

City of Wayland
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Wayland, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2020, 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.

Change in Accounting Principle

As discussed in Note 14 to the basic financial statements, the City adopted GASB Statement No. 84 *Fiduciary Activities* in fiscal year 2020, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules, as listed in the 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, component unit financial statements, and schedules of debt retirement and annual interest requirements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Sigfried Crandall P.C.

November 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$342,820 as a result of this year's activities. Net position of the governmental activities increased by \$321,496 and net position of the business-type activities increased by \$21,324.
- Total net position at the end of the fiscal year was \$12,158,273. However, \$9,638,423 of this total represents a net investment in capital assets and \$900,300 is restricted for various purposes. Consequently, the City's unrestricted net position is \$1,619,550, which is available to be used at the Council's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.

Overview of the financial statements

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

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

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

A comparative analysis of the government-wide financial statements for 2020 and 2019 is also presented.

Government-wide financial statements

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

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

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

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

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state shared revenues generally fund these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund financial statements

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

- Some funds are required by state law (like the street funds) and bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (such as Community Building and Park activities) or to show that it is properly using certain taxes and other revenues (like the motor fuel taxes collected for the street funds).

The City has three types of funds:

- *Governmental funds.* Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The City's sewer and water utility systems are reported in enterprise funds.
 - The City uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's only internal service fund is its Equipment Fund.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of other taxing jurisdictions outside the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$12,158,273. Of this total, \$9,638,423 represents a net investment in capital assets and \$900,300 is restricted for various purposes. Consequently, unrestricted net position was \$1,619,550, or 13 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 2,746,686	\$ 2,427,672	\$ 2,874,987	\$ 2,827,322	\$ 5,621,673	\$ 5,254,994
Capital assets	<u>6,075,906</u>	<u>6,089,390</u>	<u>4,748,595</u>	<u>4,926,263</u>	<u>10,824,501</u>	<u>11,015,653</u>
Total assets	<u>8,822,592</u>	<u>8,517,062</u>	<u>7,623,582</u>	<u>7,753,585</u>	<u>16,446,174</u>	<u>16,270,647</u>
Deferred outflows of resources	<u>410,719</u>	<u>474,325</u>	<u>132,570</u>	<u>134,229</u>	<u>543,289</u>	<u>608,554</u>
Long-term debt	398,483	451,421	787,595	1,063,185	1,186,078	1,514,606
Current and other liabilities	<u>2,775,422</u>	<u>2,802,056</u>	<u>869,690</u>	<u>747,086</u>	<u>3,645,112</u>	<u>3,549,142</u>
Total liabilities	<u>3,173,905</u>	<u>3,253,477</u>	<u>1,657,285</u>	<u>1,810,271</u>	<u>4,831,190</u>	<u>5,063,748</u>
Net position:						
Net investment in capital assets	5,677,423	5,637,969	3,961,000	3,863,078	9,638,423	9,501,047
Restricted	900,300	911,827	-	-	900,300	911,827
Unrestricted	<u>(518,317)</u>	<u>(811,886)</u>	<u>2,137,867</u>	<u>2,214,465</u>	<u>1,619,550</u>	<u>1,402,579</u>
Total net position	<u>\$ 6,059,406</u>	<u>\$ 5,737,910</u>	<u>\$ 6,098,867</u>	<u>\$ 6,077,543</u>	<u>\$ 12,158,273</u>	<u>\$ 11,815,453</u>

Changes in net position

The City's total revenues for the current fiscal year were \$4,720,924 compared to \$5,243,452 in the prior year. Charges for services account for 37 percent of the revenues, while 35 percent of the City's revenues come from property taxes, and another 16 percent come from operating grants. Only 9 percent of the total revenues came from state shared revenue.

The total cost of the City's programs, covering a wide range of services, totaled \$4,378,104 compared to \$4,538,725 in the prior year. Approximately 30 percent of the City's expenses relate to the public safety function and 25 percent relates to the public works function. The provision of utility services accounted for approximately 29 percent of the total costs.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Program revenues:						
Charges for services	\$ 401,864	\$ 465,435	\$ 1,341,472	\$ 1,197,554	\$ 1,743,336	\$ 1,662,989
Grants and contributions:						
Operating	663,579	735,594	81,014	111,198	744,593	846,792
Capital	16,286	-	-	565,536	16,286	565,536
General revenues:						
Property taxes	1,648,232	1,566,625	-	-	1,648,232	1,566,625
State shared revenue	407,953	417,964	-	-	407,953	417,964
Local community stabilization	91,281	114,835	-	-	91,281	114,835
Franchise fees	45,963	48,408	1,183	1,941	47,146	50,349
Unrestricted interest income	22,097	18,362	-	-	22,097	18,362
Total revenues	<u>3,297,255</u>	<u>3,367,223</u>	<u>1,423,669</u>	<u>1,876,229</u>	<u>4,720,924</u>	<u>5,243,452</u>
Expenses:						
General government	600,738	721,039	-	-	600,738	721,039
Public safety	1,317,278	1,306,806	-	-	1,317,278	1,306,806
Public works	1,116,332	1,065,942	-	-	1,116,332	1,065,942
Community and economic development	24,895	127,353	-	-	24,895	127,353
Health and welfare	-	15,292	-	-	-	15,292
Recreation and culture	14,109	14,109	-	-	14,109	14,109
Interest	13,407	28,520	-	-	13,407	28,520
Sewer	-	-	750,666	765,222	750,666	765,222
Water	-	-	540,679	494,442	540,679	494,442
Total expenses	<u>3,086,759</u>	<u>3,279,061</u>	<u>1,291,345</u>	<u>1,259,664</u>	<u>4,378,104</u>	<u>4,538,725</u>
Transfers	111,000	65,000	(111,000)	(65,000)	-	-
Changes in net position	<u>\$ 321,496</u>	<u>\$ 153,162</u>	<u>\$ 21,324</u>	<u>\$ 551,565</u>	<u>\$ 342,820</u>	<u>\$ 704,727</u>
Net position, end of year	<u>\$ 6,059,406</u>	<u>\$ 5,737,910</u>	<u>\$ 6,098,867</u>	<u>\$ 6,077,543</u>	<u>\$ 12,158,273</u>	<u>\$ 11,815,453</u>

Governmental activities

Governmental activities increased the City's net position by \$321,496, in the current year, compared to a \$153,162 increase in the prior year. The increase in net position was higher in the current year as expenses were reduced by \$192,302, revenues only declined by \$69,968, and transfers from the business-type activities were augmented by \$46,000.

Total revenues declined due to a \$72,015 decrease in operating contributions and a \$63,571 decrease in charges for services. The decrease in operating contributions was primarily due to a reduction in state grants for the street funds, and charges for services decreased due to a reduction in code inspection fees. Total expenses were reduced, primarily due to a \$120,301 decrease in general government works expenses, related to a reduction in a variety of general administration costs, and a \$102,458 decrease in community and economic development expenses, related to façade improvement costs that were incurred in the prior year.

The total cost of governmental activities this year was \$3,086,759. After subtracting the direct charges to those who directly benefited from the programs (\$401,864) and operating and capital grants (\$679,865), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$2,005,030.

Business-type activities

Business-type activities increased the City's net position by \$21,324 compared to an increase of \$551,565 in the prior year. The lesser increase in net position was due to a \$452,560 decrease in revenues, a \$31,681 increase in expenses, and a \$46,000 increase in transfers to the governmental activities. Revenues declined primarily due to a \$565,536 decrease in capital contributions, related to significant connection fees in the prior year, which was partially offset by a \$143,918 increase in charges for services related to rate increases. Expenses were higher as operating costs continue to increase.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,072,962, an increase of \$364,171 in comparison with the prior year. Of the total fund balances, \$511,296 (25 percent) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either assigned (\$661,366), for budget stabilization and public safety, or restricted (\$900,300) to indicate that it is not available for new spending. The restrictions relate to public works (\$856,152), recreation and culture (\$40,233) and public safety (\$3,915).

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$1,176,577, an increase of \$376,479. Fund balance increased as revenues exceeded expenditures and net other financing uses in the current year. The primary reason for the increase in fund balance relates to the reduction in expenditures in every function.

The Major Street Fund experienced an increase in fund balance of \$111,191, as the fund's revenues exceeded expenditures in the current year, as there were no significant street projects. The fund balance at the end of the fiscal year was \$629,059, which is restricted for future street preservation costs of the City's major streets.

The Local Street Fund experienced a decrease in fund balance of \$58,209, as the fund's expenditures exceeded revenues and transfers in during the current year, due to substantial street construction costs. The fund balance at the end of the fiscal year was \$201,960, which is restricted for future street preservation costs of the City's local streets.

Proprietary funds

The Sewer Fund experienced a decrease in net position of \$37,902 in the current year, primarily because it transferred \$96,000 to the Motor Pool Fund. User fees have not been set to allow the fund to cover its costs, but net nonoperating revenues of \$69,706 allowed the fund to generate income before transfers to other funds. Total net position is \$4,058,738 at year end, of which \$1,510,303 is unrestricted.

The Water Fund experienced an increase in net position of \$59,226 in the current year, primarily due to rate increases, which allowed the fund to cover all its costs. Total net position is \$2,040,129 at year end, of which \$627,564 is unrestricted.

General Fund budgetary highlights

The City amended the General Fund budget during the year to account for previously unanticipated revenues and expenditures and to reallocate appropriations among activities. Total budgeted expenditures were increased by \$27,500, which was offset by transfers from other funds in the same amount. An additional \$8,682 was budgeted for insurance recoveries.

Total actual revenues were \$200,179 less than budgeted, primarily because tax revenues were \$108,025 less than budgeted and licenses and permits were \$92,075 less than expected, as code inspection fees were much lower than the prior year.

Total actual expenditures were \$457,408 less than the amounts appropriated. Public safety function expenditures were \$193,933 less than budgeted, as police and fire department costs and code inspection expenditures were lower than planned. General government expenditures were \$149,508 less than budgeted, as administration costs were well below budget, and public works expenditures were also \$110,887 less than budgeted.

These variances, along with a \$76,207 negative variance associated with net other financing uses, resulted in a \$181,022 positive budget variance, with a \$376,479 increase in fund balance compared to a budgeted increase of \$195,457.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$10,824,501 (net of accumulated depreciation). This investment includes a broad range of assets, such as land, buildings, street infrastructure, police and fire equipment, and sewer and water facilities. The decrease in the City's net investment in capital assets for the current fiscal year was \$191,152 as additions (\$530,989) were less than depreciation (\$722,141).

The major capital asset events during the fiscal year included the following:

- Street infrastructure improvements were completed at a cost of \$361,362
- A fire truck was acquired at a cost of \$50,000
- A Dodge Ram was purchased by the Motor Pool for \$45,539

The Downtown Development Authority (a discretely presented component unit) reported capital assets of \$426,932, as of year end, which represents a decrease of \$23,262 due to the current year depreciation provision. The Authority purchased no capital assets during the current fiscal year.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the City had total long-term debt outstanding in the amount of \$1,186,078, which represents a decrease of \$328,528 that corresponds to timely principal payments (\$326,659) and amortization of a bond premium (\$1,869). The City issued no new debt during the year.

Other long-term liabilities, totaling \$130,181, represent accrued compensated absences. The City also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$3,181,782.

The Downtown Development Authority (a discretely presented component unit) reported long-term debt outstanding of \$960,857, as of year end, which represents a net decrease of \$110,205.

More detailed information about the City's long-term debt is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2021 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The City has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue and code inspection fees are expected to decrease, and interest revenue will be reduced due to lower interest rates.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Cheri Parrish, Finance Director
City of Wayland
103 South Main Street
Wayland, MI 49348

Phone: (269) 792-2265

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2020

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 2,504,302	\$ 2,301,402	\$ 4,805,704	\$ 134,870
Receivables	242,384	573,585	815,969	-
Total current assets	2,746,686	2,874,987	5,621,673	134,870
Noncurrent assets:				
Capital assets not being depreciated	891,312	319,730	1,211,042	-
Depreciable capital assets, net of depreciation	5,184,594	4,428,865	9,613,459	426,932
Total noncurrent assets	6,075,906	4,748,595	10,824,501	426,932
Total assets	8,822,592	7,623,582	16,446,174	561,802
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	-	601	601	-
Deferred pension amounts	410,719	131,969	542,688	-
Total deferred outflows of resources	410,719	132,570	543,289	-
LIABILITIES				
Current liabilities:				
Payables	286,904	46,245	333,149	15,912
Current portion of bonds and notes payable	41,134	291,941	333,075	109,386
Total current liabilities	328,038	338,186	666,224	125,298
Noncurrent liabilities:				
Compensated absences	80,471	49,710	130,181	1,198
Net pension liability	2,408,047	773,735	3,181,782	-
Bonds and notes payable	357,349	495,654	853,003	851,471
Total noncurrent liabilities	2,845,867	1,319,099	4,164,966	852,669
Total liabilities	3,173,905	1,657,285	4,831,190	977,967
NET POSITION				
Net investment in capital assets	5,677,423	3,961,000	9,638,423	(533,925)
Restricted for:				
Public safety	3,915	-	3,915	-
Public works	856,152	-	856,152	-
Recreation and culture	40,233	-	40,233	-
Unrestricted (deficit)	(518,317)	2,137,867	1,619,550	117,760
Total net position	\$ 6,059,406	\$ 6,098,867	\$ 12,158,273	\$ (416,165)

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

Functions/Programs					Net (expenses) revenues and changes in net position			Component
	Program revenues				Primary government			unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Downtown Development Authority
Primary government:								
Governmental activities:								
General government	\$ 600,738	\$ 80,981	\$ 63,149	\$ -	\$ (456,608)		\$ (456,608)	
Public safety	1,317,278	317,043	896	16,286	(983,053)		(983,053)	
Public works	1,116,332	3,240	584,994	-	(528,098)		(528,098)	
Community and economic development	24,895	600	14,540	-	(9,755)		(9,755)	
Recreation and culture	14,109	-	-	-	(14,109)		(14,109)	
Interest on long-term debt	13,407	-	-	-	(13,407)		(13,407)	
Total governmental activities	<u>3,086,759</u>	<u>401,864</u>	<u>663,579</u>	<u>16,286</u>	<u>(2,005,030)</u>		<u>(2,005,030)</u>	
Business-type activities:								
Sewer	750,666	727,044	81,014	-		\$ 57,392	57,392	
Water	540,679	614,428	-	-		73,749	73,749	
Total business-type activities	<u>1,291,345</u>	<u>1,341,472</u>	<u>81,014</u>	<u>-</u>	<u>-</u>	<u>131,141</u>	<u>131,141</u>	
Total primary government	<u>\$ 4,378,104</u>	<u>\$ 1,743,336</u>	<u>\$ 744,593</u>	<u>\$ 16,286</u>	<u>(2,005,030)</u>	<u>131,141</u>	<u>(1,873,889)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 247,124</u>	<u>\$ 16,026</u>	<u>\$ 67,300</u>	<u>\$ -</u>				<u>\$ (163,798)</u>
General revenues:								
Property taxes					1,648,232	-	1,648,232	306,598
State shared revenue					407,953	-	407,953	-
Local community stabilization revenue					91,281	-	91,281	-
Franchise fees					45,963	-	45,963	-
Unrestricted interest income					22,097	1,183	23,280	457
Transfers					111,000	(111,000)	-	-
Total general revenues and transfers					<u>2,326,526</u>	<u>(109,817)</u>	<u>2,216,709</u>	<u>307,055</u>
Changes in net position					321,496	21,324	342,820	143,257
Net position (deficit) - beginning					<u>5,737,910</u>	<u>6,077,543</u>	<u>11,815,453</u>	<u>(559,422)</u>
Net position (deficit) - ending					<u>\$ 6,059,406</u>	<u>\$ 6,098,867</u>	<u>\$ 12,158,273</u>	<u>\$ (416,165)</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2020

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 1,248,057	\$ 582,048	\$ 218,532	\$ 66,840	\$ 2,115,477
Receivables	177,856	49,235	15,293	-	242,384
Total assets	<u>\$ 1,425,913</u>	<u>\$ 631,283</u>	<u>\$ 233,825</u>	<u>\$ 66,840</u>	<u>\$ 2,357,861</u>
LIABILITIES AND FUND BALANCES					
Liabilities - Payables	\$ 249,336	\$ 2,224	\$ 31,865	\$ 1,474	\$ 284,899
Fund balances:					
Restricted for:					
Public safety	3,915	-	-	-	3,915
Public works	-	629,059	201,960	25,133	856,152
Recreation and culture	-	-	-	40,233	40,233
Assigned for stabilization	556,000	-	-	-	556,000
Assigned for public safety	105,366	-	-	-	105,366
Unassigned	511,296	-	-	-	511,296
Total fund balances	<u>1,176,577</u>	<u>629,059</u>	<u>201,960</u>	<u>65,366</u>	<u>2,072,962</u>
Total liabilities and fund balances	<u>\$ 1,425,913</u>	<u>\$ 631,283</u>	<u>\$ 233,825</u>	<u>\$ 66,840</u>	<u>\$ 2,357,861</u>

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

Total fund balance - total governmental funds \$ 2,072,962

Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 5,691,283

Deferred outflows of resources, related to the pension plan, relate to future years and are not reported in the funds. 402,791

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (80,471)

Interest payable, related to long-term debt, is not due and payable in the current period and, therefore, is not reported in the funds. (1,100)

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. (2,361,568)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. (398,483)

The internal service fund is used by management to charge costs of equipment to individual funds. The assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 733,992

Net position of *governmental activities* \$ 6,059,406

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2020

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 1,689,424	\$ -	\$ -	\$ -	\$ 1,689,424
Licenses and permits	64,525	-	-	-	64,525
Federal grant	-	-	-	14,540	14,540
State grants	516,507	352,777	109,572	2,553	981,409
Contribution from local unit	-	-	-	103,742	103,742
Charges for services	302,056	-	-	-	302,056
Fines and forfeitures	988	-	-	-	988
Interest and rentals	27,734	2,992	199	192	31,117
Other	74,898	-	-	642	75,540
	<u>2,676,132</u>	<u>355,769</u>	<u>109,771</u>	<u>121,669</u>	<u>3,263,341</u>
EXPENDITURES					
Current:					
General government	490,423	-	-	-	490,423
Public safety	1,160,027	-	-	-	1,160,027
Public works	450,733	98,213	439,240	75,919	1,064,105
Community and economic development	9,496	-	-	15,399	24,895
Debt service:					
Principal	-	42,420	-	-	42,420
Interest and fees	-	13,367	-	-	13,367
Capital outlay	113,949	-	-	-	113,949
	<u>2,224,628</u>	<u>154,000</u>	<u>439,240</u>	<u>91,318</u>	<u>2,909,186</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>451,504</u>	<u>201,769</u>	<u>(329,469)</u>	<u>30,351</u>	<u>354,155</u>
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	25,016	-	-	-	25,016
Transfers in	27,500	-	271,260	859	299,619
Transfers out	(127,541)	(90,578)	-	(96,500)	(314,619)
	<u>(75,025)</u>	<u>(90,578)</u>	<u>271,260</u>	<u>(95,641)</u>	<u>10,016</u>
NET CHANGES IN FUND BALANCES					
	376,479	111,191	(58,209)	(65,290)	364,171
FUND BALANCES - BEGINNING					
	<u>800,098</u>	<u>517,868</u>	<u>260,169</u>	<u>130,656</u>	<u>1,708,791</u>
FUND BALANCES - ENDING					
	<u>\$ 1,176,577</u>	<u>\$ 629,059</u>	<u>\$ 201,960</u>	<u>\$ 65,366</u>	<u>\$ 2,072,962</u>

See notes to financial statements

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

Year ended June 30, 2020

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

Net change in fund balance - total governmental funds (page 15) \$ 364,171

Amounts reported for *governmental activities* in the statement of activities (page 13) are different because:

Capital assets:

Capital asset acquisitions 433,668
Provision for depreciation (426,868)

Long-term debt - Principal payments 42,420

Changes in other liabilities:

Net increase in compensated absences (7,999)
Net increase in net pension liability (137,842)

Net change in deferred outflows of resources related to pension (57,572)

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

111,518

Change in net position of *governmental activities*

\$ 321,496

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2020

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
ASSETS				
Current assets:				
Cash	\$ 1,556,051	\$ 745,351	\$ 2,301,402	\$ 388,825
Receivables	324,983	248,602	573,585	-
Total current assets	1,881,034	993,953	2,874,987	388,825
Noncurrent assets:				
Land	275,730	44,000	319,730	-
Depreciable capital assets, net of depreciation	2,711,011	1,717,854	4,428,865	384,623
Total noncurrent assets	2,986,741	1,761,854	4,748,595	384,623
Total assets	4,867,775	2,755,807	7,623,582	773,448
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	601	-	601	-
Deferred pension amounts	64,584	67,385	131,969	7,928
Total deferred outflows of resources	65,185	67,385	132,570	7,928
LIABILITIES				
Current liabilities:				
Payables	32,402	13,843	46,245	905
Current portion of bonds and notes payable	36,056	255,885	291,941	-
Total current liabilities	68,458	269,728	338,186	905
Noncurrent liabilities:				
Compensated absences	24,855	24,855	49,710	-
Net pension liability	378,659	395,076	773,735	46,479
Bonds, notes, and loans payable	402,250	93,404	495,654	-
Total noncurrent liabilities	805,764	513,335	1,319,099	46,479
Total liabilities	874,222	783,063	1,657,285	47,384
NET POSITION				
Net investment in capital assets	2,548,435	1,412,565	3,961,000	384,623
Unrestricted	1,510,303	627,564	2,137,867	349,369
Total net position	\$ 4,058,738	\$ 2,040,129	6,098,867	\$ 733,992

See notes to financial statements

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

Year ended June 30, 2020

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services	\$ 727,044	\$ 614,428	\$ 1,341,472	\$ 125,573
OPERATING EXPENSES				
Sewer	609,702	-	609,702	-
Water	-	438,906	438,906	-
Cost of interfund services provided	-	-	-	72,646
Depreciation	128,950	90,056	219,006	76,267
Total operating expenses	738,652	528,962	1,267,614	148,913
OPERATING INCOME (LOSS)	(11,608)	85,466	73,858	(23,340)
NONOPERATING REVENUES (EXPENSES)				
State grant	81,014	-	81,014	-
Gain on disposition of capital assets	-	-	-	8,898
Interest income	706	477	1,183	-
Interest expense and fees	(12,014)	(11,717)	(23,731)	(40)
Net nonoperating revenues (expenses)	69,706	(11,240)	58,466	8,858
INCOME (LOSS) BEFORE TRANSFERS	58,098	74,226	132,324	(14,482)
TRANSFERS	(96,000)	(15,000)	(111,000)	126,000
CHANGES IN NET POSITION	(37,902)	59,226	21,324	111,518
NET POSITION - BEGINNING	4,096,640	1,980,903	6,077,543	622,474
NET POSITION - ENDING	\$ 4,058,738	\$ 2,040,129	\$ 6,098,867	\$ 733,992

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2020

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 715,667	\$ 574,774	\$ 1,290,441	\$ -
Receipts from interfund services provided	-	-	-	125,573
Payments to vendors and suppliers	(423,184)	(231,032)	(654,216)	(60,913)
Payments to employees	(109,177)	(132,662)	(241,839)	(26,557)
Payments for interfund services used	(14,209)	(13,632)	(27,841)	-
Net cash provided by (used in) operating activities	<u>169,097</u>	<u>197,448</u>	<u>366,545</u>	<u>38,103</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
State grant	103,982	-	103,982	-
Interfund transfers	(96,000)	(15,000)	(111,000)	126,000
Net cash provided by (used in) noncapital and related financing activities	<u>7,982</u>	<u>(15,000)</u>	<u>(7,018)</u>	<u>126,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	-	8,898
Acquisition of capital assets	(20,669)	(20,669)	(41,338)	(55,983)
Principal payments on capital debt	(236,538)	(37,183)	(273,721)	(10,518)
Interest payments on capital debt	(14,332)	(11,717)	(26,049)	(40)
Net cash provided by (used in) capital and related financing activities	<u>(271,539)</u>	<u>(69,569)</u>	<u>(341,108)</u>	<u>(57,643)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>706</u>	<u>477</u>	<u>1,183</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>(93,754)</u>	<u>113,356</u>	<u>19,602</u>	<u>106,460</u>
CASH - BEGINNING	<u>1,649,805</u>	<u>631,995</u>	<u>2,281,800</u>	<u>282,365</u>
CASH - ENDING	<u>\$ 1,556,051</u>	<u>\$ 745,351</u>	<u>\$ 2,301,402</u>	<u>\$ 388,825</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2020

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (11,608)	\$ 85,466	\$ 73,858	\$ (23,340)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	128,950	90,056	219,006	76,267
Changes in assets and liabilities:				
Receivables	(11,377)	(39,654)	(51,031)	-
Deferred outflows - pension	(1,954)	2,462	508	6,034
Payables	(18,086)	(5,610)	(23,696)	103
Compensated absences	7,040	7,040	14,080	-
Pension liability	76,132	57,688	133,820	(20,961)
Net cash provided by (used in) operating activities	<u>\$ 169,097</u>	<u>\$ 197,448</u>	<u>\$ 366,545</u>	<u>\$ 38,103</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSTION - Custodial Fund

June 30, 2020

	<u>Tax Collection</u>
ASSETS	
Cash	\$ 5,764
LIABILITIES	
Due to other governments	<u>5,764</u>
NET POSITION	
Restricted for individuals and other governments	<u><u>\$ -</u></u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year Ended June 30, 2020

	<u>Tax Collection</u>
ADDITIONS	
Property tax collections for other governments	\$ 4,365,758
DEDUCTIONS	
Payments of property taxes to other governments	<u>4,365,758</u>
CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<u>\$ -</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the City (the primary government), located in Allegan County, and its component unit described below, for which the City is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit:

Wayland Downtown Development Authority - The Downtown Development Authority (the Authority) was established, pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the City because the City Council appoints the Authority's governing body and approves its budget. The City is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the City. Fiscal dependence and the financial burden relationship make the City financially accountable for the Authority and require the City to report it in the City's financial statements. Separate financial statements of the Authority have not been issued as management believes these financial statements, including disclosures, contain complete information to constitute a fair presentation of the component unit.

Government-wide and fund financial statements:

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

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

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

Measurement focus, basis of accounting and financial statement presentation:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operation of the City's sanitary sewer collection system and wastewater treatment facilities.

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

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for vehicle and equipment services provided to other departments of the City on a cost-reimbursement basis.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Measurement focus, basis of accounting and financial statement presentation (continued):*

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

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

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

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible. No allowance for uncollectible accounts has been recorded, as the City considers all receivables to be fully collectible.

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

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

Buildings and improvements	10 - 50 years
Streets	15 -20 years
Sewer and water systems	50 years
Equipment	3 - 20 years

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The City has two items that are included in this category: a deferred amount arising from the refunding of bonds in a previous year and deferred amounts relating to the defined benefit pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred amounts relating to the pension plan are discussed in Note 8. No deferred outflows of resources affect the governmental funds financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, deferred outflows of resources, liabilities, and equity (continued):*

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

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

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

Fund equity - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The City Council retains the authority to assign fund balance as to purpose. Unassigned fund balance is the residual classification for the General Fund. When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use the restricted fund balance first, followed by assigned fund balance and, finally, unassigned fund balance.

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the activity level. All annual appropriations lapse at the end of the fiscal year.

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Primary government:</i>					
General	Capital outlay	Capital outlay	\$ 54,400	\$ 113,949	\$ 59,549
	Other financing uses	Transfers out	35,000	127,541	92,541
Major Street	Public works	Street preservation	334,616	361,802	27,186
<i>Component unit:</i>					
Downtown Development Authority	Debt service	Principal	108,270	110,205	1,935

NOTE 3 - CASH

Cash as of June 30, 2020, is classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Custodial fund</u>	<u>Component unit</u>	<u>Totals</u>
Deposits - unrestricted	\$ 2,504,077	\$ 2,301,352	\$ 4,805,429	\$ 5,764	\$ 134,870	\$ 4,946,063
Cash on hand	225	50	275	-	-	275
	<u>\$ 2,504,302</u>	<u>\$ 2,301,402</u>	<u>\$ 4,805,704</u>	<u>\$ 5,764</u>	<u>\$ 134,870</u>	<u>\$ 4,946,338</u>

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. The City’s investment policy does not specifically address custodial credit risk for deposits. At June 30, 2020, \$4,190,472 of the City’s bank balances of \$4,978,639 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City maintains individual and pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2020, for the City’s major funds, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Taxes</u>	<u>Totals</u>
Governmental:				
General	\$ 77,803	\$ 51,554	\$ 48,499	\$ 177,856
Major Street	-	49,235	-	49,235
Local Street	-	15,293	-	15,293
Total governmental	<u>\$ 77,803</u>	<u>\$ 116,082</u>	<u>\$ 48,499</u>	<u>\$ 242,384</u>
Proprietary:				
Sewer	\$ 324,983	-	-	\$ 324,983
Water	248,602	-	-	248,602
Total proprietary	<u>\$ 573,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,585</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 891,312	\$ -	\$ -	\$ 891,312
Construction in progress	<u>262,326</u>	<u>361,362</u>	<u>(623,688)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,153,638</u>	<u>361,362</u>	<u>(623,688)</u>	<u>891,312</u>
Capital assets being depreciated:				
Buildings	982,641	-	-	982,641
Improvements	1,049,057	-	-	1,049,057
Equipment	1,317,556	22,306	(77,588)	1,262,274
Vehicles	2,613,970	105,983	(49,549)	2,670,404
Infrastructure	<u>17,625,363</u>	<u>623,688</u>	<u>-</u>	<u>18,249,051</u>
Subtotal	<u>23,588,587</u>	<u>751,977</u>	<u>(127,137)</u>	<u>24,213,427</u>
Less accumulated depreciation for:				
Buildings	(583,899)	(17,538)	-	(601,437)
Improvements	(402,008)	(32,127)	-	(434,135)
Equipment	(861,820)	(76,075)	77,588	(860,307)
Vehicles	(2,340,641)	(85,613)	49,549	(2,376,705)
Infrastructure	<u>(14,464,467)</u>	<u>(291,782)</u>	<u>-</u>	<u>(14,756,249)</u>
Subtotal	<u>(18,652,835)</u>	<u>(503,135)</u>	<u>127,137</u>	<u>(19,028,833)</u>
Total capital assets being depreciated, net	<u>4,935,752</u>	<u>248,842</u>	<u>-</u>	<u>5,184,594</u>
Governmental activities capital assets, net	<u>\$ 6,089,390</u>	<u>\$ 610,204</u>	<u>\$ (623,688)</u>	<u>\$ 6,075,906</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	6,113,237	20,669	-	6,133,906
Water system	3,408,917	20,669	-	3,429,586
Subtotal	<u>9,522,154</u>	<u>41,338</u>	<u>-</u>	<u>9,563,492</u>
Less accumulated depreciation for:				
Sewer system	(3,293,945)	(128,950)	-	(3,422,895)
Water system	(1,621,676)	(90,056)	-	(1,711,732)
Subtotal	<u>(4,915,621)</u>	<u>(219,006)</u>	<u>-</u>	<u>(5,134,627)</u>
Total capital assets being depreciated, net	<u>4,606,533</u>	<u>(177,668)</u>	<u>-</u>	<u>4,428,865</u>
Business-type activities capital assets, net	<u>\$ 4,926,263</u>	<u>\$ (177,668)</u>	<u>\$ -</u>	<u>\$ 4,748,595</u>
Component unit - Downtown Development Authority:				
Capital assets being depreciated -				
Infrastructure	\$ 526,708	\$ -	\$ -	\$ 526,708
Less accumulated depreciation for -				
Infrastructure	<u>(76,514)</u>	<u>(23,262)</u>	<u>-</u>	<u>(99,776)</u>
Component unit capital assets, net	<u>\$ 450,194</u>	<u>\$ (23,262)</u>	<u>\$ -</u>	<u>\$ 426,932</u>

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

Governmental activities:	
General government	\$ 76,787
Public safety	54,771
Public works	281,201
Recreation and culture	14,109
Internal Service Fund	<u>76,267</u>
Total governmental activities	<u>\$ 503,135</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2020, for the City’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
<i>Primary government:</i>					
Governmental:					
General	\$ 69,981	\$ 102,120	\$ 77,235	\$ -	\$ 249,336
Major Street	876	-	1,348	-	2,224
Local Street	30,492	-	1,373	-	31,865
Nonmajor	<u>581</u>	<u>-</u>	<u>893</u>	<u>-</u>	<u>1,474</u>
Total governmental	<u>\$ 101,930</u>	<u>\$ 102,120</u>	<u>\$ 80,849</u>	<u>\$ -</u>	<u>\$ 284,899</u>
Proprietary:					
Enterprise:					
Sewer	\$ 22,468	\$ -	\$ 6,834	\$ 3,100	\$ 32,402
Water	<u>5,906</u>	<u>-</u>	<u>6,037</u>	<u>1,900</u>	<u>13,843</u>
Total enterprise	28,374	-	12,871	5,000	46,245
Internal service	<u>505</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>905</u>
Total proprietary funds	<u>\$ 28,879</u>	<u>\$ -</u>	<u>\$ 13,271</u>	<u>\$ 5,000</u>	<u>\$ 47,150</u>
<i>Component unit:</i>					
Downtown Development Authority	<u>\$ 827</u>	<u>\$ -</u>	<u>\$ 2,785</u>	<u>\$ -</u>	<u>\$ 3,612</u>

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2020, are comprised of the following:

<i>Primary government:</i>	
Governmental activities:	
Bonds:	
\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028	\$ 398,483
Compensated absences	<u>80,471</u>
Total governmental activities long-term liabilities	<u>\$ 478,954</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Primary government (continued):

Business-type activities:

Bonds:

\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028 \$ 551,620

\$1,930,000 2012 Refunding bonds; payable in annual installments ranging from \$180,000 to \$235,000, plus interest at 2.00% to 2.50%; final payment due October 2020 235,000

786,620

Net unamortized premiums 975

Total bonds 787,595

Compensated absences 49,710

Total business-type activities long-term liabilities \$ 837,305

Component unit - Downtown Development Authority:

\$1,905,000 2018 Refunding bonds; payable in annual installments ranging from \$160,000 to \$215,000, plus interest at 3.03%; final payment due June 2028 \$ 599,897

\$493,750 2016 Installment purchase agreement; payable in annual installments ranging from \$44,251 to \$54,779, plus interest at 2.4%; final payment due November 2026 360,960

Total bonds and note 960,857

Compensated absences 1,198

Total component unit long-term liabilities \$ 962,055

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government:</i>					
Governmental activities:					
2018 Refunding bonds	\$ 440,903	\$ -	\$ (42,420)	\$ 398,483	\$ 41,134
2017 Installment purchase agreement	<u>10,518</u>	<u>-</u>	<u>(10,518)</u>	<u>-</u>	<u>-</u>
Total bonds and notes	451,421	-	(52,938)	398,483	41,134
Compensated absences	<u>72,472</u>	<u>67,397</u>	<u>(59,398)</u>	<u>80,471</u>	<u>-</u>
Total governmental activities	<u>\$ 523,893</u>	<u>\$ 67,397</u>	<u>\$ (112,336)</u>	<u>\$ 478,954</u>	<u>\$ 41,134</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Primary government (continued):</i>					
Business-type activities:					
2018 Refunding bonds	\$ 610,341	\$ -	\$ (58,721)	\$ 551,620	\$ 56,941
2012 Refunding bonds	450,000	-	(215,000)	235,000	235,000
Subtotal	1,060,341	-	(273,721)	786,620	291,941
Unamortized premiums	2,844	-	(1,869)	975	-
Total bonds and loan	1,063,185	-	(275,590)	787,595	291,941
Compensated absences	35,630	46,979	(32,899)	49,710	-
Total business-type activities	<u>\$1,098,815</u>	<u>\$ 46,979</u>	<u>\$ (308,489)</u>	<u>\$ 837,305</u>	<u>\$ 291,941</u>
<i>Component unit - Downtown Development Authority:</i>					
2018 Refunding bonds	\$ 663,756	\$ -	\$ (63,860)	\$ 599,896	\$ 61,925
2016 Installment purchase agreement	407,306	-	(46,345)	360,961	47,461
Total bonds and loan	1,071,062	-	(110,205)	960,857	109,386
Compensated absences	-	4,136	(2,938)	1,198	-
Total component unit	<u>\$1,071,062</u>	<u>\$ 4,136</u>	<u>\$ (113,143)</u>	<u>\$ 962,055</u>	<u>\$ 109,386</u>

Debt service requirements at June 30, 2020, excluding compensated absences, were as follows:

<u>Year ended June 30:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 41,134	\$ 12,074	\$ 291,941	\$ 19,652	\$ 109,386	\$ 26,840
2022	47,561	10,828	65,839	14,989	120,201	23,825
2023	47,561	9,387	65,839	12,994	121,368	20,488
2024	46,276	7,946	64,059	10,999	120,626	17,125
2025	52,703	6,543	72,956	9,058	131,525	13,791
2026 - 2029	163,248	10,009	225,986	13,856	357,751	19,253
Totals	<u>\$ 398,483</u>	<u>\$ 56,787</u>	<u>\$ 786,620</u>	<u>\$ 81,548</u>	<u>\$ 960,857</u>	<u>\$ 121,322</u>

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan description:

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

Benefits provided:

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers the City’s full-time employees. Retirement benefits for eligible employees are calculated as 2.50% of the employee’s three-year final average compensation, times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60 with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after six years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are not required to contribute to the plan. Benefit terms, within the parameters of MERS, are established and amended by the authority of the City Council.

Employees covered by benefit terms:

At the December 31, 2019, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>19</u>
 Total	 <u>54</u>

Contributions:

The City is required to contribute amounts at least equal to an actuarially determined rate, as established by the 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. Covered employees may contribute to the plan. For the fiscal year ended June 30, 2020, City contributions amounted to 31.70% of monthly covered payroll. For the fiscal year ended June 30, 2020, the City contributed \$342,278 to the plan, while employees made no contributions.

Net pension liability:

The City’s net pension liability reported at June 30, 2020, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2019. The total pension liability was determined by an annual actuarial valuation as of that date.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.35%	net of investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the most recent actuarial experience study.

Assumption changes:

The following assumption changes were reflected in the 2019 valuation:

- The investment rate of return, net of investment expense, including inflation, was reduced from 7.75 to 7.35 percent.
- The rate of wage inflation was changed from 3.75 to 3.00 percent.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	7.75%	3.15%
Global fixed income	20.00%	3.75%	0.25%
Private investments	<u>20.00%</u>	9.75%	1.45%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.60% for 2019. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2018	\$ 8,277,236	\$ 5,346,155	\$ 2,931,081
Changes for the year:			
Service cost	163,643	-	163,643
Interest	649,625	-	649,625
Difference between expected and actual experience	181,919	-	181,919
Changes in assumptions	307,581	-	307,581
Employer contributions	-	342,200	(342,200)
Net investment income	-	722,312	(722,312)
Benefit payments, including refunds	(477,496)	(477,496)	-
Administrative expenses	-	(12,445)	12,445
Net changes	<u>825,272</u>	<u>574,571</u>	<u>250,701</u>
Balances at December 31, 2019	<u>\$ 9,102,508</u>	<u>\$ 5,920,726</u>	<u>\$ 3,181,782</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	<i>1% Decrease (6.60%)</i>	<i>Current Rate (7.60%)</i>	<i>1% Increase (8.60%)</i>
City's net pension liability	<u>\$ 4,299,591</u>	<u>\$ 3,181,782</u>	<u>\$ 2,250,121</u>

Pension plan fiduciary net position:

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

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)

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

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$657,314. At June 30, 2020, the City reported deferred outflows of resources, related to the pension plan, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Difference between projected and actual earnings	\$ 11,680
Difference between expected and actual experience	153,933
Difference in assumptions	<u>205,054</u>
	370,667
Contributions made subsequent to the measurement date	<u>172,021</u>
Totals	<u>\$ 542,688</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$172,021, will be recognized as a reduction in the net pension liability in fiscal year 2021.

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

<u>Year ended</u>	<u>Deferred outflows of resources</u>
2021	\$ 166,102
2022	197,095
2023	68,904
2024	<u>(61,434)</u>
	<u>\$ 370,667</u>

NOTE 9 - INTERFUND TRANSFERS

Interfund transfers occurred during the year ended June 30, 2020, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 27,500	Nonmajor	\$ 27,500
Nonmajor	<u>859</u>	General	<u>859</u>
		General	15,000
		Sewer	96,000
		Water	<u>15,000</u>
Motor Vehicle Pool	<u>126,000</u>		<u>126,000</u>
		General	91,682
		Major Street	90,578
		Nonmajor	<u>89,000</u>
Local Street	<u>271,260</u>		<u>271,260</u>
Totals	<u>\$ 425,619</u>		<u>\$ 425,619</u>

The transfer to the General Fund supported costs incurred to construct the splash pad. The transfer from the General Fund to the nonmajor fund moved unrestricted resources to close the nonmajor fund. The transfers to the Motor Vehicle Pool Fund support capital asset acquisitions of that fund. The transfers to the Local Street support local street construction costs in the current year.

NOTE 10 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$900,300. Of this amount, \$831,019 is restricted by enabling legislation for public works expenditures.

NOTE 11 - PROPERTY TAX REVENUE

The 2019 taxable valuation of the City approximated \$114,669,000 on which ad valorem taxes levied consisted of 16.3607 mills for operating purposes, raising approximately \$1,876,000 for operating purposes. This amount is reduced by a \$211,000 tax capture for the component unit and the net amount of \$1,665,000 is recognized in the fund financial statements as property tax revenue.

NOTE 12 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2020, is as follows:

Revenues	\$ 14,594
Expenses	<u>17,155</u>
Deficiency of revenues over expenses	<u>\$ (2,561)</u>

NOTE 13 - RISK MANAGEMENT

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

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2019, the City 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 15 - PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2020

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES				
Property taxes	\$ 1,797,449	\$ 1,797,449	\$ 1,689,424	\$ (108,025)
Licenses and permits	156,600	156,600	64,525	(92,075)
Federal grant	500	500	-	(500)
State grants	464,938	464,938	516,507	51,569
Charges for services	386,403	386,403	302,056	(84,347)
Fines and forfeitures	500	500	988	488
Interest and rentals	19,001	19,001	27,734	8,733
Other	50,920	50,920	74,898	23,978
Total revenues	2,876,311	2,876,311	2,676,132	(200,179)
EXPENDITURES				
General government:				
Legislative	13,675	13,675	13,625	50
Administration	490,626	490,626	395,891	94,735
Elections	40,830	40,830	36,022	4,808
Building maintenance	40,000	40,000	5,795	34,205
Assessor	54,800	54,800	39,090	15,710
Total general government	639,931	639,931	490,423	149,508
Public safety:				
Police department	863,450	863,450	756,089	107,361
Fire department	388,010	415,510	389,210	26,300
Code inspections	75,000	75,000	14,728	60,272
Total public safety	1,326,460	1,353,960	1,160,027	193,933
Public works - Public works department	561,620	561,620	450,733	110,887

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning	\$ 49,725	\$ 49,725	\$ 5,476	\$ 44,249
Community promotion	<u>7,000</u>	<u>7,000</u>	<u>4,020</u>	<u>2,980</u>
Total community and economic development	<u>56,725</u>	<u>56,725</u>	<u>9,496</u>	<u>47,229</u>
Health and welfare - ambulance service	<u>15,400</u>	<u>15,400</u>	<u>-</u>	<u>15,400</u>
Capital outlay	<u>54,400</u>	<u>54,400</u>	<u>113,949</u>	<u>(59,549)</u>
Total expenditures	<u>2,654,536</u>	<u>2,682,036</u>	<u>2,224,628</u>	<u>457,408</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>221,775</u>	<u>194,275</u>	<u>451,504</u>	<u>257,229</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	8,682	25,016	16,334
Transfers in	-	27,500	27,500	-
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(127,541)</u>	<u>(92,541)</u>
Net other financing uses	<u>(35,000)</u>	<u>1,182</u>	<u>(75,025)</u>	<u>(76,207)</u>
NET CHANGES IN FUND BALANCES	186,775	195,457	376,479	181,022
FUND BALANCES - BEGINNING	<u>800,098</u>	<u>800,098</u>	<u>800,098</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 986,873</u>	<u>\$ 995,555</u>	<u>\$ 1,176,577</u>	<u>\$ 181,022</u>

City of Wayland

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 320,000	\$ 362,313	\$ 352,777	\$ (9,536)
Interest	-	-	2,992	2,992
Total revenues	<u>320,000</u>	<u>362,313</u>	<u>355,769</u>	<u>(6,544)</u>
EXPENDITURES				
Public works:				
Routine maintenance	65,684	65,684	29,701	35,983
Winter maintenance	61,364	61,364	44,795	16,569
Administration	<u>25,450</u>	<u>25,450</u>	<u>23,717</u>	<u>1,733</u>
Total public works	<u>152,498</u>	<u>152,498</u>	<u>98,213</u>	<u>54,285</u>
Debt service:				
Principal	<u>42,420</u>	<u>42,420</u>	<u>42,420</u>	-
Interest and fees	<u>13,375</u>	<u>13,375</u>	<u>13,367</u>	<u>8</u>
Total expenditures	<u>208,293</u>	<u>208,293</u>	<u>154,000</u>	<u>54,293</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	111,707	154,020	201,769	47,749
OTHER FINANCING SOURCES (USES)				
Transfer out - Local street	-	<u>(90,578)</u>	<u>(90,578)</u>	-
NET CHANGES IN FUND BALANCES	111,707	63,442	111,191	47,749
FUND BALANCES - BEGINNING	<u>517,868</u>	<u>517,868</u>	<u>517,868</u>	-
FUND BALANCES - ENDING	<u>\$ 629,575</u>	<u>\$ 581,310</u>	<u>\$ 629,059</u>	<u>\$ 47,749</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 105,000	\$ 112,533	\$ 109,572	\$ (2,961)
Interest	-	-	199	199
Total revenues	<u>105,000</u>	<u>112,533</u>	<u>109,771</u>	<u>(2,762)</u>
EXPENDITURES				
Public works:				
Street preservation	-	334,616	361,802	(27,186)
Routine maintenance	42,047	42,047	38,167	3,880
Traffic services	49,618	49,618	29,756	19,862
Administration	10,350	10,350	9,515	835
Total public works	<u>102,015</u>	<u>436,631</u>	<u>439,240</u>	<u>(2,609)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>2,985</u>	<u>(324,098)</u>	<u>(329,469)</u>	<u>(5,371)</u>
OTHER FINANCING SOURCES				
Transfer in - General Fund	-	-	91,682	91,682
Transfer in - Major street	-	90,578	90,578	-
Transfer in - Municipal streets	-	-	89,000	89,000
Total other financing sources	<u>-</u>	<u>90,578</u>	<u>271,260</u>	<u>180,682</u>
NET CHANGES IN FUND BALANCES				
	2,985	(233,520)	(58,209)	175,311
FUND BALANCES - BEGINNING				
	<u>260,169</u>	<u>260,169</u>	<u>260,169</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 263,154</u>	<u>\$ 26,649</u>	<u>\$ 201,960</u>	<u>\$ 175,311</u>

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

Year ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:						
Service cost	\$ 163,643	\$ 165,739	\$ 142,998	\$ 126,283	\$ 128,419	\$ 148,892
Interest	649,625	619,133	598,688	567,685	535,576	505,186
Differences between expected and actual experience	181,919	65,308	(48,632)	88,748	(13,600)	-
Changes in assumptions	307,581	-	-	-	285,094	-
Benefit payments, including refunds	(477,496)	(458,481)	(439,234)	(367,835)	(292,537)	(258,462)
Net change in total pension liability	825,272	391,699	253,820	414,881	642,952	395,616
Total pension liability, beginning of year	<u>8,277,236</u>	<u>7,885,537</u>	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>	<u>6,178,268</u>
Total pension liability, end of year	<u>9,102,508</u>	<u>8,277,236</u>	<u>7,885,537</u>	<u>7,631,717</u>	<u>7,216,836</u>	<u>6,573,884</u>
Plan fiduciary net position:						
Contributions - employer	342,200	322,223	241,647	227,562	232,825	243,231
Net investment income (loss)	722,312	(222,111)	685,024	549,068	(75,698)	299,481
Benefit payments, including refunds	(477,496)	(458,481)	(439,234)	(367,835)	(292,537)	(258,462)
Administrative expenses	(12,445)	(11,045)	(10,855)	(10,833)	(10,985)	(11,023)
Net change in plan fiduciary net position	574,571	(369,414)	476,582	397,962	(146,395)	273,227
Plan fiduciary net position, beginning of year	<u>5,346,155</u>	<u>5,715,569</u>	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>	<u>4,714,193</u>
Plan fiduciary net position, end of year	<u>5,920,726</u>	<u>5,346,155</u>	<u>5,715,569</u>	<u>5,238,987</u>	<u>4,841,025</u>	<u>4,987,420</u>
City's net pension liability, end of year	<u>\$ 3,181,782</u>	<u>\$ 2,931,081</u>	<u>\$ 2,169,968</u>	<u>\$ 2,392,730</u>	<u>\$ 2,375,811</u>	<u>\$ 1,586,464</u>
Plan fiduciary net position as a percent of total pension liability	65.04%	64.59%	72.48%	68.65%	67.08%	75.87%
Covered payroll	\$ 1,079,580	\$ 1,079,594	\$ 968,904	\$ 868,041	\$ 890,475	\$ 1,030,137
City's net pension liability as a percentage of covered payroll	295%	271%	224%	276%	267%	154%

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

SCHEDULE OF CITY PENSION CONTRIBUTIONS

Last Ten Fiscal Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contributions	\$ 342,278	\$ 340,396	\$ 285,277	\$ 227,562	\$ 292,537	\$ 245,804	\$ 205,592	\$ 157,108	\$ 155,497	\$ 178,396
Contributions in relation to the actuarially determined contributions	<u>342,278</u>	<u>340,396</u>	<u>285,277</u>	<u>227,562</u>	<u>292,537</u>	<u>245,804</u>	<u>205,592</u>	<u>157,108</u>	<u>155,497</u>	<u>178,396</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,079,580</u>	<u>\$ 1,079,594</u>	<u>\$ 968,904</u>	<u>\$ 868,041</u>	<u>\$ 890,475</u>	<u>\$ 1,030,137</u>	<u>\$ 1,017,295</u>	<u>\$ 832,526</u>	<u>\$ 726,565</u>	<u>\$ 828,933</u>
Contributions as a percentage of covered payroll	31.70%	31.53%	29.44%	26.22%	32.85%	23.86%	20.21%	18.87%	21.40%	21.52%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.00% (3.75% for 2015 through 2019)
Investment rate of return	7.35%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female - 50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2020

	<i>Special revenue funds</i>			<i>Totals</i>
	<i>Community Building and Park Improvement</i>	<i>CDGB</i>	<i>Special Road</i>	
ASSETS				
Cash	\$ 40,233	\$ -	\$ 26,607	\$ 66,840
Receivables	-	-	-	-
Total assets	<u>\$ 40,233</u>	<u>\$ -</u>	<u>\$ 26,607</u>	<u>\$ 66,840</u>
LIABILITIES AND FUND BALANCES				
Liabilities - Payables	\$ -	\$ -	\$ 1,474	\$ 1,474
Fund balances:				
Restricted for:				
Public works	-	-	25,133	25,133
Recreation and culture	40,233	-	-	40,233
Total fund balances	<u>40,233</u>	<u>-</u>	<u>25,133</u>	<u>65,366</u>
Total liabilities and fund balances	<u>\$ 40,233</u>	<u>\$ -</u>	<u>\$ 26,607</u>	<u>\$ 66,840</u>

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

Year ended June 30, 2020

	<i>Special revenue funds</i>			<i>Totals</i>
	<i>Community Building and Park Improvement</i>	<i>CDGB</i>	<i>Special Road</i>	
REVENUES				
Federal grant	\$ -	\$ 14,540	\$ -	\$ 14,540
State grant	-	-	2,553	2,553
Contribution from local unit	-	-	103,742	103,742
Interest	192	-	-	192
Other	-	-	642	642
	<u>192</u>	<u>14,540</u>	<u>106,937</u>	<u>121,669</u>
Total revenues				
	<u>192</u>	<u>14,540</u>	<u>106,937</u>	<u>121,669</u>
EXPENDITURES				
Current:				
Public works	15	-	75,904	75,919
Community and economic development	-	15,399	-	15,399
	<u>15</u>	<u>15,399</u>	<u>75,904</u>	<u>91,318</u>
Total expenditures				
	<u>15</u>	<u>15,399</u>	<u>75,904</u>	<u>91,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>177</u>	<u>(859)</u>	<u>31,033</u>	<u>30,351</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	859	-	859
Transfers out	(7,500)	-	(89,000)	(96,500)
	<u>(7,500)</u>	<u>859</u>	<u>(89,000)</u>	<u>(95,641)</u>
Net other financing sources (uses)				
	<u>(7,500)</u>	<u>859</u>	<u>(89,000)</u>	<u>(95,641)</u>
NET CHANGES IN FUND BALANCES	(7,323)	-	(57,967)	(65,290)
FUND BALANCES - BEGINNING	<u>47,556</u>	<u>-</u>	<u>83,100</u>	<u>130,656</u>
FUND BALANCES - ENDING	<u>\$ 40,233</u>	<u>\$ -</u>	<u>\$ 25,133</u>	<u>\$ 65,366</u>

BALANCE SHEET - Downtown Development Authority

June 30, 2020

ASSETS

Cash \$ 134,870

LIABILITIES AND FUND BALANCE

Liabilities - payables \$ 3,612

Fund balance - assigned for public works 131,258

Total liabilities and fund balance \$ 134,870

Total fund balance \$ 131,258

Amounts reported for the *component unit* in the statement of net position (page 12) are different because:

Capital assets are not financial resources and, therefore, are not reported in the funds. 426,932

Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund. (1,198)

Interest payable is not due and payable in the current period and, therefore, is not reported in the fund. (12,300)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund. (960,857)

Net position (deficit) of the *component unit* \$ (416,165)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - Downtown Development Authority

Year ended June 30, 2020

REVENUES

Tax increment financing	\$ 306,598
Federal grant	67,300
Interest income	457
Other	<u>16,026</u>
Total revenues	<u>390,381</u>

EXPENDITURES

Current - public works	193,461
Debt service:	
Principal	110,205
Interest	<u>29,903</u>
Total expenditures	<u>333,569</u>

NET CHANGE IN FUND BALANCE 56,812

FUND BALANCE - BEGINNING 74,446

FUND BALANCE - ENDING \$ 131,258

Net change in fund balance \$ 56,812

Amounts reported for the *component unit* in the statement of activities (page 13) are different because:

Capital assets - provision for depreciation	(23,262)
Long-term debt - principal payments	110,205
Changes in other liabilities:	
Increase in compensated absences	(1,198)
Decrease in interest payable	<u>700</u>

Change in net position of *component unit* \$ 143,257

City of Wayland

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 306,250	\$ 306,598	\$ 306,598	\$ -
Federal grant	100,000	-	67,300	67,300
Interest income	100	298	457	159
Other	<u>47,000</u>	<u>15,750</u>	<u>16,026</u>	<u>276</u>
Total revenues	<u>453,350</u>	<u>322,646</u>	<u>390,381</u>	<u>67,735</u>
EXPENDITURES				
Public works	307,787	209,397	193,461	15,936
Debt service:				
Principal	118,828	108,270	110,205	(1,935)
Interest	<u>25,229</u>	<u>29,904</u>	<u>29,903</u>	<u>1</u>
Total expenditures	<u>451,844</u>	<u>347,571</u>	<u>333,569</u>	<u>14,002</u>
NET CHANGES IN FUND BALANCES	1,506	(24,925)	56,812	81,737
FUND BALANCES - BEGINNING	<u>74,446</u>	<u>74,446</u>	<u>74,446</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 75,952</u>	<u>\$ 49,521</u>	<u>\$ 131,258</u>	<u>\$ 81,737</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,825,000 2018 REFUNDING BONDS**

June 30, 2020

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>December 1</u>	<u>June 1</u>			
2021	\$ 23,482	\$ 23,483	6/1/21	\$ 160,000	\$ 206,965
2022	21,058	21,059	6/1/22	185,000	227,117
2023	18,256	18,256	6/1/23	185,000	221,512
2024	15,453	15,453	6/1/24	180,000	210,906
2025	12,726	12,726	6/1/25	205,000	230,452
2026	9,620	9,620	6/1/26	200,000	219,240
2027	6,590	6,590	6/1/27	220,000	233,180
2028	3,257	3,257	6/1/28	215,000	221,514
	<u>\$ 110,442</u>	<u>\$ 110,444</u>		<u>\$ 1,550,000</u>	<u>\$ 1,770,886</u>
			<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:					
Governmental activities			\$ 56,786	\$ 398,483	\$ 455,269
Business-type activities			78,610	551,620	630,230
Component unit (DDA)			85,490	599,897	685,387
			<u>\$ 220,886</u>	<u>\$ 1,550,000</u>	<u>\$ 1,770,886</u>

City of Wayland

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$1,930,000 2012 SEWER REFUNDING BONDS**

June 30, 2020

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>October 1</u>	<u>April 1</u>			
2021	<u>\$ 2,938</u>	<u>\$ -</u>	10/1/20	<u>\$ 235,000</u>	<u>\$ 237,938</u>

**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$493,750 2016 INSTALLMENT PURCHASE AGREEMENT**

June 30, 2020

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
2021	\$ 8,663	\$ 47,461	\$ 56,124
2022	7,524	48,600	56,124
2023	6,357	49,767	56,124
2024	5,163	50,961	56,124
2025	3,940	52,184	56,124
2026	2,688	53,437	56,125
2027	1,497	58,550	60,047
	<u>\$ 35,832</u>	<u>\$ 360,960</u>	<u>\$ 396,792</u>