

City of Ithaca
Ithaca, Michigan

Financial Statements
June 30, 2025



RPC
Roslund Prestage & Company
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Members of City Council
City of Ithaca
Ithaca, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025, on our consideration of the City'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 solely 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 the City's 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 City's internal control over financial reporting and compliance.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

November 24, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS





City of Ithaca, Michigan

Management's Discussion and Analysis

As management of the City of Ithaca, Michigan (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 ending June 30, 2025. This management's discussion and analysis (MD&A) is intended to assist in focusing on significant financial issues and to provide an overview of the city's financial activity.

This annual financial report is presented in conformity with the requirements of GASB (Governmental Accounting Standards Board) Statement No. 34. GASB is the source of generally accepted accounting principles (GAAP) used by state and local governments in the United States. The basic financial statements include two types of statements that present different views of the city. The first statements are *government-wide financial statements* that provide both short-term and long-term information about the city's financial position. The remaining statements are *fund financial statements* that focus on individual sections of the city's operations. The city encourages readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The net position of the city is the amount by which the city's assets exceed its liabilities. The assets and deferred outflows of resources of the city exceeded its liabilities and deferred inflows on June 30, 2025, the end of the fiscal year, by \$14,477,399 (*net position*). Of this, \$5,796,430 (*unrestricted net position*) may be used to meet the city's ongoing obligations to citizens and creditors.
- The city's total net position increased by \$2,418,893. This resulted from an increase in net position of the governmental activities of \$919,787 and an increase in net position of business activities of \$1,499,106.
- As of June 30, 2025, the city's governmental funds reported combined ending fund balances of \$4,749,351. This is a net increase of \$545,370 from the prior year. Of the total fund balance for governmental funds, \$1,699,203 is available for spending at the city's discretion (unrestricted fund balance), \$845,000 is available for spending for specific purposes as approved by resolution of the City Council (assigned fund balance) and \$2,235,148 is constrained for specific purposes by constitutional provision or enabling legislation (restricted fund balance.)
- The city's long-term debt consists of compensated absences for full-time employees and the outstanding enterprise fund bonded indebtedness for water and sewer system improvements. A detailed schedule of the city's long-term obligations can be found in the *Notes to the Financial Statements*.



City of Ithaca, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the city's basic financial statements, which are comprised of five components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements 3) Fiduciary Funds; 4) Component Units; and 5) Notes to the Financial Statements. This report also contains the required supplementary information and 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 city's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as the net position. Over time, increases or decreases in the net position 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 fiscal year. All the city's revenues and expenditures are reported based on when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cashflows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave for employees.)

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

- *Governmental Activities* – The majority of the city's basic services are included here and are principally supported by taxes and intergovernmental revenues. The governmental activities of the city include general government, public safety, streets, library, parks, cemetery, economic development and other.
- *Business-type Activities* – The city charges user fees and charges to customers to essentially cover the costs of providing certain services. The city's water supply and sanitary sewer disposal systems are included here.
- *Component Units* – The city (known as the *primary government*), also has a legally separate authority for which the city is financially accountable. The Downtown Development Authority (DDA) is a separate authority, and its financial information is reported here.

The government-wide financial statements can be found on pages 1-2 of this report.



City of Ithaca, Michigan

Management's Discussion and Analysis

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 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 the inflow and outflow of cash and other spendable resources, and the balance left at year-end that is available for spending. The governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer resources that can be spent in the near future to finance city programs.

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.

The city maintains nine individual governmental funds for budgetary purposes. 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, Major Streets, Local Streets, Library and Grant Program funds, each of which are major funds. Data from the non-major governmental funds are combined in a single-column presentation on the governmental funds statement. Individual fund data for each of these non-major governmental funds is provided in the combining statements in the *Other Supplementary Information* section of this report.

The city adopts annual appropriated budgets for its general and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets. These can be found in the required supplementary information section of this report.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

- **Proprietary funds.** The City maintains two different types of 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 water supply and sanitary sewage collection and disposal systems. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the city's various functions. The city uses internal service funds to account for its equipment fund (motor pool operations). The services of the equipment fund predominantly benefit



City of Ithaca, Michigan

Management's Discussion and Analysis

governmental rather than business-type functions and are included in their entirety within 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 information for the Water and Sewer funds, which are considered to be major funds of the city.

The proprietary fund financial statements can be found on pages 7-9 of this report.

➤ ***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties *outside* the city. Fiduciary funds are not reflected in the government-wide financial statements 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.

The basic fiduciary fund financial statements can be found on pages 10-11 of this report.

Notes to the Financial Statements

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

The Notes to the Financial Statements can be found on pages 14-35 of this report.

Required Supplementary Information

The city is required to present supplementary information related to the city's progress in funding its obligation to provide retirement benefits to its employees and budget-to-actual presentation for the general fund and major special revenue funds.

This supplementary information can be found on pages 36-44 of this report.

Other Supplementary Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain supplementary information including the combining statement referred to earlier in connection with non-major governmental funds. Combining and individual fund statement and schedules follow the notes to the financial statements.

This information can be found on pages 45-46 of this report.

Component Unit

Individual component unit financial statements can be found on pages 12-13 of this report.



City of Ithaca, Michigan

Management's Discussion and Analysis

Government-Wide Financial Analysis

The *Statement of Net Position* provides an overview of the city's assets, liabilities and net position. As previously mentioned, this provides a good indicator of the city's fiscal health.

The total net position of the city for Fiscal Year end June 2025 is \$14,477,399. However, \$6,445,821 represents its investment in capital assets net of related debt (i.e., land, buildings, furniture & fixtures, equipment, vehicles, water & sewer systems), with 70% (\$4,582,770) being the water supply and sewage disposal systems' infrastructure. These assets are used to provide services to residents but are not available for future spending nor can they be liquidated to eliminate their related liabilities.

Of the more liquid assets, \$2,235,148 represents resources and funds that have external restrictions on how they may be used. These assets are held for street maintenance & operations, library operations, economic development, grant projects, reserves, and perpetual care of the city cemetery. The City Council has the authority to assign a portion of fund balance that does not meet the restricted definition, for specific purposes; \$845,000 was assigned for capital improvement/replacements, pension liability and equipment purchase. The city may use the remaining balance (unrestricted) of \$4,939,769 for ongoing obligations to residents and creditors. The total net position for the year increased by \$2,418,893.

City of Ithaca, Michigan Statement of Net Position							
	Governmental Activities		Business-Type Activities			Total	
	2025	2024	2025	2024		2025	2024
Assets:							
Current and Other Assets	6,418,644	6,260,713	3,156,854	2,161,768		9,575,498	8,422,481
Capital Assets (not being depreciated)	181,681	181,681	2,177,760	37,621		2,359,441	219,302
Capital Assets (net of depreciation)	1,681,370	1,509,289	6,213,765	6,514,253		7,895,135	8,023,542
Total Assets	8,281,695	7,951,683	11,548,379	8,713,642		19,830,075	16,665,325
Deferred Outflows:							
Deferred outflow-Pension related	247,630	231,067	165,086	154,044		412,716	385,111
Total Deferred Outflows	247,630	231,067	165,086	187,152		412,716	385,111
Liabilities:							
Long-Term Debt	41,202	42,775	3,597,568	2,740,230		3,638,770	2,783,005
Net Pension Liability	524,348	832,994	349,566	555,329		873,914	1,388,323
Other Liabilities	154,712	360,412	960,633	265,535		1,115,345	625,947
Total Liabilities	\$720,262	1,236,181	4,907,767	3,561,094		5,628,029	4,797,275
Deferred Inflows:							
Deferred inflows-Pension related	0	0	0	0		0	0
Deferred inflows-Lessor Activity	137,362	194,655	0	0		137,362	194,655
Total Deferred Inflows	137,362	194,665	0	0		137,362	194,655
Net Position:							
Invested in capital assets, net of related debt	1,863,051	1,690,970	4,582,770	3,690,274		6,445,821	5,381,244
Restricted	2,235,148	2,014,960	0	0		2,235,148	2,014,960
Assigned	845,000	845,000	0	0		845,000	845,000
Unrestricted	2,728,502	2,200,984	2,222,928	1,616,318		4,951,430	3,817,302
Total Net' Position	7,671,701	6,751,914	6,805,698	5,306,592		14,477,399	12,058,506



City of Ithaca, Michigan

Management's Discussion and Analysis

The following table shows the changes in net position:

City of Ithaca, Michigan Change In Net Position								
	Governmental Activities			Business-Type Activities			Total	
	2025	2024		2025	2024		2025	2024
REVENUES:								
Program Revenues:								
Charges for Services	112,596	134,850		1,259,761	1,071,554		1,372,357	1,206,404
Grants and Contributions	739,781	1,155,741		27,263	24,349		767,044	1,180,090
General Revenues:								
Property Taxes	1,589,440	1,485,249		210,041	202,435		1,799,481	1,687,684
State-Shared Revenues	528,168	510,658		0	0		528,168	510,658
Investment Earnings	306,191	303,331		64,498	67,668		370,689	370,999
Gain on Disposal of Capital Asset	0	0		0	0		0	0
Transfers	-87,785	-32,205		89,545	40,000		1,760	7,795
Other	143,332	193,767		7,368	26,070		150,700	219,837
Total Revenues	3,331,723	3,751,391		1,658,476	1,432,076		4,990,199	5,183,467
EXPENSES:								
General Government	605,888	906,659		0	0		605,888	906,659
Public Safety	570,288	517,151		0	0		570,288	517,151
Public Works	776,180	1,059,331		0	0		776,180	1,059,331
Rec./Cultural/Econ. Dev.	459,580	613,534		0	0		459,580	613,534
Water and Sewer	0	0		1,340,646	1,358,772		1,340,646	1,358,772
Total Expenses	2,411,936	3,096,675		1,340,646	1,358,772		3,752,582	4,455,447
Change in Net Position	919,787	654,716		1,499,106	73,304		2,418,893	728,020
Net Position – July 1 restated	6,751,914	6,097,198		5,306,592	5,233,288		12,058,506	11,330,486
Prior Period Adjustment	0	0		0	0		0	0
Net Position – June 30	7,671,701	6,751,914		6,805,698	5,306,592		14,477,399	12,058,506

Governmental Activities: The city's total governmental revenue is reported at \$3,331,723, a decrease of \$419,668 from the prior fiscal year due to fewer grants and contributions. On the other hand, total expenses also decreased by \$687,739 from the prior fiscal year. This is primarily due to fewer building renovations and street and park road paving projects.

Business-type Activities: The city's total business-type revenue is reported at \$1,658,476, an increase of \$226,400 from the prior fiscal year. Total expenses decreased by \$18,126 from the prior fiscal year. The increased revenue is attributed to higher utility rates. Expenses decreased while the city prepares for future infrastructure improvements.



City of Ithaca, Michigan

Management's Discussion and Analysis

Government Funds

The city's major funds' presentations begin on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the city as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as economic development or the State of Michigan Act 51 street revenue sharing.

General Fund: The General Fund receives all city revenue not designated for specific use by state statutes or the City Charter and accounts for most of the services provided to residents. These include but are not limited to public safety, assessing, public works, parks, cemeteries, elections, etc.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation. The special revenue funds of the city include:

- **Major and Local Street Funds** – These are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, of 1951 as amended. Gas and weight taxes are distributed to cities and villages in Michigan based on population and the number of miles of street located within jurisdictional limits.
- **Library Fund** – These funds account for the receipt and expenditures of state penal fines, local millage, and state shared aid for the operation of the city owned Thompson Home Public Library.
- **Economic Development** – This fund is used for the receipt and expenditures to further the city's economic vitality and growth.
- **Grant Program Fund** – This fund is used to account for the receipt and expenditures of federal, state and local grants received and their project activity.

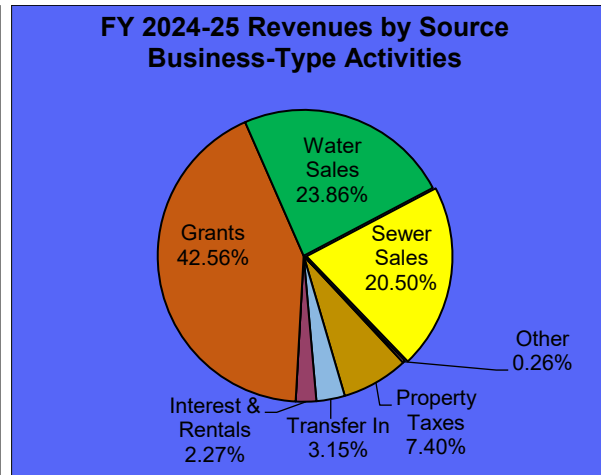
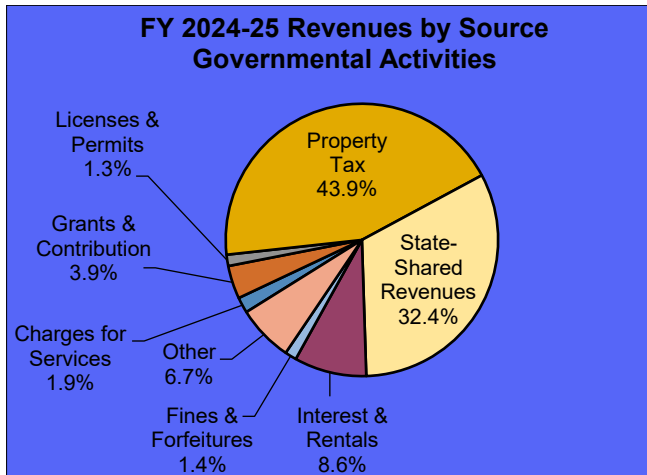
Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the city is to provide goods or services to the general public on a continuing basis that is financed or recovered primarily through user fees or charges, or where the intent of the city is that periodic determination of net income is appropriate for accountability purposes. The enterprise funds of the city are the Water and Sewer funds which are used to account for the costs of providing water and sanitary sewer services to city residents, businesses and users of the systems. Formerly, these two funds were a combined single fund, but separated in fiscal year 2023-2024 for improved reporting and transparency of each individual fund.



Management's Discussion and Analysis

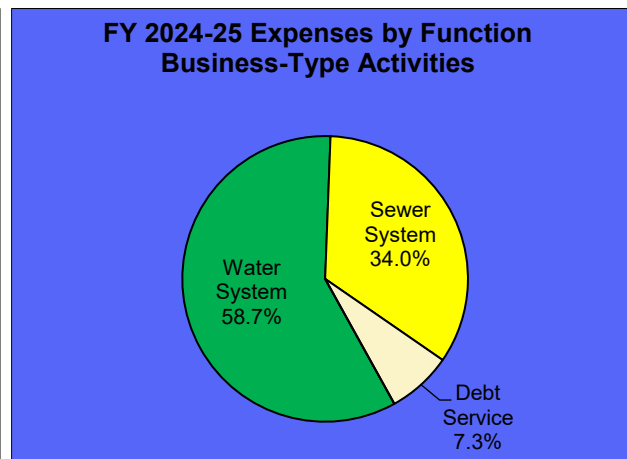
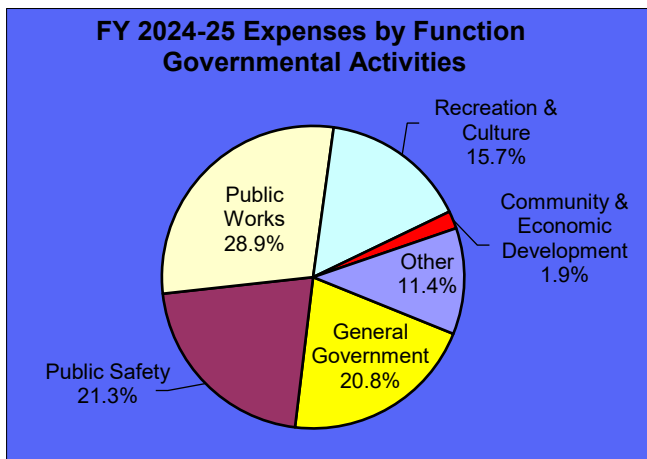
Budgetary Highlights

The majority of the city's budget in FY 2024-2025 was based on four main revenue sources: *property taxes, charges for utility services, grants & contributions and state-shared revenues*. Ithaca has a conservative fiscal philosophy with the overarching goal of being good stewards of the public's money. This philosophy is demonstrated by preparing for economic challenges while maintaining the solid foundation for our operations.



The city remains conservative in working to maintain positive fund balances, even in the face of challenges such as the increasing loss of personal property taxes (PPT) and the loss of real property taxes due to tax exemptions and abatements, unfunded state mandated infrastructure updates, aging infrastructure and increased personnel, material and supply cost due to inflation.

The General Fund budget, the largest of the governmental funds, was originally projected to have a decrease in fund balance of \$156,809. However, due to increases in Local Community Stabilization Authority (LCSA) distributions and interest earnings, and less than anticipated expenditures for IT capital outlay, professional counsel, and storm sewer maintenance and repair, the amended budget projected an increase of \$325,183 in the General Fund.





Management's Discussion and Analysis

Capital Assets

As of June 30, 2025, the City of Ithaca had \$7,895,135 invested in a wide range of capital assets, including land, buildings, infrastructure, equipment, vehicles, improvements, furniture and the water and sanitary sewer systems. On June 30, 2024, this total was \$8,023,542. To note: the city is considered a Phase 3 Government, as defined by GASB 34, and elected to not retroactively apply the reporting of major general infrastructure assets such as roads, storm drains, bridges, etc. Additional information about the city's capital assets can be found in the Notes to Financial Statements in Note 5 and Note 8 on pages 24 and 31 respectively.

Long-Term Debt

As of June 30, 2025, the city had total long-term debt outstanding (not including net pension liability) of \$3,881,315. The amount due within one year for both governmental and business-type activities is \$242,545. Of this total, \$3,668,816 is bonded debt which is backed by the full faith and credit of the city. The remaining \$72,560 is compensated absences for city personnel. Additional information about the city's long-term debt can be found in the Notes to Financial Statement in Note 6 on pages 25-26 of this report.

The city maintains an A1 rating from Moody's Investor's Services for its general obligation bonds. The full Issuer Annual Comment report can be obtained from the City Treasurer.

Economic Forecast

State and National Economic Outlook *Credit to Board of Governors of Federal Reserve System and the University of Michigan's Research Seminar in Quantitative Economics November 2025 forecast*

In recent months, progress on slowing the pace of inflation to 2 percent has stalled with monthly readings hovering just below 3 percent for the past year. The lack of progress appears to be due to tariff effects, with signs that inflation excluding the effects of tariffs may be continuing to make progress toward 2 percent. Furthermore, many firms expect the pass-through of pricing pressure from tariffs to pick up in the fourth quarter of 2025 as the inventory of non-tariffed merchandise is depleted. However, the assumption is that tariffs result in a one-time shift in prices, and not an ongoing inflation problem, therefore the Federal Reserve is expected to continue its rate-cutting cycle.

Locally, Detroit CPI inflation is expected to slow to 2.0 percent in the next year, its slowest pace since 2020. However, it is expected to increase closer to 3.0 percent over the next several years as the pricing pressure from tariffs works its way through to consumers. Prices remain higher than ever before, which continues to weigh on consumer sentiment. Higher prices have an outsized effect on lower- and moderate-income households, as these households devote a significantly larger share of income to food, energy, and housing. Prices for these spending categories have far outpaced overall inflation over the past few years.



City of Ithaca, Michigan

Management's Discussion and Analysis

The unemployment rate in Michigan was 5.5% in March of 2025 and declined to 5.2% in August 2025. However, the downtick is attributed to fewer Michiganders participating in the labor market and not attributable to more Michiganders finding work. Forecasts predict Michigan's unemployment rate increasing to 5.6% next year before coming back down following the completion of the Federal Reserve's rate-cutting cycle.

Given the three main risks to Michigan's economic outlook, including (1) the future direction of tariffs and international trade policy, (2) the evolving regulatory environment for the auto industry, and (3) the potential for a national recession, the state is expected to experience a period of subdued growth in the years ahead.

Ithaca Economy

Local Business

Over the past year, Ithaca's local economy has shown modest employment growth while continuing to rely on agriculture/processing, light industry, and small retail/service businesses. The small local downtown business, The Gathering Hub, opened its doors and is doing an impressive job of bringing groups of people to our downtown, while also servicing their food and group gathering needs. Additionally, Sheils Financial opened in the Village Shops and offers personalized insurance, retirement planning, estate planning, and tax preparation services. The city saw three commercial projects for warehousing needs. Zeeland Farm Service built a sizeable commercial warehouse. The Gratiot County Road Commission also built a storage facility behind their property off Washington Road. Trinity Truck and Trailer have also taken steps to "hide" its spare parts and equipment from public view. Capital Steel and Wire is preparing to commence production in the upcoming fiscal year.

Utility Services

Consumers Energy worked on a large project in town this past year, which included one mile of natural gas pipeline upgrades, part of a larger project to modernize its natural gas systems in the region. AT&T is in the planning phase of upgrading some of its antennas on city water towers to better serve the area.

Construction Projects

This spring and summer brought a massive water main project that covered three streets, including Pine River, Barnes, and St. Charles Road. This project was part of the State Revolving Fund, where the city received 1.2 million in grant dollars and 1.2 million in a low-interest loan. In addition, the city reconstructed the second block of Pine River Street with new storm drains and basins, as well as curb and gutter. Chip Seal and Fog treatment was completed on East St. Charles Road in a cost share with the Gratiot County Road Commission.



City of Ithaca, Michigan

Management's Discussion and Analysis

Challenges

The city's ongoing challenge of financing aging infrastructure, lead and copper replacement (LCR), PFAS clean up at the old West Washington Road landfill, and substantial equipment, utility, material, and maintenance costs remain top of mind. Additionally, the city has been in discussions with EGLE regarding an Administrative Consent Order (ACO) that could bring expensive mandates from the state. Complying with the evolving regulatory environment may require increased utility rates in the years ahead.

Other immediate challenges the city aims to prioritize in future fiscal years include the complete reconstruction of Union Street, which has been in the planning phase for several years. Also, the police contract with the Gratiot County Sheriff's Office will terminate at the end of 2025. The city will continue being served by the Sheriff's office through the Sheriff's Millage. If a more personal and localized police service is desired, the city will need to explore options of starting its own force once again.

Contacting the City's Financial Management Team

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives and expends. Questions about this report or additional financial information should be addressed to the City Treasurer at:

City of Ithaca
129 W. Emerson Street
Ithaca, Michigan 48847-1017

Phone: (989) 875-3200 x 305
Facsimile: (989) 875-4064
Website: www.ithacami.com

Jamey Conn

Jamey Conn
City Manager
Email : manager@ithacami.com

Luke Klifman

Luke Klifman, MPA
City Treasurer-Finance Director
Email : treasurer@ithacami.com

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



City of Ithaca
Statement of Net Position
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,736,882	\$ 1,345,534	\$ 4,082,416	\$ 10,539
Investments	2,012,881	797,564	2,810,445	19,339
Accounts receivable	17,485	212,896	230,381	-
Property taxes receivable	1,340,180	210,176	1,550,356	-
Lessor receivable	149,951	-	149,951	-
Due from other governments	159,765	536,169	695,934	-
Due from other funds	-	611	611	-
Due from custodial funds	1,500	-	1,500	-
Inventories	-	53,904	53,904	-
Noncurrent assets				
Capital assets not being depreciated	181,681	2,177,760	2,359,441	-
Capital assets being depreciated, net	1,681,370	6,213,765	7,895,135	-
Total assets	8,281,695	11,548,379	19,830,074	29,878
Deferred Outflows of Resources				
Related to pension	247,630	165,086	412,716	-
Total deferred outflows of resources	247,630	165,086	412,716	-
Liabilities				
Accounts payable	71,480	693,410	764,890	2,283
Accrued liabilities	20,689	6,974	27,663	-
Accrued interest	-	24,975	24,975	-
Due to other funds	611	-	611	-
Unearned revenue	54,661	-	54,661	-
Bonds, notes and other long-term liabilities				
Due within one year	7,271	235,274	242,545	-
Due beyond one year	41,202	3,597,568	3,638,770	-
Net pension liability	524,348	349,566	873,914	-
Total liabilities	720,262	4,907,767	5,628,029	2,283
Deferred Inflows of Resources				
Related to lessor activity	137,362	-	137,362	-
Total deferred inflows of resources	137,362	-	137,362	-
Net position				
Net investment in capital assets	1,863,051	4,582,770	6,445,821	-
Restricted	2,235,148	-	2,235,148	-
Unrestricted	3,573,502	2,222,928	5,796,430	27,595
Total net position	\$ 7,671,701	\$ 6,805,698	\$ 14,477,399	\$ 27,595

City of Ithaca
Statement of Activities
For the Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	Component Unit
				Governmental Activities	Business-Type Activities		
Governmental activities							
General government	\$ 605,888	\$ 108,787	\$ 137,435	\$ (359,666)	\$ 1,181,276	\$ 821,610	\$ -
Public safety	570,288	-	-	(570,288)	-	(570,288)	-
Public works	776,180	-	593,875	(182,305)	-	(182,305)	-
Community and economic development	80,993	-	-	(80,993)	-	(80,993)	-
Recreation and cultural	378,587	3,809	8,471	(366,307)	-	(366,307)	-
Total governmental activities	2,411,936	112,596	739,781	(1,559,559)	1,181,276	(378,283)	-
Business-type activities							
Water and Sewer	1,340,646	1,259,761	27,263	-	(53,622)	(53,622)	-
Total primary government	<u>\$ 3,752,582</u>	<u>\$ 1,372,357</u>	<u>\$ 767,044</u>	(1,559,559)	1,127,654	(431,905)	-
Component units							
Downtown Development Authority	<u>\$ 8,443</u>	<u>\$ 3,800</u>	<u>\$ -</u>	-	-	-	(4,643)
General revenues and transfers							
General revenues							
Property taxes				1,589,440	210,041	1,799,481	-
State funding				528,168	-	528,168	-
Unrestricted investment earnings				306,191	64,498	370,689	906
Other revenues				143,332	7,368	150,700	7,445
Transfers to/from component unit				1,760	-	1,760	(1,760)
Transfers to/from proprietary funds				(89,545)	89,545	-	-
Total general revenues and transfers				<u>2,479,346</u>	<u>371,452</u>	<u>2,850,798</u>	<u>6,591</u>
Change in net position				919,787	1,499,106	2,418,893	1,948
Net position, beginning of year				6,751,914	5,306,592	12,058,506	25,647
Net position, end of year				<u>\$ 7,671,701</u>	<u>\$ 6,805,698</u>	<u>\$ 14,477,399</u>	<u>\$ 27,595</u>

FUND FINANCIAL STATEMENTS



City of Ithaca
Balance Sheet - Governmental Funds
June 30, 2025

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street	Library	Grant Projects		
Assets							
Cash and cash equivalents	\$ 1,608,480	\$ 411,659	\$ 98,456	\$ 343,451	\$ 32,568	\$ 59,116	\$ 2,553,730
Investments	620,739	569,809	415,040	111,916	54,987	137,875	1,910,366
Accounts receivable	17,485	-	-	-	-	-	17,485
Lessor receivable	149,951	-	-	-	-	-	149,951
Due from custodial funds	1,500	-	-	-	-	-	1,500
Due from other funds	236,258	-	-	-	-	-	236,258
Due from other governments	69,772	69,601	20,392	-	-	-	159,765
Total assets	<u>\$ 2,704,185</u>	<u>\$ 1,051,069</u>	<u>\$ 533,888</u>	<u>\$ 455,367</u>	<u>\$ 87,555</u>	<u>\$ 196,991</u>	<u>\$ 5,029,055</u>
Liabilities							
Accounts payable	\$ 37,006	\$ 9,036	\$ 6,850	\$ 6,215	\$ 7,488	\$ -	\$ 66,595
Accrued liabilities	15,003	1,041	1,489	2,942	-	-	20,475
Due to other funds	611	-	-	-	-	-	611
Unearned revenue	-	-	-	-	54,661	-	54,661
Total liabilities	<u>52,620</u>	<u>10,077</u>	<u>8,339</u>	<u>9,157</u>	<u>62,149</u>	<u>-</u>	<u>142,342</u>
Deferred inflows of resources							
Related to lessor activity	137,362	-	-	-	-	-	137,362
Total deferred inflows of resources	<u>137,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,362</u>
Fund balances							
Assigned	845,000	-	-	-	-	-	845,000
Restricted	-	1,040,992	525,549	446,210	25,406	196,991	2,235,148
Unassigned	1,669,203	-	-	-	-	-	1,669,203
Total fund balances	<u>2,514,203</u>	<u>1,040,992</u>	<u>525,549</u>	<u>446,210</u>	<u>25,406</u>	<u>196,991</u>	<u>4,749,351</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,704,185</u>	<u>\$ 1,051,069</u>	<u>\$ 533,888</u>	<u>\$ 455,367</u>	<u>\$ 87,555</u>	<u>\$ 196,991</u>	<u>\$ 5,029,055</u>

The notes to the financial statements are an integral part of this statement.

City of Ithaca
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Position of Governmental Activities on the Statement of Net Position
June 30, 2025

Total fund balance - governmental funds	\$ 4,749,351
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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 financial resources and, therefore, are not reported in the funds.

Add:	Capital assets	4,605,018
Deduct:	Accumulated depreciation	(3,363,920)

Internal service funds are used by management to charge the cost of equipment rents and materials to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Add:	Net position of governmental activities accounted for in the internal service fund	666,263
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Property tax receivable	1,340,180
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Some liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Add:	Deferred outflow - related to pension	247,630
Deduct:	Net pension liability	(524,348)
Deduct:	Compensated absences	<u>(48,473)</u>

Total net position - governmental activities	<u>\$ 7,671,701</u>
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City of Ithaca
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street	Library	Grant Projects		
Revenues							
Taxes and penalties	\$ 1,329,922	\$ -	\$ -	\$ 202,896	\$ -	\$ -	\$ 1,532,818
Licenses and permits	46,845	-	-	-	-	-	46,845
State funding	528,168	448,347	145,528	8,471	-	-	1,130,514
Federal funding	-	-	-	-	137,435	-	137,435
Charges for services	61,942	-	-	3,809	-	-	65,751
Fines and forfeitures	-	-	-	48,158	-	-	48,158
Interest and rentals	212,799	28,625	19,267	20,829	10,820	7,698	300,038
Other revenues	84,370	522	376	7,806	-	2,100	95,174
Total revenues	2,264,046	477,494	165,171	291,969	148,255	9,798	3,356,733
Expenditures							
General government	555,383	-	-	-	391	-	555,774
Public safety	570,288	-	-	-	-	-	570,288
Public works	282,864	279,947	210,007	-	-	-	772,818
Community and economic development	50,658	-	-	-	-	-	50,658
Recreation and cultural	115,700	-	-	303,453	-	-	419,153
Other expenditures	303,562	-	-	-	-	-	303,562
Total expenditures	1,878,455	279,947	210,007	303,453	391	-	2,672,253
Revenues over (under) expenditures	385,591	197,547	(44,836)	(11,484)	147,864	9,798	684,480
Other financing sources (uses)							
Transfers in - governmental funds	4,293	30,221	32,416	-	-	-	66,930
Transfers out - governmental funds	(62,637)	-	-	-	-	(4,293)	(66,930)
Transfers in - component unit	14,760	-	-	-	-	-	14,760
Transfers out - component unit	(13,000)	-	-	-	-	-	(13,000)
Transfers out - proprietary funds	(3,825)	-	-	-	(137,045)	-	(140,870)
Total other financing sources (uses)	(60,409)	30,221	32,416	-	(137,045)	(4,293)	(139,110)
Net change in fund balances	325,182	227,768	(12,420)	(11,484)	10,819	5,505	545,370
Fund balance, beginning of year	2,189,021	813,224	537,969	457,694	14,587	191,486	4,203,981
Fund balance, end of year	<u>\$ 2,514,203</u>	<u>\$ 1,040,992</u>	<u>\$ 525,549</u>	<u>\$ 446,210</u>	<u>\$ 25,406</u>	<u>\$ 196,991</u>	<u>\$ 4,749,351</u>

The notes to the financial statements are an integral part of this statement.

City of Ithaca
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, 2025

Net change in fund balances - total governmental funds	\$ 545,370
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Amounts reported for governmental activities in the statement of activities are different because:

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

Add:	Capital outlay	79,226
Deduct:	Depreciation expense	(129,620)

Internal service funds are used by management to charge the cost of certain activities, such as equipment rents and materials, to individual funds. The net income/expense of the internal service fund is reported with governmental activities.

Add:	Change in net position of internal service fund	41,130
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Change in property tax receivable	56,622
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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.

Add:	Change in deferred outflow - related to pension	16,563
Add:	Change in net pension liability	308,646
Add:	Change in accrual for compensated absences	1,850

Change in net position - governmental activities	\$ 919,787
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City of Ithaca
Statement of Net Position
Proprietary Funds
June 30, 2025

	Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service
	Sewer	Water		
Assets				
Cash and cash equivalents	\$ 477,803	\$ 867,731	\$ 1,345,534	\$ 183,152
Investments	447,411	350,153	797,564	102,515
Accounts receivable	100,010	112,886	212,896	-
Due from other governments	-	536,169	-	-
Due from other funds	153	458	611	-
Property taxes receivable	52,544	157,632	210,176	-
Inventories	1,647	52,257	53,904	-
Noncurrent assets				
Capital assets not being depreciated	14,432	2,163,328	2,177,760	-
Capital assets being depreciated, net	2,118,517	4,095,248	6,213,765	621,953
Total assets	3,212,517	8,335,862	11,548,379	907,620
Deferred outflows of resources				
Related to pension	77,591	87,495	165,086	-
Total deferred outflow of resources	77,591	87,495	165,086	-
Liabilities				
Accounts payable	15,181	678,229	693,410	4,885
Due to other funds	-	-	-	236,258
Accrued liabilities	3,784	3,190	6,974	214
Accrued interest	6,244	18,731	24,975	-
Compensated absences, due within one year	1,674	1,939	3,613	-
General obligations payable, due within one year	38,750	181,250	220,000	-
Bond premium, net of amortization, due within one year	5,481	6,180	11,661	-
Noncurrent liabilities				
Compensated absences, due beyond one year	9,486	10,988	20,474	-
General obligations payable, due beyond one year	602,500	2,846,316	3,448,816	-
Bond premium, net of amortization, due beyond one year	29,504	98,774	128,278	-
Net pension liability	164,296	185,270	349,566	-
Total liabilities	876,900	4,030,867	4,907,767	241,357
Net position				
Net investment in capital assets	1,456,714	3,126,056	4,582,770	621,953
Unrestricted	956,494	1,266,434	2,222,928	44,310
Total net position	\$ 2,413,208	\$ 4,392,490	\$ 6,805,698	\$ 666,263

City of Ithaca
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service
	Sewer	Water		
Operating revenues				
Water and sewer sales	\$ 582,222	\$ 677,539	\$ 1,259,761	\$ -
Service charges	-	-	-	185,080
Property taxes	52,510	157,531	210,041	-
State grant	6,816	20,447	27,263	-
Federal grant	-	1,181,276	1,181,276	-
Miscellaneous	7,001	367	7,368	1,101
Total operating revenues	648,549	2,037,160	2,685,709	186,181
Operating expenses				
Personnel services	156,693	181,492	338,185	50,791
Contractual services	79,529	156,433	235,962	3,452
Supplies	31,121	92,331	123,452	36,386
Depreciation	134,519	165,968	300,487	75,062
Other	55,873	193,043	248,916	36,838
Total operating expenses	457,735	789,267	1,247,002	202,529
Operating income (loss)	190,814	1,247,893	1,438,707	(16,348)
Nonoperating revenues (expenses)				
Interest revenue	31,078	33,420	64,498	6,153
Gain on disposal of capital assets	-	-	-	-
Other	(23,297)	(70,347)	(93,644)	-
Total nonoperating revenues (expenses)	7,781	(36,927)	(29,146)	6,153
Transfers in	-	89,545	89,545	51,325
Total transfers	-	89,545	89,545	51,325
Change in net position	198,595	1,300,511	1,499,106	41,130
Net position, beginning of year	2,214,613	3,091,979	5,306,592	625,133
Net position, end of year	\$ 2,413,208	\$ 4,392,490	\$ 6,805,698	\$ 666,263

City of Ithaca
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds		Total Enterprise Funds	Governmental Activities	
	Sewer	Water		Internal Service	
Cash flows from operating activities					
Receipts from customers	\$ 569,646	\$ 655,147	\$ 1,224,793	\$ -	
Receipts from State	6,816	(515,722)	(508,906)	-	
Receipts from Federal	-	1,181,276	1,181,276	-	
Receipts from interfund charges	(153)	(458)	(611)	426,932	
Payments to suppliers / outsiders	(164,534)	163,489	(1,045)	(76,282)	
Payments to employees	(258,226)	(297,702)	(555,928)	(51,101)	
Other receipts	57,785	152,721	210,506	-	
Net cash provided by (used in) operating activities	211,334	1,338,751	1,550,085	299,549	
Cash flows from noncapital financing activities					
Transfers from other funds	-	89,545	89,545	51,325	
Net cash provided by (used in) noncapital financing activities	-	89,545	89,545	51,325	
Cash flows from capital and related financing activities					
Change in capital assets	-	(2,140,139)	(2,140,139)	(297,537)	
Proceeds from sale of assets	-	-	-	-	
Bond premium, net of amortization	(2,915)	(8,746)	(11,661)	-	
Principal paid on debt	(36,250)	995,066	958,816	-	
Interest and fees paid on debt	(23,658)	(71,435)	(95,093)	-	
Net cash provided by (used in) capital and related fin. act.	(62,823)	(1,225,254)	(1,288,077)	(297,537)	
Cash flows from investing activities					
(Purchase)/sale of investments	(212,511)	(6,904)	(219,415)	44,859	
Interest revenue	31,078	33,420	64,498	6,153	
Net cash provided by (used in) investing activities	(181,433)	26,516	(154,917)	51,012	
Net increase (decrease) in cash and cash equivalents	(32,922)	229,558	196,636	104,349	
Cash and cash equivalents, beginning of year	510,725	638,173	1,148,898	78,803	
Cash and cash equivalents, end of year	\$ 477,803	\$ 867,731	\$ 1,345,534	\$ 183,152	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 190,814	\$ 1,247,893	\$ 1,438,707	\$ (16,348)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	134,519	165,968	300,487	75,062	
Change in assets and liabilities					
Accounts receivable	(12,576)	(22,392)	(34,968)	4,493	
Due from other funds	(153)	(458)	(611)	-	
Due from other governments	-	(536,169)	(536,169)	-	
Property taxes receivable	(1,726)	(5,177)	(6,903)	-	
Inventories	997	(1,381)	(384)	-	
Deferred outflows of resources related to pensions	(5,190)	(5,852)	(11,042)	-	
Accounts payable	992	606,677	607,669	394	
Accrued liabilities	1,643	1,132	2,775	(310)	
Due to other funds	-	-	-	236,258	
Compensated absences	(1,278)	(2,435)	(3,713)	-	
Net pension liability	(96,708)	(109,055)	(205,763)	-	
Net cash provided by operating activities	\$ 211,334	\$ 1,338,751	\$ 1,550,085	\$ 299,549	

City of Ithaca
Statement of Net Position - Fiduciary Funds
June 30, 2025

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 6,386
Total assets	<u>6,386</u>
Liabilities	
Accounts payable	2,610
Due to other funds	<u>1,500</u>
Total liabilities	4,110
Net position	
Restricted	2,276
Total net position	<u><u>\$ 2,276</u></u>

City of Ithaca
Statement of Changes in Net Position - Fiduciary Funds
June 30, 2025

	<u>Custodial Funds</u>
Additions	
Tax collections for other governments	\$ 2,560,979
Total additions	<u>2,560,979</u>
Deductions	
Payments of taxes to other governments	<u>2,558,703</u>
Total deductions	<u>2,558,703</u>
Change in fiduciary net position	2,276
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 2,276</u></u>

City of Ithaca
Statement of Net Position - Component Unit
June 30, 2025

	Downtown Development Authority
Assets	
Cash and cash equivalents	\$ 10,539
Investments	19,339
Total assets	<u>29,878</u>
Liabilities	
Accounts payable	<u>2,283</u>
Total liabilities	2,283
Net position	
Unrestricted	27,595
Total net position	<u><u>\$ 27,595</u></u>

City of Ithaca
Statement of Activities - Component Unit
For the Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Downtown Development Authority				
General government	\$ 8,443	\$ 3,800	\$ -	\$ (4,643)
General revenues and transfers				
General revenues				
Unrestricted investment earnings				906
Other revenues				7,445
Transfers in				13,000
Transfers out				(14,760)
Total general revenues and transfers				<u>6,591</u>
Change in net position				1,948
Net position, beginning of year				<u>25,647</u>
Net position, end of year				<u>\$ 27,595</u>

NOTES TO THE FINANCIAL STATEMENTS



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Ithaca (the City) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City. All amounts shown are in dollars.

Reporting Entity

The City is governed by a seven-member City Council which has responsibility and control over all activities related to the City. The City receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financial accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

Discretely Presented Component Unit

The following component unit is reported within the component unit column in the combined financial statements.

Downtown Development Authority – The Ithaca Downtown Development Authority (the Authority) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of the Mayor and eight individuals appointed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The City is financially accountable for the Downtown Development Authority's activities.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the resources of State revenue sharing of trunkline maintenance revenues, gas and weight tax revenues and local road program revenues that are restricted for use on major streets.
- The Local Street Fund accounts for the resources of State revenue sharing of gas and weight tax revenues and local road program revenues that are restricted for use on local streets.

- The Library Fund accounts for the resources of library revenues that are restricted for the operations of the City's library.
- The Grant Projects Fund accounts for resources to fund special projects as awarded through local, state and federal grants.

The City reports the following major proprietary funds:

- The Water and Sewer Funds (Enterprise Funds) account for all the activities of the water distribution system and sewage collection system.

The City reports the following non-major governmental funds:

- The Caldwell & Gibbs Memorial Funds account for resources to fund special projects.
- The Economic Development Fund accounts for resources used to promote economic development of the City.
- The Cemetery Perpetual Care Fund accounts for resources designated for the future ongoing care of the cemetery.

The City reports the following fiduciary funds:

- The custodial fund is custodial in nature and does not present results of operations. Custodial funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the City holds for others in a custodial (fiduciary) capacity. These funds are not reported in the City's government-wide financial statements.

Additionally, the City reports the following fund types:

- The Internal service fund accounts for major machinery and equipment purchases, as well as material purchases, provided to other departments of the City on a cost reimbursement basis.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 City considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary Information

Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is not employed in the governmental funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before the first day of March of each year, a proposed budget for the next fiscal year is submitted to the budget officer. The budget officer compiles such information and submits it to the City Council, along with recommendations, no later than the second council meeting in April of each year. This operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1st. The Council holds a public hearing on the submitted budget and final budgets are adopted prior to July 1st.

Prior to July 1st, the budget is legally enacted pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978, as amended).

The city treasurer is authorized to transfer budgeted amounts between departments within any fund; however, council must approve any revisions that alter the total expenditures of any fund.

Formal budgetary integration is employed as a management control device during the year.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is at the function level for the General Fund, and the fund level for all other funds.

Excess of Expenditures Over Appropriations

For the year ended June 30th, there were no expenditures that exceeded appropriations in the general fund.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Investments

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- The United States government or federal agency obligations repurchase agreements.
- Bankers' acceptances of United States banks.

City of Ithaca
Notes to the Financial Statements
June 30, 2025

- Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Receivables and Payables

Receivables/payables in all funds report amounts that have arisen in the ordinary course of business. Receivables are stated net of allowances for uncollectible amounts, if any.

Due from/Due to Other Governmental Units

Due from/due to other governmental units consist primarily of amounts due from the State of Michigan.

Inventories

Inventories are valued at cost, on a first-in, first-out basis for the City's business-type activities. For all other funds, the City does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Capital Assets

Capital assets, as detailed in the table below, are reported in the government-wide financial statements. Capital assets are tangible and intangible assets defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Group purchases are evaluated on a case-by-case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible capital assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not increase the asset's capacity or efficiency or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other tangible and intangible property, plant, equipment, and the right to use assets of the City are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	5 – 15
Buildings and improvements	1 – 50
Furniture and equipment	2 – 40
Infrastructure	10 – 20
Vehicles	5 – 10
Sewer System	4 – 50
Water System	1 – 50

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a related expense is recognized in the current year.

Accrued Liabilities

Accrued liabilities relate to salaries and wages earned prior to year-end but not paid until after year-end.

Unearned Revenue

Unearned revenues arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Defined Benefit Plan

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) 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.

Deferred Outflows of Resources

In addition to assets, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualify for reporting in this category: 1) pension benefits related items.

The deferred amounts related to pension benefits relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension benefit related changes. These amounts are recognized in the plan year in which they apply.

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category: 1) unavailable revenues from leases.

Unavailable revenues from leases are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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

Lessor

The City is a lessor for a variety of noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 and unrestricted net position in the government-wide 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

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- *Nonspendable* fund balance represents amounts that are either not in spendable form or are either legally or contractually required to be maintained intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City County prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the City Council adopts another ordinance to remove or revise the limitation.
- *Assigned* fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The City Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, 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.

Revenues

Program Revenues

Amounts reported as *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 requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax Revenue

The City's property tax is levied on August 1st and December 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st.

Although the City's ad valorem tax is levied and collectible on August 1st and December 1st, it is the City's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2024 taxable valuation of property located in the City for operating and water/sewer debt purposes totaled \$78.3 million on which ad valorem taxes levied consisted of 13.8756 mills for operating, 1.5000 mills for emergency service, 0.9949 for sidewalk repairs and 2.2500 mills for water/sewer debt service.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 internal service funds are charges to other funds for equipment rental. Operating expenses for the internal service fund include costs for personnel, supplies, depreciation, and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield.

The City utilizes a pooled cash and investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of year-end, the City had deposits and investments subject to the following risks:

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of year-end, \$2,123,487 of the City’s bank balance of \$4,113,966 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest rate risk: In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City’s cash requirements.

Description	Amortized Cost	Weighted Average Maturity
Primary Government		
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,810,445	N/A
Component Unit		
Michigan Public Sector Local Government Investment Pool – Michigan Class	19,339	N/A
Total	2,829,784	
One day maturity equals 0.0027, one year equals 1		

Concentration of credit risk: The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

City of Ithaca
Notes to the Financial Statements
June 30, 2025

Description	Amortized Cost	Standard & Poor's Rating	Rating Agency
Primary Government			
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,810,445	AAAm	Standard & Poor's
Component Unit			
Michigan Public Sector Local Government Investment Pool – Michigan Class	19,339	AAAm	Standard & Poor's
Total	2,829,784		

Foreign currency risk: The City is not authorized to invest in investments which have this type of risk.

Fair value measurement: The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Michigan Constitution and Urban Cooperation Act of 1967 provides for local governmental entities to create a legal entity for the purpose of facilitating the joint investment of public sector surplus funds. Investments are made in accordance with Michigan State Law and include US agencies and treasuries, repurchase agreements, collateralized bank deposits, money market funds and more. As part of its investment portfolio, the city is a participant of the Michigan Cooperative Liquid Assets Securities System (Michigan Class). The pool holds a rating of AAAm by S&P Global. Michigan CLASS investments provide safety, liquidity, and competitive rates of return. As forementioned, it purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies. These funds are not subject to fair value disclosures.

Description	Amortized Cost
Primary Government	
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,810,445
Component Unit	
Michigan Public Sector Local Government Investment Pool – Michigan Class	19,339
Total	2,829,784

City of Ithaca
Notes to the Financial Statements
June 30, 2025

The following summarizes the categorization of these amounts as of year-end:

Description	Governmental Activities	Business-Type Activities	Fiduciary Funds	Component Units	Total
Cash and cash equivalents	2,736,882	1,345,534	6,386	10,539	4,099,341
Investments	2,012,881	797,564	-	19,339	2,829,784
Totals	4,749,763	2,143,098	6,386	29,878	6,929,125

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The detail of interfund balances as of June 30th, are as follows:

Description	Purpose	Due from Other Funds	Due to Other Funds
General Fund	For equipment, payments in lieu of taxes, and water and sewer bond debt.	236,258	611
Sewer Fund		153	-
Water Fund		458	-
Internal Service Fund		-	236,258
Total		236,869	236,869

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

As of June 30th, due from other governmental units is comprised of the following amounts:

Fund and Description	Amount
General Fund – State of Michigan Revenue Sharing	69,772
Major Street Fund – State of Michigan Act 51	69,601
Local Street Fund – State of Michigan Act 51	20,392
Water Fund – Michigan Department of Environment, Great Lakes, and Energy	536,169
Total	695,934

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 5 – LESSOR RECEIVABLE

Lessor receivable as of June 30th consists of the following:

Description	Received during current fiscal year		Remaining amount as of year-end	
	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflows
Building Lease-130 W Center St	4,908	192	5,031	4,799
Water Tower Space	2,202	471	17,654	16,346
Water Tower Space – East	36,470	2,147	66,049	61,621
Water Tower Space – West	14,616	1,730	61,217	54,596
Total	58,196	4,540	149,951	137,362

City of Ithaca
Notes to the Financial Statements
June 30, 2025

NOTE 6 - CAPITAL ASSETS

A summary of changes in the City's Governmental Activities capital assets follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	181,681	-	-	-	181,681
Total capital assets not being depreciated	181,681	-	-	-	181,681
Capital assets being depreciated					
Land improvements	379,913	-	-	-	379,913
Buildings and improvements	2,648,284	66,333	-	-	2,714,617
Furniture and equipment	1,569,280	102,470	(5,873)	-	1,665,877
Infrastructure	453,153	-	-	-	453,153
Vehicles	1,012,959	207,960	-	-	1,220,919
Total capital assets being depreciated	6,063,589	376,763	(5,873)	-	6,434,479
Accumulated depreciation	(4,554,300)	(204,682)	5,873	-	(4,753,109)
Capital assets being depreciated, net	1,509,289	172,081	-	-	1,681,370
Net capital assets	1,690,970	172,081	-	-	1,863,051

A summary of changes in the City's Business-Type Activities capital assets follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	37,621	-	-	-	37,621
Construction in process	-	2,140,139	-	-	2,140,139
Total capital assets not being depreciated	37,621	2,140,139	-	-	2,177,760
Capital assets being depreciated					
Furniture and equipment	6,775	-	-	-	6,775
Water system	8,208,441	-	-	-	8,208,441
Sewer system	4,358,998	-	-	-	4,358,998
Total capital assets being depreciated	12,574,214	-	-	-	12,574,214
Accumulated depreciation	(6,059,962)	(300,487)	-	-	(6,360,449)
Capital assets being depreciated, net	6,514,252	(300,487)	-	-	6,213,765
Net capital assets	6,551,873	1,839,652	-	-	8,391,525

City of Ithaca
Notes to the Financial Statements
June 30, 2025

Capital assets not being depreciated include land and construction in process. Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	Amount
General government	57,263
Public works	3,362
Recreation and cultural	38,660
Community and economic development	30,335
Internal service fund	75,062
Total governmental activities	204,682

Business-type activities	Amount
Sewer	134,519
Water	165,968
Total business-type activities	300,487

NOTE 7 – BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

Premiums and Discounts

Debt may be issued at par value, with a premium (applicable to debt issued in excess of par value) or at a discount (applicable to debt issued at amounts less than the par value). Premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Premiums and discounts in the business-type funds as of year-end are comprised of the following:

Description	Original Amount	Final Maturity	Outstanding at Year-end
Premium on 2016 refunding bonds	244,893	2037	139,939

General Obligation Bonds

During the current fiscal year, the City issued a general obligation bond of \$1,650,000 with an interest rate of 2.00%. The bonds were issued at par value and mature October 1, 2044. The proceeds from the bond are being used for the construction of major capital facilities.

General obligation bonds in the business-type funds as of year-end are comprised of the following:

Description	Original Borrowing	Interest Rate	Final Maturity	Outstanding at Year-end
2016 GO refunding bonds	3,600,000	3.00 – 4.00%	2037	2,565,000
2024 GO revenue bonds	1,650,000	2.00%	2044	1,103,816
Total				3,668,816

City of Ithaca
Notes to the Financial Statements
June 30, 2025

The changes in long-term debt during the fiscal year are as follows:

Description	Beginning Balance	Additions	(Deletions)	Ending Balance	Due Within One Year
Government-Wide					
Compensated absences	50,323	5,698	(7,548)	48,473	7,271
Total government-wide	50,323	5,698	(7,548)	48,473	7,271
Business-Type					
Premiums and discounts	151,600	-	(11,661)	139,939	11,661
General obligation bonds	2,710,000	1,103,816	(145,000)	3,668,816	220,000
Compensated absences	27,800	458	(4,171)	24,087	3,613
Total business-type	2,889,400	1,104,274	(160,832)	3,832,842	235,274

The requirements to pay principal and interest on the general obligation bonds outstanding at year-end, are shown below:

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2026	220,000	116,145
2027	235,000	113,776
2028	245,000	105,776
2029	260,000	97,376
2030	275,000	88,326
2031-2035	1,530,000	291,280
2036-2040	903,816	44,168
Total	3,668,816	856,847

NOTE 8 – PENSION PLAN – AGENT MULTIPLE-EMPLOYER PLAN

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

Plan Description: The City of Ithaca's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. 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. It is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits Provided

The City of Ithaca offers the following plans based on the employee's division classification. All plans are closed to new hires.

01 – General Division: Closed to new hires

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 6 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 12/1/1970)

02 – Police Division: Closed to new hires

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 10 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 12/1/1970)

10 - DPW Union: Closed to new hires

Benefit Multiplier: 2.00% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 10 years

Early Retirement (Unreduced): 55 years of age/25 years of service

Early Retirement (Reduced): 50 years of age/25 years of service 55 years of age/15 years of service

Final Average Compensation: 5 years

COLA for Future Retirees: 2.50% (Non-Compound)

COLA for Current Retirees: 2.50% (Non-Compound)

Employee Contributions: 4.70%

Defined Contribution Plan for New Hires: Effective 9/1/2005

Act 88: Yes (Adopted 12/1/1970)

Employees Covered By Benefit Terms

As of the December 31, 2024 Valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>1</u>
Total	20

The City's Defined Benefit plans are closed to newly hired employees. All new eligible employees participate in its Defined Contribution retirement plan.

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may, and has, established contribution rates to be paid by its covered employees. Due to the plan divisions being closed to new employees, the City's contribution rates are based on a flat rate valuation of annual payroll and not a percentage of the annual payroll. The minimum combined annual contribution amount for all divisions in the plan was \$372,060. The City made contributions in the amount of \$526,759 with the additional being applied to its unfunded accrued liability.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2024, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 6.93%, net of investment and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5% annually.

Mortality rates used were based on a version of the Pub-2010 annual mortality tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study conducted of 2019-2023.

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 of 6.93% by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and range of allocation allowed, as set by the MERS Board of Directors, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%
	100.00%		6.93%		4.43%

The assets are invested with a strategic, long-term perspective and a high degree of prudence to reduce risk by identifying investments that meet or beat the annual actuarial investment assumption of 6.93% on a long-term basis, maintaining adequate liquidity to pay promised benefits, adopting a strategic asset allocation plan that reflects current and future liabilities, minimizes volatility and seeks to exceed the annual actuarial investment assumption, minimizes the costs associated with the implementation of the asset allocation through the efficient use of internal and external resources, maintaining above median peer rankings for the 10-year time period and meets or exceeds the return of the portfolio's policy benchmark.

City of Ithaca
Notes to the Financial Statements
June 30, 2025

Discount Rate

The discount rate used to measure the total pension liability was 7.18% for 2024. 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.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in net pension liability	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at beginning of plan year	4,856,960	3,468,637	1,388,323
Changes for the year			
Service cost	7,823	-	7,823
Interest on total pension liability	335,500	-	335,500
Changes in benefits	-	-	-
Difference between expected and actual experience	(50,700)	-	(50,700)
Changes in assumptions	(24,030)	-	(24,030)
Employer contributions	-	526,759	(526,759)
Employee contributions	-	2,734	(2,734)
Net investment income	-	261,385	(261,385)
Benefit payments, including employee refunds	(376,340)	(376,340)	-
Administrative expense	-	(7,877)	7,877
Other changes	-	1	-
Net changes	(107,747)	406,662	(514,408)
Balances as of end of plan year	4,749,213	3,875,299	873,914

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.18%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

Description	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension Liability at end of plan year	873,914	873,914	873,914
Change in Net Pension Liability (NPL)	458,994	-	(389,256)
Calculated Net Pension Liability	1,332,908	873,914	484,658

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

City of Ithaca
Notes to the Financial Statements
June 30, 2025

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the City recognized pension expense of \$46,318. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	123,665	-
Contributions Subsequent to plan year end*	289,051	-
Totals	412,716	-

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2026.

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

Plan year ended	Amount
2025	54,715
2026	96,626
2027	(26,253)
2028	(1,424)
Total	123,665

Payables to the Municipal Employees Retirement System (MERS) of Michigan Plan

At year end the City is current on all required pension plan payments and amounts payable to the plan were \$0.

MERS Defined Contribution Plan

Plan Description

In January of 2005, the City adopted and now participates in the MERS Uniform Defined Contribution Program; a 401(a) plan.

Eligibility

All new-hired full-time employees of the City are eligible to participate in the plan. As of year-end, the plan's current membership was 10 active, 0 terminated, and 9 deferred members.

A defined contribution plan provides retirement benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions.

Contributions

Participants contribute between 1% - 5% of their annual salary. The City matches participant contribution percentages, plus one additional percentage. City contributions, therefore, range between 2% - 6% of each participant's annual salary. Participants are 100% vested in the employer contributions after five years of service with the City or at age 55 whichever occurs first.

During the year, the actual contributions to the plan (reduced by forfeitures of \$9,368) amounted to \$87,996, which includes \$58,443 of employer contributions, and \$29,553 of employee contributions. The outstanding liability to the plan at year-end was \$0.

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

As of June 30th, the composition of the governmental activities net investment in capital assets was comprised of the following:

Description	Amount
Capital assets not being depreciated	181,681
Capital assets being depreciated, net	1,681,370
Net investment in capital assets	1,863,051

As of June 30th, the composition of the business-type activities net investment in capital assets was comprised of the following:

Description	Amount
Capital assets not being depreciated	2,177,760
Capital assets being depreciated, net	6,213,765
Capital related general obligation bonds	(3,668,816)
Unamortized premium/discount on bond refunding	(139,939)
Net investment in capital assets	4,582,770

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 11 – TRANSFERS

Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General	19,053	(79,462)
Major Street	30,221	-
Local Street	32,416	-
Caldwell Memorial	-	(4,293)
Downtown Development Authority	13,000	(14,760)
Internal Service	51,325	-
Grant Projects	-	(137,045)
Water Fund	89,545	-
Total Interfund Transfers	235,560	(235,560)

Transfers are used to provide resources from unrestricted general fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Street fund is allowed, under Public Act 51, to share a portion of its Gas and Weight Tax revenues with the Local Street fund if the municipality has a street asset management program in place. The city does have this program and therefore the Major Street fund transferred 25% of the Act 51 funds to the Local Street fund. Funds were transferred from the Grant fund to the Water fund to reimburse for city labor of residential lead/copper water lines.

The General Fund collected and transferred millage funds for sidewalk repairs/replacement as voted on by the electors of the city to the Major and Local Street funds. It also transferred to and received funds from the Component Unit (Downtown Development Authority) for the purpose of general operations. The General Fund also received funds from the Caldwell and Gibbs funds for the purchase of a new digital sign downtown and a new HVAC system at City Hall.

NOTE 12 – CONSTRUCTION COMMITMENTS

The City has active construction projects as of June 30th. The projects include construction of the City's water supply system to be used to improve watermains and lead service line replacements at various locations throughout the City. At June 30th, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
2024 Drinking Water State Revolving Fund Water Main	1,952,942	607,334

NOTE 13 - TAX ABATEMENTS

The City of Ithaca has Six Industrial Districts, one which is an Agricultural Industrial Park. They were built to attract companies to the city for job creation and growth of the city. It also has a Downtown Development Authority which works with the City to encourage economic development in the Commercial district. In order to achieve this industrial and commercial economic vitality and rehabilitation of older downtown buildings, the city offers tax abatements as allowed by Michigan law. To have an abatement awarded, the owner must make application to the city which requires presentation of the work to be done, the number of jobs to be created and retained, investment contribution and the number of years requested for the abatement. To date, the City has awarded abatements under Michigan Public Act PA146 of 2000 for Obsolete Property Rehabilitation, under Public Act 198 of 1974 for Industrial Facilities Tax and under Public Act 376 of 1996 for Renaissance Zones.

The City of Ithaca has historically approved abatements for 12 years for Real Property (brick and mortar) and 7 years for Personal Property (machine and equipment) and has also approved lesser years with a contingent renewal period for the full allowable term if conditions promised are being met. If approved, the applicant enters into an agreement with the city in which the city promises to forgo tax revenues and the applicant promises to contribute to economic development through growing the business and/or by job creation or some other benefit to the city or its residents. All applications are subject to a public hearing in front of the City Council before the decision to approve or decline is made. The city is allowed to approve abatements in total, up to 5% of its tax base. Should it exceed that limit, the State of Michigan is notified, via the approving Resolution, and has the final approval as to if the abatement is allowed. As discussed in the Management Discussion & Analysis, Zeeland Farm Services received an agricultural Renaissance Zone abatement as part of the development package from the State of Michigan.

In 2024, the City of Ithaca had nine companies receiving IFT & OPRA abatements and one company receiving a Renaissance Zone abatement. The combined values of the lost revenue from these abated properties are disclosed below, with total loss of revenue due to the abatements being equal to \$209,121. Information on individual abatements is available from the City's Treasurer.

City of Ithaca
Notes to the Financial Statements
June 30, 2025

CITY OF ITHACA ASSESSORS WARRANT - SUMMER 2024						
TAXING UNIT	TOTAL TAXABLE VALUE	TAXABLE VALUE w/o Abatement	MILLAGE RATE	TAXES LEVIED 2022 TAX ROLL	TAXES IF NOT ABATED	AMOUNT OF LOSS DUE TO ABATEMENT
Post 1994						
CITY OPERATING	\$452,419		6.9378	\$3,138.79	\$6,277.59	(\$3,138.79)
WATER/SEWER DEBT	\$452,419		1.1250	\$508.96	\$1,017.91	(\$508.96)
EMERGENCY SERVICES	\$452,419		0.7500	\$339.26	\$678.54	(\$339.26)
CITY SIDEWALKS	\$452,419		0.4974	\$225.01	\$450.03	(\$225.01)
ADMIN FEE				\$42.12	\$84.24	(\$42.12)
TOTAL 2024 SUMMER TAX COLLECTION FOR IFT'S - POST 1994				\$4,254.14	\$8,508.30	(\$4,254.14)
OPRA						
CITY OPERATING - FROZEN	\$96,270	\$450,370	13.8756	\$1,335.79	\$6,249.15	(\$4,913.36)
WATER/SEWER DEBT - FROZEN	\$96,270	\$450,370	2.2500	\$216.61	\$1,013.33	(\$796.73)
EMERGENCY SERVICES - FROZEN	\$96,270	\$450,370	1.5000	\$144.40	\$675.56	(\$531.16)
CITY SIDEWALKS - FROZEN	\$96,270	\$450,370	0.9949	\$95.78	\$448.07	(\$352.29)
ADMIN FEE				\$17.93	\$83.86	(\$65.94)
Total 2024 SUMMER TAX COLLECTION FOR OPRA				\$1,810.50	\$8,469.98	(\$6,659.47)
Renaissance Zone						
CITY OPERATING	\$0	\$11,949,133	13.9272	\$0.00	\$166,417.97	(\$166,417.97)
WATER/SEWER DEBT	\$11,938,145	\$11,949,133	2.2500	\$26,860.81	\$26,885.53	(\$24.72)
EMERGENCY SERVICES	\$0	\$11,949,133	1.4955	\$0.00	\$17,869.93	(\$17,869.93)
CITY SIDEWALKS	\$0	\$11,949,133	0.9986	\$0.00	\$11,932.40	(\$11,932.40)
ADMIN FEE				\$268.61	\$2,231.06	(\$1,962.45)
TOTAL 2024 SUMMER TAX COLLECTION FOR REN ZONE				\$27,129.42	\$225,336.91	(\$198,207.48)
TOTAL 2024 SPECIAL ACTS SUMMER TAX COLLECTION				\$33,194.07	\$242,315.18	(\$209,121.10)

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in April of 2024 and will be effective for fiscal year 2026. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued by the GASB in September 2024 and will be effective for the fiscal year 2026. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale

REQUIRED SUPPLEMENTARY INFORMATION



City of Ithaca
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$ 1,348,725	\$ 1,348,725	\$ 1,329,922	\$ (18,803)
Licenses and permits	42,750	42,750	46,845	4,095
State funding	521,602	521,602	528,168	6,566
Charges for services	77,500	77,500	61,942	(15,558)
Interest and rentals	176,106	176,106	212,799	36,693
Other revenues	71,287	71,287	84,370	13,083
Total revenues	2,237,970	2,237,970	2,264,046	26,076
Expenditures				
General government	639,904	655,247	555,383	99,864
Public safety	576,943	576,943	570,288	6,655
Public works	337,269	350,269	282,864	67,405
Community and economic development	56,829	57,829	50,658	7,171
Recreation and cultural	133,635	133,635	115,700	17,935
Other expenditures	308,838	308,838	303,562	5,276
Total expenditures	2,053,418	2,082,761	1,878,455	204,306
Revenues over (under) expenditures	184,552	155,209	385,591	230,382
Other financing sources (uses)				
Transfers in - governmental funds	18,260	22,553	4,293	(18,260)
Transfers out - governmental funds	(343,000)	(343,000)	(62,637)	280,363
Transfers in - component unit	13,000	13,000	14,760	1,760
Transfers out - component unit	(14,760)	(14,760)	(13,000)	1,760
Transfers out - proprietary funds	-	-	(3,825)	(3,825)
Total other financing sources (uses)	(326,500)	(322,207)	(60,409)	261,798
Net change in fund balance	(141,948)	(166,998)	325,182	492,180
Fund balance, beginning of year	2,189,021	2,189,021	2,189,021	-
Fund balance, end of year	\$ 2,047,073	\$ 2,022,023	\$ 2,514,203	\$ 492,180

City of Ithaca
Budgetary Comparison Schedule - Major Street Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State funding	\$ 439,469	\$ 439,469	\$ 448,347	\$ 8,878
Interest and rentals	17,000	17,000	28,625	11,625
Other revenues	600	600	522	(78)
Total revenues	457,069	457,069	477,494	20,425
Expenditures				
Public works	520,313	520,313	279,947	240,366
Revenues over (under) expenditures	(63,244)	(63,244)	197,547	260,791
Other financing sources (uses)				
Transfers in - governmental funds	38,000	38,000	30,221	(7,779)
Total other financing sources (uses)	38,000	38,000	30,221	(7,779)
Net change in fund balance	(25,244)	(25,244)	227,768	253,012
Fund balance, beginning of year	813,224	813,224	813,224	-
Fund balance, end of year	\$ 787,980	\$ 787,980	\$ 1,040,992	\$ 253,012

City of Ithaca
 Budgetary Comparison Schedule - Local Street Fund
 For the Year Ended June 30, 2025

	<u>Budgeted Amounts</u>			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State funding	\$ 145,180	\$ 145,180	\$ 145,528	\$ 348
Interest and rentals	15,000	15,000	19,267	4,267
Other revenues	600	600	376	(224)
Total revenues	160,780	160,780	165,171	4,391
Expenditures				
Public works	295,053	301,890	210,007	91,883
Revenues over (under) expenditures	(134,273)	(141,110)	(44,836)	96,274
Other financing sources (uses)				
Transfers in - governmental funds	38,000	38,000	32,416	(5,584)
Net change in fund balance	(96,273)	(103,110)	(12,420)	90,690
Fund balance, beginning of year	537,969	537,969	537,969	-
Fund balance, end of year	\$ 441,696	\$ 434,859	\$ 525,549	\$ 90,690

City of Ithaca
 Budgetary Comparison Schedule - Library Fund
 For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes and penalties	\$ 168,000	\$ 168,000	\$ 202,896	\$ 34,896
State funding	8,250	8,250	8,471	221
Charges for services	3,600	3,600	3,809	209
Fines and forfeits	46,000	46,000	48,158	2,158
Interest and rentals	10,000	10,000	20,829	10,829
Other revenues	2,520	2,520	7,806	5,286
Total revenues	238,370	238,370	291,969	53,599
Expenditures				
Recreation and cultural	283,370	304,920	303,453	1,467
Revenues over (under) expenditures	(45,000)	(66,550)	(11,484)	55,066
Fund balance, beginning of year	457,694	457,694	457,694	-
Fund balance, end of year	\$ 412,694	\$ 391,144	\$ 446,210	\$ 55,066

City of Ithaca
 Budgetary Comparison Schedule - Grant Projects Fund
 For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal funding	\$ -	\$ -	\$ 137,435	\$ 137,435
Interest and rentals	4,000	4,000	10,820	6,820
Total revenues	4,000	4,000	148,255	144,255
Expenditures				
General government	47,000	47,000	391	46,609
Revenues over (under) expenditures	(43,000)	(43,000)	147,864	97,646
Other financing sources (uses)				
Transfers out - proprietary funds	-	(167,424)	(137,045)	(30,379)
Total other financing sources (uses)	-	(167,424)	(137,045)	(30,379)
Net change in fund balance	(43,000)	(210,424)	10,819	67,267
Fund balance, beginning of year	14,587	14,587	14,587	-
Fund balance, end of year	\$ (28,413)	\$ (195,837)	\$ 25,406	\$ 221,243

City of Ithaca
Required Supplemental Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Plan years ending				
	2015	2016	2017	2018	2019
Total Pension Liability (TPL)					
Service Cost	\$ 22,158	\$ 23,731	\$ 19,110	\$ 20,002	\$ 17,228
Interest	335,619	348,062	351,659	346,137	348,127
Changes of Benefit Terms	-	-	-	-	-
Difference between expected & actual experience	56,022	45,090	(45,573)	63,500	(45,828)
Changes of assumptions	225,895	-	-	-	143,955
Benefit payments including employee refunds	(354,212)	(361,416)	(377,801)	(411,527)	(395,198)
Other	-	(2)	(2)	(1)	-
Net Change in Total Pension Liability	285,482	55,465	(52,607)	18,111	68,284
Total Pension Liability beginning	4,234,131	4,519,613	4,575,078	4,522,471	4,540,582
Total Pension Liability ending	4,519,613	4,575,078	4,522,471	4,540,582	4,608,866
Fiduciary Net Position					
Contributions-employer	139,944	169,269	194,700	383,952	395,913
Contributions-employee	8,557	8,896	8,141	7,113	6,661
Net Investment income	(38,107)	269,761	322,962	(100,992)	338,019
Benefit payments including employee refunds	(354,212)	(361,416)	(377,801)	(411,527)	(395,198)
Administrative expense	(5,702)	(5,331)	(5,129)	(5,048)	(5,817)
Other	-	-	-	-	-
Net Change in Fiduciary Net Position	(249,520)	81,179	142,873	(126,502)	339,578
Fiduciary Net Position beginning	2,688,172	2,438,652	2,519,831	2,662,704	2,536,202
Fiduciary Net Position ending	2,438,652	2,519,831	2,662,704	2,536,202	2,875,780
Net Pension Liability (NPL)	\$ 2,080,961	\$ 2,055,247	\$ 1,859,767	\$ 2,004,380	\$ 1,733,086
Fiduciary Net Position as a % of the TPL	54%	55%	59%	56%	62%
Covered Employee Payroll	\$ 182,060	\$ 189,274	\$ 144,643	\$ 151,337	\$ 117,518
NPL as a % of covered employee payroll	1143%	1086%	1286%	1324%	1475%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History". Beginning with the 2023 actuarial valuation, the long-term investment return is assumed to be 6.93% annually, net of administrative and investment expenses.

City of Ithaca
Required Supplemental Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Plan years ending				
	2020	2021	2022	2023	2024
Total Pension Liability (TPL)					
Service Cost	\$ 18,409	\$ 19,608	\$ 21,218	\$ 9,224	\$ 7,823
Interest	335,614	348,476	346,797	346,470	335,500
Changes of Benefit Terms	-	-	-	-	-
Difference between expected & actual experience	99,806	89,298	30,380	(110,058)	(50,700)
Changes of assumptions	123,367	149,864	-	30,537	(24,030)
Benefit payments including employee refunds	(404,191)	(412,928)	(406,761)	(387,036)	(376,340)
Other	-	(1)	1	-	-
Net Change in Total Pension Liability	173,005	194,317	(8,365)	(110,863)	(107,747)
Total Pension Liability beginning	4,608,866	4,781,871	4,976,188	4,967,823	4,856,960
Total Pension Liability ending	4,781,871	4,976,188	4,967,823	4,856,960	4,749,213
Fiduciary Net Position					
Contributions-employer	249,858	406,879	361,585	417,386	526,759
Contributions-employee	5,730	5,825	6,018	5,700	2,734
Net Investment income	352,047	432,199	(362,260)	347,231	261,385
Benefit payments including employee refunds	(404,191)	(412,928)	(406,761)	(387,036)	(376,340)
Administrative expense	(5,682)	(4,945)	(6,461)	(7,340)	(7,877)
Other	-	-	3	-	1
Net Change in Fiduciary Net Position	197,762	427,030	(407,876)	375,941	406,662
Fiduciary Net Position beginning	2,875,780	3,073,542	3,500,572	3,092,696	3,468,637
Fiduciary Net Position ending	3,073,542	3,500,572	3,092,696	3,468,637	3,875,299
Net Pension Liability (NPL)	\$ 1,708,329	\$ 1,475,616	\$ 1,875,127	\$ 1,388,323	\$ 873,914
Fiduciary Net Position as a % of the TPL	64%	70%	62%	71%	82%
Covered Employee Payroll	\$ 121,916	\$ 123,943	\$ 128,048	\$ 56,178	\$ 58,162
NPL as a % of covered employee payroll	1401%	1191%	1464%	2471%	1503%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History". Beginning with the 2023 actuarial valuation, the long-term investment return is assumed to be 6.93% annually, net of administrative and investment expenses.

City of Ithaca
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Employer Contributions

	Fiscal years ending				
	2016	2017	2018	2019	2020
Actuarial Determined Contributions	\$ 132,972	\$ 149,790	\$ 184,356	\$ 222,828	\$ 236,580
Contributions in relation to the actuarially determined contribution	144,612	154,968	194,700	383,472	396,651
Contribution deficiency (excess)	<u>\$ (11,640)</u>	<u>\$ (5,178)</u>	<u>\$ (10,344)</u>	<u>\$ (160,644)</u>	<u>\$ (160,071)</u>
Covered Employee Payroll	\$ 182,060	\$ 189,274	\$ 144,643	\$ 151,337	\$ 117,518
Contributions as a Percentage of Covered Employee Payroll	79%	82%	135%	253%	338%

Notes to Schedule of Contributions

Valuation Date	December 31, 2024
Notes	Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%
Retirement age	Age 60 or Age 55 with 25 years of service
Mortality	A version of Pub-2010 annual mortality tables

Previous actuarial methods and assumptions:

*Actuarially Determined Contributions are found in the actuarial valuation in Table 1 of the MERS Annual Valuation.

Above dates are based on fiscal year, not necessarily the measurement date.
Note that these are employer contributions not employee contributions.

City of Ithaca
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Employer Contributions

	Fiscal years ending				
	2021	2022	2023	2024	2025
Actuarial Determined Contributions	\$ 258,708	\$ 300,864	\$ 370,302	\$ 455,215	\$ 372,060
Contributions in relation to the actuarially determined contribution	364,168	348,864	376,697	457,990	526,759
Contribution deficiency (excess)	<u>\$ (105,460)</u>	<u>\$ (48,000)</u>	<u>\$ (6,395)</u>	<u>\$ (2,775)</u>	<u>\$ (154,699)</u>
Covered Employee Payroll	\$ 113,057	\$ 130,660	\$ 130,945	\$ 56,716	\$ 58,674
Contributions as a Percentage of Covered Employee Payroll	322%	267%	288%	808%	898%

Notes to Schedule of Contributions

Valuation Date	December 31, 2024
Notes	Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%
Retirement age	Age 60 or Age 55 with 25 years of service
Mortality	A version of Pub-2010 annual mortality tables

Previous actuarial methods and assumptions:

*Actuarially Determined Contributions are found in the actuarial valuation in Table 1 of the MERS Annual Valuation.

Above dates are based on fiscal year, not necessarily the measurement date.
Note that these are employer contributions not employee contributions.

OTHER SUPPLEMENTARY INFORMATION



City of Ithaca
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds			Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Economic Development	Cemetery Perpetual Care	
Assets					
Cash and cash equivalents	\$ -	\$ 5,628	\$ 13,356	\$ 40,132	\$ 59,116
Investments	-	46,527	91,348	-	137,875
Total assets	<u>\$ -</u>	<u>\$ 52,155</u>	<u>\$ 104,704</u>	<u>\$ 40,132</u>	<u>\$ 196,991</u>
Fund Balance					
Restricted	\$ -	\$ 52,155	\$ 104,704	\$ 40,132	\$ 196,991
Total fund balance	<u>-</u>	<u>52,155</u>	<u>104,704</u>	<u>40,132</u>	<u>196,991</u>
Total fund balance	<u>\$ -</u>	<u>\$ 52,155</u>	<u>\$ 104,704</u>	<u>\$ 40,132</u>	<u>\$ 196,991</u>

City of Ithaca
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			Permanent Fund	
	Caldwell Memorial	Gibbs Memorial	Economic Development	Cemetery Perpetual Care	Totals
Revenues					
Interest and rentals	\$ 5	\$ 2,163	\$ 4,247	\$ 1,283	\$ 7,698
Other revenues	-	-	-	2,100	2,100
Total revenues	5	2,163	4,247	3,383	9,798
Other financing sources (uses)					
Transfers out - governmental funds	(4,293)	-	-	-	(4,293)
Total other financing sources (uses)	(4,293)	-	-	-	(4,293)
Net change in fund balances	(4,288)	2,163	4,247	3,383	5,505
Fund balance, beginning of year	4,288	49,992	100,457	36,749	191,486
Fund balance, end of year	\$ -	\$ 52,155	\$ 104,704	\$ 40,132	\$ 196,991



**Independent Auditor's 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**

To the Members of City Council
City of Ithaca
Ithaca, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

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.

Sincerely,

Roslund, Prestage & Company, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants



Communication with Those Charged with Governance at the Conclusion of the Audit

To the Members of City Council
City of Ithaca
Ithaca, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) for the year ended June 30, 2025. 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 during planning. 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 the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 City's financial statements were:

Management's estimate of the payout of employee compensated absences is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of current and noncurrent compensated absences is based on an estimate of the percentage of employee's use of compensated absences.

Management's estimated lives of capital assets are based on the expected life of the asset. We evaluated the key factors and assumptions used to develop the estimated lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The assumptions used in the actuarial valuation of the pension plan are based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the information used in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

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 City'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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We recommend the City create a written incident response plan and a written disaster recovery plan that can be tested, as these plans are not currently in place.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the 10-year trend information, which are required supplementary information (RSI) 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 statements which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

A handwritten signature in black ink that reads "Roslund, Prestage & Company, P.C." in a cursive, flowing script.

Roslund, Prestage & Company, P.C.
Certified Public Accountants