

City of Wayland
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2021

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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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Siegfried Crandall P.C.

October 11, 2021

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, 2021. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$650,519 as a result of this year's activities. Net position of the governmental activities increased by \$913,757, while net position of the business-type activities decreased by \$263,238.
- Total net position at the end of the fiscal year was \$12,808,792. However, \$10,001,216 of this total represents a net investment in capital assets and \$1,169,866 is restricted for various purposes. Consequently, the City's unrestricted net position is \$1,637,710, 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, public safety, and public works 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 2021 and 2020 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, liabilities, and deferred inflows of resources. 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 and deferred inflows of resources) 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 \$12,808,792. Of this total, \$10,001,216 represents a net investment in capital assets and \$1,169,866 is restricted for various purposes. Consequently, unrestricted net position was \$1,637,710, or 13 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 3,614,029	\$ 2,746,686	\$ 2,615,654	\$ 2,874,987	\$ 6,229,683	\$ 5,621,673
Capital assets	<u>6,304,256</u>	<u>6,075,906</u>	<u>4,548,988</u>	<u>4,748,595</u>	<u>10,853,244</u>	<u>10,824,501</u>
Total assets	<u>9,918,285</u>	<u>8,822,592</u>	<u>7,164,642</u>	<u>7,623,582</u>	<u>17,082,927</u>	<u>16,446,174</u>
Deferred outflows of resources	<u>437,376</u>	<u>410,719</u>	<u>139,330</u>	<u>132,570</u>	<u>576,706</u>	<u>543,289</u>
Long-term debt	<u>357,349</u>	<u>398,483</u>	<u>494,679</u>	<u>787,595</u>	<u>852,028</u>	<u>1,186,078</u>
Current and other liabilities	<u>2,859,437</u>	<u>2,775,422</u>	<u>920,874</u>	<u>869,690</u>	<u>3,780,311</u>	<u>3,645,112</u>
Total liabilities	<u>3,216,786</u>	<u>3,173,905</u>	<u>1,415,553</u>	<u>1,657,285</u>	<u>4,632,339</u>	<u>4,831,190</u>
Deferred inflows of resources	<u>165,712</u>	<u>-</u>	<u>52,790</u>	<u>-</u>	<u>218,502</u>	<u>-</u>
Net position:						
Net investment in capital assets	<u>5,946,907</u>	<u>5,677,423</u>	<u>4,054,309</u>	<u>3,961,000</u>	<u>10,001,216</u>	<u>9,638,423</u>
Restricted	<u>1,169,866</u>	<u>900,300</u>	<u>-</u>	<u>-</u>	<u>1,169,866</u>	<u>900,300</u>
Unrestricted (deficit)	<u>(143,610)</u>	<u>(518,317)</u>	<u>1,781,320</u>	<u>2,137,867</u>	<u>1,637,710</u>	<u>1,619,550</u>
Total net position	<u>\$ 6,973,163</u>	<u>\$ 6,059,406</u>	<u>\$ 5,835,629</u>	<u>\$ 6,098,867</u>	<u>\$ 12,808,792</u>	<u>\$ 12,158,273</u>

Changes in net position

The City's total revenues for the current fiscal year were \$5,237,717 compared to \$4,720,924 in the prior year. Charges for services account for 39 percent of the revenues, while 34 percent of the City's revenues come from property taxes, and another 15 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 \$4,587,198 compared to \$4,378,104 in the prior year. Approximately 32 percent of the City's expenses relate to the public safety function and 26 percent relates to the public works function. The provision of utility services accounted for approximately 27 percent of the total costs.

Condensed financial information
Changes in net position

	<i>Governmental</i>		<i>Business-type</i>		<i>Totals</i>	
	<i>activities</i>		<i>activities</i>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Program revenues:						
Charges for services	\$ 571,648	\$ 401,864	\$ 1,462,270	\$ 1,341,472	\$ 2,033,918	\$ 1,743,336
Grants and contributions:						
Operating	759,742	663,579	-	81,014	759,742	744,593
Capital	-	16,286	25,845	-	25,845	16,286
General revenues:						
Property taxes	1,792,562	1,648,232	-	-	1,792,562	1,648,232
State shared revenue	466,271	407,953	-	-	466,271	407,953
Local community stabilization	99,765	91,281	-	-	99,765	91,281
Franchise fees	39,523	45,963	6,809	1,183	46,332	47,146
Unrestricted interest income	13,282	22,097	-	-	13,282	22,097
Total revenues	<u>3,742,793</u>	<u>3,297,255</u>	<u>1,494,924</u>	<u>1,423,669</u>	<u>5,237,717</u>	<u>4,720,924</u>
Expenses:						
General government	622,620	600,738	-	-	622,620	600,738
Public safety	1,479,275	1,317,278	-	-	1,479,275	1,317,278
Public works	1,206,609	1,116,332	-	-	1,206,609	1,116,332
Community and economic development	14,780	24,895	-	-	14,780	24,895
Health and welfare	34,350	-	-	-	34,350	-
Recreation and culture	14,564	14,109	-	-	14,564	14,109
Interest	11,838	13,407	-	-	11,838	13,407
Sewer	-	-	623,377	750,666	623,377	750,666
Water	-	-	579,785	540,679	579,785	540,679
Total expenses	<u>3,384,036</u>	<u>3,086,759</u>	<u>1,203,162</u>	<u>1,291,345</u>	<u>4,587,198</u>	<u>4,378,104</u>
Transfers	<u>555,000</u>	<u>111,000</u>	<u>(555,000)</u>	<u>(111,000)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ 913,757</u>	<u>\$ 321,496</u>	<u>\$ (263,238)</u>	<u>\$ 21,324</u>	<u>\$ 650,519</u>	<u>\$ 342,820</u>
Net position, end of year	<u>\$ 6,973,163</u>	<u>\$ 6,059,406</u>	<u>\$ 5,835,629</u>	<u>\$ 6,098,867</u>	<u>\$ 12,808,792</u>	<u>\$ 12,158,273</u>

Governmental activities

Governmental activities increased the City's net position by \$913,757, in the current year, compared to a \$321,496 increase in the prior year. The increase in net position was higher in the current year as revenues were enhanced by \$445,538, expenses increased by \$297,277, and transfers from the business-type activities were augmented by \$444,000.

Total revenues increased due to a \$169,784 increase in charges for services and a \$144,330 increase in property taxes. The increase in charges for services was primarily due to an increase in charges for fire services while the increase in property taxes related to higher taxable values. Total expenses increased, primarily due to a \$161,977 increase in public safety expenses, related to higher personnel costs. Transfers from the business-type activities rose due to significant investment in capital asset acquisitions in the current year.

The total cost of governmental activities this year was \$3,384,036. After subtracting the direct charges to those who directly benefited from the programs (\$571,648) and operating and grants (\$759,742), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$2,052,646.

Business-type activities

Business-type activities decreased the City's net position by \$263,238 compared to an increase of \$21,324 in the prior year. The decrease in net position was due to a \$71,255 increase in revenues, an \$88,183 reduction in expenses, and a \$444,000 increase in transfers to the governmental activities. The reduction in net position was primarily due to the \$444,000 increase in transfers to the governmental activities which supported the acquisition of capital assets, as explained above.

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 \$2,869,343, an increase of \$796,381 in comparison with the prior year. Of the total fund balances, \$755,450 (26 percent) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either nonspendable related to prepaids (\$37,096), assigned (\$908,103), for budget stabilization and public safety, or restricted (\$1,168,694) to indicate that it is not available for new spending. The restrictions relate to public works (\$1,124,750), recreation and culture (\$40,314) and public safety (\$3,630).

The General Fund is the primary operating fund of the City. At the end of the fiscal year, its fund balance was \$1,703,107, an increase of \$526,530. 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 a \$437,282 increase in revenues in the current year.

The Major Street Fund experienced an increase in fund balance of \$223,459, 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 \$852,518, 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 \$15,750, as the fund's expenditures exceeded revenues during the current year. The fund balance at the end of the fiscal year was \$186,210, 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 \$210,413 in the current year, primarily because it transferred \$330,000 to the Motor Pool Fund. In the current year, user charges exceeded expenses and net nonoperating expenses so that the fund generated income of \$119,587 before transfers. Total net position is \$3,848,325 at year end, of which \$1,161,617 is unrestricted.

The Water Fund experienced a decrease in net position of \$52,825 in the current year, primarily because it transferred \$225,000 to the Motor Pool Fund. In the current year, user charges exceeded expenses and net nonoperating expenses so that the fund generated income of \$172,175 before transfers. Total net position is \$1,987,304 at year end, of which \$619,703 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 revenues were increased by \$185,517, related to revenues that were not anticipated when the budget was adopted, while expenses were decreased by \$2,058. Net other financing sources were reduced by \$79,831.

Total actual revenues were \$93,420 more than budgeted, primarily because federal and state grant revenues were \$42,373 and \$86,273 more than budgeted, respectively, as grant distributions exceeded expectations. Charges for services were also \$56,577 more than budgeted as charges for fire services were higher than anticipated.

Total actual expenditures were \$208,938 less than the amounts appropriated. General government expenditures were \$93,691 less than budgeted, as administration costs were well below budget. Public safety expenditures were \$73,013 less than budgeted, as fire department and code inspection expenditures were lower than planned.

These variances, along with a \$25,000 negative variance associated with net other financing uses, resulted in a \$277,358 positive budget variance, with a \$526,530 increase in fund balance compared to a budgeted increase of \$249,172.

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, 2021, amounts to \$10,853,244 (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 increase in the City's net investment in capital assets for the current fiscal year was \$28,743 as additions (\$749,919) exceeded depreciation (\$721,176).

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

- A Vac truck was purchased by the Motor Pool fund for \$498,498
- Engineering costs, in the amount of \$83,046, were incurred that relate to future infrastructure improvements
- A Dodge Ram was purchased by the Motor Pool for \$40,964
- The roof of the fire station was replaced at a cost of \$37,861

The Downtown Development Authority (a discretely presented component unit) reported capital assets of \$403,670, 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 \$852,028, which represents a decrease of \$334,050 that corresponds to timely principal payments (\$333,075) and amortization of a bond premium (\$975). The City issued no new debt during the year.

Other long-term liabilities, totaling \$150,745, represent accrued compensated absences. The City also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$3,215,985.

The Downtown Development Authority (a discretely presented component unit) reported long-term debt outstanding of \$851,455, as of year end, which represents a decrease of \$109,402 related to principal payments. No new debt was issued.

More detailed information about the City's long-term liabilities 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 2022 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.

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, 2021

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 3,303,701	\$ 2,023,232	\$ 5,326,933	\$ 240,800
Receivables	273,232	592,422	865,654	-
Prepaid expenses	37,096	-	37,096	-
Total current assets	3,614,029	2,615,654	6,229,683	240,800
Noncurrent assets:				
Capital assets not being depreciated	952,903	341,185	1,294,088	-
Depreciable capital assets, net of depreciation	5,351,353	4,207,803	9,559,156	403,670
Total noncurrent assets	6,304,256	4,548,988	10,853,244	403,670
Total assets	9,918,285	7,164,642	17,082,927	644,470
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	437,376	139,330	576,706	-
LIABILITIES				
Current liabilities:				
Payables	297,654	85,927	383,581	19,935
Unearned revenue	30,000	-	30,000	-
Current portion of bonds and notes payable	47,561	65,839	113,400	120,201
Total current liabilities	375,215	151,766	526,981	140,136
Noncurrent liabilities:				
Compensated absences	92,765	57,980	150,745	-
Net pension liability	2,439,018	776,967	3,215,985	-
Bonds and notes payable	309,788	428,840	738,628	731,254
Total noncurrent liabilities	2,841,571	1,263,787	4,105,358	731,254
Total liabilities	3,216,786	1,415,553	4,632,339	871,390
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	165,712	52,790	218,502	-
NET POSITION				
Net investment in capital assets	5,946,907	4,054,309	10,001,216	-
Restricted for:				
Public safety	3,630	-	3,630	-
Public works	1,125,922	-	1,125,922	-
Recreation and culture	40,314	-	40,314	-
Unrestricted (deficit)	(143,610)	1,781,320	1,637,710	(226,920)
Total net position	\$ 6,973,163	\$ 5,835,629	\$ 12,808,792	\$ (226,920)

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			Component unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Downtown Development Authority
					Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 622,620	\$ 113,128	\$ 57,140	\$ -	\$ (452,352)		\$ (452,352)	
Public safety	1,479,275	452,340	63,004	-	(963,931)		(963,931)	
Public works	1,206,609	2,880	639,598	-	(564,131)		(564,131)	
Community and economic development	14,780	3,300	-	-	(11,480)		(11,480)	
Health and welfare	34,350	-	-	-	(34,350)		(34,350)	
Recreation and culture	14,564	-	-	-	(14,564)		(14,564)	
Interest on long-term debt	11,838	-	-	-	(11,838)		(11,838)	
Total governmental activities	<u>3,384,036</u>	<u>571,648</u>	<u>759,742</u>	<u>-</u>	<u>(2,052,646)</u>		<u>(2,052,646)</u>	
Business-type activities:								
Sewer	623,377	722,162	-	16,740		\$ 115,525	115,525	
Water	<u>579,785</u>	<u>740,108</u>	<u>-</u>	<u>9,105</u>		<u>169,428</u>	<u>169,428</u>	
Total business-type activities	<u>1,203,162</u>	<u>1,462,270</u>	<u>-</u>	<u>25,845</u>	<u>-</u>	<u>284,953</u>	<u>284,953</u>	
Total primary government	<u>\$ 4,587,198</u>	<u>\$ 2,033,918</u>	<u>\$ 759,742</u>	<u>\$ 25,845</u>	<u>(2,052,646)</u>	<u>284,953</u>	<u>(1,767,693)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 154,650</u>	<u>\$ -</u>	<u>\$ 610</u>	<u>\$ -</u>			<u>\$ (154,040)</u>	
General revenues:								
Property taxes					1,792,562	-	1,792,562	342,648
State shared revenue					466,271	-	466,271	-
Local community stabilization revenue					99,765	-	99,765	-
Franchise fees					39,523	-	39,523	-
Unrestricted interest income					13,282	6,809	20,091	637
Transfers					<u>555,000</u>	<u>(555,000)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>2,966,403</u>	<u>(548,191)</u>	<u>2,418,212</u>	<u>343,285</u>
Changes in net position					913,757	(263,238)	650,519	189,245
Net position (deficit) - beginning					<u>6,059,406</u>	<u>6,098,867</u>	<u>12,158,273</u>	<u>(416,165)</u>
Net position (deficit) - ending					<u>\$ 6,973,163</u>	<u>\$ 5,835,629</u>	<u>\$ 12,808,792</u>	<u>\$ (226,920)</u>

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2021

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 1,799,765	\$ 796,890	\$ 166,265	\$ 121,702	\$ 2,884,622
Receivables	183,270	63,546	19,738	6,678	273,232
Prepaid expenditures	<u>35,924</u>	<u>-</u>	<u>1,172</u>	<u>-</u>	<u>37,096</u>
Total assets	<u>\$ 2,018,959</u>	<u>\$ 860,436</u>	<u>\$ 187,175</u>	<u>\$ 128,380</u>	<u>\$ 3,194,950</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 285,852	\$ 7,918	\$ 965	\$ 872	\$ 295,607
Unearned revenue	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total liabilities	<u>315,852</u>	<u>7,918</u>	<u>965</u>	<u>872</u>	<u>325,607</u>
Fund balances:					
Nonspendable - prepaids	35,924	-	1,172	-	37,096
Restricted for:					
Public safety	3,630	-	-	-	3,630
Public works	-	852,518	185,038	87,194	1,124,750
Recreation and culture	-	-	-	40,314	40,314
Assigned for:					
Stabilization	642,000	-	-	-	642,000
Public safety	266,103	-	-	-	266,103
Unassigned	<u>755,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>755,450</u>
Total fund balances	<u>1,703,107</u>	<u>852,518</u>	<u>186,210</u>	<u>127,508</u>	<u>2,869,343</u>
Total liabilities and fund balances	<u>\$ 2,018,959</u>	<u>\$ 860,436</u>	<u>\$ 187,175</u>	<u>\$ 128,380</u>	<u>\$ 3,194,950</u>
Reconciliation of the balance sheet to the statement of net position:					
Total fund balance - total governmental funds					\$ 2,869,343
Amounts reported for <i>governmental activities</i> in the statement of net position (page 12) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					
					5,458,755
Deferred outflows of resources, related to the pension plan, relate to future years and are not reported in the funds.					
					429,547
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.					
					(92,765)
Interest payable, related to long-term debt, is not due and payable in the current period and, therefore, is not reported in the funds.					
					(900)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.					
					(2,395,359)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.					
					(357,349)
Deferred inflows of resources, related to the pension plan, relate to future years and are not reported in the funds.					
					(162,746)
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 <i>governmental activities</i> in the statement of net position.					
					<u>1,224,637</u>
Net position of <i>governmental activities</i>					<u>\$ 6,973,163</u>

See notes to financial statements

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2021

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 1,837,487	\$ -	\$ -	\$ -	\$ 1,837,487
Licenses and permits	69,617	-	-	-	69,617
Federal grants	78,243	-	-	-	78,243
State grants	589,665	388,098	120,541	2,300	1,100,604
Contribution from local unit	-	-	-	108,125	108,125
Charges for services	426,564	-	-	-	426,564
Fines and forfeitures	1,464	-	-	-	1,464
Interest and rentals	13,952	1,478	413	91	15,934
Other	96,422	985	-	3,523	100,930
	<u>3,113,414</u>	<u>390,561</u>	<u>120,954</u>	<u>114,039</u>	<u>3,738,968</u>
Total revenues					
EXPENDITURES					
Current:					
General government	516,773	-	-	-	516,773
Public safety	1,365,125	-	-	-	1,365,125
Public works	569,844	113,930	136,704	51,887	872,365
Community and economic development	14,770	-	-	10	14,780
Health and welfare	34,350	-	-	-	34,350
Debt service:					
Principal	-	41,134	-	-	41,134
Interest and fees	-	12,038	-	-	12,038
Capital outlay	66,022	-	-	-	66,022
	<u>2,566,884</u>	<u>167,102</u>	<u>136,704</u>	<u>51,897</u>	<u>2,922,587</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	546,530	223,459	(15,750)	62,142	816,381
OTHER FINANCING SOURCES (USES)					
Transfers out	(20,000)	-	-	-	(20,000)
	<u>526,530</u>	<u>223,459</u>	<u>(15,750)</u>	<u>62,142</u>	<u>796,381</u>
NET CHANGES IN FUND BALANCES					
FUND BALANCES - BEGINNING	<u>1,176,577</u>	<u>629,059</u>	<u>201,960</u>	<u>65,366</u>	<u>2,072,962</u>
FUND BALANCES - ENDING	<u>\$ 1,703,107</u>	<u>\$ 852,518</u>	<u>\$ 186,210</u>	<u>\$ 127,508</u>	<u>\$ 2,869,343</u>

See notes to financial statements

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

Year ended June 30, 2021

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) \$ 796,381

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

Capital assets:

Capital asset acquisitions	171,717
Provision for depreciation	(404,245)

Long-term debt - Principal payments	41,134
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Changes in other liabilities:

Net increase in compensated absences	(12,294)
Net decrease in interest payable	200
Net increase in net pension liability	(33,791)

Changes in deferred outflows and inflows of resources:

Net change in deferred outflows of resources related to pension	35,425
Net change in deferred inflows of resources related to pension	(171,415)

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

490,645

Change in net position of *governmental activities*

\$ 913,757

STATEMENT OF NET POSITION - *proprietary funds*

June 30, 2021

	<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	\$ 1,217,334	\$ 805,898	\$ 2,023,232	\$ 419,079
Receivables	323,245	269,177	592,422	-
Total current assets	1,540,579	1,075,075	2,615,654	419,079
Noncurrent assets:				
Land and construction in progress	286,458	54,727	341,185	-
Depreciable capital assets, net of depreciation	2,581,695	1,626,108	4,207,803	845,501
Total noncurrent assets	2,868,153	1,680,835	4,548,988	845,501
Total assets	4,408,732	2,755,910	7,164,642	1,264,580
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	66,762	72,568	139,330	7,829
LIABILITIES				
Current liabilities:				
Payables	19,145	66,782	85,927	1,147
Current portion of bonds payable	24,149	41,690	65,839	-
Total current liabilities	43,294	108,472	151,766	1,147
Noncurrent liabilities:				
Compensated absences	28,990	28,990	57,980	-
Net pension liability	372,294	404,673	776,967	43,659
Bonds payable	157,296	271,544	428,840	-
Total noncurrent liabilities	558,580	705,207	1,263,787	43,659
Total liabilities	601,874	813,679	1,415,553	44,806
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	25,295	27,495	52,790	2,966
NET POSITION				
Net investment in capital assets	2,686,708	1,367,601	4,054,309	845,501
Unrestricted	1,161,617	619,703	1,781,320	379,136
Total net position	\$ 3,848,325	\$ 1,987,304	5,835,629	\$ 1,224,637

See notes to financial statements

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

Year ended June 30, 2021

	<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	\$ 722,162	\$ 740,108	\$ 1,462,270	\$ 119,693
OPERATING EXPENSES				
Sewer	489,190	-	489,190	-
Water	-	478,087	478,087	-
Cost of interfund services provided	-	-	-	112,004
Depreciation	129,316	91,746	221,062	95,869
Total operating expenses	618,506	569,833	1,188,339	207,873
OPERATING INCOME (LOSS)	103,656	170,275	273,931	(88,180)
NONOPERATING REVENUES (EXPENSES)				
Gain on sales of capital assets	-	-	-	3,825
Interest income	4,062	2,747	6,809	-
Interest expense and fees	(4,871)	(9,952)	(14,823)	-
Net nonoperating revenues (expenses)	(809)	(7,205)	(8,014)	3,825
INCOME (LOSS) BEFORE CONTRIBUTIONS	102,847	163,070	265,917	(84,355)
CAPITAL CONTRIBUTIONS - Connection fees	16,740	9,105	25,845	-
INCOME (LOSS) BEFORE TRANSFERS	119,587	172,175	291,762	(84,355)
TRANSFERS	(330,000)	(225,000)	(555,000)	575,000
CHANGES IN NET POSITION	(210,413)	(52,825)	(263,238)	490,645
NET POSITION - BEGINNING	4,058,738	2,040,129	6,098,867	733,992
NET POSITION - ENDING	\$ 3,848,325	\$ 1,987,304	\$ 5,835,629	\$ 1,224,637

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended June 30, 2021

	<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	\$ 723,900	\$ 719,533	\$ 1,443,433	\$ -
Receipts from interfund services provided	-	-	-	119,693
Payments to vendors and suppliers	(317,930)	(216,658)	(534,588)	(94,849)
Payments to employees	(145,338)	(159,330)	(304,668)	(16,668)
Payments for interfund services used	(15,892)	(12,516)	(28,408)	-
Net cash provided by (used in) operating activities	<u>244,740</u>	<u>331,029</u>	<u>575,769</u>	<u>8,176</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
Interfund transfers	<u>(330,000)</u>	<u>(225,000)</u>	<u>(555,000)</u>	<u>575,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	16,740	9,105	25,845	-
Proceeds from sales of capital assets	-	-	-	3,825
Acquisition of capital assets	(10,728)	(10,727)	(21,455)	(556,747)
Principal payments on capital debt	(256,861)	(36,055)	(292,916)	-
Interest payments on capital debt	(6,670)	(10,552)	(17,222)	-
Net cash provided by (used in) capital and related financing activities	<u>(257,519)</u>	<u>(48,229)</u>	<u>(305,748)</u>	<u>(552,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>4,062</u>	<u>2,747</u>	<u>6,809</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	<u>(338,717)</u>	<u>60,547</u>	<u>(278,170)</u>	<u>30,254</u>
CASH - BEGINNING	<u>1,556,051</u>	<u>745,351</u>	<u>2,301,402</u>	<u>388,825</u>
CASH - ENDING	<u>\$ 1,217,334</u>	<u>\$ 805,898</u>	<u>\$ 2,023,232</u>	<u>\$ 419,079</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended June 30, 2021

	<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)	\$ 103,656	\$ 170,275	\$ 273,931	\$ (88,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	129,316	91,746	221,062	95,869
Changes in assets and liabilities:				
Receivables	1,738	(20,575)	(18,837)	-
Deferred outflows - pension	(2,178)	(5,183)	(7,361)	99
Payables	(10,857)	53,539	42,682	242
Compensated absences	4,135	4,135	8,270	-
Pension liability	(6,365)	9,597	3,232	(2,820)
Deferred inflows - pension	25,295	27,495	52,790	2,966
Net cash provided by (used in) operating activities	<u>\$ 244,740</u>	<u>\$ 331,029</u>	<u>\$ 575,769</u>	<u>\$ 8,176</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSTION - Custodial Fund

June 30, 2021

	<u>Tax Collection</u>
ASSETS	
Cash	\$ 7,604
LIABILITIES	
Due to other governments	<u>7,604</u>
NET POSITION	
Restricted for individuals and other governments	<u>\$ -</u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year Ended June 30, 2021

	<u>Tax Collection</u>
ADDITIONS	
Property tax collections for other governments	\$ 4,738,813
DEDUCTIONS	
Payments of property taxes to other governments	<u>4,738,813</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, deferred inflows of resources, 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 one item that is included in this category: deferred amounts relating to the defined benefit pension plan. 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.

Unearned revenue - Unearned revenue is reported in connection with resources that have been received but not yet earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Deferred inflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in equity that applies to a future period. The related revenues will not be recognized until a future event occurs. The City has one item that is included in this category: deferred amounts relating to the defined benefit pension plan. The deferred amounts relating to the pension plan are discussed in Note 8. No deferred outflows of resources affect the governmental funds financial statements.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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 - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form (prepaids). Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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	\$ 38,500	\$ 66,022	\$ 27,522
	Health and welfare	Ambulance service	25,570	34,350	8,780
Local Street	Public works	Street preservation	-	61,592	61,592

NOTE 3 - CASH

Cash as of June 30, 2021, 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	\$ 3,303,476	\$ 2,023,182	\$ 5,326,658	\$ 7,604	\$ 240,800	\$ 5,575,062
Cash on hand	<u>225</u>	<u>50</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>
	<u>\$ 3,303,701</u>	<u>\$ 2,023,232</u>	<u>\$ 5,326,933</u>	<u>\$ 7,604</u>	<u>\$ 240,800</u>	<u>\$ 5,575,337</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, 2021, \$4,781,665 of the City’s bank balances of \$5,597,974 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, 2021, for the City’s individual major funds and nonmajor funds, in the aggregate, all of which are due within one year and are considered fully collectible, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Taxes</u>	<u>Totals</u>
Governmental:				
General	\$ 77,221	\$ 106,049	\$ -	\$ 183,270
Major Street	-	63,546	-	63,546
Local Street	-	19,738	-	19,738
Nonmajor	-	6,678	-	6,678
Total governmental	<u>\$ 77,221</u>	<u>\$ 196,011</u>	<u>\$ -</u>	<u>\$ 273,232</u>
Proprietary:				
Sewer	\$ 323,245	\$ -	\$ -	\$ 323,245
Water	269,177	-	-	269,177
Total proprietary	<u>\$ 592,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,422</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, 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>-</u>	<u>61,591</u>	<u>-</u>	<u>61,591</u>
Total capital assets not being depreciated	<u>891,312</u>	<u>61,591</u>	<u>-</u>	<u>952,903</u>
Capital assets being depreciated:				
Buildings	982,641	37,861	-	1,020,502
Improvements	1,049,057	-	-	1,049,057
Equipment	1,262,274	64,351	-	1,326,625
Vehicles	2,670,404	546,463	(26,335)	3,190,532
Infrastructure	<u>18,249,051</u>	<u>18,198</u>	<u>-</u>	<u>18,267,249</u>
Subtotal	<u>24,213,427</u>	<u>666,873</u>	<u>(26,335)</u>	<u>24,853,965</u>
Less accumulated depreciation for:				
Buildings	(601,437)	(17,663)	-	(619,100)
Improvements	(434,135)	(32,127)	-	(466,262)
Equipment	(860,307)	(59,988)	-	(920,295)
Vehicles	(2,376,705)	(99,334)	26,335	(2,449,704)
Infrastructure	<u>(14,756,249)</u>	<u>(291,002)</u>	<u>-</u>	<u>(15,047,251)</u>
Subtotal	<u>(19,028,833)</u>	<u>(500,114)</u>	<u>26,335</u>	<u>(19,502,612)</u>
Total capital assets being depreciated, net	<u>5,184,594</u>	<u>166,759</u>	<u>-</u>	<u>5,351,353</u>
Governmental activities capital assets, net	<u>\$ 6,075,906</u>	<u>\$ 228,350</u>	<u>\$ -</u>	<u>\$ 6,304,256</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
Construction in progress	<u>-</u>	<u>21,455</u>	<u>-</u>	<u>21,455</u>
Subtotal	<u>319,730</u>	<u>21,455</u>	<u>-</u>	<u>341,185</u>
Capital assets being depreciated:				
Sewer system	6,133,906	-	-	6,133,906
Water system	<u>3,429,586</u>	<u>-</u>	<u>-</u>	<u>3,429,586</u>
Subtotal	<u>9,563,492</u>	<u>-</u>	<u>-</u>	<u>9,563,492</u>
Less accumulated depreciation for:				
Sewer system	(3,422,895)	(129,316)	-	(3,552,211)
Water system	<u>(1,711,732)</u>	<u>(91,746)</u>	<u>-</u>	<u>(1,803,478)</u>
Subtotal	<u>(5,134,627)</u>	<u>(221,062)</u>	<u>-</u>	<u>(5,355,689)</u>
Total capital assets being depreciated, net	<u>4,428,865</u>	<u>(221,062)</u>	<u>-</u>	<u>4,207,803</u>
Business-type activities capital assets, net	<u>\$ 4,748,595</u>	<u>\$ (199,607)</u>	<u>\$ -</u>	<u>\$ 4,548,988</u>
Component unit - Downtown Development Authority:				
Capital assets being depreciated -				
Infrastructure	\$ 526,708	\$ -	\$ -	\$ 526,708
Less accumulated depreciation for -				
Infrastructure	<u>(99,776)</u>	<u>(23,262)</u>	<u>-</u>	<u>(123,038)</u>
Component unit capital assets, net	<u>\$ 426,932</u>	<u>\$ (23,262)</u>	<u>\$ -</u>	<u>\$ 403,670</u>

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

Governmental activities:	
General government	\$ 66,866
Public safety	43,198
Public works	279,617
Recreation and culture	14,564
Internal Service Fund	<u>95,869</u>
Total governmental activities	<u>\$ 500,114</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2021, 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	\$ 54,235	\$ 126,394	\$ 105,223	\$ -	\$ 285,852
Major Street	6,592	-	1,326	-	7,918
Local Street	965	-	-	-	965
Nonmajor	<u>-</u>	<u>-</u>	<u>872</u>	<u>-</u>	<u>872</u>
Total governmental	<u>\$ 61,792</u>	<u>\$ 126,394</u>	<u>\$ 107,421</u>	<u>\$ -</u>	<u>\$ 295,607</u>
Proprietary:					
Enterprise:					
Sewer	\$ 8,071	\$ -	\$ 10,374	\$ 700	\$ 19,145
Water	<u>54,792</u>	<u>-</u>	<u>10,690</u>	<u>1,300</u>	<u>66,782</u>
Total enterprise	62,863	-	21,064	2,000	85,927
Internal service	<u>1,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,147</u>
Total proprietary funds	<u>\$ 64,010</u>	<u>\$ -</u>	<u>\$ 21,064</u>	<u>\$ 2,000</u>	<u>\$ 87,074</u>
<i>Component unit:</i>					
Downtown Development Authority	<u>\$ 1,929</u>	<u>\$ 5,475</u>	<u>\$ 2,931</u>	<u>\$ -</u>	<u>\$ 10,335</u>

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2021, 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	\$ 357,349
Compensated absences	<u>92,765</u>
Total governmental activities long-term liabilities	<u>\$ 450,114</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 \$ 494,679

Compensated absences 57,980

Total business-type activities long-term liabilities \$ 552,659

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 \$ 537,972

\$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 313,483

Total component unit long-term liabilities \$ 851,455

Long-term liability activity for the year ended June 30, 2021, 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	\$ 398,483	\$ -	\$ (41,134)	\$ 357,349	\$ 47,561
Compensated absences	<u>80,471</u>	<u>69,249</u>	<u>(56,955)</u>	<u>92,765</u>	<u>-</u>
Total governmental activities	<u>\$ 478,954</u>	<u>\$ 69,249</u>	<u>\$ (98,089)</u>	<u>\$ 450,114</u>	<u>\$ 47,561</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	\$ 551,620	\$ -	\$ (56,941)	\$ 494,679	\$ 65,839
2012 Refunding bonds	235,000	-	(235,000)	-	-
Subtotal	786,620	-	(291,941)	494,679	65,839
Unamortized premiums	975	-	(975)	-	-
Total bonds	787,595	-	(292,916)	494,679	65,839
Compensated absences	49,710	41,282	(33,012)	57,980	-
Total business-type activities	<u>\$ 837,305</u>	<u>\$ 41,282</u>	<u>\$ (325,928)</u>	<u>\$ 552,659</u>	<u>\$ 65,839</u>
<i>Component unit - Downtown Development Authority:</i>					
2018 Refunding bonds	\$ 599,896	\$ -	\$ (61,925)	\$ 537,971	\$ 71,601
2016 Installment purchase agreement	360,961	-	(47,477)	313,484	48,600
Total bonds and note	960,857	-	(109,402)	851,455	120,201
Compensated absences	1,198	-	(1,198)	-	-
Total component unit	<u>\$ 962,055</u>	<u>\$ -</u>	<u>\$ (110,600)</u>	<u>\$ 851,455</u>	<u>\$ 120,201</u>

Debt service requirements at June 30, 2021, 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>
2022	\$ 47,561	\$ 10,107	\$ 65,839	\$ 13,991	\$ 120,201	\$ 22,740
2023	47,561	8,666	65,839	11,996	121,368	19,403
2024	46,276	7,244	64,059	10,028	120,626	16,069
2025	52,703	5,745	72,956	7,953	131,525	12,589
2026	51,417	4,168	65,839	5,769	130,843	8,962
2027 - 2029	111,831	3,369	160,147	4,664	226,892	6,568
Totals	<u>\$ 357,349</u>	<u>\$ 39,299</u>	<u>\$ 494,679</u>	<u>\$ 54,401</u>	<u>\$ 851,455</u>	<u>\$ 86,331</u>

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

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, 2020, measurement date, the following employees were covered by the benefit terms:

Active employees	19
Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	<u>9</u>
Total	<u>55</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 are not required to contribute to the plan. For the fiscal year ended June 30, 2021, City contributions amounted to 34.06% of monthly covered payroll. For the fiscal year ended June 30, 2021, the City contributed \$405,139 to the plan, while employees made no contributions.

Net pension liability:

The City’s net pension liability reported at June 30, 2021, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2020. 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, 2020, 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, 2020, valuation were based on the results of the most recent actuarial experience study.

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 2020. 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, 2019	\$ 9,102,508	\$ 5,920,726	\$ 3,181,782
Changes for the year:			
Service cost	172,931	-	172,931
Interest	679,017	-	679,017
Difference between expected and actual experience	2,592	-	2,592
Changes in assumptions	289,834	-	289,834
Employer contributions	-	373,185	(373,185)
Net investment income	-	748,829	(748,829)
Benefit payments, including refunds	(509,076)	(509,076)	-
Administrative expenses	-	(11,843)	11,843
Net changes	<u>635,298</u>	<u>601,095</u>	<u>34,203</u>
Balances at December 31, 2020	<u>\$ 9,737,806</u>	<u>\$ 6,521,821</u>	<u>\$ 3,215,985</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>\$ 4,459,859</u>	<u>\$ 3,215,985</u>	<u>\$ 2,186,780</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, 2021, the City recognized pension expense of \$622,113. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between projected and actual earnings	\$ -	\$ 218,502
Differences between expected and actual experience	78,694	-
Differences in assumptions	<u>295,750</u>	<u>-</u>
	374,444	218,502
Contributions made subsequent to the measurement date	<u>202,262</u>	<u>-</u>
Totals	<u>\$ 576,706</u>	<u>\$ 218,502</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date, in the amount of \$202,262, will be recognized as a reduction in the net pension liability in fiscal year 2022.

Other amounts reported as deferred outflows of resources and deferred inflows 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>	<u>Deferred inflows of resources</u>
2021	\$ 276,968	\$ 43,292
2022	97,476	(8,010)
2023	-	122,327
2024	<u>-</u>	<u>60,893</u>
	<u>\$ 374,444</u>	<u>\$ 218,502</u>

NOTE 9 - INTERFUND TRANSFERS

Interfund transfers occurred during the year ended June 30, 2021, as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
		General	\$ 20,000
		Sewer	330,000
		Water	<u>225,000</u>
Motor Vehicle Pool	<u>\$ 575,000</u>		<u>\$ 575,000</u>

The transfers to the Motor Vehicle Pool Fund support current year capital asset acquisitions of that fund.

NOTE 10 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position in the amount of \$1,169,866. Of this amount, \$1,125,922 is restricted by enabling legislation for public works expenditures.

NOTE 11 - PROPERTY TAX REVENUE

The 2020 taxable valuation of the City approximated \$123,264,000 on which ad valorem taxes levied consisted of 16.3607 mills for operating purposes, raising approximately \$2,017,000 for operating purposes. This amount is reduced by a \$234,000 tax capture for the component unit and the net amount of \$1,783,000 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, 2021, is as follows:

Revenues	\$ 23,278
Expenses	<u>28,981</u>
Deficiency of revenues over expenses	<u>\$ (5,703)</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 - 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, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,818,519	\$ 1,882,854	\$ 1,837,487	\$ (45,367)
Licenses and permits	124,907	101,800	69,617	(32,183)
Federal grants	500	35,870	78,243	42,373
State grants	447,924	503,392	589,665	86,273
Charges for services	367,107	369,987	426,564	56,577
Fines and forfeitures	1,000	1,401	1,464	63
Interest and rentals	23,950	23,951	13,952	(9,999)
Other	50,570	100,739	96,422	(4,317)
Total revenues	<u>2,834,477</u>	<u>3,019,994</u>	<u>3,113,414</u>	<u>93,420</u>
EXPENDITURES				
General government:				
Legislative - City Council	13,675	13,675	14,707	(1,032)
Administration	449,745	449,745	394,832	54,913
Elections	59,975	57,369	61,106	(3,737)
Building maintenance	25,000	25,000	8,224	16,776
Assessor	64,675	64,675	37,904	26,771
Total general government	<u>613,070</u>	<u>610,464</u>	<u>516,773</u>	<u>93,691</u>
Public safety:				
Police department	841,800	842,348	837,088	5,260
Fire department	535,790	535,790	506,181	29,609
Code inspections	60,000	60,000	21,856	38,144
Total public safety	<u>1,437,590</u>	<u>1,438,138</u>	<u>1,365,125</u>	<u>73,013</u>
Public works - Public works department	<u>613,600</u>	<u>613,600</u>	<u>569,844</u>	<u>43,756</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2021

	<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	\$ 43,550	\$ 43,550	\$ 13,722	\$ 29,828
Community promotion	<u>6,000</u>	<u>6,000</u>	<u>1,048</u>	<u>4,952</u>
Total community and economic development	<u>49,550</u>	<u>49,550</u>	<u>14,770</u>	<u>34,780</u>
Health and welfare - ambulance service	<u>25,570</u>	<u>25,570</u>	<u>34,350</u>	<u>(8,780)</u>
Capital outlay	<u>38,500</u>	<u>38,500</u>	<u>66,022</u>	<u>(27,522)</u>
Total expenditures	<u>2,777,880</u>	<u>2,775,822</u>	<u>2,566,884</u>	<u>208,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>56,597</u>	<u>244,172</u>	<u>546,530</u>	<u>302,358</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	104,831	25,000	-	(25,000)
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net other financing uses	<u>84,831</u>	<u>5,000</u>	<u>(20,000)</u>	<u>(25,000)</u>
NET CHANGES IN FUND BALANCES	141,428	249,172	526,530	277,358
FUND BALANCES - BEGINNING	<u>1,176,577</u>	<u>1,176,577</u>	<u>1,176,577</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,318,005</u>	<u>\$ 1,425,749</u>	<u>\$ 1,703,107</u>	<u>\$ 277,358</u>

City of Wayland

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 333,000	\$ 333,000	\$ 388,098	\$ 55,098
Interest	-	-	1,478	1,478
Other	-	-	985	985
Total revenues	<u>333,000</u>	<u>333,000</u>	<u>390,561</u>	<u>57,561</u>
EXPENDITURES				
Public works:				
Routine maintenance	65,000	65,000	51,627	13,373
Winter maintenance	69,600	69,600	40,400	29,200
Administration	32,250	32,250	21,903	10,347
Total public works	<u>166,850</u>	<u>166,850</u>	<u>113,930</u>	<u>52,920</u>
Debt service:				
Principal	41,135	41,135	41,134	1
Interest and fees	12,075	12,075	12,038	37
Total expenditures	<u>220,060</u>	<u>220,060</u>	<u>167,102</u>	<u>52,958</u>
NET CHANGES IN FUND BALANCES	112,940	112,940	223,459	110,519
FUND BALANCES - BEGINNING	<u>629,059</u>	<u>629,059</u>	<u>629,059</u>	-
FUND BALANCES - ENDING	<u>\$ 741,999</u>	<u>\$ 741,999</u>	<u>\$ 852,518</u>	<u>\$ 110,519</u>

City of Wayland

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended June 30, 2021

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 110,000	\$ 110,000	\$ 120,541	\$ 10,541
Interest	-	-	413	413
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>120,954</u>	<u>10,954</u>
EXPENDITURES				
Public works:				
Street preservation	-	-	61,592	(61,592)
Routine maintenance	47,000	47,000	42,082	4,918
Traffic services	52,350	52,350	25,716	26,634
Administration	10,300	10,300	7,314	2,986
Total public works	<u>109,650</u>	<u>109,650</u>	<u>136,704</u>	<u>(27,054)</u>
NET CHANGES IN FUND BALANCES	350	350	(15,750)	(16,100)
FUND BALANCES - BEGINNING	<u>201,960</u>	<u>201,960</u>	<u>201,960</u>	-
FUND BALANCES - ENDING	<u>\$ 202,310</u>	<u>\$ 202,310</u>	<u>\$ 186,210</u>	<u>\$ (16,100)</u>

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

Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:							
Service cost	\$ 172,931	\$ 163,643	\$ 165,739	\$ 142,998	\$ 126,283	\$ 128,419	\$ 148,892
Interest	679,017	649,625	619,133	598,688	567,685	535,576	505,186
Differences between expected and actual experience	2,592	181,919	65,308	(48,632)	88,748	(13,600)	-
Changes in assumptions	289,834	307,581	-	-	-	285,094	-
Benefit payments, including refunds	(509,076)	(477,496)	(458,481)	(439,234)	(367,835)	(292,537)	(258,462)
Net change in total pension liability	635,298	825,272	391,699	253,820	414,881	642,952	395,616
Total pension liability, beginning 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>	<u>6,178,268</u>
Total pension liability, end of year	<u>9,737,806</u>	<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	373,185	342,200	322,223	241,647	227,562	232,825	243,231
Net investment income (loss)	748,829	722,312	(222,111)	685,024	549,068	(75,698)	299,481
Benefit payments, including refunds	(509,076)	(477,496)	(458,481)	(439,234)	(367,835)	(292,537)	(258,462)
Administrative expenses	(11,843)	(12,445)	(11,045)	(10,855)	(10,833)	(10,985)	(11,023)
Net change in plan fiduciary net position	601,095	574,571	(369,414)	476,582	397,962	(146,395)	273,227
Plan fiduciary net position, beginning 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>	<u>4,714,193</u>
Plan fiduciary net position, end of year	<u>6,521,821</u>	<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>\$ 3,215,985</u>	<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	66.97%	65.04%	64.59%	72.48%	68.65%	67.08%	75.87%
Covered payroll	\$ 1,189,531	\$ 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	270%	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.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2021

	<u>Special revenue funds</u>		
	<u>Community Building and Park Improvement</u>	<u>Special Road</u>	<u>Totals</u>
ASSETS			
Cash	\$ 40,314	\$ 81,388	\$ 121,702
Receivables	-	6,678	6,678
Total assets	<u>\$ 40,314</u>	<u>\$ 88,066</u>	<u>\$ 128,380</u>
LIABILITIES AND FUND BALANCES			
Liabilities - Payables	\$ -	\$ 872	\$ 872
Fund balances:			
Restricted for:			
Public works	-	87,194	87,194
Recreation and culture	<u>40,314</u>	<u>-</u>	<u>40,314</u>
Total fund balances	<u>40,314</u>	<u>87,194</u>	<u>127,508</u>
Total liabilities and fund balances	<u>\$ 40,314</u>	<u>\$ 88,066</u>	<u>\$ 128,380</u>

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

Year ended June 30, 2021

	<i>Special revenue funds</i>		
	<i>Community Building and Park Improvement</i>	<i>Special Road</i>	<i>Totals</i>
REVENUES			
State grant	\$ -	\$ 2,300	\$ 2,300
Contribution from local unit	-	108,125	108,125
Interest	91	-	91
Other	-	3,523	3,523
	<u>91</u>	<u>113,948</u>	<u>114,039</u>
Total revenues			
EXPENDITURES			
Current:			
Public works	-	51,887	51,887
Community and economic development	<u>10</u>	<u>-</u>	<u>10</u>
	<u>10</u>	<u>51,887</u>	<u>51,897</u>
Total expenditures			
NET CHANGES IN FUND BALANCES	81	62,061	62,142
FUND BALANCES - BEGINNING	<u>40,233</u>	<u>25,133</u>	<u>65,366</u>
FUND BALANCES - ENDING	<u>\$ 40,314</u>	<u>\$ 87,194</u>	<u>\$ 127,508</u>

BALANCE SHEET - Downtown Development Authority

June 30, 2021

ASSETS

Cash \$ 240,800

LIABILITIES AND FUND BALANCE

Liabilities - payables \$ 10,335

Fund balance - assigned for public works 230,465

Total liabilities and fund balance \$ 240,800

Total fund balance \$ 230,465

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 fund. 403,670

Interest payable is not due and payable in the current period and, therefore, is not reported in the fund. (9,600)

Long-term debt is not due and payable in the current period and, therefore, is not reported in the fund. (851,455)

Net position (deficit) of the *component unit* \$ (226,920)

City of Wayland

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - Downtown Development Authority

Year ended June 30, 2021

REVENUES

Tax increment financing	\$ 342,648
Interest income	637
Other	<u>610</u>
Total revenues	<u>343,895</u>

EXPENDITURES

Current - public works	108,516
Debt service:	
Principal	109,402
Interest	<u>26,770</u>
Total expenditures	<u>244,688</u>

NET CHANGE IN FUND BALANCE 99,207

FUND BALANCE - BEGINNING 131,258

FUND BALANCE - ENDING \$ 230,465

Net change in fund balance \$ 99,207

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 109,402

Changes in other liabilities:

 Decrease in compensated absences 1,198

 Decrease in interest payable 2,700

Change in net position of *component unit* \$ 189,245

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended June 30, 2021

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 306,597	\$ 342,647	\$ 342,648	\$ 1
Interest income	100	275	637	362
Other	<u>11,000</u>	<u>1,260</u>	<u>610</u>	<u>(650)</u>
Total revenues	<u>317,697</u>	<u>344,182</u>	<u>343,895</u>	<u>(287)</u>
EXPENDITURES				
Public works	159,668	159,668	108,516	51,152
Debt service:				
Principal	109,464	109,464	109,402	62
Interest	<u>26,764</u>	<u>26,764</u>	<u>26,770</u>	<u>(6)</u>
Total expenditures	<u>295,896</u>	<u>295,896</u>	<u>244,688</u>	<u>51,208</u>
NET CHANGES IN FUND BALANCES	21,801	48,286	99,207	50,921
FUND BALANCES - BEGINNING	<u>131,258</u>	<u>131,258</u>	<u>131,258</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 153,059</u>	<u>\$ 179,544</u>	<u>\$ 230,465</u>	<u>\$ 50,921</u>

City of Wayland

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

June 30, 2021

<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>			
2022	\$ 21,058	\$ 18,256	6/1/22	\$ 185,000	\$ 224,314
2023	18,256	15,453	6/1/23	185,000	218,709
2024	15,453	12,726	6/1/24	180,000	208,179
2025	12,726	9,620	6/1/25	205,000	227,346
2026	9,621	6,590	6/1/26	200,000	216,211
2027	6,591	3,257	6/1/27	220,000	229,848
2028	3,257	-	6/1/28	215,000	218,257
	<u>\$ 86,962</u>	<u>\$ 65,902</u>		<u>\$ 1,390,000</u>	<u>\$ 1,542,864</u>
			<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
Allocation by activity:					
Governmental activities			\$ 39,299	\$ 357,349	\$ 396,648
Business-type activities			54,402	494,679	549,081
Component unit (DDA)			59,163	537,972	597,135
			<u>\$ 152,864</u>	<u>\$ 1,390,000</u>	<u>\$ 1,542,864</u>

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

June 30, 2021

<u>Fiscal period</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
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	1,496	58,534	60,030
	<u>\$ 27,168</u>	<u>\$ 313,483</u>	<u>\$ 340,651</u>