



CITY OF POTTERVILLE, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants



Vredeveld Haefner LLC

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November 23, 2021

City of Potterville
City Council
Potterville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Potterville (the City) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City implemented GASB Statement Number 84, "Fiduciary Activities" that modified the definition to fiduciary funds to include custodial funds and eliminate agency funds. This statement also modified the statement of changes in fiduciary net position to include custodial funds. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets, the allowance for uncollectible accounts receivable and the valuation of the pension plans and obligations.

The useful lives of capital assets and the amount of uncollectible accounts are based on previous history and future expectations and the pension benefit plan obligations are based on actuarial valuations of the plans. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed a number of audit adjustments, some of which are material. We have provided management with a complete listing of proposed adjustments, all of which were recorded by management. In our judgment, the adjustments we proposed indicate matters that have a material effect on the City's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as itemized in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor fund financial statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City of Pottersville Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Orlando Haefner LLC

CITY OF POTTERVILLE

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CITY OF POTTERVILLE

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INDEPENDENT AUDITORS' REPORT

November 23, 2021

City Council
City of Pottersville, Michigan

Report on 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 Pottersville, Michigan (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Pottersville, 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 on pages 3 through 8 and the required supplementary information on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the City of Potterville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Potterville's internal control over financial reporting and compliance.

Uredexeld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Potterville, Michigan

Management's Discussion and Analysis

As management of the City of Potterville (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021.

Financial Highlights

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the 2021 fiscal year as follows:

- Governmental activities ended the year with positive net position of \$5,666,910.
- Business-type activities ended the year with positive net position of \$5,694,254.
- General fund ended the year with unassigned fund balance of \$674,777.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include wastewater and water operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority (DDA) and a Tax Increment Financing Authority (TIFA) for which the City is financially accountable. Information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and major streets funds which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (non-major governmental funds). Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison schedules have been provided for the general and major special revenue funds to demonstrate legal compliance.

Proprietary funds The City maintains three separate proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water activity. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for its motor pool and shared labor. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, which are considered to be major funds of the City. Conversely, internal service funds are combined into single, aggregate presentations in the proprietary fund financial statements.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Component Unit. The City's financial statements include reporting on a separate legal entity for which the City has some level of financial responsibility. The entity is shown in a separate column in the accompanying financial statements. The City's component unit is the Tax Increment Finance Authority.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension information and the major fund budget and actual presentation. Additional supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

Government-wide Financial Analysis

Statement of Net Position As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$11,279,671 at the close of the most recent fiscal year. The following chart illustrates the composition of net position.

Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 1,736,776	\$ 1,817,134	\$ 1,501,406	\$ 1,353,878	\$ 3,238,182	\$ 3,171,012
Capital assets	10,168,201	10,427,279	15,441,519	15,810,343	25,609,720	26,237,622
Total assets	11,904,977	12,244,413	16,942,925	17,164,221	28,847,902	29,408,634
Deferred outflows	87,400	101,250	-	-	87,400	101,250
Liabilities						
Current liabilities	307,284	288,331	350,671	349,687	657,955	638,018
Long-term liabilities	5,966,482	6,143,851	10,898,000	11,150,000	16,864,482	17,293,851
Total liabilities	6,273,766	6,432,182	11,248,671	11,499,687	17,522,437	17,931,869
Deferred inflows	51,701	30,693	-	-	51,701	30,693
Net position						
Net investment in capital assets						
assets	4,345,560	4,443,243	4,291,519	4,414,343	8,637,079	8,857,586
Restricted	253,069	395,249	336,640	287,880	589,709	683,129
Unrestricted	1,068,281	1,044,296	1,066,095	962,311	2,134,376	2,006,607
Total net position	\$ 5,666,910	\$ 5,882,788	\$ 5,694,254	\$ 5,664,534	\$ 11,361,164	\$ 11,547,322

The largest portion of the City's net position in the amount of 76% reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position in the amount of 5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of 19%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole, governmental and business-type activities.

Statement of Activities The City's total revenue for the fiscal year ended June 30, 2021, was \$2,793,381 while total cost of all programs and services was \$2,979,539. This results in a decrease in net position of \$186,158. The following table presents a summary of the changes in net position for the years ended June 30.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$137,962	\$117,686	\$1,093,855	\$1,101,764	\$1,231,817	\$1,219,450
Operating grants and contributions	373,954	681,763	-	-	373,954	681,763
Capital grants and contributions	5,000	45,491	-	-	5,000	45,491
General revenues						
Property taxes	833,244	777,381	-	-	833,244	777,381
State shared revenues	299,713	231,550	-	-	299,713	231,550
Investment earnings	3,587	31,667	-	-	3,587	31,667
Other	46,066	55,578	-	-	46,066	55,578
Total revenues	1,699,526	1,941,116	1,093,855	1,101,764	2,793,381	3,042,880
Expenses						
General government	486,919	514,644	-	-	486,919	514,644
Public safety	376,615	356,409	-	-	376,615	356,409
Public works	582,284	560,528	-	-	582,284	560,528
Community and economic development	191,048	133,978	-	-	191,048	133,978
Interest on long-term debt	186,469	189,161	-	-	186,469	189,161
Wastewater	-	-	686,529	737,509	686,529	737,509
Water	-	-	469,675	731,927	469,675	731,927
Total expenses	1,823,335	1,754,720	1,156,204	1,469,436	2,979,539	3,224,156
Increase (decrease) before transfers	(123,809)	186,396	(62,349)	(367,672)	(186,158)	(181,276)
Transfers in (out)	(92,069)	-	92,069	-	-	-
Increase (decrease) in net position	(215,878)	186,396	29,720	(367,672)	(186,158)	(181,276)
Net position – beginning	5,882,788	5,696,392	5,664,534	6,032,206	11,547,322	11,728,598
Net position – ending	\$5,666,910	\$5,882,788	\$5,694,254	\$5,664,534	\$11,361,164	\$11,547,322

Governmental Activities During the year the City invested \$582,284 or 32% in public works, \$486,919 or 27% in general government and \$376,615 in public safety or 21%. Culture and recreation and interest on debt made up the remaining 20% of governmental activities. The preceding table shows that the governmental activities decreased the City's net position by \$215,878 during this fiscal year primarily as a result of depreciation on capital assets.

Business-type Activities Business-type activities increased the City's net position by \$29,720 during the year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,057,123 a decrease of \$40,750 from the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$674,777. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56% of total general fund expenditures and transfers out.

The major and local street funds are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, P.A. 1951 as amended. The fund balance of the major and local street funds at the end of the year amounted to \$177,626 and \$75,443 respectively. Change in the fund balances of the major and local street funds amounted to an increase of \$13,626 and a decrease of \$155,806, respectively.

Proprietary funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise operations consist of two separate and distinct activities. The wastewater and water funds provide service to most residents and businesses of the City. The wastewater fund has a decrease in net position of \$51,450 and the water fund increased net position by \$81,170. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

- General fund
 - Property taxes budgeted was increased to reflect additional taxable value.
 - The expenditure budget was not significantly modified.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$25,609,720 (net of accumulated depreciation). Of this amount, \$10,168,201 was for its governmental activities and \$15,441,519 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant current year additions to capital assets included motor pool equipment replacement purchases.

Additional information on the City's capital assets can be found in Note 5 to these financial statements.

Long-term debt At the end of the current fiscal year, the City had total long-term debt outstanding of \$16,972,641. Of this amount, \$5,822,641 was for governmental activities while \$11,150,000 was for business-type activities. Principal payments during the year were \$198,484 and \$246,000 for governmental and business-type activities, respectively. Additions to long-term debt were \$37,089 for governmental activities.

Additional information on the City's long-term debt can be found in Note 7 to these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered in preparing the City's budget for the 2021-2022 fiscal year:

- Scheduled debt service payments
- Inflationary increase to taxes, state shared revenue, wages and benefits
- Following utility rate schedules

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Pottersville, 319 Nelson Street, Pottersville, MI 48876.

BASIC FINANCIAL STATEMENTS

CITY OF POTTERVILLE
STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government			Component Unit
	Governmental	Business-Type		Tax Increment
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Finance Authority</u>
Assets				
Cash and pooled investments	\$ 985,795	\$ 1,023,485	\$ 2,009,280	\$ 124,837
Accounts receivable	21,006	140,103	161,109	-
Special assessments receivable	570,520	-	570,520	-
Due from other governments	109,545	-	109,545	-
Prepays	49,910	1,178	51,088	-
Restricted cash and pooled investment	-	336,640	336,640	-
Capital assets				
Land	317,766	260,076	577,842	-
Construction in progress	23,906	-	23,906	-
Depreciable capital assets, net	9,826,529	15,181,443	25,007,972	586,349
Total assets	<u>11,904,977</u>	<u>16,942,925</u>	<u>28,847,902</u>	<u>711,186</u>
Deferred outflows of resources				
Pension related	87,400	-	87,400	-
Liabilities				
Accounts payable	27,836	2,686	30,522	15,520
Accrued liabilities	70,610	95,835	166,445	-
Customer deposits	-	150	150	-
Debt due within one year	208,838	252,000	460,838	45,000
Noncurrent liabilities				
Compensated absences	57,546	-	57,546	-
Net pension liability	295,133	-	295,133	-
Debt due in more than one year	5,613,803	10,898,000	16,511,803	405,000
Total liabilities	<u>6,273,766</u>	<u>11,248,671</u>	<u>17,522,437</u>	<u>465,520</u>
Deferred inflows of resources				
Pension related	51,701	-	51,701	-
Net position				
Net investment in capital assets	4,345,560	4,291,519	8,637,079	136,349
Restricted for				
Streets	253,069	-	253,069	-
Debt service	-	336,640	336,640	-
Unrestricted	1,068,281	1,066,095	2,134,376	109,317
Total net position	<u>\$ 5,666,910</u>	<u>\$ 5,694,254</u>	<u>\$ 11,361,164</u>	<u>\$ 245,666</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
General government	\$ 486,919	\$ 60,058	\$ 13,055	\$ -	\$ (413,806)
Public safety	376,615	185	500	5,000	(370,930)
Public works	582,284	-	356,310	-	(225,974)
Culture and recreation	191,048	77,719	4,089	-	(109,240)
Interest on long-term debt	186,469	-	-	-	(186,469)
Total governmental activities	1,823,335	137,962	373,954	5,000	(1,306,419)
Business-type activities					
Wastewater	686,529	543,010	-	-	(143,519)
Water	469,675	550,845	-	-	81,170
Total business-type activities	1,156,204	1,093,855	-	-	(62,349)
Total primary government	\$ 2,979,539	\$ 1,231,817	\$ 373,954	\$ 5,000	\$ (1,368,768)
Component unit					
Tax Increment Finance Authority	\$ 265,722	\$ -	\$ -	\$ -	\$ (265,722)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government			Component Unit
	Governmental	Business-type		Tax Increment
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Finance Authority</u>
Changes in net assets				
Net (expense) revenue	\$ (1,306,419)	\$ (62,349)	\$ (1,368,768)	\$ (265,722)
General revenues				
Property taxes	833,244	-	833,244	172,038
State shared revenues - unrestricted	299,713	-	299,713	-
Unrestricted investment earnings	3,587	-	3,587	360
Other general revenues	46,066	-	46,066	-
Transfers - internal activities	(92,069)	92,069	-	-
Total general revenues and transfers	1,090,541	92,069	1,182,610	172,398
Change in net position	(215,878)	29,720	(186,158)	(93,324)
Net position, beginning of year	5,882,788	5,664,534	11,547,322	338,990
Net position, end of year	\$ 5,666,910	\$ 5,694,254	\$ 11,361,164	\$ 245,666

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2021

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 703,017	\$ 135,853	\$ 62,199	\$ 19,827	\$ 920,896
Accounts receivable	8,720	-	-	12,286	21,006
Special assessment receivable	-	80,329	490,191	-	570,520
Due from other governments	54,388	41,847	13,310	-	109,545
Prepays	<u>20,455</u>	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>29,455</u>
Total assets	<u>\$ 786,580</u>	<u>\$ 258,029</u>	<u>\$ 565,700</u>	<u>\$ 41,113</u>	<u>\$ 1,651,422</u>
Liabilities, deferred inflows and fund balances					
Liabilities					
Accounts payable	\$ 5,143	\$ 74	\$ 66	\$ 6,574	\$ 11,857
Accrued liabilities	<u>10,651</u>	<u>-</u>	<u>-</u>	<u>1,271</u>	<u>11,922</u>
Total liabilities	<u>15,794</u>	<u>74</u>	<u>66</u>	<u>7,845</u>	<u>23,779</u>
Deferred inflows of resources					
Unavailable receivables	<u>-</u>	<u>80,329</u>	<u>490,191</u>	<u>-</u>	<u>570,520</u>
Fund balances					
Nonspendable					
Prepaid items	20,455	-	-	9,000	29,455
Restricted					
Streets	-	177,626	75,443	-	253,069
Assigned					
City enhancement	-	-	-	17,840	17,840
Capital projects	-	-	-	6,428	6,428
Subsequent year expenditures	75,554	-	-	-	75,554
Unassigned	<u>674,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,777</u>
Total fund balances	<u>770,786</u>	<u>177,626</u>	<u>75,443</u>	<u>33,268</u>	<u>1,057,123</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 786,580</u>	<u>\$ 258,029</u>	<u>\$ 565,700</u>	<u>\$ 41,113</u>	<u>\$ 1,651,422</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2021

Fund balances - total governmental funds	\$ 1,057,123
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	317,766
Add - construction in progress	23,906
Add - capital assets (net of accumulated depreciation)	9,651,877

Pension contributions, deferred outflows and deferred charges not reported in the funds.

Add - pension deferred outflows	87,400
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Certain assets are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.

Add - long-term receivables	570,520
-----------------------------	---------

An internal service fund is used by management to charge the costs of centralized costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service funds	224,911
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Certain deferred items do not impact current financial resources and are not reported in The governmental funds

Deferred inflows - pension related	(51,701)
------------------------------------	----------

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - compensated absences payable	(57,546)
Deduct - long-term debt payable	(5,812,114)
Deduct - net pension liability	(295,133)
Deduct - accrued interest on long-term debt payable	(50,099)

Net position of governmental activities	<u>\$ 5,666,910</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 833,244	\$ -	\$ -	\$ -	\$ 833,244
Intergovernmental revenues					
Federal	13,055	-	-	-	13,055
State	300,213	200,517	81,289	-	582,019
Local	-	41,490	33,014	-	74,504
Licenses and permits	4,490	-	-	-	4,490
Charges for services	185	-	-	77,719	77,904
Fines & forfeitures	2,701	-	-	-	2,701
Special assessments	-	6,944	42,376	-	49,320
Investment earnings	3,587	-	-	-	3,587
Contributions and donations	5,000	-	-	-	5,000
Miscellaneous	98,933	-	-	4,089	103,022
Total revenues	<u>1,261,408</u>	<u>248,951</u>	<u>156,679</u>	<u>81,808</u>	<u>1,748,846</u>
Expenditures					
Current					
General government	384,293	-	-	-	384,293
Public safety	351,724	-	-	-	351,724
Public works	14,777	131,105	144,949	29,632	320,463
Culture and recreation	-	-	-	148,213	148,213
Other functions	148,279	-	-	-	148,279
Debt service					
Principal	36,888	9,856	148,231	-	194,975
Interest	29,770	6,864	150,035	-	186,669
Total expenditures	<u>965,731</u>	<u>147,825</u>	<u>443,215</u>	<u>177,845</u>	<u>1,734,616</u>
Revenues over (under) expenditures	<u>295,677</u>	<u>101,126</u>	<u>(286,536)</u>	<u>(96,037)</u>	<u>14,230</u>
Other financing sources (uses)					
Issuance of long-term debt	37,089	-	-	-	37,089
Transfers in	-	-	130,730	72,249	202,979
Transfers out	(207,548)	(87,500)	-	-	(295,048)
Total other financing sources (uses)	<u>(170,459)</u>	<u>(87,500)</u>	<u>130,730</u>	<u>72,249</u>	<u>(54,980)</u>
Net changes in fund balances	125,218	13,626	(155,806)	(23,788)	(40,750)
Fund balances, beginning of year	<u>645,568</u>	<u>164,000</u>	<u>231,249</u>	<u>57,056</u>	<u>1,097,873</u>
Fund balances, end of year	<u>\$ 770,786</u>	<u>\$ 177,626</u>	<u>\$ 75,443</u>	<u>\$ 33,268</u>	<u>\$ 1,057,123</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds	\$ (40,750)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	66,070
Deduct - depreciation expense	(385,540)

Some receivables are long-term in nature and are collectable over several years. However the current receipts are reflected as revenues on the fund statements.

Deduct - change in special assessments receivable	(49,320)
---	----------

Issuance of bonds or notes provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	194,975
Deduct - installment note issued	(37,089)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in compensated absences	(30,453)
Add - decrease in net pension liability	25,098
Deduct - decrease in deferred outflows - pension related	(13,850)
Deduct - increase in deferred inflows - pension related	(21,008)
Add - decrease in accrued interest	200

Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - increase in net position from the internal service funds	<u>75,789</u>
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Change in net position of governmental activities	<u>\$ (215,878)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Enterprise Funds		Enterprise Fund Total	Governmental Activities Internal Service Fund
Assets	Wastewater	Water		
Current assets				
Cash and pooled investments	\$ 191,049	\$ 832,436	\$ 1,023,485	\$ 64,899
Accounts receivable	70,283	69,820	140,103	-
Prepays	-	1,178	1,178	20,455
Total current assets	261,332	903,434	1,164,766	85,354
Noncurrent assets				
Restricted cash and pooled investment	215,300	121,340	336,640	-
Capital assets				
Land	236,363	23,713	260,076	-
Capital assets, net	9,277,484	5,903,959	15,181,443	174,652
Total noncurrent assets	9,729,147	6,049,012	15,778,159	174,652
Total assets	9,990,479	6,952,446	16,942,925	260,006
Liabilities				
Current liabilities				
Accounts payable	742	1,944	2,686	15,979
Accrued liabilities	60,640	35,195	95,835	8,589
Customer deposits	75	75	150	-
Current portion of long-term debt	160,000	92,000	252,000	3,509
Total current liabilities	221,457	129,214	350,671	28,077
Long-term liabilities				
Debt payable, net of current portion	6,897,000	4,001,000	10,898,000	7,018
Total liabilities	7,118,457	4,130,214	11,248,671	35,095
Deferred inflows of resources				
Pension related				
Net position				
Net investment in capital assets	2,456,847	1,834,672	4,291,519	164,125
Restricted for revenue bond retirement	215,300	121,340	336,640	-
Unrestricted	199,875	866,220	1,066,095	60,786
Total net position	\$ 2,872,022	\$ 2,822,232	\$ 5,694,254	\$ 224,911

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Enterprise Fund Total	Governmental Activities Internal Service Funds
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Funds</u>
Operating revenue				
Charges for services	\$ 568,118	\$ 550,845	\$ 1,118,963	\$ 655,593
Total operating revenue	<u>568,118</u>	<u>550,845</u>	<u>1,118,963</u>	<u>655,593</u>
Operating expense				
Shared labor and equipment	146,092	175,923	322,015	332,954
Supplies	5,819	12,005	17,824	46,788
Contractual services	17,435	6,045	23,480	-
Utilities	-	-	-	132,290
Repairs and maintenance	6,244	2,171	8,415	46,671
Professional fees	-	300	300	-
Loss on sale of capital assets	25,108	-	25,108	-
Depreciation	<u>298,108</u>	<u>153,553</u>	<u>451,661</u>	<u>21,101</u>
Total operating expense	<u>498,806</u>	<u>349,997</u>	<u>848,803</u>	<u>579,804</u>
Operating income (loss)	69,312	200,848	270,160	75,789
Non-operating revenue (expense)				
Interest expense	<u>(212,831)</u>	<u>(119,678)</u>	<u>(332,509)</u>	<u>-</u>
Income (loss) before transfers	(143,519)	81,170	(62,349)	75,789
Transfers				
Transfers in	<u>92,069</u>	<u>-</u>	<u>92,069</u>	<u>-</u>
Changes in net assets	(51,450)	81,170	29,720	75,789
Net assets, beginning of year	<u>2,923,472</u>	<u>2,741,062</u>	<u>5,664,534</u>	<u>149,122</u>
Net assets, end of year	<u>\$ 2,872,022</u>	<u>\$ 2,822,232</u>	<u>\$ 5,694,254</u>	<u>\$ 224,911</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u>		<u>Enterprise Fund Total</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Wastewater</u>	<u>Water</u>		
Cash flows from operating activities				
Receipts from customers and users	\$ 573,647	\$ 553,052	\$ 1,126,699	\$ -
Receipts from internal services provided	-	-	-	655,593
Payments to employees	(146,537)	(176,291)	(322,828)	(331,090)
Payments to suppliers	(58,611)	(22,047)	(80,658)	(267,603)
Net cash provided by (used in) operating activities	<u>368,499</u>	<u>354,714</u>	<u>723,213</u>	<u>56,900</u>
Cash flows from non-capital financing activities				
Transfers in	<u>92,069</u>	<u>-</u>	<u>92,069</u>	<u>-</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	(156,000)	(90,000)	(246,000)	(3,509)
Interest paid	(212,831)	(119,678)	(332,509)	-
Proceeds from sale of capital assets	25,108	-	25,108	-
Acquisitions of capital assets	(107,945)	-	(107,945)	(81,493)
Net cash provided by (used in) capital and related financing activities	<u>(451,668)</u>	<u>(209,678)</u>	<u>(661,346)</u>	<u>(85,002)</u>
Net increase (decrease) in cash and pooled investments	8,900	145,036	153,936	(28,102)
Cash and pooled investments, beginning of year	<u>397,449</u>	<u>808,740</u>	<u>1,206,189</u>	<u>93,001</u>
Cash and pooled investments, end of year	<u>\$ 406,349</u>	<u>\$ 953,776</u>	<u>\$ 1,360,125</u>	<u>\$ 64,899</u>
Cash flows from operating activities				
Operating income (loss)	\$ 69,312	\$ 200,848	\$ 270,160	\$ 75,789
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	298,108	153,553	451,661	21,101
Change in operating assets and liabilities which provided (used) cash				
Accounts receivable	5,454	2,132	7,586	-
Prepaid assets and other items	-	(1,178)	(1,178)	(17,716)
Customer deposits	75	75	150	-
Accounts payable	(4,005)	(348)	(4,353)	11,670
Due to other funds	-	-	-	(35,808)
Accrued liabilities	(445)	(368)	(813)	1,864
Net cash provided by (used in) operating activities	<u>\$ 368,499</u>	<u>\$ 354,714</u>	<u>\$ 723,213</u>	<u>\$ 56,900</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

FIDUCIARY FUNDS COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	<u>Custodial Fund</u> <u>Current Tax</u> <u>Fund</u>
Assets	
Cash and pooled investments	\$ -
Liabilities	
Due to other governmental units	<u>-</u>
Net position	
Restricted	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Fund</u> <u>Current Tax</u> <u>Fund</u>
Additions	
Taxes and benefits collected for other entities	\$ 2,842,247
Total additions	<u>2,842,247</u>
Deductions	
Taxes and benefits paid to other entities	<u>2,842,247</u>
Total deductions	<u>2,842,247</u>
Changes in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Potterville, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The discretely presented component units are reported in a separate column in the financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Units

The Tax Increment Finance Authority (TIFA) is presented as a component unit as it is fiscally dependent on the City. The City of Potterville established a Tax Increment Finance Authority for the purpose of promoting growth and development. The TIFA is legally separate from the primary government. The City Council appoints the seven-member TIFA board and approves their budget. Complete financial statements of the TIFA can be obtained from their administrative offices or from the City Clerk's Office at City Hall.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are changes between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants, state shared revenue and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Taxes, state revenue, licenses, grants, 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 and available only when cash is received by the City.

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 enterprise funds are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal 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.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the construction and maintenance of major streets. Financing is provided by the City's share of the State's fuel and weight taxes.

The *Local Streets Fund* is used to account for the construction and maintenance of local streets. Financing is provided by the City's share of the State's fuel and weight taxes.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services on a user charge basis.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Capital projects funds* account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

The *Internal Service Funds* are used to account for equipment and labor usage provided to the City departments and funds on a cost reimbursement basis.

The *Custodial Funds* are used to account for the collection and disbursement of property taxes that are collected on behalf of outside governments or other.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and select special revenue funds. General and select special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is the activity level.
5. Formal budgetary integration is employed for the governmental fund types as a management control device. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the City are governed by Michigan state law. The appropriations resolution is based on the projected expenditures budgets of the department heads of the City. Any amendment to the original budget must meet the requirements of Michigan law. Any revisions that alter the total expenditures of any activity must be approved by the City Council. Supplemental appropriations were necessary during the year.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the City considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

City investment policy allows for all investment authorized by State statutes. State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Receivables/Due From Other Governments

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible was immaterial as of year-end.

Capital Assets

Capital assets, which include land, construction in progress, buildings, vehicles and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial as well as in the proprietary fund statements.

Capital assets are defined by the government 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 valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	20-50
Mains and Connections	20-100
Equipment	10-20
Public domain and system infrastructure	20-30

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Compensated Absences

Under contracts negotiated with employee groups and personnel policy, individual employees have a vested right to receive payments for unused vacation and other compensation depending on employment agreements. Accumulated compensated absences of governmental funds are recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures/expense regardless of fund or activity.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has only one item that qualifies for reporting in this category which is related to the net pension liability which is discussed in Note 6.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the governmental funds report unavailable revenues from special assessments. In the fund financial statements, these amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government one item that qualifies for reporting in this category which is related to the net pension liability which is discussed in Note 6.

Pensions

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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed by resolution of the City Council.

Net Position and Fund Balance Flow Assumptions

Sometimes the government 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/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the custodial fund. County and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied thus none of the 2020 summer roll has been recognized in these statements. City taxes are billed and due July 1, and become delinquent after September 14.

Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as due from other governments and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Charges between enterprise funds and other functions of the City are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

2. STATUTORY COMPLIANCE

Excess of expenditures over appropriations in budgetary funds

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a functional basis. The approved budgets of the City for these budgeted funds were adopted at the activity level.

During the year ended June 30, 2021, the City incurred no expenditures excess of the amounts appropriated at the level of budgetary control.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents investments and investments are as follows:

	Primary Government	Component Units	Fiduciary Fund	Total
Cash and pooled investment	\$2,009,280	\$124,837	\$ -	\$2,134,117
Restricted cash and pooled investment	336,640	-	-	336,640
Total	\$2,345,920	\$124,837	\$ -	\$2,470,757

The cash and investments making up the above balances are as follows:

Deposits	\$2,470,092
Cash on hand	665
Total	\$2,470,757

The deposits are in financial institutions in varying amounts. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, none of the City's bank balance of \$2,474,249 was exposed to custodial credit risk because the balance was either insured or collateralized.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

4. INTERFUND TRANSACTIONS AND BALANCES

Transfers in and out for the year ended June 30, 2021 are as follows:

	<u>Transfers in</u>			
<u>Transfers out</u>	<u>Local Streets</u>	<u>Nonmajor governmental</u>	<u>Waste water</u>	<u>Total</u>
General fund	\$ 43,230	\$72,249	\$92,069	\$207,548
Major Streets	87,500	-	-	87,500
Total	\$130,730	\$72,249	\$92,069	\$295,048

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 317,766	\$ -	\$ -	\$ 317,766
Construction in progress	7,760	16,146	-	23,906
Total capital assets, not being depreciated	325,526	16,146	-	341,672
Capital assets, being depreciated				
Buildings	936,687	-	-	936,687
Land improvements	6,765,286	-	-	6,765,286
Paved roads	7,087,595	-	-	7,087,595
Unpaved roads	67,770	-	-	67,770
Bike path	273,493	-	-	273,493
Equipment	535,052	131,417	-	666,469
Total capital assets, being depreciated	15,665,883	131,417	-	15,797,300
Less accumulated depreciation for				
Buildings	329,500	29,892	-	359,392
Land improvements	1,539,369	138,605	-	1,677,974
Paved roads	3,123,485	174,236	-	3,297,721
Unpaved roads	60,993	2,259	-	63,252
Bike path	182,544	6,236	-	188,780
Equipment	328,239	55,413	-	383,652
Total accumulated depreciation	5,564,130	406,641	-	5,970,771
Net capital assets, being depreciated	10,101,753	(275,224)	-	9,826,529
Governmental Activities capital assets, net	\$10,427,279	\$(259,078)	\$ -	\$10,168,201

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 260,076	\$ -	\$ -	\$ 260,076
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	260,076	-	-	260,076
Capital assets being depreciated				
Treatment system	9,266,395	-	-	9,266,395
Collection/distributions system	9,312,562	107,945	-	9,420,507
Machinery and equipment	1,659,912	-	35,868	1,624,044
Total capital assets, being depreciated	20,238,869	107,945	35,868	20,310,945
Less accumulated depreciation for				
Treatment system	1,256,533	184,392	-	1,440,925
Collection/distributions system	2,981,477	195,052	-	3,176,529
Machinery and equipment	450,592	72,217	10,760	512,049
Total accumulated depreciation	4,688,602	451,661	10,760	5,129,503
Net capital assets, being depreciated	15,550,267	(343,716)	25,108	15,181,443
Business-type Activities capital assets, net	\$15,810,343	\$(343,716)	\$25,108	\$15,441,519
Component Units				
Capital assets, not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	842,657	-	-	842,657
Equipment	30,148	-	-	30,148
Total capital assets, being depreciated	872,805	-	-	872,805
Less accumulated depreciation for				
Buildings and improvements	214,176	42,132	-	256,308
Equipment	30,148	-	-	30,148
Total accumulated depreciation	244,324	42,132	-	286,456
Net capital assets, being depreciated	628,481	(42,132)	-	586,349
Component Unit capital assets, net	\$628,481	\$(42,132)	\$ -	\$586,349

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 23,071
Public safety	39,448
Public works	283,915
Recreation and culture	39,106
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	21,101
Total depreciation expense - governmental activities	\$406,641

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Business-type Activities	
Sewer	\$298,108
Water	<u>153,553</u>
Total depreciation expense - business- type activities	<u><u>\$451,661</u></u>

6. PENSION PLANS

MERS Defined Benefit Plan

Plan Description

The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 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

Pension benefits approved by the City Council are provided to all full-time employees based on division/bargaining unit and hire date. Eligible employees participate in a defined benefit plan which includes a multiplier of 1.7 times final average compensation, vesting period 10 years, normal retirement age is 60, early retirement at 55 with 20 or 25 years of service, benefits are calculated using final 5 years of average compensation. The defined benefit plan is closed to new employees.

Membership of the defined benefit plans consisted of the following at the date of the latest actuarial valuation (December 31, 2020):

Active plan members	8
Inactive employees entitled but not yet receiving benefits	10
Inactive employees or beneficiaries currently receiving benefits	<u>3</u>
Total	<u><u>21</u></u>

Contributions

The City is required to contribute at an actuarially determined amount, which for the current year was \$3,898 a month. Participating employees are required to contribute at a rate of 4.42% of covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.35%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent (2020) 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 table:

<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	60.0%	7.75%	3.15%
Global Fixed Income	20.0%	3.75%	0.25%
Private Investments	20.0%	9.75%	1.45%
Inflation			2.50%
Administrative fee			0.25%
Investment rate of return			<u>7.60%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension 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.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Changes in the Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balance at December 31, 2019	\$1,093,254	\$773,023	\$320,231
Changes for the Year:			
Service cost	33,842	-	33,842
Interest	81,874	-	81,874
Change in benefits	(7,039)	-	(7,039)
Differences between expected and actual experience	(2,503)	-	(2,503)
Change in assumptions	28,768	-	28,768
Contributions: employer	-	44,430	(44,430)
Contributions: employee	-	16,836	(16,836)
Net investment income	-	100,341	(100,341)
Benefit payments, including refunds	(65,763)	(65,763)	-
Administrative expense	-	(1,567)	1,567
Other changes	-	-	-
Net changes	69,179	94,277	(25,098)
Balance at December 31, 2020	\$1,162,433	\$867,300	\$295,133

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

The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.6%) or higher (8.6%) than the current rate.

	1% Decrease	Current discount rate	1 % Increase
Total pension liability	\$1,303,907	\$1,162,433	\$1,045,130
Fiduciary net position	867,300	867,300	867,300
Net pension liability	\$ 436,607	\$ 295,133	\$177,830

Pension expense and deferred outflows of resources related to pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$51,364. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences in experience	\$ 18,688	\$(24,466)
Differences in assumptions	47,910	-
(Excess) deficit investment returns	-	(27,235)
Contributions subsequent to the measurement date*	20,802	-
Total	\$87,400	\$(51,701)

* The amount reported as deferred outflows of resources resulting from the contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2022.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported as deferred outflows and inflows of resources related to pensions (excluding contributions subsequent to the measurement date) will be recognized in pension expense as follows:

2021	\$20,655
2022	11,051
2023	(8,443)
2024	(8,366)
Total	\$14,897

Defined Contribution Plan

The City provides a defined contribution pension plan (the Plan) that provides pension benefits to all participating full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are required to contribute 1.5% and the City contributes 1.5% of each participant's compensation to the Plan. The City's contributions are fully vested after five years of service. During the year employees contributed \$1,191 and the Board contributed \$1,191 to the plan.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Governmental Activities					
\$1,434,000 2014 General Obligation bonds; due in annual installments of \$28,000 to \$77,000 through April 2044; plus interest at 3.375%	\$1,251,000	\$ -	\$ 35,000	\$1,216,000	\$ 36,000
\$2,251,000 2016 General Obligation bonds; due in annual installments of \$49,000 to \$111,000,000 through July 2046; plus interest at 2.75%	2,099,000	-	53,000	2,046,000	55,000
\$1,199,000 2017 General Obligation Bonds; due in annual installments of \$24,000 to \$62,000 through June 2047; plus interest at 3.375%	1,120,000	-	26,000	1,094,000	27,000
\$14,036 2020 Act 99 installment purchase; due in annual payments of \$3,509 through 2024	14,036	-	3,509	10,527	3,509
\$37,089 2021 Act 99 installment purchase; due in annual payments of \$10,975 through 2024	-	37,089	10,975	26,114	12,329

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
\$1,700,000 2017A General Obligation Bonds; due in annual installments of \$65,000 to \$105,000 through May 2037; plus interest at 1.45% to 3.80%	\$1,500,000	\$ -	\$ 70,000	\$1,430,000	\$ 75,000
Total long-term debt	5,984,036	37,089	198,484	5,822,641	208,838
Accrued employee benefits	27,093	30,453	-	57,546	-
Total Governmental Activities	\$6,011,129	\$67,542	\$198,484	\$5,880,187	\$208,838
Business-type Activities					
\$2,515,000 2014A Wastewater Revenue Bonds, due in annual installments of \$55,000 to \$122,000 through April 2044; plus interest at 2.75%	\$ 2,161,000	\$ -	\$ 65,000	\$ 2,096,000	\$ 67,000
\$1,000,000 2014B Wastewater Revenue Bonds, due in annual installments of \$19,000 to \$57,000 through April 2044; plus interest at 3.25%	874,000	-	24,000	850,000	25,000
\$2,621,000 2016A Wastewater Revenue Bonds, due in annual installments of \$37,000 to \$104,000 through July 2056; plus interest at 2.75%	2,507,000	-	40,000	2,467,000	41,000
\$1,970,000 2017 Wastewater Revenue Bonds, due in annual installments of \$24,000 to \$87,000 through June 2057; plus interest at 3.375%	1,671,000	-	27,000	1,644,000	27,000
\$2,067,000 2014 Water System Revenue Refunding Bonds, due in annual installments of \$45,000 to \$99,000 through June 2044; plus interest at 2.75%	1,777,000	-	53,000	1,724,000	55,000
\$1,619,000 2016A Water System Revenue Refunding Bonds, due in annual installments of \$23,000 to \$66,000 through July 2056; plus interest at 2.75%	1,549,000	-	25,000	1,524,000	25,000
\$895,000 2017 Water System Revenue Refunding Bonds, due in annual installments of \$11,000 to \$36,000 through June 2057; plus interest at 3.375%	857,000	-	12,000	845,000	12,000
Total Business-type Activities	\$11,396,000	\$ -	\$246,000	\$11,150,000	\$252,000

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Component Unit	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>	Due Within One Year
Tax Increment Bond	<u>\$490,000</u>	<u>\$ -</u>	<u>\$40,000</u>	<u>\$450,000</u>	<u>\$45,000</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2021 are as follows:

Year Ending <u>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	\$ 208,838	\$ 183,918	\$ 252,000	\$ 334,126	\$ 45,000	\$ 19,382
2023	212,217	177,233	258,000	326,828	50,000	17,432
2024	209,586	169,835	266,000	319,351	50,000	15,282
2025	209,000	163,792	273,000	311,644	55,000	12,945
2026	213,000	157,540	282,000	303,726	55,000	10,457
2027-2031	1,168,000	682,190	1,541,000	1,390,905	195,000	14,379
2032-2036	1,343,000	480,820	1,783,000	1,153,533	-	-
2037-2041	1,094,000	268,151	2,059,000	878,653	-	-
2042-2046	997,000	102,113	1,820,000	568,312	-	-
2047-2051	168,000	3,053	1,182,000	359,278	-	-
2052-2056	-	-	1,232,000	170,383	-	-
2057	-	-	202,000	8,826	-	-
Total	<u>\$5,822,641</u>	<u>\$2,388,645</u>	<u>\$11,150,000</u>	<u>\$6,125,563</u>	<u>\$450,000</u>	<u>\$89,877</u>

At year end all of the outstanding debt consists of direct borrowings which contain a provision that in the event of default:

General obligation bonds: the entity shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

Revenue Bonds: Bond covenants require rates sufficient to cover debt service subject to constitutional and statutory requirements.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no changes in insurance coverage from the prior year.

9. LITIGATION

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. No reserves for losses related to legal actions have been included as a liability in the City's financial statements.

CITY OF POTTERVILLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

10. TAX ABATEMENTS

The City entered into property tax abatements agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax Abatement) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Abatement (IFT) certificate entitles the facility to a partial exemption from ad valorem real and/or personal property taxes for a term of 12 years as determined by the local unit of government. The agreements entered into by the City include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2021 the City abated property tax revenues of approximately \$5,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POTTERVILLE

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Taxes				
Property taxes	\$ 779,784	\$ 848,114	\$ 833,244	\$ (14,870)
Intergovernmental revenues				
Federal	-	13,055	13,055	-
State	266,518	266,550	300,213	33,663
Licenses and permits	4,000	4,170	4,490	320
Charges for services	200	175	185	10
Fines & forfeitures	4,300	2,057	2,701	644
Investment earnings	31,400	3,500	3,587	87
Contributions and donations	-	42,089	5,000	(37,089)
Miscellaneous	56,407	91,234	98,933	7,699
Total revenues	1,142,609	1,270,944	1,261,408	(9,536)
Expenditures				
Current				
General government				
Mayor	1,291	1,435	1,066	369
Council/City Manager	117,820	119,769	113,989	5,780
Assessor	24,777	24,228	23,446	782
City attorney	23,500	14,000	11,275	2,725
Clerk	78,892	52,801	49,223	3,578
Treasurer	87,761	91,536	89,366	2,170
City hall	35,011	62,710	49,610	13,100
Other	31,000	27,311	27,311	-
Planning	15,946	19,633	19,007	626
	<u>415,998</u>	<u>413,423</u>	<u>384,293</u>	<u>29,130</u>
Public safety				
Police department	225,048	255,889	234,474	21,415
Fire department	122,400	117,250	117,250	-
	<u>347,448</u>	<u>373,139</u>	<u>351,724</u>	<u>21,415</u>
Public works				
Department of public works	19,929	16,600	14,777	1,823
Street Lights	36,000	-	-	-
	<u>55,929</u>	<u>16,600</u>	<u>14,777</u>	<u>1,823</u>
Other functions				
Community and economic development	42,827	42,065	41,038	1,027
Unallocated	40,577	107,241	107,241	-
	<u>83,405</u>	<u>149,306</u>	<u>148,279</u>	<u>1,027</u>
Debt service				
Principal	25,323	42,252	36,888	5,364
Interest	30,498	29,770	29,770	-
	<u>55,821</u>	<u>72,022</u>	<u>66,658</u>	<u>5,364</u>
Total expenditures	958,600	1,024,490	965,731	58,759
Revenues over (under) expenditures	<u>184,009</u>	<u>246,454</u>	<u>295,677</u>	<u>49,223</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	37,089	37,089
Sale of capital assets	6,000	-	-	-
Transfers out	(127,335)	(207,549)	(207,548)	1
Total other financing sources (uses)	(121,335)	(207,549)	(170,459)	37,090
Net changes in fund balances	62,675	38,905	125,218	86,313
Fund balances, beginning of year	645,568	645,568	645,568	-
Fund balances, end of year	\$ 708,243	\$ 684,473	\$ 770,786	\$ 86,313

CITY OF POTTERVILLE

MAJOR STREETS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 174,062	\$ 180,000	\$ 200,517	\$ 20,517
Local	40,000	41,393	41,490	97
Special assessment	63	6,576	6,944	368
Total revenues	<u>214,125</u>	<u>227,969</u>	<u>248,951</u>	<u>20,982</u>
Expenditures				
Current				
Public works	23,408	148,052	131,105	16,947
Debt service				
Principal	9,856	10,000	9,856	144
Interest	7,047	7,000	6,864	136
Total expenditures	<u>40,311</u>	<u>165,052</u>	<u>147,825</u>	<u>17,227</u>
Revenues over (under) expenditures	<u>173,815</u>	<u>62,917</u>	<u>101,126</u>	<u>38,209</u>
Other financing sources (uses)				
Transfers in	4,900	-	-	-
Transfers out	(178,715)	(87,500)	(87,500)	-
Total other financing sources (uses)	<u>(173,815)</u>	<u>(87,500)</u>	<u>(87,500)</u>	<u>-</u>
Net changes in fund balance	-	(24,583)	13,626	38,209
Fund balance, beginning of year	<u>164,000</u>	<u>164,000</u>	<u>164,000</u>	<u>-</u>
Fund balance, end of year	<u>\$ 164,000</u>	<u>\$ 139,417</u>	<u>\$ 177,626</u>	<u>\$ 38,209</u>

CITY OF POTTERVILLE

LOCAL STREETS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Intergovernmental revenues				
State	\$ 62,285	\$ 84,000	\$ 81,289	\$ (2,711)
Local	31,306	32,938	33,014	76
Special assessment	<u>38,838</u>	<u>40,184</u>	<u>42,376</u>	<u>2,192</u>
Total revenues	<u>132,429</u>	<u>157,123</u>	<u>156,679</u>	<u>(444)</u>
Expenditures				
Current				
Public works	37,654	183,342	144,949	38,393
Debt service				
Principal	144,822	148,500	148,231	269
Interest	<u>155,207</u>	<u>150,100</u>	<u>150,035</u>	<u>65</u>
Total expenditures	<u>337,682</u>	<u>481,942</u>	<u>443,215</u>	<u>38,727</u>
Revenues over (under) expenditures	<u>(205,253)</u>	<u>(324,819)</u>	<u>(286,536)</u>	<u>38,283</u>
Other financing sources (uses)				
Transfers in	121,103	130,730	130,730	-
Transfers out	<u>(87,842)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>33,261</u>	<u>130,730</u>	<u>130,730</u>	<u>-</u>
Net changes in fund balance	(171,992)	(194,089)	(155,806)	38,283
Fund balance, beginning of year	<u>231,249</u>	<u>231,249</u>	<u>231,249</u>	<u>-</u>
Fund balance, end of year	<u>\$ 59,257</u>	<u>\$ 37,160</u>	<u>\$ 75,443</u>	<u>\$ 38,283</u>

CITY OF POTTERVILLE

DEFINED BENEFIT PENSION PLAN SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 33,842	\$ 35,870	\$ 28,735	\$ 36,170	\$ 35,691	\$ 36,874	\$ 28,669
Interest	81,874	81,467	76,996	74,731	65,527	59,141	54,217
Changes in benefit terms	(7,039)	5,371	(5,161)	(4,266)	(824)	(1,957)	-
Difference between expected and actual experience	(2,503)	(31,905)	17,531	(10,338)	64,611	6,364	-
Changes in assumptions	28,768	35,789	-	-	-	34,014	-
Benefit payments including employee refunds	(65,763)	(64,478)	(64,092)	(64,436)	(35,942)	(27,306)	(27,306)
Other	-	-	-	-	-	-	-
Net change in total pension liability	69,179	62,114	54,009	31,861	129,063	107,130	55,580
Total pension liability, beginning of year	1,096,254	1,034,140	980,131	948,270	819,207	712,077	656,497
Total pension liability, ending of year	<u>\$ 1,165,433</u>	<u>\$ 1,096,254</u>	<u>\$ 1,034,140</u>	<u>\$ 980,131</u>	<u>\$ 948,270</u>	<u>\$ 819,207</u>	<u>\$ 712,077</u>
Plan Fiduciary Net Position							
Contributions-employer	\$ 44,430	\$ 43,485	\$ 43,320	\$ 42,593	\$ 46,903	\$ 40,950	\$ 36,760
Contributions-employee	16,836	13,139	10,102	6,418	5,139	1,989	-
Net investment income	100,341	93,668	(28,611)	86,976	67,872	(8,840)	34,035
Benefit payments including employee refunds	(65,763)	(67,478)	(64,092)	(64,436)	(35,942)	(27,306)	(27,306)
Administrative expense	(1,567)	(1,615)	(1,418)	(1,376)	(1,337)	(1,284)	(1,256)
Net change in plan fiduciary net position	94,277	81,199	(40,699)	70,175	82,635	5,509	42,233
Plan fiduciary net position, beginning of year	773,023	691,824	732,523	662,348	579,713	574,204	531,971
Plan fiduciary net position, ending of year	<u>\$ 867,300</u>	<u>\$ 773,023</u>	<u>\$ 691,824</u>	<u>\$ 732,523</u>	<u>\$ 662,348</u>	<u>\$ 579,713</u>	<u>\$ 574,204</u>
Total net pension liability	<u>\$ 298,133</u>	<u>\$ 323,231</u>	<u>\$ 342,316</u>	<u>\$ 247,608</u>	<u>\$ 285,922</u>	<u>\$ 239,494</u>	<u>\$ 137,873</u>
Plan fiduciary net position as a percentage of the total pension liability	74%	71%	67%	75%	70%	71%	81%
Covered employee payroll	\$ 413,716	\$ 452,338	\$ 337,271	\$ 431,105	\$ 415,105	\$ 433,298	\$ 336,891
Employer's net pension liability as a percentage of covered employee payroll	72%	71%	101%	57%	69%	55%	41%

Notes to schedule:

Above information is based on measurement date of December 31

CITY OF POTTERVILLE

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2021

Fiscal Year end	Actuarially determined contributions	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
6/30/2015	\$ 36,760	\$ 36,760	\$ -	\$ 336,891	11%
6/30/2016	40,950	40,950	-	433,298	9%
6/30/2017	46,903	46,903	-	415,015	11%
6/30/2018	42,593	42,593	-	431,105	10%
6/30/2019	41,692	41,692	-	337,271	12%
6/30/2020	47,256	47,256	-	452,338	10%
6/30/2021	41,604	41,604	-	413,716	10%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	5 year smoothed (10 years for 2014)
Inflation	2.5% (3-4% for 2014)
Salary increases	3.00% (4.5 for 2014)
Investment rate of return	7.35% (8.00 for 2014)
Retirement age	Varies depending on plan adoption
Mortality	50% female/ 50% male RP-2014 mortality table

Note to schedule:

The schedule is being accumulated prospectively until 10 years of information is presented

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**COMBINING FUND FINANCIAL
STATEMENTS**

CITY OF POTTERVILLE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	Special Revenue	Capital Projects		
	Park Fund	Capital Projects	Storm Drain Project	Total
Assets				
Cash and pooled investments	\$ 13,399	\$ 3,048	\$ 3,380	\$ 19,827
Accounts receivable	12,286	-	-	12,286
Prepaid	9,000	-	-	9,000
Total assets	\$ 34,685	\$ 3,048	\$ 3,380	\$ 41,113
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 6,574	\$ -	\$ -	\$ 6,574
Accrued liabilities	1,271	-	-	1,271
Total liabilities	7,845	-	-	7,845
Fund balances				
Nonspendable				
Prepaid items	9,000	-	-	9,000
Assigned				
Capital projects	-	3,048	3,380	6,428
City enhancement	17,840	-	-	17,840
Total fund balances	26,840	3,048	3,380	33,268
Total liabilities and fund balances	\$ 34,685	\$ 3,048	\$ 3,380	\$ 41,113

CITY OF POTTERVILLE

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue	Capital Projects		
	Park Fund	Capital Projects	Storm Drain Project	Total
Revenues				
Charges for services	\$ 77,719	\$ -	\$ -	\$ 77,719
Miscellaneous	4,089	-	-	4,089
Total revenues	81,808	-	-	81,808
Expenditures				
Current				
Public works	-	20,671	8,961	29,632
Culture and recreation	148,213	-	-	148,213
Total expenditures	148,213	20,671	8,961	177,845
Revenues over (under) expenditures	(66,405)	(20,671)	(8,961)	(96,037)
Other financing sources (uses)				
Transfers in	69,595	2,654	-	72,249
Net changes in fund balances	3,190	(18,017)	(8,961)	(23,788)
Fund balances, beginning of year	23,650	21,065	12,341	57,056
Fund balances, end of year	\$ 26,840	\$ 3,048	\$ 3,380	\$ 33,268

STATISTICAL SECTION

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CITY OF POTTERVILLE

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

JUNE 30, 2021

Fiscal Year	2014 GO Bonds		Installment purchase		Installment purchase		2016 GO Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 36,000	\$ 41,040	\$ 3,509	\$ 120	\$ 12,329	\$ 623	\$ 55,000	\$ 57,723
2023	37,000	39,825	3,509	70	12,708	243	56,000	56,265
2024	38,000	38,576	3,509	30	1,077	3	58,000	53,212
2025	39,000	37,295	-	-	-	-	60,000	51,616
2026	41,000	35,978	-	-	-	-	61,000	49,967
2027	42,000	34,594	-	-	-	-	63,000	48,290
2028	44,000	33,176	-	-	-	-	65,000	46,557
2029	45,000	31,691	-	-	-	-	66,000	44,770
2030	47,000	30,173	-	-	-	-	68,000	42,955
2031	48,000	28,586	-	-	-	-	70,000	41,085
2032	50,000	26,966	-	-	-	-	72,000	39,160
2033	51,000	25,279	-	-	-	-	74,000	37,180
2034	53,000	23,558	-	-	-	-	76,000	35,145
2035	55,000	21,769	-	-	-	-	78,000	33,055
2036	57,000	19,913	-	-	-	-	80,000	30,910
2037	59,000	17,989	-	-	-	-	82,000	28,710
2038	61,000	15,997	-	-	-	-	85,000	26,455
2039	63,000	13,939	-	-	-	-	87,000	24,118
2040	65,000	11,813	-	-	-	-	89,000	21,725
2041	67,000	9,619	-	-	-	-	92,000	19,278
2042	69,000	7,357	-	-	-	-	94,000	16,748
2043	72,000	5,029	-	-	-	-	97,000	14,162
2044	77,000	2,599	-	-	-	-	100,000	11,495
2045	-	-	-	-	-	-	102,000	8,745
2046	-	-	-	-	-	-	105,000	5,940
2047	-	-	-	-	-	-	111,000	3,052
2048	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-
	<u>\$ 1,216,000</u>	<u>\$ 552,761</u>	<u>\$ 10,527</u>	<u>\$ 220</u>	<u>\$ 26,114</u>	<u>\$ 869</u>	<u>\$ 2,046,000</u>	<u>\$ 848,318</u>

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CITY OF POTTERVILLE

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

JUNE 30, 2021

Fiscal Year	2014A Wastewater Bond		2014B Wastewater Bond		2014 Water Bond		2016A Water Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 67,000	\$ 57,640	\$ 25,000	\$ 27,625	\$ 55,000	\$ 47,410	\$ 25,000	\$ 41,910
2023	68,000	55,798	25,000	26,813	56,000	45,898	26,000	41,223
2024	70,000	53,928	26,000	26,000	58,000	44,358	27,000	40,508
2025	72,000	52,003	27,000	25,155	59,000	42,763	27,000	39,765
2026	74,000	50,023	28,000	24,278	61,000	41,140	28,000	39,023
2027	76,000	47,988	29,000	23,368	63,000	39,463	29,000	38,253
2028	78,000	45,898	30,000	22,425	64,000	37,730	30,000	37,455
2029	80,000	43,753	31,000	21,450	66,000	35,970	31,000	36,630
2030	83,000	41,553	32,000	20,443	68,000	34,155	31,000	35,778
2031	85,000	39,270	33,000	19,403	70,000	32,285	32,000	34,925
2032	87,000	36,933	35,000	18,330	72,000	30,360	33,000	34,045
2033	90,000	34,540	36,000	17,193	74,000	28,380	34,000	33,138
2034	92,000	32,065	37,000	16,023	76,000	26,345	35,000	32,203
2035	95,000	29,535	38,000	14,820	78,000	24,255	36,000	31,240
2036	97,000	26,923	40,000	13,585	80,000	22,110	37,000	30,250
2037	100,000	24,255	41,000	12,285	82,000	19,910	38,000	29,233
2038	103,000	21,505	43,000	10,953	84,000	17,655	39,000	28,188
2039	106,000	18,673	44,000	9,555	87,000	15,345	40,000	27,115
2040	108,000	15,758	46,000	8,125	89,000	12,953	41,000	26,015
2041	111,000	12,788	47,000	6,630	92,000	10,505	42,000	24,888
2042	114,000	9,735	49,000	5,103	94,000	7,975	44,000	23,733
2043	118,000	6,600	51,000	3,510	97,000	5,390	45,000	22,523
2044	122,000	3,355	57,000	1,853	99,000	2,723	46,000	21,285
2045	-	-	-	-	-	-	47,000	20,020
2046	-	-	-	-	-	-	49,000	18,728
2047	-	-	-	-	-	-	50,000	17,380
2048	-	-	-	-	-	-	51,000	16,005
2049	-	-	-	-	-	-	53,000	14,603
2050	-	-	-	-	-	-	54,000	13,145
2051	-	-	-	-	-	-	56,000	11,660
2052	-	-	-	-	-	-	57,000	10,120
2053	-	-	-	-	-	-	59,000	8,553
2054	-	-	-	-	-	-	60,000	6,930
2055	-	-	-	-	-	-	62,000	5,280
2056	-	-	-	-	-	-	64,000	3,575
2057	-	-	-	-	-	-	66,000	1,815
	<u>\$ 2,096,000</u>	<u>\$ 760,519</u>	<u>\$ 850,000</u>	<u>\$ 374,925</u>	<u>\$ 1,724,000</u>	<u>\$ 625,078</u>	<u>\$ 1,524,000</u>	<u>\$ 897,140</u>

2016A Wastewater Bond		2017 Wastewater Bond		2017 Water Bond		Total Business-type		
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
\$ 41,000	\$ 67,843	\$ 27,000	\$ 63,045	\$ 12,000	\$ 28,653	\$ 252,000	\$ 334,126	\$ 586,126
42,000	66,715	28,000	62,134	13,000	28,247	258,000	326,828	584,828
43,000	65,560	29,000	61,189	13,000	27,808	266,000	319,351	585,351
44,000	64,378	30,000	60,210	14,000	27,370	273,000	311,644	584,644
46,000	63,168	31,000	59,198	14,000	26,896	282,000	303,726	585,726
47,000	61,903	32,000	58,151	15,000	26,425	291,000	295,551	586,551
48,000	60,610	33,000	57,071	15,000	25,919	298,000	287,108	585,108
50,000	59,290	35,000	55,958	16,000	25,413	309,000	278,464	587,464
51,000	57,915	36,000	54,776	16,000	24,872	317,000	269,492	586,492
52,000	56,513	37,000	53,561	17,000	24,332	326,000	260,289	586,289
54,000	55,083	38,000	52,313	17,000	23,759	336,000	250,823	586,823
55,000	53,598	39,000	51,030	18,000	23,185	346,000	241,064	587,064
57,000	52,085	41,000	49,714	19,000	22,578	357,000	231,013	588,013
58,000	50,518	42,000	48,330	19,000	21,936	366,000	220,634	586,634
60,000	48,923	44,000	46,913	20,000	21,295	378,000	209,999	587,999
62,000	47,273	45,000	45,428	20,000	20,620	388,000	199,004	587,004
63,000	45,568	47,000	43,909	21,000	19,945	400,000	187,723	587,723
65,000	43,835	48,000	42,323	22,000	19,237	412,000	176,083	588,083
67,000	42,048	50,000	40,703	23,000	18,493	424,000	164,095	588,095
69,000	40,205	51,000	39,015	23,000	17,718	435,000	151,749	586,749
71,000	38,308	53,000	37,294	24,000	16,942	449,000	139,090	588,090
72,000	36,355	55,000	35,505	25,000	16,132	463,000	126,015	589,015
74,000	34,375	57,000	33,649	26,000	15,287	481,000	112,527	593,527
77,000	32,340	59,000	31,725	27,000	14,410	210,000	98,495	308,495
79,000	30,223	61,000	29,734	28,000	13,499	217,000	92,184	309,184
81,000	28,050	63,000	27,675	29,000	12,555	223,000	85,660	308,660
83,000	25,823	65,000	25,549	30,000	11,576	229,000	78,953	307,953
85,000	23,540	67,000	23,355	31,000	10,564	236,000	72,062	308,062
88,000	21,203	69,000	21,094	32,000	9,517	243,000	64,959	307,959
90,000	18,783	72,000	18,765	33,000	8,437	251,000	57,645	308,645
93,000	16,308	74,000	16,335	34,000	7,323	258,000	50,086	308,086
95,000	13,750	77,000	13,838	35,000	6,175	266,000	42,316	308,316
98,000	11,138	79,000	11,239	36,000	4,995	273,000	34,302	307,302
100,000	8,443	30,000	8,573	37,000	3,780	229,000	26,076	255,076
103,000	5,693	-	-	39,000	2,531	206,000	11,799	217,799
104,000	2,860	-	-	32,000	1,214	202,000	5,889	207,889
\$ 2,467,000	\$ 1,450,223	\$ 1,644,000	\$ 1,379,301	\$ 845,000	\$ 629,638	\$ 11,150,000	\$ 6,116,824	\$ 17,266,824

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CONTROL AND COMPLIANCE



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 23, 2021

City Council
City of Pottersville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 Pottersville, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Pottersville, Michigan's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Pottersville, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pottersville, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pottersville, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pottersville, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The City of Potterville, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vrederseld Haefner LLC

CITY OF POTTERVILLE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

2021-001 - material weakness

Condition and Criteria: Significant audit adjustments were necessary during the course of the audit to compile year-end financial statements from the City's general ledger balances.

Cause: The City did not provide a trial balance for the audit process with all necessary adjustments to prepare financial statements in accordance with generally accepted accounting principles.

Effect: Auditing standards require significant audit adjustments be reported as a material weakness.

Recommendation: The City's system of controls should be modified so that all adjustment necessary to prepare financial statements in accordance with generally accepted accounting principles are recorded on the general ledger.

Management Response: The City has implemented the following procedures to minimize the number and extent of proposed audit adjustments with a goal of zero proposed audit adjustments being identified during the audit process. Balances reported in the audited financial statements will be reconciled to general ledger balances within 2 weeks of receiving draft audited financial statements. Prior year audit adjustments will be reviewed and considered during the audit preparation process so that audit adjustments are not repeated.