



FINANCIAL REPORT

June 30, 2021



CITY OF BUCHANAN
Berrien County, Michigan
June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Buchanan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buchanan, Michigan (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dial-A-Ride Fund of the City of Buchanan, Michigan, which represent 3.38 percent, 1.85 percent, and 4.89 percent, respectively, of the assets, fund balance, and revenues of the City of Buchanan. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Dial-A-Ride Fund of the City of Buchanan, Michigan, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buchanan, Michigan as of June 30, 2021, 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.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Buchanan, Michigan's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,



Kruggel Lawton & Company, LLC

St. Joseph, Michigan
February 14, 2022

As management of City of Buchanan, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2021.

Financial Highlights

- The City received \$84,004 in marihuana excise tax revenue from the State of Michigan.
- The City paid \$694,581 in debt principal and interest payments, including \$681,590 in infrastructure bond payments and \$12,991 for a police vehicle.
- The City did not issue any bonds in the current year.

Using This Annual Report

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

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

The City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 5,731,440	\$ 5,104,752	\$ 3,567,167	\$ 1,790,130	\$ 9,298,607	\$ 6,894,882
Noncurrent assets	270,170	128,017	2,190,021	9,638,507	2,460,191	9,766,524
Capital assets	4,335,163	4,450,701	16,674,747	10,167,250	21,009,910	14,617,951
Total Assets	\$ 10,336,773	\$ 9,683,470	\$ 22,431,935	\$ 21,595,887	\$ 32,768,708	\$ 31,279,357
Deferred Outflows of Resources	\$ 219,311	\$ 110,974	\$ 187,068	\$ 135,635	\$ 406,379	\$ 246,609
Current liabilities	\$ 250,348	\$ 107,960	\$ 1,583,719	\$ 1,036,248	\$ 1,834,067	\$ 1,144,208
Long-term Liabilities	150,314	163,515	10,896,286	11,270,956	11,046,600	11,434,471
Total Liabilities	\$ 400,662	\$ 271,475	\$ 12,480,005	\$ 12,307,204	\$ 12,880,667	\$ 12,578,679
Deferred Inflows of Resources	\$ 286,198	\$ 138,691	\$ 241,596	\$ 63,067	\$ 527,794	\$ 201,758
Net Position						
Net investment in capital assets	\$ 4,322,907	\$ 4,426,883	\$ 7,691,646	\$ 8,428,739	\$ 12,014,553	\$ 12,855,622
Restricted	1,367,747	1,087,372	-	-	1,367,747	1,087,372
Unrestricted	4,178,570	3,870,023	2,205,756	932,512	6,384,326	4,802,535
Total Net Position	\$ 9,869,224	\$ 9,384,278	\$ 9,897,402	\$ 9,361,251	\$ 19,766,626	\$ 18,745,529

The City's combined net position increased 5.44 percent from a year ago, increasing from \$18,745,529 to \$19,766,626.

As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net position increased by 5.17 percent, from \$9,384,278 to \$9,869,224, while business type activities increased by 5.73 percent, from \$9,361,251 to \$9,897,402.

The City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	\$ 261,130	\$ 246,837	\$ 2,513,346	\$ 2,610,824	\$ 2,774,476	\$ 2,857,661
Operating Grants	903,217	640,641	-	-	903,217	640,641
Capital Grants	14,731	8,196	-	-	14,731	8,196
General Revenues:						
Property Taxes	1,793,503	1,709,686	-	-	1,793,503	1,709,686
Intergovernmental	845,761	673,446	-	-	845,761	673,446
Investment Earnings	10,244	87,463	-	39,570	10,244	127,033
Other Revenue:						
Cable Franchise Fee	47,655	47,601	-	-	47,655	47,601
Other Miscellaneous Income	178,007	174,055	-	-	178,007	174,055
Total Revenues	<u>\$ 4,054,248</u>	<u>\$ 3,587,925</u>	<u>\$ 2,513,346</u>	<u>\$ 2,650,394</u>	<u>\$ 6,567,594</u>	<u>\$ 6,238,319</u>
Program Expenses:						
General Government	\$ 895,013	\$ 591,814	\$ -	\$ -	\$ 895,013	\$ 591,814
Public Safety	1,297,689	1,232,876	-	-	1,297,689	1,232,876
Public Works	1,305,469	1,470,776	-	-	1,305,469	1,470,776
Community and Economic Development	-	342	-	-	-	342
Recreation and Culture	76,931	97,755	-	-	76,931	97,755
Debt Service	-	4,709	-	-	-	4,709
Water and Sewer	-	-	1,971,395	2,278,148	1,971,395	2,278,148
Total Expenses	<u>\$ 3,575,102</u>	<u>\$ 3,398,272</u>	<u>\$ 1,971,395</u>	<u>\$ 2,278,148</u>	<u>\$ 5,546,497</u>	<u>\$ 5,676,420</u>
Transfers	<u>5,800</u>	<u>5,800</u>	<u>(5,800)</u>	<u>(5,800)</u>	<u>-</u>	<u>-</u>
Change in Net Position	484,946	195,453	536,151	366,446	1,021,097	561,899
Net Position - Beginning of Year	<u>9,384,278</u>	<u>9,188,825</u>	<u>9,361,251</u>	<u>8,994,805</u>	<u>18,745,529</u>	<u>18,183,630</u>
Net Position - End of Year	<u>\$ 9,869,224</u>	<u>\$ 9,384,278</u>	<u>\$ 9,897,402</u>	<u>\$ 9,361,251</u>	<u>\$ 19,766,626</u>	<u>\$ 18,745,529</u>

During the past fiscal year, governmental activities revenue increased from \$3,587,925 to \$4,054,248, an increase of 13.00 percent, primarily due to a increase in grants and intergovernmental revenue. Governmental expenses increased during the year from \$3,398,272 to \$3,575,102, an increase of 5.20 percent, primarily in the public works department.

Within business-type activities, charges for water, sewer, and ready-to-serve revenue decreased \$137,048 during the 2021 fiscal year from \$2,610,824 to \$2,513,346. Business-type expenses decreased by 13.47 percent, from \$2,278,148 to \$1,971,395.

Governmental Activities

- The City purchased a parcel of land adjacent to Victory Park, which will be used to expand the footprint of the park and allow for additional improvements to the facilities there.
- The City completed the startup of a large improvement of the wastewater treatment plant. The plant improvement represents a \$9,000,000 commitment by the City to maintain compliance with our State issued NPDES discharge permit, while decreasing operational costs and improving removal efficiencies. The upgrade consisted of an extended aeration secondary treatment process, UV disinfection, sludge press and a lab/administrative building. Overall, these items should provide service to the City for the next 50+ years.

Business-type Activities

The Water and Sewer Fund experienced an increase of \$536,151 in net position, which will be used to help improve the wastewater plant. The City Commission adopted a new rate policy from the 2005 rate study conducted by a third-party consulting firm that went into effect during a prior year.

Component Units

Component units include the Downtown Development Authority (DDA) and Brownfield Redevelopment Authority. As of June 30, 2021, the DDA has ceased operations and the City will allocate the assets during fiscal year June 30, 2022 when the City Commissioners develop a dissolution plan.

General Fund Budgetary Highlights

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

As shown in the required supplemental information, the City budgeted operational expenditures of \$2,495,498 and revenues of \$2,375,005. During the course of the year, the City amended the expenditures budget to \$2,873,541 and revenues budget to \$3,044,216. The actual operating expenses were \$2,674,938, and actual revenue collected was \$2,688,926.

Capital Assets and Debt Administration

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

Economic Factors and Next Year's Budgets and Rates

The future of state revenue sharing, which represents a significant portion of the City's revenue, remains uncertain. Taxable values are anticipated to increase, but due to limitations in Michigan's tax laws, the amount of that increase will be minimal and will not mirror corresponding increases in retail market sale values. Consequently, it is important that the City continue to control costs and also continue cooperative efforts with other municipalities to seek opportunities to share costs related to police, fire, and public works. The City's budget for the next fiscal year reflects a marked increase in grant revenue and a corresponding increase in expenditures tied to spending related to the projects receiving grants or stimulus funding.

Requests for Further Information

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

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,141,295	\$ 386,793	\$ 1,528,088	\$ 55,594
Investments	4,057,779	3,133,601	7,191,380	249,065
Receivables:				
Customer receivables	-	255,140	255,140	-
Other receivables	106,722	-	106,722	25,466
Internal balances	217,277	-	217,277	-
Due from other funds	208,367	(208,367)	-	-
Prepaid expense and other assets	17,497	9,301	26,798	-
Restricted assets	-	1,871,899	1,871,899	-
Net pension asset	252,673	308,821	561,494	-
Capital assets being depreciated, net	3,963,747	8,220,298	12,184,045	-
Capital assets not being depreciated	371,416	8,454,449	8,825,865	-
Total Assets	\$ 10,336,773	\$ 22,431,935	\$ 32,768,708	\$ 330,125
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	\$ 219,311	\$ 187,068	\$ 406,379	\$ -
Total Deferred Outflows of Resources	\$ 219,311	\$ 187,068	\$ 406,379	\$ -
Liabilities				
Accounts payable	\$ 172,732	\$ 1,452,894	\$ 1,625,626	\$ 1,604
Accrued liabilities and other	37,486	89,939	127,425	-
Unearned revenue	22,150	-	22,150	-
Customer deposits	-	40,886	40,886	-
Due to other governments	12,200	-	12,200	194,199
Due to component units	5,780	-	5,780	-
Noncurrent liabilities:				
Compensated absences - due within one year	88,733	33,691	122,424	-
Compensated absences - due in more than one year	49,325	7,595	56,920	-
Capital leases - due within one year	12,256	-	12,256	-
Long-term debt - due within one year	-	380,000	380,000	-
Long-term debt - due in more than one year	-	10,475,000	10,475,000	-
Total Liabilities	\$ 400,662	\$ 12,480,005	\$ 12,880,667	\$ 195,803
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	\$ 197,669	\$ 241,596	\$ 439,265	\$ -
Property taxes levied for the following year	88,529	-	88,529	-
Total Deferred Inflows of Resources	\$ 286,198	\$ 241,596	\$ 527,794	\$ -
Net Position				
Net investment in capital assets	\$ 4,322,907	\$ 7,691,646	\$ 12,014,553	\$ -
Restricted for streets and highways	1,269,443	-	1,269,443	-
Restricted for Dial-A-Ride	98,304	-	98,304	-
Restricted for economic development	-	-	-	134,322
Unrestricted	4,178,570	2,205,756	6,384,326	-
Total Net Position	\$ 9,869,224	\$ 9,897,402	\$ 19,766,626	\$ 134,322

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

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total	Component Units
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
<i>Governmental Activities</i>									
General Government	\$ 895,013	\$ 147,947	\$ 76,524	\$ -	\$ (670,542)	\$ (670,542)	\$ (670,542)		
Public Safety	1,297,689	33,189	-	-	(1,264,500)	(1,264,500)	(1,264,500)		
Public Works	1,305,469	79,994	826,693	-	(398,782)	(398,782)	(398,782)		
Recreation and Culture	76,931	-	-	14,731	(62,200)	(62,200)	(62,200)		
Total Governmental Activities	\$ 3,575,102	\$ 261,130	\$ 903,217	\$ 14,731	\$ (2,396,024)	\$ (2,396,024)	\$ (2,396,024)		
<i>Business-Type Activities</i>									
Water and Sewer Fund	\$ 1,971,395	\$ 2,513,346	\$ -	\$ -	\$ 541,951	\$ 541,951	\$ 541,951		
Total Business-Type Activities	\$ 1,971,395	\$ 2,513,346	\$ -	\$ -	\$ 541,951	\$ 541,951	\$ 541,951		
Total Primary Government	\$ 5,546,497	\$ 2,774,476	\$ 903,217	\$ 14,731	\$ (2,396,024)	\$ (2,396,024)	\$ (1,854,073)		

Component Units

Downtown Development Authority	\$ 205,850	\$ 4,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (201,433)
Brownfield Redevelopment Authority	18	-	-	-	-	-	-	(18)
Total Component Units	\$ 205,868	\$ 4,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (201,451)

General Revenues

Property Taxes	\$ 1,793,503	\$ -	\$ -	\$ 1,793,503	\$ 28,902
State Shared Revenues	845,761	-	-	845,761	-
Unrestricted Investment Income	10,244	-	-	10,244	576
Cable Franchise Fees	47,655	-	-	47,655	-
Other Miscellaneous Income	178,007	-	-	178,007	-
Total General Revenues	\$ 2,875,170	\$ -	\$ -	\$ 2,875,170	\$ 29,478
Transfers	5,800	(5,800)	-	-	-
Change in Net Position	\$ 484,946	\$ 536,151	\$ 1,021,097	\$ (171,973)	
Net Position - Beginning of Year	9,384,278	9,361,251	18,745,529	306,295	
Net Position - Ending	\$ 9,869,224	\$ 9,897,402	\$ 19,766,626	\$ 134,322	

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

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021**

	Major Governmental Funds					Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Major Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund		
Assets							
Cash and cash equivalents	\$ 744,978	\$ 26,062	\$ 198,857	\$ 14,843	\$ 126,873	\$ 29,682	\$ 1,141,295
Investments	1,511,898	1,063,007	449,395	287,149	100,758	645,572	4,057,779
Receivables:							
Other receivables	99,518	7,204	-	-	-	-	106,722
Due from other governments	116,251	-	75,670	-	-	25,356	217,277
Due from other funds	417,382	101,850	2,233	367,539	-	308,108	1,197,112
Prepaid expense	13,302	-	2,139	-	-	2,056	17,497
Total Assets	\$ 2,903,329	\$ 1,198,123	\$ 728,294	\$ 669,531	\$ 227,631	\$ 1,010,774	\$ 6,737,682
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 94,120	\$ 27,513	\$ 9,085	\$ -	\$ 40,798	\$ 1,216	\$ 172,732
Due to other funds	599,432	-	-	298,374	-	90,939	988,745
Due to other governments	12,200	-	-	-	-	-	12,200
Due to component unit	5,780	-	-	-	-	-	5,780
Accrued liabilities and other	30,683	-	3,481	-	-	3,322	37,486
Unearned revenue	-	-	-	-	-	22,150	22,150
Total Liabilities	\$ 742,215	\$ 27,513	\$ 12,566	\$ 298,374	\$ 40,798	\$ 117,627	\$ 1,239,093
Deferred Inflows of Resources							
Unavailable revenue	\$ 86,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,667
Property taxes levied for the following year	-	-	-	-	88,529	-	88,529
Total Deferred Inflows of Resources	\$ 86,667	\$ -	\$ -	\$ -	\$ 88,529	\$ -	\$ 175,196
Fund Balances							
Non-spendable - prepaid items	\$ 13,302	\$ -	\$ 2,139	\$ -	\$ -	\$ 2,056	\$ 17,497
Restricted for major streets	-	-	713,589	-	-	-	713,589
Restricted for local streets	-	-	-	-	-	555,854	555,854
Restricted for Dial-A-Ride	-	-	-	-	98,304	-	98,304
Committed for street repair	-	-	-	371,157	-	-	371,157
Committed for Oak Ridge Cemetery	-	-	-	-	-	335,237	335,237
Assigned for capital projects	-	1,170,610	-	-	-	-	1,170,610
Unassigned	2,061,145	-	-	-	-	-	2,061,145
Total Fund Balances	\$ 2,074,447	\$ 1,170,610	\$ 715,728	\$ 371,157	\$ 98,304	\$ 893,147	\$ 5,323,393
Total Liabilities and Fund Balances	\$ 2,903,329	\$ 1,198,123	\$ 728,294	\$ 669,531	\$ 227,631	\$ 1,010,774	\$ 6,737,682

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2021

Total Fund Balances - Governmental Funds \$ 5,323,393

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

Net capital assets used in governmental activities are not financial resources and are not reported in the funds	4,335,163
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue	86,667
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Net pension asset	252,673
Bond payable and capital lease obligations	(12,256)
Employee compensated absences	(138,058)
Deferred outflows of resources related to pension plan	219,311
Deferred inflows of resources related to pension plan	(197,669)

Total Net Position - Governmental Activities \$ 9,869,224

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2021**

	Major Governmental Funds							Total Governmental Funds
	Capital		Major Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund	Non-Major Governmental Funds		
	Projects Fund	Fund				Fund	Funds	
Revenues	General Fund	Projects Fund	Major Streets Fund	Street Repair and Maintenance Fund	Dial-A-Ride Fund	Non-Major Governmental Funds	Total Governmental Funds	
Property taxes	\$ 1,338,965	\$ -	\$ -	\$ 367,539	\$ 86,999	\$ -	\$ 1,793,503	
Federal grants	75,874	-	-	-	19,346	-	95,220	
State-shared revenue and grants	846,411	-	517,794	-	79,042	210,511	1,653,758	
Charges for services	74,371	-	-	-	10,066	-	84,437	
Licenses and permits	224,348	-	-	-	-	-	224,348	
Investment income and rentals	4,962	-	-	-	1,772	-	10,244	
Other revenues	123,995	24,069	-	-	-	3,510	174,741	
Total Revenues	\$ 2,688,926	\$ 24,069	\$ 517,794	\$ 367,539	\$ 197,225	\$ 240,698	\$ 4,036,251	
Expenditures	General government	Public safety	Public works	Recreation and culture	Total Expenditures	Excess(Deficiency) of Revenues Over(Under) Expenditures		
General government	\$ 935,194	\$ 22,905	\$ -	\$ -	\$ -	\$ -	\$ 958,099	
Public safety	1,232,434	2,241	-	-	-	-	1,234,675	
Public works	489,430	27,513	362,342	2,907	197,699	284,758	1,364,649	
Recreation and culture	17,880	1,417	-	-	-	-	19,297	
Total Expenditures	\$ 2,674,938	\$ 54,076	\$ 362,342	\$ 2,907	\$ 197,699	\$ 284,758	\$ 3,576,720	
Excess(Deficiency) of Revenues Over(Under) Expenditures	\$ 13,988	\$ (30,007)	\$ 155,452	\$ 364,632	\$ (474)	\$ (44,060)	\$ 459,531	
Other Financing Sources(Uses)	Operating transfers in	Operating transfers out	Proceeds from sale of capital assets	Total Other Financing Sources(Uses)	Net Change in Fund Balances	Fund Balances - Beginning of Year	Fund Balances - End of Year	
Operating transfers in	\$ 120,800	\$ 101,850	\$ -	\$ -	\$ -	\$ 183,374	\$ 406,024	
Operating transfers out	(101,850)	-	-	(298,374)	-	-	(400,224)	
Proceeds from sale of capital assets	16,663	10,000	-	-	-	-	26,663	
Total Other Financing Sources(Uses)	\$ 35,613	\$ 111,850	\$ -	\$ (298,374)	\$ -	\$ 183,374	\$ 32,463	
Net Change in Fund Balances	\$ 49,601	\$ 81,843	\$ 155,452	\$ 66,258	\$ (474)	\$ 139,314	\$ 491,994	
Fund Balances - Beginning of Year	2,024,846	1,088,767	560,276	304,899	98,778	753,833	4,831,399	
Fund Balances - End of Year	\$ 2,074,447	\$ 1,170,610	\$ 715,728	\$ 371,157	\$ 98,304	\$ 893,147	\$ 5,323,393	

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

CITY OF BUCHANAN

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 491,994

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

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

Capital lease obligations	11,562
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation.	
Depreciation expense	(471,410)
Capital outlay	355,872
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.	(8,666)
Change in compensated absences	1,639
Change in net pension expense related to the pension plan, including deferred inflows and outflows	<u>103,955</u>
Change in Net Position of Governmental Activities	<u><u>\$ 484,946</u></u>

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

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2021

	Water and Sewer Fund
Assets	
Cash and cash equivalents	\$ 386,793
Investments	3,133,601
Receivables	255,140
Due from other funds	5,309
Prepaid expenses and other assets	9,301
Noncurrent Assets:	
Restricted assets	1,871,899
Net pension asset	308,821
Capital assets being depreciated, net	8,220,298
Capital assets not being depreciated	8,454,449
Total Assets	\$ 22,645,611
Deferred Outflows of Resources	
Deferred charges related to pension	\$ 187,068
Liabilities	
Accounts payable	\$ 1,452,894
Accrued liabilities and other	89,939
Customer deposits	40,886
Due to other funds	213,676
Noncurrent Liabilities:	
Compensated absences, current portion	33,691
Compensated absences, less current portion	7,595
Long-term debt, current portion	380,000
Long-debt debt, less current portion	10,475,000
Total Liabilities	\$ 12,693,681
Deferred Inflows of Resources	
Deferred charges related to pension	\$ 241,596
Net Position	
Net investment in capital assets	\$ 7,691,646
Unrestricted	2,205,756
Total Net Position	\$ 9,897,402

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

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2021

	Water and Sewer Fund
Operating Revenues	
Sale of water	\$ 578,032
Sewage disposal services	804,831
Ready to serve	869,049
Other operating revenue	261,434
Total Operating Revenues	\$ 2,513,346
Operating Expenses	
Cost of water	\$ 525,493
Cost of sewage treatment	663,286
Depreciation	473,217
Total Operating Expenses	\$ 1,661,996
Operating Income	\$ 851,350
Nonoperating Revenues (Expenses)	
Interest expense	\$ (309,199)
Other nonoperating expenses	(200)
Transfers out	(5,800)
Total Nonoperating Revenues (Expenses)	\$ (315,199)
Change in Net Position	\$ 536,151
Net Position - Beginning of Year	9,361,251
Net Position - Ending	\$ 9,897,402

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

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

	Water and Sewer Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,493,441
Payments to suppliers	(405,313)
Payments to employees	(982,431)
Intercompany activity	35,278
Net cash flows from operating activities	\$ 1,140,975
Cash Flows from Noncapital Financing Activities	
Transfers to other funds	\$ (5,800)
Net cash flows from noncapital financing activities	\$ (5,800)
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	\$ (6,280,354)
Principal and interest paid on capital debt	(684,069)
Net cash flows from capital and related financing activities	\$ (6,964,423)
Cash Flow From Investing Activities	
Proceeds from sale of investment securities	5,927,887
Net cash flows from investing activities	\$ 5,927,887
Net change in cash and cash equivalents	\$ 98,639
Cash and cash equivalents - beginning	288,154
Cash and cash equivalents - ending	\$ 386,793
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 851,350
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation expense	473,217
Change in Assets and Liabilities	
Receivables	(16,973)
Prepaid expenses	(2,932)
Net pension asset	(46,076)
Accounts payable	(28,342)
Accrued liabilities and other	(123,378)
Customer deposits	(1,169)
Due to/from other funds	35,278
Net cash flows from operating activities	\$ 1,140,975
Supplemental Disclosure of Noncash Capital and Related Financing Activities	
Capital assets included in accounts payable at year end	\$ 1,429,165

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
June 30, 2021

	Custodial Funds		
	Trust & Agency Fund	Property Tax Collection Fund	Total Custodial Funds
Assets			
Cash and cash equivalents	\$ 101,487	\$ -	\$ 101,487
Liabilities			
Payable to other governmental funds	\$ 101,487	\$ -	\$ 101,487

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

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
Year Ended June 30, 2021

	Custodial Funds		Total Custodial Funds
	Trust & Agency Fund	Property Tax Collection Fund	
Additions			
Taxes for other governments	\$ 85,608	\$ 6,825,051	\$ 6,910,659
Deductions			
Payments of tax to other governments	85,608	6,825,051	6,910,659
Changes in net position	\$ -	\$ -	\$ -
Net position - Beginning of year	-	-	-
Net position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

COMPONENT UNITS
STATEMENT OF NET POSITION
June 30, 2021

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 16,366	\$ 39,228	\$ 55,594
Investments	153,971	95,094	249,065
Notes receivable	25,466	-	25,466
Total Assets	<u>\$ 195,803</u>	<u>\$ 134,322</u>	<u>\$ 330,125</u>
Liabilities			
Accounts payable	\$ 1,604	\$ -	\$ 1,604
Due to other governments	194,199	-	194,199
Total Liabilities	<u>\$ 195,803</u>	<u>\$ -</u>	<u>\$ 195,803</u>
Net Position			
Restricted	\$ -	\$ 134,322	\$ 134,322
Total Net Position	<u>\$ -</u>	<u>\$ 134,322</u>	<u>\$ 134,322</u>

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

COMPONENT UNITS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Primary Government				Total
						Brownfield Redevelopment Authority	Downtown Development Authority	Brownfield Redevelopment Authority	Total	
Downtown Development Authority	\$ 205,850	\$ 4,417	\$ -	\$ -	\$ (201,433)	\$ -	\$ -	\$ -	\$ -	\$ (201,433)
Brownfield Redevelopment Authority	18	-	-	-	-	(18)	-	-	-	(18)
Total	\$ 205,868	\$ 4,417	\$ -	\$ -	\$ (201,433)	\$ (18)	\$ -	\$ -	\$ -	\$ (201,451)
General Revenues										
Property Taxes					\$ -	\$ 28,902	\$ -	\$ -	\$ -	\$ 28,902
Investment income					576	-	-	-	-	576
Total General Revenues					576	28,902	-	-	-	29,478
Change in Net Position										
Net Position - Beginning of Year					\$ (200,857)	\$ 28,884	\$ -	\$ -	\$ -	\$ (171,973)
Net Position - Ending					200,857	105,438	306,295	-	-	306,295
					\$ -	\$ 134,322	\$ -	\$ -	\$ -	\$ 134,322

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended Component Units— The City's Dial-A-Ride Fund is governed by the City Commission. Although it is legally separate from the City, the Dial-A-Ride Fund is reported as if it were part of the primary government because it is governed by the same legislative authority. This fund is shown on the basis of its fiscal year end of September 30, 2020. The September 30 year end is the fiscal year end of the grant programs from which the Dial-A-Ride Fund receives federal funding. Complete financial statements for the Dial-A-Ride Fund can be obtained at the city manager's office.

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

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of eight individuals, is selected by the City Commission. In addition, the DDA's budget is subject to approval by the City Commission. The DDA does not issue separate financial statements. As of June 30, 2021, the DDA has ceased operations and the City will allocate the assets during fiscal year June 30, 2022 when the City Commissioners develop a dissolution plan.

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed on July 1 and become a lien on December 1 of the following year. The taxes are due on September 15, with a final collection date of February 28 before they are added to the county tax rolls.

The City's 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The taxable valuation of the City totaled \$92 million, on which ad valorem taxes levied which consisted of 18.5981 mills for the City's operating purposes, 17.6000 for operating purposes (13.6000 mills are allocated to the General Fund and 4.0000 mills are allocated to the Street Repair and Maintenance Fund) and .9981 mills for the Dial-A-Ride Fund. These amounts are recognized in the respective General Fund, Street Repair and Maintenance Fund and Dial-A-Ride Fund financial statements as property tax revenue.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

The **Street Repair and Maintenance Fund** is a special revenue fund that accounts for the property tax revenue, which is committed for use on street repairs and maintenance.

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Capital Assets – Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with GASB Statement No. 34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Roads and sidewalks	20
Water and sewer distribution system	15 - 100
Buildings and improvements	10 - 50
Machinery and equipment	5 - 25
Vehicles	3 - 25
Office furnishings and equipment	3 - 10

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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

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

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

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

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

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

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

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

Pensions – The City offers a defined benefit pension plan to its employees. The City records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/additions from the pension plan’s fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of the employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Cumulative shortfall at July 1, 2020	\$ (443,892)
Current year building permit revenue	28,745
Related expenses - direct costs	<u>(37,033)</u>
Cumulative shortfall at June 30, 2021	<u><u>\$ (452,180)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

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

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

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

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$1,130,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2021, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

<u>Investment Type</u>	<u>Fair Value</u>	<u>How Held</u>
Governmental agencies	\$ 1,890,126	Counterparty's trust department
Money market	7,422,218	Counterparty's trust department

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-average Maturity (Years)</u>
Governmental agencies	\$ 1,890,126	0.114

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Governmental agencies	\$ 904,124	AA	Moody's
Governmental agencies	986,002	Unrated	
Money market	7,422,218	Unrated	

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

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

The City has the following recurring fair value measurement as of June 30, 2021:

Government agencies in the amount of \$1,890,126 are valued using Level 2 inputs.

The fair value of government agencies at June 30, 2021 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as a interest rates, yield curves, and investment statements provided by the broker.

June 30, 2021

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 366,166	\$ -	\$ -	\$ 366,166
Construction in progress	5,250	-	-	5,250
Subtotal	<u>\$ 371,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,416</u>
Capital assets being depreciated				
Roads and sidewalks	\$ 12,333,385	\$ 207,593	\$ -	\$ 12,540,978
Buildings and improvements	2,337,574	26,644	-	2,364,218
Furniture and equipment	2,092,564	83,231	(27,747)	2,148,048
Vehicles	1,388,320	-	-	1,388,320
Other furnishings	71,250	38,404	-	109,654
Subtotal	<u>\$ 18,223,093</u>	<u>\$ 355,872</u>	<u>\$ (27,747)</u>	<u>\$ 18,551,218</u>
Accumulated depreciation				
Roads and sidewalks	\$ (10,539,724)	\$ (209,892)	\$ -	\$ (10,749,616)
Buildings and improvements	(1,290,003)	(75,705)	-	(1,365,708)
Furniture and equipment	(1,081,890)	(115,829)	27,747	(1,169,972)
Vehicles	(1,166,471)	(67,808)	-	(1,234,279)
Other furnishings	(65,720)	(2,176)	-	(67,896)
Subtotal	<u>\$ (14,143,808)</u>	<u>\$ (471,410)</u>	<u>\$ 27,747</u>	<u>\$ (14,587,471)</u>
Net capital assets being depreciated	<u>\$ 4,079,285</u>			<u>\$ 3,963,747</u>
Net capital assets	<u>\$ 4,450,701</u>			<u>\$ 4,335,163</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 40,776	\$ -	\$ -	\$ 40,776
Construction in progress	1,466,859	6,946,814	-	8,413,673
Subtotal	<u>\$ 1,507,635</u>	<u>\$ 6,946,814</u>	<u>\$ -</u>	<u>\$ 8,454,449</u>
Capital assets being depreciated				
Buildings and improvements	\$ 7,781,671	\$ -	\$ -	\$ 7,781,671
Furniture and equipment	2,225,247	33,900	-	2,259,147
Land Improvements	7,236,438	-	-	7,236,438
Subtotal	<u>\$ 17,243,356</u>	<u>\$ 33,900</u>	<u>\$ -</u>	<u>\$ 17,277,256</u>
Accumulated depreciation				
Buildings and improvements	\$ (4,012,163)	\$ (254,761)	\$ -	\$ (4,266,924)
Furniture and equipment	(1,564,880)	(74,984)	-	(1,639,864)
Land Improvements	(3,006,698)	(143,472)	-	(3,150,170)
Subtotal	<u>\$ (8,583,741)</u>	<u>\$ (473,217)</u>	<u>\$ -</u>	<u>\$ (9,056,958)</u>
Net capital assets being depreciated	<u>\$ 8,659,615</u>			<u>\$ 8,220,298</u>
Net capital assets	<u>\$ 10,167,250</u>			<u>\$ 16,674,747</u>

June 30, 2021

NOTE 4. CAPITAL ASSETS, CONCLUDED

Governmental activities	
Governmental government	\$ 16,472
Public safety	71,009
Public works	326,295
Recreation and culture	57,634
	<u>\$ 471,410</u>
Business-type activities	<u>\$ 473,217</u>

Construction Commitments – The City has active construction projects at year end related to the wastewater plant improvements. The original contract price was \$8,985,000. At year end, the amount completed to date was approximately \$8,400,000, with approximately \$978,000 of that amount included in accounts payable.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 88,706
	Street Repair and Maintenance Fund	115,000
	Water and Sewer Fund	213,676
	Total General Fund	<u>417,382</u>
Capital Projects Fund	General Fund	101,850
Major Streets Fund	Local Streets Fund	2,233
Street Repair and Maintenance Fund	General Fund	367,539
Water and Sewer Fund	General Fund	5,309
Local Streets Fund	General Fund	20,635
	Street Repair and Maintenance Fund	183,374
	Total Local Streets	<u>204,009</u>
Cemetery Fund	General Fund	104,099
		<u>\$ 1,202,421</u>

The General Fund advanced \$400,000 to the Water and Sewer Fund to assist with capital asset purchases during fiscal year 2014. The remaining balance is the amount due as of June 30, 2021.

The Local Streets Fund owes the General Fund \$88,706 for current year operations.

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

The Street Repair and Maintenance Fund owes the General Fund \$115,000 for current year operations.

The General Fund owes the Capital Projects Fund \$101,850 for current year operations.

The Local Streets Fund owes the Major Streets Fund \$2,233 for current year operations.

The General Fund owes the Street Repair and Maintenance Fund \$367,539 for current year operations.

The General Fund owes the Water and Sewer Fund \$5,309 for current year operations.

The General Fund owes the Local Streets Fund \$20,635 for current year operations.

The Street Repair and Maintenance Fund owes the Local Streets Fund \$183,374 for current year operations.

The Cemetery Fund advanced \$165,000 to the General Fund to assist with operational expenditures purchases during the current fiscal year. The remaining balance is the amount due as of June 30, 2021.

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

Transfer To	Transfer From	Amount
General Fund	Water and Sewer Fund	\$ 5,800
	Street Repair and Maintenance Fund	115,000
	Total General Fund	<u>120,800</u>
Capital Projects Fund	General Fund	101,850
Local Streets Fund	Street Repair and Maintenance Fund	<u>183,374</u>
	Total	<u>\$ 406,024</u>

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

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

The City allocates 4.0000 mills from the General Fund to the Street Repair and Maintenance Fund to assist with street repair.

The Capital Projects fund transferred funds to the General Fund to cover capital expenditures made by the General Fund.

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

NOTE 6. CAPITAL LEASES

In fiscal year 2020, the City entered into a lease agreement as a lessee for the purchase of a police car for the police department. This lease agreement qualified as a capital lease for accounting purposes and, therefore, has been recorded at present value of the future minimum lease payments as of the inception date. The cost of the police car recorded under the capital lease was \$36,809, current year depreciation was \$7,253, and ending accumulated depreciation was \$7,857.

The future minimum lease payments under capital leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 12,991
Less amount representing interest	<u>735</u>
Present value of net minimum lease payments	\$ 12,256
Less current obligations	<u>12,256</u>
Long-term obligations under capital leases	<u><u>\$ -</u></u>

NOTE 7. LONG TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Governmental Activities						
Compensated absences	\$ 139,697	\$ -	\$ (1,639)	\$ 138,058	\$ 88,733	
Business-Type Activities						
	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Revenue Bonds</i>						
Series 2009A water supply and sewage disposal system	2.50%	\$ 1,000,000	\$ -	\$ (90,000)	\$ 910,000	\$ 90,000
Series 2010 DWRf bond	2.50%	1,050,000	-	(95,000)	955,000	95,000
Series 2020 water supply and sewage disposal system	2.80%	9,185,000	-	(195,000)	8,990,000	195,000
Total bonds payable		11,235,000	-	(380,000)	10,855,000	380,000
Compensated absences		35,956	5,330	-	41,286	33,691
Total business-type activities		\$ 11,270,956	\$ 5,330	\$ (380,000)	\$ 10,896,286	\$ 413,691

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

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

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 380,000	\$ 295,890	\$ 675,890
2023	395,000	285,673	680,673
2024	505,000	274,428	779,428
2025	525,000	260,740	785,740
2026	535,000	246,585	781,585
2027-2031	2,835,000	1,008,660	3,843,660
2032-2036	2,980,000	612,010	3,592,010
2037-2040	2,700,000	173,040	2,873,040
Total	<u>\$ 10,855,000</u>	<u>\$ 3,157,026</u>	<u>\$ 14,012,026</u>

NOTE 8. RISK MANAGEMENT

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

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

NOTE 9. PENSION PLAN

The City participated in the Municipal Employees Retirement System ("MERS").

Plan Description - The City participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board.

MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all full-time employees of the City.

June 30, 2021

NOTE 9. PENSION PLAN, CONTINUED

For junior officers, retirement benefits are calculated as 2.5 percent of the employee's final three-year average salary. For senior officers, retirement benefits are calculated as 2.5 percent of the employee's final five-year average salary. For all other employees, retirement benefits are calculated as 2.0 percent of the employee's final five-year average salary. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. The vesting period is 10 years for all employees. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Employees Covered by Benefit Terms – At the December 31, 2020 valuation date, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to, but not yet receiving benefits	26
Active employees	29
	<u>92</u>

Contributions – The City is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are 5.75% based on annual payroll for open divisions.

Net Pension Asset - The City has chosen to use the December 31 measurement date as its measurement date for the net pension asset. The June 30, 2021 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date.

June 30, 2021

NOTE 9. PENSION PLAN, CONTINUED

Actuarial assumptions - The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include:

- Inflation 2.5%
- Salary increases 3.00% in the long-term
- Investment rate of return of 7.6% net of investment expense, including inflation.

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

Mortality rates used were based on a version of Pub-2010 and fully generational MP-19.

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

Assumption changes - During the measurement year ended December 31, 2020, the mortality tables were updated from the RP2014 tables to the Pub-2010 mortality tables.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.45%	4.47%	2.50%	3.15%
Global fixed income	20.0%	4.90%	0.98%	2.50%	0.25%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.45%
	100.0%		7.35%		4.85%

June 30, 2021

NOTE 9. PENSION PLAN, CONTINUED

Discount rate – The discount rate used to measure the total pension liability is 7.60%. The current rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas, for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance at 12-31-19	\$ 8,090,798	\$ 8,337,433	\$ (246,635)
Changes for the Year			
Service cost	173,629	-	173,629
Interest on the total pension liability	601,309	-	601,309
Difference between expected and actual experience	99,383	-	99,383
Changes in assumptions	230,812	-	230,812
Employer contributions	-	190,600	(190,600)
Employee contributions	-	85,328	(85,328)
Net investment income	-	1,160,736	(1,160,736)
Benefit payments, including employee refunds	(531,292)	(531,292)	-
Administrative expense	-	(16,672)	16,672
Net changes	<u>\$ 573,841</u>	<u>\$ 888,700</u>	<u>\$ (314,859)</u>
Ending Balance at 12-31-20	<u>\$ 8,664,639</u>	<u>\$ 9,226,133</u>	<u>\$ (561,494)</u>

June 30, 2021

NOTE 9. PENSION PLAN, CONTINUED

Sensitivity of the net pension liability/asset to changes in the discount rate – The following presents the net pension liability/asset of the employer, calculated using the discount rate of 7.60%, as well as what the employer's net pension liability/asset would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% decrease (6.60%)	Current discount rate (7.60%)	1% increase (8.60%)
Net Pension (Asset) Liability		\$ (561,494)	
Change in Net Pension (Asset) Liability (NPL)	1,468,477	-	(206,515)
Calculated NPL	<u>\$ 906,983</u>	<u>\$ (561,494)</u>	<u>\$ (768,009)</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2021, the City recognized pension expense of \$88,677. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 66,255	\$ (57,251)
Changes in assumptions	232,629	-
Net difference between projected and actual earnings on pension plan investments	-	(382,014)
Employer contributions to the plan subsequent to the measurement date*	107,495	-
Total	<u>\$ 406,379</u>	<u>\$ (439,265)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ending June 30, 2022.

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

Year Ending	Amount
2022	\$ 52,184
2023	107,911
2024	(192,809)
2025	(107,667)
Total	<u>\$ (140,381)</u>

NOTE 10. CHANGES IN ACCOUNTING PRINCIPLE

Effective July 1, 2020, the Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

NOTE 11. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2022, though earlier adoption is encouraged.

NOTE 12. SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 14, 2022, the date the financial statements were available to be issued. No events or transactions, other than noted below, occurred during this period which require recognition of disclosure in the financial statements.

On September 9, 2021, the City of Buchanan entered into an Intergovernmental Agreement for Transit Service with the City of Niles, Niles Dial-A-Ride. This agreement states that Buchanan will cease being a provider of bus transit to the citizen of Buchanan and Niles Dial-A-Ride will provide similar services. The City's Dial-A-Ride fund will be considered closed and fund balance will be transferred to Niles Dial-A-Ride after fiscal year ended September 30, 2021.

As of June 30, 2021, the Downtown District Authority ("DDA") has been legally dissolved and all assets are owned by the City. The DDA has ceased operations and the City will allocate the assets during fiscal year June 30, 2022 when the City Commissioners develop a dissolution plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUCHANAN

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 1,293,507	\$ 1,663,155	\$ 1,338,965	\$ (324,190)
Federal grants	-	-	75,874	75,874
State-shared revenue and grants	623,097	819,858	846,411	26,553
Charges for services	77,752	71,625	74,371	2,746
Licenses and permits	131,269	240,750	224,348	(16,402)
Investment income	30,000	30,000	4,962	(25,038)
Other revenues	219,380	218,828	123,995	(94,833)
Total Revenues	<u>\$ 2,375,005</u>	<u>\$ 3,044,216</u>	<u>\$ 2,688,926</u>	<u>\$ (355,290)</u>
Expenditures				
General government				
City Commission	\$ 66,000	\$ 58,700	\$ 65,318	\$ (6,618)
City manager	181,089	418,042	354,576	63,466
Treasurer	133,577	199,927	192,096	7,831
Assessing	33,085	33,435	29,011	4,424
Clerk	52,443	74,985	80,739	(5,754)
Building and grounds	83,596	122,600	147,035	(24,435)
Elections	29,212	45,462	35,503	9,959
Property rentals	8,086	31,671	19,699	11,972
Other general government	15,500	29,075	11,217	17,858
Public safety				
Police	1,147,193	1,135,955	1,058,489	77,466
Fire	104,470	89,070	90,536	(1,466)
Crossing guards	38,861	37,600	28,600	9,000
Building inspections and related	49,447	62,847	54,809	8,038
Public works				
Streets	359,455	312,952	317,720	(4,768)
Cemetery maintenance	164,017	144,500	171,710	(27,210)
Recreation and culture	29,467	76,720	17,880	58,840
Total Expenditures	<u>\$ 2,495,498</u>	<u>\$ 2,873,541</u>	<u>\$ 2,674,938</u>	<u>\$ 198,603</u>
Other Financing Sources (Uses)				
Operating transfers in	\$ 122,800	\$ 120,800	\$ 120,800	\$ -
Operating transfers out	-	(69,213)	(101,850)	(32,637)
Sale of capital assets	-	17,667	16,663	(1,004)
Total Other Financing Sources (Uses)	<u>\$ 122,800</u>	<u>\$ 69,254</u>	<u>\$ 35,613</u>	<u>\$ (33,641)</u>
Net Change in Fund Balance	<u>\$ 2,307</u>	<u>\$ 239,929</u>	<u>\$ 49,601</u>	<u>\$ (190,328)</u>
Beginning of Year Fund Balance	<u>2,024,846</u>	<u>2,024,846</u>	<u>2,024,846</u>	
End of Year Fund Balance	<u><u>\$ 2,027,153</u></u>	<u><u>\$ 2,264,775</u></u>	<u><u>\$ 2,074,447</u></u>	

See note to required supplemental information.

BUDGETARY COMPARISON SCHEDULE-MAJOR STREETS FUND
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance
Revenues				
State-shared revenue and grants	\$ 530,103	\$ 555,577	\$ 517,794	\$ (37,783)
Investment income	3,000	3,000	-	(3,000)
Total Revenues	<u>\$ 533,103</u>	<u>\$ 558,577</u>	<u>\$ 517,794</u>	<u>\$ (40,783)</u>
Expenditures				
Public works				
Streets	\$ 495,443	\$ 351,270	\$ 346,893	\$ 4,377
Stormwater drainage	37,660	16,400	15,449	951
Total Expenditures	<u>\$ 533,103</u>	<u>\$ 367,670</u>	<u>\$ 362,342</u>	<u>\$ 5,328</u>
Net Change in Fund Balance	\$ -	\$ 190,907	\$ 155,452	<u>\$ (35,455)</u>
Beginning of Year Fund Balance	<u>560,276</u>	<u>560,276</u>	<u>560,276</u>	
End of Year Fund Balance	<u>\$ 560,276</u>	<u>\$ 751,183</u>	<u>\$ 715,728</u>	

See note to required supplemental information.

BUDGETARY COMPARISON SCHEDULE-DIAL-A-RIDE
Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 85,500	\$ 85,500	\$ 86,999	\$ 1,499
Federal grants	27,542	27,542	19,346	(8,196)
State-shared revenue and grants	79,303	88,971	79,042	(9,929)
Farebox revenue	13,000	13,000	10,066	(2,934)
Capital grant	9,668	9,500	-	(9,500)
Investment income	1,200	1,200	1,772	572
Total Revenues	<u>\$ 216,213</u>	<u>\$ 225,713</u>	<u>\$ 197,225</u>	<u>\$ (28,488)</u>
Expenditures				
Operating costs	<u>\$ 216,213</u>	<u>\$ 225,713</u>	<u>\$ 197,699</u>	<u>\$ 28,014</u>
Total Expenditures	<u>\$ 216,213</u>	<u>\$ 225,713</u>	<u>\$ 197,699</u>	<u>\$ 28,014</u>
Net Change in Fund Balance	\$ -	\$ -	\$ (474)	<u>\$ (474)</u>
Beginning of Year Fund Balance	<u>98,778</u>	<u>98,778</u>	<u>98,778</u>	
End of Year Fund Balance	<u>\$ 98,778</u>	<u>\$ 98,778</u>	<u>\$ 98,304</u>	

See note to required supplemental information.

CITY OF BUCHANAN

**BUDGETARY COMPARISON SCHEDULE-STREET REPAIR AND MAINTENANCE FUND
Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 345,826	\$ 345,826	\$ 367,539	\$ 21,713
Investment income	2,000	2,050	-	(2,050)
Total Revenues	<u>\$ 347,826</u>	<u>\$ 347,876</u>	<u>\$ 367,539</u>	<u>\$ 19,663</u>
Expenditures				
Public works				
Streets	\$ 49,452	\$ 53,952	\$ 2,907	\$ 51,045
Total Expenditures	<u>\$ 49,452</u>	<u>\$ 53,952</u>	<u>\$ 2,907</u>	<u>\$ 51,045</u>
Other Financing Sources (Uses)				
Operating transfers out	<u>\$ (298,374)</u>	<u>\$ (298,374)</u>	<u>\$ (298,374)</u>	<u>\$ -</u>
Net Change in Fund Balance	\$ -	\$ (4,450)	\$ 66,258	<u>\$ 70,708</u>
Beginning of Year Fund Balance	304,899	304,899	304,899	
End of Year Fund Balance	<u>\$ 304,899</u>	<u>\$ 300,449</u>	<u>\$ 371,157</u>	

See note to required supplemental information.

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 173,629	\$ 154,062	\$ 149,614	\$ 148,776	\$ 145,371	\$ 134,606	\$ 127,212
Interest	601,309	606,163	583,740	572,661	562,901	544,130	527,997
Difference between expected and actual experience	99,383	(171,753)	(496)	(149,856)	(164,861)	(197,584)	-
Changes of assumptions	230,812	236,263	-	-	-	388,836	-
Benefit payments including employee refunds	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Other	-	75	-	-	-	-	-
Net Change in Total Pension Liability	\$ 573,841	\$ 354,944	\$ 294,962	\$ 142,474	\$ 126,301	\$ 417,823	\$ 180,677
Total Pension Liability - Beginning	\$ 8,090,798	\$ 7,735,854	\$ 7,440,892	\$ 7,298,418	\$ 7,172,117	\$ 6,754,294	\$ 6,573,617
Total Pension Liability - Ending	\$ 8,664,639	\$ 8,090,798	\$ 7,735,854	\$ 7,440,892	\$ 7,298,418	\$ 7,172,117	\$ 6,754,294
Plan Fiduciary Net Position							
Contributions - employer	\$ 190,600	\$ 162,642	\$ 160,866	\$ 156,042	\$ 148,611	\$ 130,854	\$ 107,605
Contributions - employee	85,328	78,515	78,176	74,738	72,878	70,465	67,236
Net Investment income (loss)	1,160,736	1,020,890	(314,508)	964,855	765,979	(105,298)	439,960
Benefit payments including employee refunds	(531,292)	(469,866)	(437,896)	(429,107)	(417,110)	(452,165)	(474,532)
Administrative expense	(16,672)	(17,585)	(15,635)	(15,279)	(15,125)	(15,513)	(16,097)
Net Change in Plan Fiduciary Net Position	\$ 888,700	\$ 774,596	\$ (528,997)	\$ 751,249	\$ 555,233	\$ (371,657)	\$ 124,172
Plan Fiduciary Net Position - Beginning	\$ 8,337,433	\$ 7,562,837	\$ 8,091,834	\$ 7,340,585	\$ 6,785,352	\$ 7,157,009	\$ 7,032,837
Plan Fiduciary Net Position - Ending	\$ 9,226,133	\$ 8,337,433	\$ 7,562,837	\$ 8,091,834	\$ 7,340,585	\$ 6,785,352	\$ 7,157,009
Employer Net Pension Liability (Asset)	\$ (561,494)	\$ (246,635)	\$ 173,017	\$ (650,942)	\$ (42,167)	\$ 386,765	\$ (402,715)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	106%	103%	98%	109%	101%	95%	106%
Covered Employee Payroll	\$ 1,668,490	\$ 1,521,344	\$ 1,491,015	\$ 1,471,336	\$ 1,429,260	\$ 1,390,319	\$ 1,306,896
Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll	-34%	-16%	12%	-44%	-3%	28%	-31%

Notes to Schedule:

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

See note to required supplemental information.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
Years Ended June 30th

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial determined contributions	\$ 190,600	\$ 166,975	\$ 162,498	\$ 157,913	\$ 159,475	\$ 136,659	\$ 118,989	\$ 102,778	\$ 96,946	\$ 93,462
Contributions in relation to the actuarially determined contribution	190,600	166,975	162,498	157,913	159,475	136,659	118,989	102,778	96,946	93,462
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,718,688	\$ 1,572,389	\$ 1,547,564	\$ 1,518,474	\$ 1,518,321	\$ 1,411,015	\$ 1,395,480	\$ 1,479,116	\$ 1,431,607	\$ 1,482,864
Contributions as a percentage of covered employee payroll	11.1%	10.6%	10.5%	10.4%	10.5%	9.7%	8.5%	6.9%	6.8%	6.3%

Notes to Schedule:

Actual valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two year prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percentage of payroll, open

Remaining amortization period A total of 20 years positive unfunded liabilities in the December 31, 2019 valuation, reduced by one year in each successive annual valuation until the unfunded liability is paid off, not to exceed 30 years. A total of 10 years for negative unfunded liabilities, with the 10-year period reestablished with each annual actuarial valuation

Asset valuation method 5 year smoothed market beginning in 2016; 10-year smoothed market prior to 2016

Inflation 2.5%

Salary increases 3.75% to 11.00%, including inflation

Investment rate of return 8.0% - net of pension plan investment expense, gross of administrative expense, including inflation

Retirement age 60 years old

Mortality Mortality rates for nondisabled plan members are a 50 percent male and 50 percent female blend of the following tables: RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables. Mortality tables for disabled plan members are a 50 percent male and 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.

See note to required supplemental information.

Pension Information**Changes in Assumptions**

During the measurement year ended December 31, 2020, the mortality tables were updated from the RP-2014 tables to the Pub-2010 mortality tables. During the measurement year ended December 31, 2019, the assumed rate of return was adjusted down from 8.00 to 7.60 percent, and the salary increase was adjusted to 3.00 percent. During the measurement year ended December 31, 2015, the assumed annual rate of return was adjusted down from 8.25 to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables.

Stewardship, Compliance and Accountability**Budgetary Information**

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

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

The Dial-A-Ride Fund is a special revenue fund contained in the governmental funds statement of revenue, expenditures, and changes in fund balances. This fund accounts for a blended component unit that has a September 30 year end. This fund is budgeted on the September 30 fiscal year rather than the City's June 30 year end. Therefore, the required supplemental information includes a budget for the year from October 1, 2019 through September 30, 2020.

Excess of Expenditures Over Appropriations in Budgeted Funds - See previous Budgetary Comparison Schedules for budget variances as they apply to the City. There were expenditures in excess of budgeted amounts for fiscal year 2021 in the General Fund and Major Street Fund, however, the other functions covered any excess.

OTHER SUPPLEMENTARY INFORMATION

**BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	Special Revenue Funds			Total Non- Major Governmental Funds
	Local Streets	Housing Grant	Cemetery	
Assets				
Cash and cash equivalents	\$ 19,580	\$ 150	\$ 9,952	\$ 29,682
Investments	402,386	22,000	221,186	645,572
Receivables:				
Due from other governments	25,356	-	-	25,356
Due from other funds	204,009	-	104,099	308,108
Prepaid expenses	2,056	-	-	2,056
Total Assets	\$ 653,387	\$ 22,150	\$ 335,237	\$ 1,010,774
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,216	\$ -	\$ -	\$ 1,216
Due to other funds	90,939	-	-	90,939
Accrued liabilities and other	3,322	-	-	3,322
Unearned revenue	-	22,150	-	22,150
Total Liabilities	\$ 95,477	\$ 22,150	\$ -	\$ 117,627
Fund Balances				
Nonspendable	\$ 2,056	\$ -	\$ -	\$ 2,056
Restricted	555,854	-	-	555,854
Committed	-	-	335,237	335,237
Total Fund Balances	\$ 557,910	\$ -	\$ 335,237	\$ 893,147
Total Liabilities and Fund Balances	\$ 653,387	\$ 22,150	\$ 335,237	\$ 1,010,774

CITY OF BUCHANAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	Special Revenue Funds			Total Non-Major Governmental Funds
	Local Streets	Housing Grant	Cemetery	
Revenues				
State-shared revenue and grants	\$ 210,511	\$ -	\$ -	\$ 210,511
Investment income	-	-	3,510	3,510
Other revenues	20,465	-	6,212	26,677
Total Revenues	<u>\$ 230,976</u>	<u>\$ -</u>	<u>\$ 9,722</u>	<u>\$ 240,698</u>
Expenditures				
Public works				
Streets	\$ 260,022	\$ -	\$ -	\$ 260,022
Stormwater drainage	24,736	-	-	24,736
Total expenditures	<u>\$ 284,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (53,782)</u>	<u>\$ -</u>	<u>\$ 9,722</u>	<u>\$ (44,060)</u>
Other Financing Sources(Uses)				
Operating transfers in	\$ 183,374	\$ -	\$ -	\$ 183,374
Total Other Financing Sources(Uses)	<u>\$ 183,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,374</u>
Net Change in Fund Balance	\$ 129,592	\$ -	\$ 9,722	\$ 139,314
Fund Balance - Beginning of Year	428,318	-	325,515	753,833
Fund Balance - End of Year	<u>\$ 557,910</u>	<u>\$ -</u>	<u>\$ 335,237</u>	<u>\$ 893,147</u>