

# **CITY OF FENNVILLE**

Allegan County, Michigan

## **FINANCIAL STATEMENTS**

June 30, 2020

# CITY OF FENNVILLE

---

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	1
<b>Managements Discussion and Analysis</b> .....	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	10
Statement of Activities.....	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet .....	13
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
<b>Proprietary Funds:</b>	
Statement of Net Position .....	17
Statement of Revenues, Expenses and Changes in Fund Net Position.....	18
Statement of Cash Flows.....	19
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Assets and Liabilities.....	21
<b>Notes to Financial Statements</b> .....	23
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule – General Fund.....	36
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund .....	38
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund .....	39
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
<b>Component Unit:</b>	
Balance Sheet.....	41
Statement of Revenues, Expenditures and Changes in Fund Balances.....	42
<b>Schedule of Indebtedness</b> .....	43



## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Commission  
City of Fennville, Michigan

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 Fennville as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 purposes 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.

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 Fennville as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and  
Members of the City Commission  
City of Fennville, Michigan

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 8) and budgetary comparison information (pages 36 through 39) 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 Fennville's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Berthiaume & Co.*

Saginaw, Michigan  
December 28, 2020

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# CITY OF FENNVILLE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

As management of the City of Fennville (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, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### FINANCIAL HIGHLIGHTS:

- The City's combined total net position is reported as \$9,463,069 for the fiscal year ended June 30, 2020, compared to \$9,085,859 for the fiscal year ended June 30, 2019.
- In the City's governmental activities, revenues generated were \$978,273 while expenses totaled \$826,907
- In the City's business-type activities, revenues generated were \$599,083 while expenses totaled \$611,490.
- Total net position increased by \$377,210.

### 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, 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. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Fennville are divided into three categories:

**Governmental Activities** – Most of the City's basic services are included here, such as the public safety, public works, recreation departments, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

**Business-type Activities** – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water distribution and wastewater collection.

**Component Units** – The City includes the Downtown Development Authority as a discretely presented component unit. The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate entity of the *Downtown Development Authority* for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

# CITY OF FENNVILLE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

### **Fund Financial Statements:**

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. 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 has three types of funds:

**Governmental Funds** – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains four (4) individual governmental funds. Separate information is presented for the General Fund, Major Street Fund and Local Street Fund, which are considered to be "major" funds. Data from the other governmental fund, the Cemetery Perpetual Care Fund, considered to be a "nonmajor" fund, is shown in a separate column.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

**Proprietary Funds** – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise fund is the Water and Sewage Disposal System Fund.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service fund is the Motor Pool Fund.

**Fiduciary Funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

### **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 concerning the City.

# CITY OF FENNVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

### THE CITY OF FENNVILLE AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2020 is \$9,463,069, consisting of \$3,526,249 in governmental activities and \$5,936,820 in business-type activities.

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$1,874,762. Governmental activities unrestricted total is \$1,042,862 while business-type activities is \$831,900.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format as of June 30, 2020 and June 30, 2019.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Assets:</b>						
Current assets	\$ 1,943,207	\$ 1,493,824	\$ 599,771	\$ 729,610	\$ 2,542,978	\$ 2,223,434
Noncurrent assets:						
Capital assets, net	1,839,401	1,863,836	5,104,920	4,969,636	6,944,321	6,833,472
Long-term advance	-	-	303,000	303,000	303,000	303,000
Total assets	<u>3,782,608</u>	<u>3,357,660</u>	<u>6,007,691</u>	<u>6,002,246</u>	<u>9,790,299</u>	<u>9,359,906</u>
<b>Liabilities:</b>						
Current liabilities	44,071	91,529	70,871	53,019	114,942	144,548
Long-term liabilities	<u>212,288</u>	<u>129,499</u>	-	-	<u>212,288</u>	<u>129,499</u>
Total liabilities	<u>256,359</u>	<u>221,028</u>	<u>70,871</u>	<u>53,019</u>	<u>327,230</u>	<u>274,047</u>
<b>Net position:</b>						
Net investment in capital assets	1,754,748	1,863,836	5,104,920	4,969,636	6,859,668	6,833,472
Restricted	728,639	534,652	-	-	728,639	534,652
Unrestricted	<u>1,042,862</u>	<u>738,144</u>	<u>831,900</u>	<u>979,591</u>	<u>1,874,762</u>	<u>1,717,735</u>
Total net position	<u>\$ 3,526,249</u>	<u>\$ 3,136,632</u>	<u>\$ 5,936,820</u>	<u>\$ 5,949,227</u>	<u>\$ 9,463,069</u>	<u>\$ 9,085,859</u>

The City's combined total net position increased by \$377,210 during the current fiscal year. Governmental activities increased by \$389,617 while business-type activities decreased by \$12,407.

### Governmental Activities:

The City's total governmental revenue is reported at \$978,273, an increase of \$124,809 from the prior fiscal year. Total expenses decreased by \$20,587 from the prior fiscal year.

### Business-type Activities:

The City's total business-type revenue is reported at \$599,083, an increase of \$704 from the prior fiscal year. Total expenses increased by \$269 from the prior fiscal year.



# CITY OF FENNVILLE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2020 and June 30, 2019.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 81,490	\$ 87,395	\$ 572,638	\$ 523,426	\$ 654,128	\$ 610,821
Operating grants	182,537	192,421	982	47,782	183,519	240,203
Capital grants	84,869	-	-	-	84,869	-
General revenues						
Property taxes	383,536	360,281	-	-	383,536	360,281
Unrestricted grants and contributions	218,631	186,980	-	-	218,631	186,980
Investment earnings	19,065	19,384	13,296	15,004	32,361	34,388
Other	8,145	7,003	12,167	12,167	20,312	19,170
Total revenues	<u>978,273</u>	<u>853,464</u>	<u>599,083</u>	<u>598,379</u>	<u>1,577,356</u>	<u>1,451,843</u>
<b>Expenses:</b>						
General government	253,754	246,893	-	-	253,754	246,893
Public safety	210,434	196,261	-	-	210,434	196,261
Public works	310,435	360,592	-	-	310,435	360,592
Health and welfare	14,885	14,720	-	-	14,885	14,720
Community and economic development	2,453	1,627	-	-	2,453	1,627
Recreation and culture	32,388	27,401	-	-	32,388	27,401
Interest on long-term debt	2,558	-	-	-	2,558	-
Water and sewage disposal	-	-	611,490	611,221	611,490	611,221
Total expenses	<u>826,907</u>	<u>847,494</u>	<u>611,490</u>	<u>611,221</u>	<u>1,438,397</u>	<u>1,458,715</u>
Excess of revenues over expenses before other	<u>151,366</u>	<u>5,970</u>	<u>(12,407)</u>	<u>(12,842)</u>	<u>138,959</u>	<u>(6,872)</u>
<b>Other items:</b>						
Contributions to principal	2,400	3,800	-	-	2,400	3,800
Sale of capital assets	233,351	927	-	-	233,351	927
Transfers	2,500	-	-	-	2,500	-
Total other items	<u>238,251</u>	<u>4,727</u>	<u>-</u>	<u>-</u>	<u>238,251</u>	<u>4,727</u>
<b>Changes in net position</b>	<b>389,617</b>	<b>10,697</b>	<b>(12,407)</b>	<b>(12,842)</b>	<b>377,210</b>	<b>(2,145)</b>
Net position, beginning of year	<u>3,136,632</u>	<u>3,125,935</u>	<u>5,949,227</u>	<u>5,962,069</u>	<u>9,085,859</u>	<u>9,088,004</u>
Net position, end of year	<u>\$ 3,526,249</u>	<u>\$ 3,136,632</u>	<u>\$ 5,936,820</u>	<u>\$ 5,949,227</u>	<u>\$ 9,463,069</u>	<u>\$ 9,085,859</u>

# CITY OF FENNVILLE

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

### **THE CITY OF FENNVILLE'S FUNDS:**

Presentation of the City of Fennville's major funds and nonmajor fund begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and one of three governmental funds that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2020, General Fund financing sources exceeded its financing uses by \$336,971, increasing its ending fund balance to \$1,011,301. During the year, the General Fund revenues included \$263,450 from the sale of the old City Hall building. The City's second major governmental fund, the Major Street Fund, was able to increase its ending fund balance by \$113,790 to \$446,021. The City's third major governmental fund, the Local Street Fund, was able to increase its ending fund balance by \$77,797 to \$123,798.

### **General Fund Budgetary Highlights:**

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$14,963. During the year, the City made budget amendments, which changed the projection to a net increase in fund balance of \$316,771. The actual results for the year yielded an increase in fund balance of \$336,971.

### **Capital Assets and Debt Administration:**

At June 30, 2020, the City of Fennville had \$6,944,321 invested in a range of capital assets including land, buildings, equipment, vehicles, water and sewer lines, streets, and other infrastructure, net of accumulated depreciation. At June 30, 2019, this total was \$6,833,472. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2020, the City of Fennville's total long-term indebtedness was \$212,288, which was backed by the full faith and credit of the City. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

### **Economic Factors:**

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have been accustomed.

### **Contacting the City's Financial Management:**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the City Office at 125 S. Maple Street, Fennville, MI 49408.

***BASIC FINANCIAL STATEMENTS***

# CITY OF FENNVILLE

## STATEMENT OF NET POSITION

June 30, 2020

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,760,801	\$ 449,778	\$ 2,210,579	\$ 150,774
Investments	138,195	-	138,195	-
Receivables	44,211	452,993	497,204	-
Capital assets not being depreciated	115,880	421,361	537,241	456,467
Capital assets being depreciated, net	<u>1,723,521</u>	<u>4,683,559</u>	<u>6,407,080</u>	<u>101,455</u>
Total assets	<u>3,782,608</u>	<u>6,007,691</u>	<u>9,790,299</u>	<u>708,696</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	44,071	70,871	114,942	394
Long-term liabilities:				
Due within one year:				
Current portion of long-term debt	11,402	-	11,402	-
Due in more than one year:				
Long-term debt	167,134	-	167,134	-
Compensated absences payable	33,752	-	33,752	-
Long-term advance due to primary government	-	-	-	303,000
Total liabilities	<u>256,359</u>	<u>70,871</u>	<u>327,230</u>	<u>303,394</u>
<b>Net position:</b>				
Net investment in capital assets	1,754,748	5,104,920	6,859,668	254,922
Restricted for:				
Cemetery perpetual care	158,820	-	158,820	-
Streets	569,819	-	569,819	-
Unrestricted	<u>1,042,862</u>	<u>831,900</u>	<u>1,874,762</u>	<u>150,380</u>
Total net position	<u>\$ 3,526,249</u>	<u>\$ 5,936,820</u>	<u>\$ 9,463,069</u>	<u>\$ 405,302</u>

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

# CITY OF FENNVILLE

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 253,754	\$ 8,640	\$ -	\$ -	\$ (245,114)
Public safety	210,434	21,801	350	-	(188,283)
Public works	310,435	51,049	182,187	84,869	7,670
Health and welfare	14,885	-	-	-	(14,885)
Community and economic development	2,453	-	-	-	(2,453)
Recreation and culture	32,388	-	-	-	(32,388)
Interest on long-term debt	2,558	-	-	-	(2,558)
Total governmental activities	<u>826,907</u>	<u>81,490</u>	<u>182,537</u>	<u>84,869</u>	<u>(478,011)</u>
<i>Business-type activities:</i>					
Water and sewage disposal	<u>611,490</u>	<u>572,638</u>	<u>982</u>	<u>-</u>	<u>(37,870)</u>
Total primary government	<u>\$ 1,438,397</u>	<u>\$ 654,128</u>	<u>\$ 183,519</u>	<u>\$ 84,869</u>	<u>\$ (515,881)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	<u>\$ 77,446</u>	<u>\$ 12,026</u>	<u>\$ 2,850</u>	<u>\$ -</u>	<u>\$ (62,570)</u>

continued

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

# CITY OF FENNVILLE

## STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2020

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (478,011)	\$ (37,870)	\$ (515,881)	\$ (62,570)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	367,051	-	367,051	-
Property taxes, levied and captured by DDA	-	-	-	51,311
Payment in lieu of taxes	16,485	-	16,485	-
Grants and contributions not restricted to specific programs	218,631	-	218,631	-
Unrestricted investment earnings	19,065	13,296	32,361	-
Other	8,145	12,167	20,312	2,629
Other items:				
Contributions to principal of permanent funds	2,400	-	2,400	-
Special item - Gain on sale of capital asset	233,351	-	233,351	-
Transfers	2,500	-	2,500	(2,500)
Total general revenues, other items and transfers	<u>867,628</u>	<u>25,463</u>	<u>893,091</u>	<u>51,440</u>
Changes in net position	389,617	(12,407)	377,210	(11,130)
Net position, beginning of year	<u>3,136,632</u>	<u>5,949,227</u>	<u>9,085,859</u>	<u>416,432</u>
Net position, end of year	<u>\$ 3,526,249</u>	<u>\$ 5,936,820</u>	<u>\$ 9,463,069</u>	<u>\$ 405,302</u>

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

# CITY OF FENNVILLE

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2020

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Nonmajor Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,028,526	\$ 429,882	\$ 120,127	\$ 29,304	\$ 1,607,839
Investments	-	-	-	138,195	138,195
Due from other governments	<u>22,492</u>	<u>16,419</u>	<u>5,300</u>	<u>-</u>	<u>44,211</u>
Total assets	<u>\$ 1,051,018</u>	<u>\$ 446,301</u>	<u>\$ 125,427</u>	<u>\$ 167,499</u>	<u>\$ 1,790,245</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 11,893	\$ -	\$ 1,400	\$ -	\$ 13,293
Accrued expenses	10,077	280	229	-	10,586
Due to other governments	<u>17,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,747</u>
Total liabilities	<u>39,717</u>	<u>280</u>	<u>1,629</u>	<u>-</u>	<u>41,626</u>
<b>Fund balances:</b>					
Nonspendable:					
Cemetery perpetual care	-	-	-	158,820	158,820
Restricted for:					
Streets	-	446,021	123,798	-	569,819
Committed for:					
Cemetery operations	-	-	-	8,679	8,679
Unassigned	<u>1,011,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,301</u>
Total fund balances	<u>1,011,301</u>	<u>446,021</u>	<u>123,798</u>	<u>167,499</u>	<u>1,748,619</u>
Total liabilities and fund balances	<u>\$ 1,051,018</u>	<u>\$ 446,301</u>	<u>\$ 125,427</u>	<u>\$ 167,499</u>	<u>\$ 1,790,245</u>

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

# CITY OF FENNVILLE

---

## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2020

<b>Fund balances of governmental funds</b>	\$ 1,748,619
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	115,880
Capital assets being depreciated, net	1,723,521
Capital assets being depreciated, net, being accounted for in the internal service fund	(177,503)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Settlement agreements payable	(93,882)
Installment purchase agreement payable	(84,654)
Compensated absences payable	(33,752)
Internal service funds are used by management to charge certain costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	
Net position of governmental activities accounted for in internal service funds	<u>328,020</u>
<b>Net position of governmental activities</b>	<u>\$ 3,526,249</u>

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



# CITY OF FENNVILLE

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2020

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Nonmajor Cemetery Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>					
Property taxes	\$ 383,536	\$ -	\$ -	\$ -	\$ 383,536
Licenses and permits	18,446	-	-	-	18,446
State grants	220,960	167,217	78,773	-	466,950
Contributions from other units	-	-	21,066	-	21,066
Charges for services	11,440	3,549	-	2,400	17,389
Fines and forfeits	1,275	-	-	-	1,275
Interest and rents	18,186	3,663	970	881	23,700
Other revenue	8,245	-	-	-	8,245
<b>Total revenues</b>	<u>662,088</u>	<u>174,429</u>	<u>100,809</u>	<u>3,281</u>	<u>940,607</u>
<b>Expenditures:</b>					
<b>Current</b>					
General government	193,402	-	-	-	193,402
Public safety	207,284	-	-	-	207,284
Public works	57,949	40,639	43,012	-	141,600
Health and welfare	14,885	-	-	-	14,885
Community and economic development	2,453	-	-	-	2,453
Recreation and culture	31,024	-	-	-	31,024
Other	45,734	-	-	-	45,734
Capital outlay	111,226	-	-	-	111,226
Debt service					
Principal	12,052	-	-	-	12,052
Interest and fees	2,558	-	-	-	2,558
<b>Total expenditures</b>	<u>678,567</u>	<u>40,639</u>	<u>43,012</u>	<u>-</u>	<u>762,218</u>
Excess (deficiency) of revenues over expenditures	<u>(16,479)</u>	<u>133,790</u>	<u>57,797</u>	<u>3,281</u>	<u>178,389</u>
<b>Other financing sources (uses):</b>					
Proceeds from installment purchase agreement	90,000	-	-	-	90,000
Sale of capital assets	263,450	-	-	-	263,450
Interfund transfers in	-	-	20,000	-	20,000
Interfund transfers out	-	(20,000)	-	-	(20,000)
<b>Net other financing sources (uses)</b>	<u>353,450</u>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>353,450</u>
Changes in fund balances	336,971	113,790	77,797	3,281	531,839
Fund balances, beginning of year	<u>674,330</u>	<u>332,231</u>	<u>46,001</u>	<u>164,218</u>	<u>1,216,780</u>
Fund balances, end of year	<u>\$ 1,011,301</u>	<u>\$ 446,021</u>	<u>\$ 123,798</u>	<u>\$ 167,499</u>	<u>\$ 1,748,619</u>

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

# CITY OF FENNVILLE

---

## RECONCILIATION OF THE CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2020

<b>Changes in fund balances of governmental funds</b>	\$ 531,839
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased	187,564
Less capital assets purchased accounted for in the internal service fund	(76,338)
Depreciation expense	(176,800)
Less depreciation expense accounted for in the internal service fund	26,174
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.	
Gain on book value of assets disposal	(35,199)
Proceeds from installment purchase agreement are reported as financing sources in governmental funds; however, the proceeds increase long-term liabilities and do not affect the statement of activities.	(90,000)
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 governmental funds.	
Changes in settlement agreement payable	6,706
Changes in installment purchase agreement payable	5,346
Change in compensated absences payable	(4,842)
Internal service funds are used by management to charge certain costs to individual funds. The change in net position of the internal service funds is reported with governmental activities.	
Change in net position of governmental activities accounted for in internal service funds	<u>15,167</u>
<b>Change in net position of governmental activities</b>	<u>\$ 389,617</u>

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

# CITY OF FENNVILLE

---

*PROPRIETARY FUNDS*  
**STATEMENT OF NET POSITION**

June 30, 2020

	<u><i>Enterprise Fund</i></u>		<u><i>Internal Service Fund</i></u>
	<u><i>Water and Sewage Disposal Systems Fund</i></u>		
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 449,778	\$	152,962
Accounts receivable	149,993		-
Total current assets	<u>599,771</u>		<u>152,962</u>
<b><i>Noncurrent assets:</i></b>			
Capital assets not being depreciated	421,361		-
Capital assets being depreciated, net	4,683,559		177,503
Long-term advance due from component unit	303,000		-
Total noncurrent assets	<u>5,407,920</u>		<u>177,503</u>
Total assets	<u>6,007,691</u>		<u>330,465</u>
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Accounts payable	48,109		2,313
Accrued expenses	4,923		132
Deposits payable	17,839		-
Total current liabilities	<u>70,871</u>		<u>2,445</u>
<b>Net position:</b>			
Investment in capital assets	5,104,920		177,503
Unrestricted	831,900		150,517
Total net position	<u>\$ 5,936,820</u>	\$	<u>328,020</u>

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

# CITY OF FENNVILLE

*PROPRIETARY FUNDS*  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 FUND NET POSITION**

Year Ended June 30, 2020

	<u><i>Enterprise Fund</i></u>		<u><i>Internal Service Fund</i></u>
	<u><i>Water and Sewage Disposal Systems Fund</i></u>		
<b>Operating revenues:</b>			
Charges for services:			
Sales	\$ 550,414	\$	-
Other	18,436		-
Penalties	3,788		-
Equipment rental	-		96,837
Reimbursements and other	982		-
	<u>573,620</u>		<u>96,837</u>
Total operating revenues			
<b>Operating expenses:</b>			
Personal services	240,758		19,981
Contracted services	81,439		5,945
Administrative expense	-		1,630
Insurance	7,488		8,076
Utilities	45,199		-
Repairs and maintenance	-		6,748
Other services and expenses	77,957		23,281
Depreciation	158,649		26,174
	<u>611,490</u>		<u>91,835</u>
Total operating expenses			
Operating income (loss)	<u>(37,870)</u>		<u>5,002</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	13,296		2,565
Sale of capital assets	-		5,100
Interest income on long-term advance to DDA	12,167		-
	<u>25,463</u>		<u>7,665</u>
Net non-operating revenues (expenses) before transfers			
<b>Interfund transfers in</b>	<u>-</u>		<u>2,500</u>
Changes in net position	(12,407)		15,167
Net position, beginning of year	<u>5,949,227</u>		<u>312,853</u>
Net position, end of year	<u>\$ 5,936,820</u>	<u>\$</u>	<u>328,020</u>

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

# CITY OF FENNVILLE

*PROPRIETARY FUNDS*  
**STATEMENT OF CASH FLOWS**  
 Year Ended June 30, 2020

	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Water and Sewage Disposal Systems Fund</i>	<i>Internal Service Fund</i>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 537,218	\$ -
Cash received from reimbursements and other	982	-
Cash received (paid) for interfund services	(37,500)	96,837
Cash payments to and on behalf of employees	(239,072)	(19,956)
Cash payments to suppliers for goods and services	(158,417)	(44,373)
Net cash provided (used) by operating activities	103,211	32,508
<b>Cash flows from non-capital financing activities:</b>		
Interfund transfer in	-	2,500
<b>Cash flows from capital and related financing activities:</b>		
Sale of capital assets	-	5,100
Acquisition and construction of capital assets	(293,933)	(76,339)
Net cash provided (used) by capital and related financing activities	(293,933)	(71,239)
<b>Cash flows from investing activities:</b>		
Interest received	13,296	2,565
Interest received on loan to component unit - DDA	12,167	-
Net cash provided by investing activities	25,463	2,565
Net increase (decrease) in cash and cash equivalents	(165,259)	(33,666)
Cash and cash equivalents, beginning of year	615,037	186,628
Cash and cash equivalents, end of year	\$ 449,778	\$ 152,962

continued

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

# CITY OF FENNVILLE

---

*PROPRIETARY FUNDS*  
**STATEMENT OF CASH FLOWS, CONTINUED**  
Year Ended June 30, 2020

	<u><i>Enterprise Fund</i></u>		<u><i>Internal Service Fund</i></u>
	<u><i>Water and Sewage Disposal Systems Fund</i></u>		
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (37,870)	\$	5,002
Adjustments:			
Depreciation	158,649		26,174
Change in assets and liabilities:			
Accounts receivable	(35,420)		-
Accounts payable	13,616		1,307
Accrued expenses	1,686		25
Deposits payable	<u>2,550</u>		<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 103,211</u>	\$	<u>32,508</u>

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

# CITY OF FENNVILLE

---

*FIDUCIARY FUNDS*  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
June 30, 2020

	<u><i>Agency Funds</i></u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 49,593
Total assets	<u>\$ 49,593</u>
<b>Liabilities:</b>	
Accounts payable	\$ 2,105
Performance deposit payable	25,008
Due to other governments	<u>22,480</u>
Total liabilities	<u>\$ 49,593</u>

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

***NOTES TO FINANCIAL STATEMENTS***



# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The following is a summary of the significant accounting policies used by the City of Fennville, (the “City”):

#### **Reporting Entity:**

The City of Fennville is governed by an elected mayor and six-member council. The accompanying financial statements present the City as the primary government. Component units are separate legal entities for which the City is financially accountable. Blended component units are, in substance, part of the primary government’s operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The City has determined that it has one component unit, and it should be presented discretely.

#### **Discretely Presented Component Unit:**

**Downtown Development Authority** – The Fennville Downtown Development Authority (DDA), an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. The Authority is fiscally dependent on the City because tax rates for the DDA district and bonded debt must be approved by the City Council. The Authority is reported as a separate column to emphasize that it is legally separate from the City. Separate financial statements for the DDA are not prepared. The DDA's financial activity is as reflected in these accompanying financial statements.

#### **Joint Venture:**

**Fennville Area Fire Board** – The City is a member of the Fennville Area Fire Board (Fire Board), which is a joint venture of the Townships of Manlius and the City of Fennville. The Administrative Board of the Fire Board consists of members appointed by each participating unit. The Fire Board was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. During the year ended June 30, 2020, the City contributed \$97,310 as its proportionate share of the Fire Board’s budgeted costs. The inter-local agreement governing the joint venture does not convey an equity interest to its member units; therefore, there is no equity interest recorded in the City’s financials. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Fennville Area Fire Board.

#### **Accounting and Reporting Principles:**

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

#### **Report Presentation:**

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Fund Accounting:**

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

**Governmental funds** include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds.

**Proprietary funds** provide goods or services to users in exchange for charges or fees.

**Fiduciary funds** account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

The City reports the following major governmental funds:

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

**Special Revenue Fund – Major Street Fund** is used to account for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the City.

**Special Revenue Fund – Local Street Fund** is used to account for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets in the City.

The City reports the following major proprietary funds:

**Enterprise Fund – Water and Sewage Disposal Systems Fund** is used to account for the sale of water and treatment of wastewater to the residents of the City of Fennville.

Additionally, the City reports the following fund types:

**Permanent Funds** account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

*Internal Service Funds* account for the rental of machinery and equipment to other departments, and related costs.

*Agency Funds* account for assets held by the City in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

#### **Basis of Accounting:**

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### **Specific Balances and Transactions:**

*Deposits and Investments* – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

*Prepaid Items* – Certain payments to vendors may reflect costs applicable to future accounting periods and are recorded as prepaid items, if any, in both government-wide and fund financial statements.

*Capital Assets* – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are defined by the City as assets with an individual cost in excess of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

Buildings and improvements	20-40 years
Infrastructure	15-25 years
Land improvements	5-10 years
Machinery and equipment	5-15 years
Office furniture	5-20 years
Sewage and water systems	10-50 years
Vehicles	3-25 years

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. The General Fund is generally used to liquidate governmental long-term debt.

**Compensated Absences** – The City provides paid time off (PTO) to its full-time employees. Employees are allowed to carry over up to a maximum of 240 hours of PTO each anniversary year with hours in excess being forfeited. Accrued PTO will be paid to employees who retire in accordance with the City’s retirement plan in effect, resign and give minimum of two (2) weeks’ notice, laid off and request payment of PTO pay, or upon death. The City provides vacation time annually which must be used by the employee’s anniversary date or it is forfeited. Accrued vacation time will be paid to employees for the same reasons for accrued PTO.

**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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

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

**Fund Balance Flow Assumption** – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. 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.

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**Fund Balance Policies** – In the fund financial statements, fund balance may be presented in five possible categories, each of which identifies the extent to which the City is bound to honor constraints on the specific purpose for which amounts can be spent:

*Nonspendable* – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* – Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use for a specific purpose.

*Committed* – Amounts that have been formally set aside by the City Commission for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Commission.

*Assigned* – Amounts that are intended to be used for specific purposes expressed by the City Commission.

*Unassigned* – Amounts that do not fall into any category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**Property Taxes** – Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the date the bills are due. After that period of time, three percent penalty and interest at one percent per month are added to all unpaid taxes. The City continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the County for collection. The County's policy has been to pay the City for all delinquent real property taxes returned. The City continues to collect delinquent personal property taxes.

The 2019 taxable valuation of the City totaled \$22,842,458, on which ad valorem taxes levied consisted of 14.9369 for operating purposes, .7688 for public safety and .9694 for fire.

**Proprietary Funds Operating Classification** – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system, if any, and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

#### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

#### **Interfund Activity:**

During the course of operations, the City may have activity between funds for various purposes. Any residual balances outstanding at year end, if any, are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts, if any, are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

---

### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

#### **Budgetary Information:**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. Before the beginning of the next fiscal year, a proposed operating budget is submitted to the City Commission by fund. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to July 1, the budget is legally enacted by adoption of the City Commission. Any revision that alters the total expenditures of any fund must be approved by the City Commission. Formal budgetary integration is employed as a management control device during the year for all funds. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund as well as any other major funds is included in the required supplementary information. All annual appropriations lapse at fiscal year end.

#### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the City's General Fund incurred expenditures that were in excess of the amounts budgeted for capital outlay in the amount of \$111,130.

---

### NOTE 3: DEPOSITS AND INVESTMENTS

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the City Commission is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

# CITY OF FENNVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

The City’s deposits are subject to custodial risk, which is presented in more detail as follows:

**Custodial Credit Risk – Deposits** is the risk that in the event of a bank failure, the City’s deposits may not be returned to them. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,410,871 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,017,336 was covered by federal depository insurance corporation and \$808,889 was covered by securities investors protection corporation. The City believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The investment policy adopted by the City Council is in accordance with Public Act 196 of 1997. The City’s deposits and investments have been made in accordance with statutory authority.

**Interest Rate Risk - Investments** is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City’s investment policy does not have specific limits in excess of State law on investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>
Mutual funds - money market	\$ 138,195	\$ 138,195

**Credit Risk – Investments** – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City’s investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of investments are as follow:

<u>Investment Type</u>	<u>Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds - money market	\$ 138,195	Not rated	N/A

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. At year end, none of the City’s investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City’s name

# CITY OF FENNVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 4: FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City has the following recurring fair value measurement as of June 30, 2020:

<i>Investment Type</i>	<i>Market Value</i>	<i>Level 1 Inputs</i>
Mutual funds - money market	\$ 138,195	\$ 138,195

### NOTE 5: CAPITAL ASSETS

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

	<i>July 1, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2020</i>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 122,707	\$ -	\$ (6,827)	\$ 115,880
Capital assets being depreciated:				
Buildings and improvements	548,334	111,226	(276,215)	383,345
Furniture and equipment	38,555	-	-	38,555
Infrastructure	2,554,489	-	-	2,554,489
Land improvements	129,944	-	(8,400)	121,544
Machinery and equipment	335,155	-	-	335,155
Vehicles	280,015	76,338	-	356,353
Total capital assets being depreciated	3,886,492	187,564	(284,615)	3,789,441
Less accumulated depreciation for:				
Buildings and improvements	(441,479)	(9,519)	247,843	(203,155)
Furniture and equipment	(33,438)	(1,660)	-	(35,098)
Infrastructure	(1,153,886)	(129,302)	-	(1,283,188)
Land improvements	(88,673)	(3,296)	8,400	(83,569)
Machinery and equipment	(156,844)	(18,260)	-	(175,104)
Vehicles	(271,043)	(14,763)	-	(285,806)
Total accumulated depreciation	(2,145,363)	(176,800)	256,243	(2,065,920)
Capital assets being depreciated, net	1,741,129	10,764	(28,372)	1,723,521
Governmental activities, capital assets, net	\$ 1,863,836	\$ 10,764	\$ (35,199)	\$ 1,839,401



# CITY OF FENNVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 5: CAPITAL ASSETS, CONTINUED

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2020</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,400	\$ -	\$ -	\$ 16,400
Construction in progress	111,028	293,933	-	404,961
Total capital assets not being depreciated	<u>127,428</u>	<u>293,933</u>	<u>-</u>	<u>421,361</u>
Capital assets being depreciated:				
Equipment	88,142	-	-	88,142
Sewage systems	1,156,632	-	-	1,156,632
Water systems	6,276,680	-	-	6,276,680
Total capital assets being depreciated	<u>7,521,454</u>	<u>-</u>	<u>-</u>	<u>7,521,454</u>
Less accumulated depreciation for:				
Equipment	(35,015)	(4,935)	-	(39,950)
Sewage systems	(767,305)	(13,813)	-	(781,118)
Water systems	(1,876,926)	(139,901)	-	(2,016,827)
Total accumulated depreciation	<u>(2,679,246)</u>	<u>(158,649)</u>	<u>-</u>	<u>(2,837,895)</u>
Capital assets being depreciated, net	<u>4,842,208</u>	<u>(158,649)</u>	<u>-</u>	<u>4,683,559</u>
Business-type activities, capital assets, net	<u>\$ 4,969,636</u>	<u>\$ 135,284</u>	<u>\$ -</u>	<u>\$ 5,104,920</u>
<b>Component unit:</b>				
Nondepreciable capital assets				
Land	\$ 456,467	\$ -	\$ -	\$ 456,467
Capital assets being depreciated:				
Land improvements	121,745	-	-	121,745
Less accumulated depreciation for:				
Land improvements	(12,174)	(8,116)	-	(20,290)
Capital assets being depreciated, net	<u>109,571</u>	<u>(8,116)</u>	<u>-</u>	<u>101,455</u>
Component unit, capital assets, net	<u>\$ 566,038</u>	<u>\$ (8,116)</u>	<u>\$ -</u>	<u>\$ 557,922</u>

Depreciation expense was charged to various functions as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
General government	\$ 14,616	\$ -	\$ -
Public safety	3,150	-	-
Public works	157,670	-	-
Community and economic development	-	-	8,116
Recreation and culture	1,364	-	-
Water and sewage disposal	-	158,649	-
	<u>\$ 176,800</u>	<u>\$ 158,649</u>	<u>\$ 8,116</u>

# CITY OF FENNVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 6: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and contract financing are direct obligations and pledge the full faith and credit of the City. Long-term obligation activity for the year ended June 30, 2020 is summarized as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
<i>Other Obligations:</i>					
2014 Settlement Agreement Payable to Clyde Township for \$134,118 with annual payments due of \$6,706 with no interest. Maturing July 1, 2033	\$ 100,588	\$ -	\$ (6,706)	\$ 93,882	\$ 6,706
2019 Installment Purchase Agreement with annual payments due of \$7,904 including 3.79% interest. Maturing June 1, 2034	-	90,000	(5,346)	84,654	4,696
<i>Other liabilities:</i>					
Compensated absences	28,911	8,996	(4,155)	33,752	-
Total governmental activities- long-term liabilities	<u>\$ 129,499</u>	<u>\$ 98,996</u>	<u>\$ (16,207)</u>	<u>\$ 212,288</u>	<u>\$ 11,402</u>

Annual debt service requirements to maturity for the above obligations (excluding compensated absences) are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 11,402	\$ 3,208	\$ 14,610
2022	11,580	3,030	14,610
2023	11,765	2,845	14,610
2024	11,956	2,654	14,610
2025	12,155	2,455	14,610
2026-2030	64,036	9,014	73,050
2031-2034	55,642	2,784	58,426
	<u>\$ 178,536</u>	<u>\$ 25,990</u>	<u>\$ 204,526</u>

### NOTE 7: ADVANCES AND TRANSFERS

**Advances** – In a prior fiscal year the Water and Sewer fund advanced a loan of \$303,000 to the DDA for the purchase of land. The advance/loan balance outstanding at June 30, 2020 was \$303,000. Currently, the DDA is making interest only payments to the Water and Sewer fund. The amount of interest paid by the DDA, in the current fiscal year, was \$12,167.

**Transfers** – The Major Street Fund transferred \$20,000 to the Local Street Fund and the DDA transferred \$2,500 to the Internal Service Fund during the current fiscal year for operating purposes.

# CITY OF FENNVILLE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### NOTE 8: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Receivables:</b>				
Accounts	\$ -	\$ 149,993	\$ 149,993	\$ -
Intergovernmental	44,211	303,000	347,211	-
Total receivables	<u>\$ 44,211</u>	<u>\$ 452,993</u>	<u>\$ 497,204</u>	<u>\$ -</u>
<b>Accounts payable and accrued expenses:</b>				
Accounts	\$ 15,606	\$ 48,109	\$ 63,715	\$ 55
Accrued wages payable	10,718	4,923	15,641	339
Deposits payable	-	17,839	17,839	-
Intergovernmental	17,747	-	17,747	-
Total accounts payable and accrued expenses	<u>\$ 44,071</u>	<u>\$ 70,871</u>	<u>\$ 114,942</u>	<u>\$ 394</u>

### NOTE 9: 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; and natural disasters for which the City carries full multi-peril insurance coverage underwritten by the Michigan Municipal Liability and Property Pool. The City is fully insured for workers compensation claims by coverage underwritten by the Michigan Municipal Workers Compensation Fund. Risk control techniques include the use of third party claims review, third party loss control services, and employee education and training programs. Settled claims for insurance have never exceeded the amount of coverage. There was no reduction of coverage's obtained through insurance during the past year.

Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years. The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

#### Defined Contribution Plan:

The City contributes to simplified employee pension (SEP) accounts covering all full-time employees. Contributions for the year were \$17,067. The City contributes an amount equal to 5% of covered payroll. Plan provisions and contribution requirements are established and may be amended by the City Council.

# CITY OF FENNVILLE

---

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

---

### NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

---

#### **Deferred Compensation Plan:**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All assets of the plan are held in trust for the employees thereby insulating the assets from the City's general creditors. As a result, the plan assets are not included in these financial statements.

#### **Health Savings Accounts:**

The City contributes \$500 per full time employee to a Health Savings Account. The medical expenses are administered by a third party. During the current fiscal year, the City contributed \$3,500.

---

### NOTE 11: SUBSEQUENT EVENTS

---

On July 7, 2020, the City issued Water System Improvement Revenue Bonds, Series A in the amount of \$1,115,000 and Series B in the amount of \$111,000. Both issues are maturing July 1, 2061 with an interest rate not to exceed 3.25%. The bonds are for the purpose of construction, enlarging, improving and/or extending the City's water system.

***REQUIRED SUPPLEMENTARY INFORMATION***

# CITY OF FENNVILLE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Property taxes	\$ 375,217	\$ 384,738	\$ 383,536	\$ (1,202)
Licenses and permits	15,000	18,445	18,446	1
State grants	192,061	231,061	220,960	(10,101)
Charges for services	11,065	12,640	11,440	(1,200)
Fines and forfeits	800	800	1,275	475
Interest and rents	8,200	8,200	18,186	9,986
Other revenue	7,850	7,850	8,245	395
Total revenues	<u>610,193</u>	<u>663,734</u>	<u>662,088</u>	<u>(1,646)</u>
<b>Expenditures:</b>				
Current				
General government				
Council	14,830	18,595	17,972	623
Manager	26,471	26,471	22,106	4,365
Clerk	19,683	19,683	19,669	14
Audit	8,500	8,500	7,950	550
Board of review	500	1,765	1,674	91
Treasurer	25,096	25,705	25,259	446
Assessor	9,795	9,795	9,712	83
Elections	6,922	6,922	6,133	789
Hall and grounds	77,613	77,613	73,727	3,886
Attorney	6,500	9,200	9,200	-
Total general government	<u>195,910</u>	<u>204,249</u>	<u>193,402</u>	<u>10,847</u>
Public safety				
Police	99,789	110,593	109,974	619
Fire	100,676	100,676	97,310	3,366
Total public safety	<u>200,465</u>	<u>211,269</u>	<u>207,284</u>	<u>3,985</u>
Public works				
Department of public works	38,900	-	-	-
Sidewalks	16,613	16,613	9,519	7,094
Street lighting	23,000	23,000	20,267	2,733
Brush pickup	5,056	5,056	4,791	265
Cemetery	22,765	23,636	23,372	264
Total public works	<u>106,334</u>	<u>68,305</u>	<u>57,949</u>	<u>10,356</u>
Health and welfare				
Ambulance	15,325	15,325	14,885	440

continued

# CITY OF FENNVILLE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance with</i>
	<u>Original</u>	<u>Final</u>		<i>Final Budget</i>
				<i>Favorable</i>
				<i>(Unfavorable)</i>
Community and economic development				
Planning	2,146	2,696	2,453	243
Recreation and culture				
Parks and recreation	30,245	32,097	31,024	1,073
Other				
Payroll taxes and benefits	47,725	47,725	31,974	15,751
Insurance	12,300	14,041	13,760	281
Total other	60,025	61,766	45,734	17,105
Capital outlay	8,000	96	111,226	(111,130)
Debt service				
Principal	-	12,052	12,052	-
Interest and fees	6,706	2,558	2,558	-
Total debt service	6,706	14,610	14,610	-
Total expenditures	625,156	610,413	678,567	(68,154)
Excess (deficiency) of revenues over expenditures	(14,963)	53,321	(16,479)	(69,800)
<b>Other financing sources (uses):</b>				
Proceeds installment from purchase agreement	-	-	90,000	90,000
Sale of capital assets	-	263,450	263,450	-
Net other financing sources (uses)	-	263,450	353,450	90,000
Change in fund balance	(14,963)	316,771	336,971	20,200
Fund balance, beginning of year	674,330	674,330	674,330	-
Fund balance, end of year	<u>\$ 659,367</u>	<u>\$ 991,101</u>	<u>\$ 1,011,301</u>	<u>\$ 20,200</u>

# CITY OF FENNVILLE

## SPECIAL REVENUE FUND – MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
State grants	\$ 172,559	\$ 172,559	\$ 167,217	\$ (5,342)
Charges for services	1,300	1,300	3,549	2,249
Interest and rents	-	-	3,663	3,663
Total revenues	<u>173,859</u>	<u>173,859</u>	<u>174,429</u>	<u>570</u>
<b>Expenditures:</b>				
Current				
Public works	<u>113,609</u>	<u>44,150</u>	<u>40,639</u>	<u>3,511</u>
Excess (deficiency) of revenues over expenditures	<u>60,250</u>	<u>129,709</u>	<u>133,790</u>	<u>4,081</u>
<b>Other financing sources (uses):</b>				
Interfund transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Change in fund balance	40,250	109,709	113,790	4,081
Fund balance, beginning of year	<u>332,231</u>	<u>332,231</u>	<u>332,231</u>	<u>-</u>
Fund balance, end of year	<u>\$ 372,481</u>	<u>\$ 441,940</u>	<u>\$ 446,021</u>	<u>\$ 4,081</u>



# CITY OF FENNVILLE

## SPECIAL REVENUE FUND – LOCAL STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
State grants	\$ 85,298	\$ 79,027	\$ 78,773	\$ (254)
Contributions from other units	20,000	20,000	21,066	1,066
Interest and rents	<u>2,000</u>	<u>-</u>	<u>970</u>	<u>970</u>
Total revenues	<u>107,298</u>	<u>99,027</u>	<u>100,809</u>	<u>1,782</u>
<b>Expenditures:</b>				
Current				
Public works	<u>125,361</u>	<u>48,776</u>	<u>43,012</u>	<u>5,764</u>
Excess (deficiency) of revenues over expenditures	<u>(18,063)</u>	<u>50,251</u>	<u>57,797</u>	<u>7,546</u>
<b>Other financing sources (uses):</b>				
Interfund transfers in	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Change in fund balance	1,937	70,251	77,797	7,546
Fund balance, beginning of year	<u>46,001</u>	<u>46,001</u>	<u>46,001</u>	<u>-</u>
Fund balance, end of year	<u>\$ 47,938</u>	<u>\$ 116,252</u>	<u>\$ 123,798</u>	<u>\$ 7,546</u>

***OTHER SUPPLEMENTARY INFORMATION***

# CITY OF FENNVILLE

---

## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### BALANCE SHEET

June 30, 2020

**Assets:**

Cash and cash equivalents \$ 150,774

**Liabilities and Fund Balances :**

**Liabilities:**

Accounts payable \$ 55

Accrued expenses 339

Long-term advance due to primary government 303,000

Total liabilities 303,394

**Fund balance:**

Unassigned (deficit) (152,620)

Total liabilities and fund balance \$ 150,774

**RECONCILIATION OF FUND BALANCE TO NET POSITION:**

**Fund balance for component unit** \$ (152,620)

Net position reported for the component unit in the statement of net position is different because:

Capital assets used in the component unit are not financial resources and therefore are not reported in the fund statement.

Capital assets not being depreciated 456,467

Capital assets being depreciated, net 101,455

**Net position of component unit** \$ 405,302

# CITY OF FENNVILLE

## COMPONENT UNIT – DOWNTOWN DEVELOPMENT AUTHORITY

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 47,410	\$ 47,410	\$ 51,311	\$ 3,901
Interest and rents	11,100	11,100	12,026	926
Other revenue	5,000	5,000	5,479	479
Total revenues	<u>63,510</u>	<u>63,510</u>	<u>68,816</u>	<u>5,306</u>
<b>Expenditures:</b>				
Current				
Community and economic development	71,672	50,375	57,163	(6,788)
Debt service				
Interest on advance from Water and Sewer Fund	12,167	12,167	12,167	-
Total expenditures	<u>83,839</u>	<u>62,542</u>	<u>69,330</u>	<u>(6,788)</u>
Excess (deficiency) of revenues over expend	<u>(20,329)</u>	<u>968</u>	<u>(514)</u>	<u>12,094</u>
<b>Other financing sources (uses):</b>				
Transfers to other funds	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>-</u>
Change in fund balance	(22,829)	(1,532)	(3,014)	12,094
Fund balance (deficit), beginning of year	<u>(149,606)</u>	<u>(149,606)</u>	<u>(149,606)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (172,435)</u>	<u>\$ (151,138)</u>	<u>\$ (152,620)</u>	<u>\$ 12,094</u>

#### RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION:

**Change in fund balance** \$ (3,014)

Change in net position of the component unit in the statement of activities is different because:

The component units report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Purchases of capital assets	-
Depreciation expense	<u>(8,116)</u>
<b>Change in net position</b>	<u>\$ (11,130)</u>

# CITY OF FENNVILLE

---

## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

### 2014 SETTLEMENT AGREEMENT PAYABLE TO CLYDE TOWNSHIP

Settlement dated July 22, 2015 in the amount of	\$	134,118
Less: Principal paid in prior years		(33,530)
Principal paid in current year		<u>(6,706)</u>
Balance payable at June 30, 2020	\$	<u>93,882</u>

Balance payable as follows:

<u>Year Ended</u>	<u>No interest</u>	<u>Total Annual Requirement</u>
2021		\$ 6,706
2022		6,706
2023		6,706
2024		6,706
2025		6,706
2026		6,706
2027		6,706
2028		6,706
2029		6,706
2030		6,706
2031		6,706
2032		6,706
2033		6,706
2034		<u>6,704</u>
		<u>\$ 93,882</u>

# CITY OF FENNVILLE

---

## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2020

### 2019 INSTALLMENT PURCHASE AGREEMENT

Issued August 19, 2019 in the amount of	\$	90,000
Less: Principal paid in prior years		-
Principal paid in current year		<u>(5,346)</u>
Balance payable at June 30, 2020	\$	<u>84,654</u>

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Principal June 1</u>	<u>Interest June 1</u>	<u>Total Annual Requirement</u>
2021	3.79%	\$ 4,696	\$ 3,208	\$ 7,904
2022	3.79%	4,874	3,030	7,904
2023	3.79%	5,059	2,845	7,904
2024	3.79%	5,250	2,654	7,904
2025	3.79%	5,449	2,455	7,904
2026	3.79%	5,656	2,248	7,904
2027	3.79%	5,870	2,034	7,904
2028	3.79%	6,093	1,811	7,904
2029	3.79%	6,324	1,580	7,904
2030	3.79%	6,563	1,341	7,904
2031	3.79%	6,812	1,092	7,904
2032	3.79%	7,070	834	7,904
2033	3.79%	7,338	566	7,904
2034	3.79%	<u>7,600</u>	<u>292</u>	<u>7,892</u>
		<u>\$ 84,654</u>	<u>\$ 25,990</u>	<u>\$ 110,644</u>