557</u>	<u>\$ 236,885</u>	<u>\$ 253,145</u>	<u>\$ 491,863</u>	<u>\$ 1,736,170</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 7,601	\$ -	\$ 44,444	\$ -	\$ 52,045
Accrued payroll liabilities	-	1,165	-	-	-	1,165
Total liabilities	<u>-</u>	<u>9,163</u>	<u>-</u>	<u>44,444</u>	<u>-</u>	<u>53,607</u>
Deferred inflows of resources - unavailability special assessment revenue	-	-	-	-	11,839	11,839
Fund balances:						
Nonspendable - prepaids	-	2,396	-	-	-	2,396
Restricted for public works	475,720	266,998	-	-	-	742,718
Committed for:						
Public works	-	-	-	-	480,024	480,024
Capital outlay	-	-	236,885	208,701	-	445,586
Total fund balances	<u>475,720</u>	<u>269,394</u>	<u>236,885</u>	<u>208,701</u>	<u>480,024</u>	<u>1,670,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 475,720</u>	<u>\$ 278,557</u>	<u>\$ 236,885</u>	<u>\$ 253,145</u>	<u>\$ 491,863</u>	<u>\$ 1,736,170</u>

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

Year ended June 30, 2024

	<i>Special revenue</i>		<i>Capital projects</i>			<i>Totals</i>
	<i>Street and Bridge</i>	<i>Solid Waste</i>	<i>Capital Projects</i>	<i>Equipment Replacement</i>	<i>Special Assessment</i>	
REVENUES						
Property taxes	\$ -	\$ 227,973	\$ -	\$ -	\$ -	\$ 227,973
Special assessments	-	-	-	-	6,566	6,566
State grants	-	61,235	-	-	-	61,235
Intergovernmental	148,249	-	-	-	-	148,249
Charges for services	-	55,492	-	-	-	55,492
Interest	16,935	11,572	15,184	12,024	25,217	80,932
Other	-	789	-	-	-	789
Total revenues	<u>165,184</u>	<u>357,061</u>	<u>15,184</u>	<u>12,024</u>	<u>31,783</u>	<u>581,236</u>
EXPENDITURES						
Current - public works	-	283,449	-	-	-	283,449
Capital outlay	-	-	181,870	275,788	-	457,658
Total expenditures	<u>-</u>	<u>283,449</u>	<u>181,870</u>	<u>275,788</u>	<u>-</u>	<u>741,107</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>165,184</u>	<u>73,612</u>	<u>(166,686)</u>	<u>(263,764)</u>	<u>31,783</u>	<u>(159,871)</u>
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	-	-	-	45,934	-	45,934
Transfers in	-	-	59,970	132,250	-	192,220
Transfers out	(80,000)	(67,060)	-	-	-	(147,060)
Net other financing sources (uses)	<u>(80,000)</u>	<u>(67,060)</u>	<u>59,970</u>	<u>178,184</u>	<u>-</u>	<u>91,094</u>
NET CHANGES IN FUND BALANCES	<u>85,184</u>	<u>6,552</u>	<u>(106,716)</u>	<u>(85,580)</u>	<u>31,783</u>	<u>(68,777)</u>
FUND BALANCES - BEGINNING	<u>390,536</u>	<u>262,842</u>	<u>343,601</u>	<u>294,281</u>	<u>448,241</u>	<u>1,739,501</u>
FUND BALANCES - ENDING	<u>\$ 475,720</u>	<u>\$ 269,394</u>	<u>\$ 236,885</u>	<u>\$ 208,701</u>	<u>\$ 480,024</u>	<u>\$ 1,670,724</u>

BALANCE SHEET - governmental funds

June 30, 2024

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Public Safety</u>	<u>Street and Bridge</u>	<u>Solid Waste</u>	<u>Capital Project</u>	<u>Equipment Replacement Capital Project</u>	<u>Special Assessment Capital Project</u>
ASSETS									
Cash	\$ 717,554	\$ 396,113	\$ 287,433	\$ 43,503	\$ 126,816	\$ 150,196	\$ 117,771	\$ 28,404	\$ 21,539
Investments	647,316	583,347	227,141	63,100	348,904	124,762	117,285	224,741	458,485
Receivables:									
Special assessments	-	-	-	-	-	-	-	-	11,839
Accounts	11,738	1,137	624	9,608	-	1,203	-	-	-
Interest	10,493	12	-	-	-	-	1,829	-	-
Due from other funds	517	-	-	-	-	-	-	-	-
Due from other governmental units	84,796	75,703	23,761	225,633	-	-	-	-	-
Prepays	29,946	1,657	1,718	75,862	-	2,396	-	-	-
Total assets	<u>\$ 1,502,360</u>	<u>\$ 1,057,969</u>	<u>\$ 540,677</u>	<u>\$ 417,706</u>	<u>\$ 475,720</u>	<u>\$ 278,557</u>	<u>\$ 236,885</u>	<u>\$ 253,145</u>	<u>\$ 491,863</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 17,994	\$ 202,326	\$ 160	\$ 25,591	\$ -	\$ 7,601	\$ -	\$ 44,444	\$ -
Accrued payroll liabilities	13,972	1,380	681	41,831	-	1,165	-	-	-
Due to other funds	1,089	240	376	2,565	-	397	-	-	-
Customer deposits	1,210	-	-	-	-	-	-	-	-
Due to other governmental units	13,613	-	-	-	-	-	-	-	-
Total liabilities	<u>47,878</u>	<u>203,946</u>	<u>1,217</u>	<u>69,987</u>	<u>-</u>	<u>9,163</u>	<u>-</u>	<u>44,444</u>	<u>-</u>
Deferred inflows of resources - unavailable special assessments	-	-	-	-	-	-	-	-	11,839
Fund balances:									
Nonspendable - prepaids	29,946	1,657	1,718	75,862	-	2,396	-	-	-
Restricted for:									
Public safety	-	-	-	659	-	-	-	-	-
Public works	-	852,366	537,742	-	475,720	266,998	-	-	-
Committed for:									
Public safety	-	-	-	271,198	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	480,024
Capital outlay	-	-	-	-	-	-	236,885	208,701	-
Unassigned	1,424,536	-	-	-	-	-	-	-	-
Total fund balances	<u>1,454,482</u>	<u>854,023</u>	<u>539,460</u>	<u>347,719</u>	<u>475,720</u>	<u>269,394</u>	<u>236,885</u>	<u>208,701</u>	<u>480,024</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,502,360</u>	<u>\$ 1,057,969</u>	<u>\$ 540,677</u>	<u>\$ 417,706</u>	<u>\$ 475,720</u>	<u>\$ 278,557</u>	<u>\$ 236,885</u>	<u>\$ 253,145</u>	<u>\$ 491,863</u>

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Property taxes	\$ 1,322,450	\$ 1,323,153	\$ 703
Licenses and permits	52,365	46,054	(6,311)
State grants	1,088,100	1,084,934	(3,166)
Charges for services	16,775	19,119	2,344
Interest and rentals	40,000	56,082	16,082
Other	1,000	4,880	3,880
	<u>2,520,690</u>	<u>2,534,222</u>	<u>13,532</u>
Total revenues			
EXPENDITURES			
General government:			
Legislative	29,305	26,450	2,855
City manager	106,305	103,876	2,429
Elections	68,675	39,907	28,768
Assessor	43,830	37,347	6,483
Clerk	79,060	73,658	5,402
Board of review	1,635	1,406	229
Treasurer/finance director	221,575	215,312	6,263
Building and grounds	65,465	64,666	799
	<u>615,850</u>	<u>562,622</u>	<u>53,228</u>
Total general government			
Public works:			
Cemetery	54,535	42,844	11,691
Department of Public Works	91,045	91,360	(315)
General services	329,645	298,576	31,069
	<u>475,225</u>	<u>432,780</u>	<u>42,445</u>
Total public works			
Health and welfare - ambulance	<u>10,245</u>	<u>7,793</u>	<u>2,452</u>
Community and economic development:			
Planning Commission	13,550	4,829	8,721
Economic development	36,120	32,534	3,586
	<u>49,670</u>	<u>37,363</u>	<u>12,307</u>
Total community and economic development development			

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)			
Recreation and culture - parks and recreation	\$ 177,150	\$ 190,359	\$ (13,209)
Capital outlay	34,000	31,067	2,933
Total expenditures	<u>1,362,140</u>	<u>1,261,984</u>	<u>100,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,158,550</u>	<u>1,272,238</u>	<u>113,688</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	3,999	3,999
Transfers out	<u>(949,135)</u>	<u>(949,135)</u>	<u>-</u>
Net other financing sources (uses)	<u>(949,135)</u>	<u>(945,136)</u>	<u>3,999</u>
NET CHANGES IN FUND BALANCES	209,415	327,102	117,687
FUND BALANCES - BEGINNING	<u>1,127,380</u>	<u>1,127,380</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,336,795</u>	<u>\$ 1,454,482</u>	<u>\$ 117,687</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
State grants	\$ 852,800	\$ 450,870	\$ (401,930)
Interest	35,000	40,111	5,111
Other	-	456	456
	<u>887,800</u>	<u>491,437</u>	<u>(396,363)</u>
Total revenues			
EXPENDITURES			
Public works:			
Surface maintenance	48,050	39,513	8,537
Shoulder maintenance	21,650	7,583	14,067
Trees and shrubs	26,550	24,803	1,747
Drainage	31,640	27,353	4,287
Bridge maintenance	14,425	569	13,856
Traffic signs and signals	10,725	10,846	(121)
Winter maintenance	38,675	25,015	13,660
Administration	16,710	15,482	1,228
State trunk line maintenance	21,375	13,827	7,548
	<u>229,800</u>	<u>164,991</u>	<u>64,809</u>
Total public works			
Capital outlay	<u>990,565</u>	<u>534,603</u>	<u>455,962</u>
Total expenditures	<u>1,220,365</u>	<u>699,594</u>	<u>520,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(332,565)	(208,157)	124,408
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>	<u>(81,920)</u>	<u>18,080</u>
NET CHANGES IN FUND BALANCES	(432,565)	(290,077)	142,488
FUND BALANCES - BEGINNING	<u>1,144,100</u>	<u>1,144,100</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 711,535</u>	<u>\$ 854,023</u>	<u>\$ 142,488</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
State grants	\$ 160,700	\$ 159,125	\$ (1,575)
Interest	18,000	19,986	1,986
Other	-	381	381
	<u>178,700</u>	<u>179,492</u>	<u>792</u>
Total revenues			
EXPENDITURES			
Public works:			
Surface maintenance	63,870	63,689	181
Shoulder maintenance	26,785	7,952	18,833
Trees and shrubs	29,425	11,815	17,610
Drainage	22,645	12,170	10,475
Traffic signs and signals	7,785	6,204	1,581
Winter maintenance	29,130	24,332	4,798
Administration	13,160	12,054	1,106
	<u>192,800</u>	<u>138,216</u>	<u>54,584</u>
Total public works			
Capital outlay	<u>74,000</u>	<u>69,244</u>	<u>4,756</u>
Total expenditures	<u>266,800</u>	<u>207,460</u>	<u>59,340</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,100)	(27,968)	60,132
OTHER FINANCING SOURCES			
Transfers in	<u>180,000</u>	<u>161,920</u>	<u>(18,080)</u>
NET CHANGES IN FUND BALANCES	91,900	133,952	42,052
FUND BALANCES - BEGINNING	<u>405,508</u>	<u>405,508</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 497,408</u>	<u>\$ 539,460</u>	<u>\$ 42,052</u>

BUDGETARY COMPARISON SCHEDULE - Public Safety Fund

Year ended June 30, 2024

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 448,475	\$ 448,913	\$ 438
State grants	74,160	83,620	9,460
Intergovernmental	391,975	327,286	(64,689)
Charges for services	50,500	24,933	(25,567)
Fines and forfeitures	3,000	2,520	(480)
Interest and rentals	6,000	9,114	3,114
Other	5,000	3,505	(1,495)
Total revenues	<u>979,110</u>	<u>899,891</u>	<u>(79,219)</u>
EXPENDITURES			
Public safety:			
Police	1,066,690	1,054,709	11,981
Fire	693,235	533,766	159,469
Code inspections	37,760	25,483	12,277
Total public safety	<u>1,797,685</u>	<u>1,613,958</u>	<u>183,727</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(818,575)</u>	<u>(714,067)</u>	<u>104,508</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	4,573	4,573
Transfers in	910,085	910,085	-
Transfers out	(86,110)	(86,110)	-
Net other financing sources (uses)	<u>823,975</u>	<u>828,548</u>	<u>4,573</u>
NET CHANGES IN FUND BALANCES	5,400	114,481	109,081
FUND BALANCES - BEGINNING	<u>233,238</u>	<u>233,238</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 238,638</u>	<u>\$ 347,719</u>	<u>\$ 109,081</u>

BUDGETARY COMPARISON SCHEDULE - Street and Bridge Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Intergovernmental	\$ 154,000	\$ 148,249	\$ (5,751)
Interest	<u>5,000</u>	<u>16,935</u>	<u>11,935</u>
Total revenues	<u>159,000</u>	<u>165,184</u>	<u>6,184</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	79,000	85,184	6,184
FUND BALANCES - BEGINNING	<u>390,536</u>	<u>390,536</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 469,536</u>	<u>\$ 475,720</u>	<u>\$ 6,184</u>

BUDGETARY COMPARISON SCHEDULE - Solid Waste Fund

Year ended June 30, 2024

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 227,955	\$ 227,973	\$ 18
State grants	51,215	61,235	10,020
Charges for services	53,800	55,492	1,692
Interest	6,000	11,572	5,572
Other	-	789	789
	<u>338,970</u>	<u>357,061</u>	<u>18,091</u>
Total revenues			
EXPENDITURES			
Public works - solid waste	<u>327,215</u>	<u>283,449</u>	<u>43,766</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,755	73,612	61,857
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(67,060)</u>	<u>(67,060)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(55,305)	6,552	61,857
FUND BALANCES - BEGINNING	<u>262,842</u>	<u>262,842</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 207,537</u>	<u>\$ 269,394</u>	<u>\$ 61,857</u>

BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Interest	\$ 2,500	\$ 15,184	\$ 12,684
EXPENDITURES			
Capital outlay	221,570	181,870	39,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(219,070)	(166,686)	52,384
OTHER FINANCING SOURCES (USES)			
Transfers in	59,970	59,970	-
NET CHANGES IN FUND BALANCES	(159,100)	(106,716)	52,384
FUND BALANCES - BEGINNING	343,601	343,601	-
FUND BALANCES - ENDING	<u>\$ 184,501</u>	<u>\$ 236,885</u>	<u>\$ 52,384</u>

BUDGETARY COMPARISON SCHEDULE - Equipment Replacement Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Interest	\$ 2,500	\$ 12,024	\$ 9,524
EXPENDITURES			
Capital outlay	239,620	275,788	(36,168)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(237,120)</u>	<u>(263,764)</u>	<u>(26,644)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	-	45,934	45,934
Transfers in	132,250	132,250	-
Net other financing sources (uses)	<u>132,250</u>	<u>178,184</u>	<u>45,934</u>
NET CHANGES IN FUND BALANCES	(104,870)	(85,580)	19,290
FUND BALANCES - BEGINNING	<u>294,281</u>	<u>294,281</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 189,411</u>	<u>\$ 208,701</u>	<u>\$ 19,290</u>

BUDGETARY COMPARISON SCHEDULE - Special Assessment Capital Project Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES			
Special assessments	\$ 4,500	\$ 6,566	\$ 2,066
Interest	<u>8,340</u>	<u>25,217</u>	<u>16,877</u>
Total revenues	<u>12,840</u>	<u>31,783</u>	<u>18,943</u>
NET CHANGES IN FUND BALANCES	12,840	31,783	18,943
FUND BALANCES - BEGINNING	<u>448,241</u>	<u>448,241</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 461,081</u>	<u>\$ 480,024</u>	<u>\$ 18,943</u>

BUDGETARY COMPARISON SCHEDULE - Sewer Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
OPERATING REVENUES			
Charges for services	\$ 1,133,495	\$ 1,128,468	\$ (5,027)
Penalties	<u>24,000</u>	<u>23,663</u>	<u>(337)</u>
Total operating revenues	<u>1,157,495</u>	<u>1,152,131</u>	<u>(5,364)</u>
OPERATING EXPENSES			
Mains	224,730	212,314	12,416
Wastewater treatment plant	584,190	483,339	100,851
Administration	72,595	61,992	10,603
Depreciation	<u>258,000</u>	<u>257,358</u>	<u>642</u>
Total operating expenses	<u>1,139,515</u>	<u>1,015,003</u>	<u>124,512</u>
OPERATING INCOME (LOSS)	<u>17,980</u>	<u>137,128</u>	<u>119,148</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	20,000	80,736	60,736
Capital outlay	(47,840)	-	47,840
Interest expense	<u>(86,375)</u>	<u>(26,000)</u>	<u>60,375</u>
Total nonoperating revenues (expenses)	<u>(114,215)</u>	<u>54,736</u>	<u>168,951</u>
CHANGES IN NET POSITION	(96,235)	191,864	288,099
NET POSITION - BEGINNING	<u>5,941,677</u>	<u>5,941,677</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 5,845,442</u>	<u>\$ 6,133,541</u>	<u>\$ 288,099</u>

BUDGETARY COMPARISON SCHEDULE - Water Fund

Year ended June 30, 2024

	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
OPERATING REVENUES			
Charges for services	\$ 603,725	\$ 641,199	\$ 37,474
Hydrant rentals	7,280	7,280	-
Penalties	8,000	8,332	332
Other	-	1,167	1,167
	<u>619,005</u>	<u>657,978</u>	<u>38,973</u>
Total operating revenues			
OPERATING EXPENSES			
Mains	308,745	257,975	50,770
Water pumping	186,315	185,326	989
Administration	74,915	63,406	11,509
Depreciation	81,300	78,825	2,475
	<u>651,275</u>	<u>585,532</u>	<u>65,743</u>
Total operating expenses			
OPERATING INCOME (LOSS)	<u>(32,270)</u>	<u>72,446</u>	<u>104,716</u>
NONOPERATING REVENUE (EXPENSE)			
Interest income	<u>20,000</u>	<u>60,868</u>	<u>40,868</u>
CHANGES IN NET POSITION	(12,270)	133,314	145,584
NET POSITION - BEGINNING	<u>3,235,916</u>	<u>3,235,916</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 3,223,646</u>	<u>\$ 3,369,230</u>	<u>\$ 145,584</u>

BUDGETARY COMPARISON SCHEDULE - Motor Pool Fund

Year ended June 30, 2024

	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
OPERATING REVENUES			
Equipment rental	\$ 235,000	\$ 222,419	\$ (12,581)
Fuel and other charges	<u>30,000</u>	<u>26,267</u>	<u>(3,733)</u>
Total operating revenues	<u>265,000</u>	<u>248,686</u>	<u>(16,314)</u>
OPERATING EXPENSES			
Equipment pool operations	159,330	160,152	(822)
Depreciation	<u>85,000</u>	<u>92,875</u>	<u>(7,875)</u>
Total operating expenses	<u>244,330</u>	<u>253,027</u>	<u>(8,697)</u>
OPERATING INCOME (LOSS)	<u>20,670</u>	<u>(4,341)</u>	<u>(25,011)</u>
NONOPERATING REVENUES (EXPENSES)			
Capital outlay	(92,604)	-	92,604
Insurance recoveries	-	4,163	4,163
Gain on sale of capital assets	5,000	7,500	2,500
Interest income	<u>6,000</u>	<u>19,877</u>	<u>13,877</u>
Total nonoperating revenues (expenses)	<u>(81,604)</u>	<u>31,540</u>	<u>113,144</u>
CHANGES IN NET POSITION	(60,934)	27,199	88,133
NET POSITION - BEGINNING	<u>1,032,850</u>	<u>1,032,850</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 971,916</u>	<u>\$ 1,060,049</u>	<u>\$ 88,133</u>