

**City of Ithaca
Ithaca, Michigan**

**Financial Statements
June 30, 2023**



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, 2023, 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, 2023, 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 15, 2023, 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 15, 2023

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, 2023. 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, 2023, the end of the fiscal year, by \$11,330,486 (*net position*). Of this, \$3,793,757 (*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 \$422,205. This resulted from an increase in net position of the governmental activities of \$310,090 and an increase in net position of business activities of \$112,115.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$3,825,063. This is a net decrease of \$1,553 from the prior year. Of the total fund balance for governmental funds, \$1,908,533 is available for spending at the City's discretion (unassigned fund balance) and \$1,916,530 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 is 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 the 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 of the city's revenues and expenses 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 expenses 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.)

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.



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 of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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 government'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 ten 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 and Local Streets, Library and Grant Program funds, each of which are considered to be 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 fund, which is considered to be a major fund 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 government. 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 14-32 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 33-41 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 42-43 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. On the next page is a summarized version of the Statement of Net Position that provides a perspective of the financial position of the City as a whole as of June 30, 2023.

The total net position of the City for Fiscal Year end June 2023 is \$11,330,486. However, \$5,620,199 represents its investment in capital assets net of related debt (i.e., land, buildings, furniture & fixtures, equipment, vehicles, water & sewer systems), with 68.08% (\$3,826,287) 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, \$1,916,530 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, reserves, and perpetual care of the city cemetery. The city may use the remaining balance (unrestricted net position) of \$3,793,757 for ongoing obligations to residents and creditors. The total net position for the year increased by \$422,205 and was discussed earlier in this document.

City of Ithaca, Michigan Statement of Net Position							
	Governmental Activities		Business-Type Activities			Total	
	2023	2022	2023	2022		2023	2022
Assets:							
Current and Other Assets	\$5,905,100	\$5,933,935	\$ 2,051,297	\$ 1,864,463		\$ 7,956,397	\$ 7,798,398
Land	181,681	181,681	37,621	37,621		219,302	219,302
Capital Assets (net of depreciation)	1612,231	1,359,868	6,796,928	7,079,057		8,409,159	8,438,925
Total Assets	7,699,012	7,475,484	8,885,846	8,981,141		16,584,858	16,456,625
Deferred Outflows:							
Deferred outflow-Pension related	280,728	104,659	187,152	69,772		467,880	174,431
Total Deferred Outflows	280,728	104,659	187,152	69,772		467,880	174,431
Liabilities:							
Long-Term Debt	38,113	37,735	2,898,534	3,043,137		2,936,647	3,080,872
Net Pension Liability	1,125,076	885,369	750,052	590,247		1,875,128	1,475,616
Other Liabilities	463,795	400,375	191,124	197,660		654,919	598,035
Total Liabilities	1,626,984	1,323,479	3,839,710	3,831,044		5,466,694	5,154,523
Deferred Inflows:							
Deferred inflows-Pension related	0	148,044	0	98,696		0	246,740
Deferred inflows-Lessor Activity	255,558	321,512	0	0		255,558	321,512
Total Deferred Inflows	255,558	469,556	0	98,696		255,558	568,252
Net Position:							
Invested in capital assets, net of related debt	1,793,912	1,541,549	3,826,287	3,971,755		5,620,199	5,513,304
Restricted	1,916,530	2,235,369	0	0		1,916,530	2,235,369
Unrestricted	2,386,756	2,010,190	1,407,001	1,149,418		3,793,757	3,159,608
Total Net Position	6,097,198	5,787,108	5,233,288	5,121,173		11,330,486	10,908,281



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	
	2023	2022		2023	2022		2023	2022
REVENUES:								
Program Revenues:								
Charges for Services	\$ 167,660	\$ 95,380		856,148	799,710		1,023,808	895,090
Grants and Contributions	599,950	805,026		29,227	33,753		629,177	838,779
General Revenues:								
Property Taxes	1,402,527	1,311,236		253,499	237,864		1,656,026	1,549,100
State-Shared Revenues	527,853	520,149		0	0		527,853	520,149
Investment Earnings	200,122	114,439		20,490	2,693		220,612	117,132
Gain on Disposal of Capital Asset	858	2,039		0	0		858	2,039
Transfers	3,900	-106,370		0	110,000		3,900	3,630
Other	144,848	221,916		3,219	15,456		148,067	237,372
Total Revenues	3,047,718	2,963,815		1,162,583	1,199,476		4,210,301	4,163,291
EXPENSES:								
General Government	747,122	799,901		0	0		747,122	799,901
Public Safety	553,595	621,057		0	0		553,595	621,057
Public Works	1,026,608	578,570		0	0		1,026,608	578,570
Rec./Cultural/Econ. Dev.	410,303	404,504		0	0		410,303	404,504
Water and Sewer	0	0		1,050,468	1,066,825		1,050,468	1,066,825
Total Expenses	2,737,628	2,404,032		1,050,468	1,066,825		3,788,096	3,470,857
Change in Net Position	310,090	559,783		112,115	132,651		422,205	692,434
Special Item-Fire/Res Transfer	0	-750,232		0	0		0	-750,232
Net Position – July 1 restated	5,787,108	5,977,557		5,121,173	4,988,522		10,908,281	10,966,079
Prior Period Adjustment	0	0		0	0		0	0
Net Position – June 30	6,097,198	5,787,108		5,233,288	5,121,173		11,330,486	10,908,281

Governmental Activities: The City's total governmental revenue is reported at \$3,047,718, an increase of \$83,903 from the prior fiscal year. Total expenses increased \$333,596 from the prior fiscal year. This is primarily due to the major renovations of city buildings and street paving projects.

Business-type Activities: The City's total business-type revenue is reported at \$1,162,583, a decrease of \$36,893 from the prior fiscal year. Total expenses decreased by \$16,357 from the prior fiscal year. This is primarily due to the current year utility rate and investment earning increases and no transfers received by the fund.



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 the 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 fund of the city is the Water and Sewer fund which is used to account for the costs of providing water and sanitary sewer services to city residents, businesses and users of the systems.

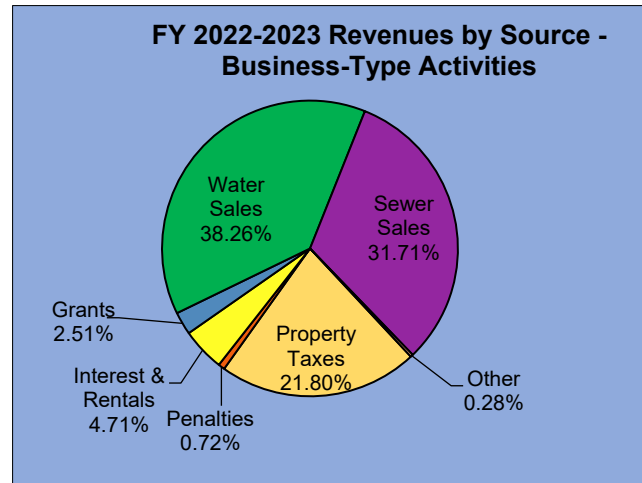
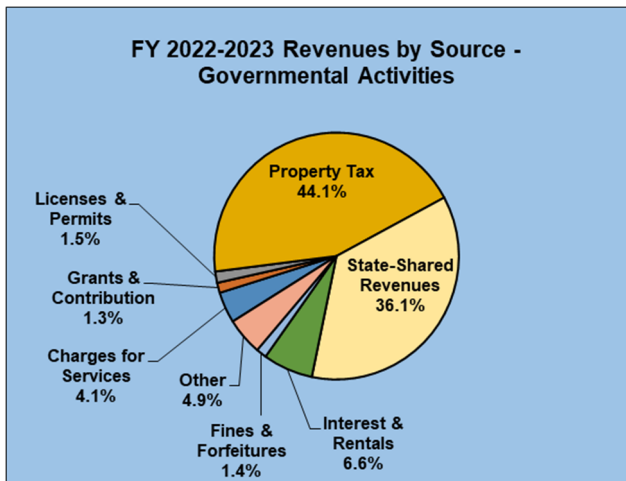


City of Ithaca, Michigan

Management's Discussion and Analysis

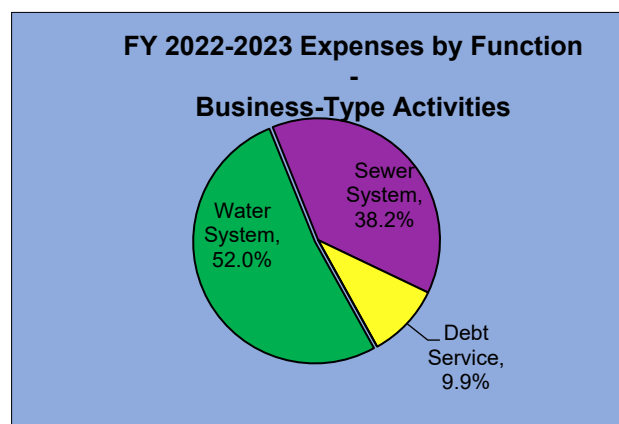
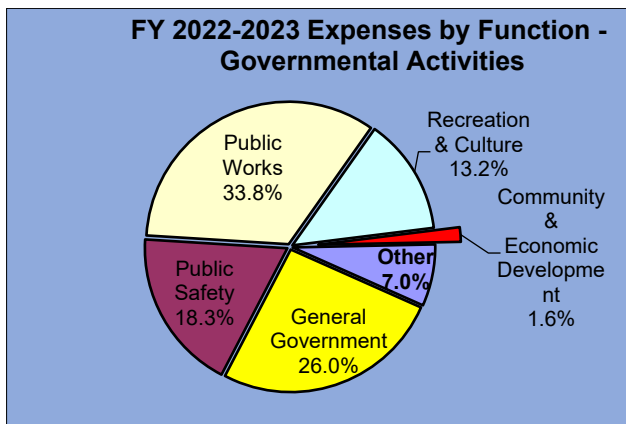
Budgetary Highlights

The majority of the City's budget in FY 2022-2023 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 in being good stewards of the public's money. This philosophy has been translated into preparing for economic challenges while maintaining the solid foundation of 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 material and supply cost due to the following of the COVID pandemic.

The General Fund budget, the largest of the governmental funds, was originally projected to have a decrease in fund balance by \$49,929, however due to increases in revenue sharing, interest earnings, reduction in cost for fire and first responder services (a result of the passing of a property tax millage by GESA) and other amendments, the amended budget projected an increase of \$110,608. During the year, the General Fund budget expenditures were underspent by \$209,185, transfers were less than anticipated by \$7,488 and revenues were more than anticipated by \$4,981 when comparing budget to actual, resulting in an actual increase to the fund balance of \$206,678.





City of Ithaca, Michigan

Management's Discussion and Analysis

Capital Assets

As of June 30, 2023, the City of Ithaca had \$8,628,461 invested in a wide range of capital assets, including land, buildings, infrastructure, equipment, vehicles, improvements, furniture and the water and sewer systems. As of June 30, 2022 this total was \$8,658,227. To note: the city is considered a Phase 3 Government, as defined by GASB 34, and as so, has 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 23 and 29 respectively.

Long-Term Debt

As of June 30, 2023, the City had total long-term debt outstanding (not including net pension liability) of \$2,773,385. Of this amount, \$2,710,000 is bonded debt which is backed by the full faith and credit of the city. The remaining \$63,385 is compensated absences for city personnel. Additional information about the city's long-term indebtedness can be found in the Notes to Financial Statement in Note 6 on page 24 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

National Debt and Inflation

The current national debt as of October 2023 is approximately \$33.7 trillion dollars, up around 2.5 trillion from the previous year, when it was around 31.2 trillion U.S. dollars in October 2022. After record low interest rates during the Covid -19 Pandemic, we have seen a steady hike in rates. The federal government is hoping to cool down the price of inflation and the rising cost of living.

The Federal Reserve released that recent indicators suggest that economic activity expanded at a strong pace in the third quarter of 2023. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation remains elevated. It further released that the U.S. banking system is sound and resilient. Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks and seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run.

In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent and will continue to assess additional information and its implications for monetary policy. It is strongly committed to returning inflation to its 2 percent objective.



City of Ithaca, Michigan

Management's Discussion and Analysis

Ithaca Economy

Local Business

The City of Ithaca welcomed several new businesses this past year, as well as some business expansions. The Wagon Wheel Café, Roselyn's Boutique, Farmers Insurance (Karen Smith Agency), Small Town Cabin Gift Shop, Captured Memories by Jacqueline and The Exchange Beauty + Wellness are all new businesses that opened in our Downtown District.

Ellen's Equipment purchased the buildings directly to the north of their location on Commerce Drive. A portion of this same property houses the newly opened Biggby Coffee.

Dream Works Resale Shop moved across the street into the larger building formerly occupied by Anderson's Carpet & Tile. Farm Bureau Insurance is now under the new name of the Scott Allen Agency.

In the Industrial District we are seeing expansions by Zeeland Farm Service (ZFS), Trinity Truck and Trailer, and Trident Manufacturing. ZFS built two new silos for grain storage and added another weigh station. Trinity has purchased additional property in the Industrial Park to expand their operations and Trident is in the process of building on to their business. They are also on the verge of replacing a portion of one of their buildings that succumbed to a fire this past year.

Ithaca High School constructed a new parking lot and access drives as well as the ongoing renovations to the Ithaca Community Stadium. The school will be hosting an MHSAA state semi-final football game for the second straight year. Events like these bring in a lot of people that are maybe not familiar with Ithaca, many of which will patronize some of our local businesses.

The city, itself underwent three major renovation projects. Interior upgrades and energy efficiencies were done in the renovation of the Ithaca Community Center, City Hall and the Thompson Home Public Library.

Grant/DWSRF

The city was successful in obtaining a half grant/half loan through the Drinking Water State Revolving Fund (DWSRF) in 2023. We will receive \$1.2 Million in ARP Grant with the remainder coming in loan funding through the state. The plan calls for a fourth quarter 2024 project construction that will include much needed water main replacements on St. Charles Road, South Pine River Street, and Barnes Street. Ongoing LCR replacements and new fire hydrants are also included in the projects scope.



City of Ithaca, Michigan

Management's Discussion and Analysis

Challenges/Water Rates

Over recent years, city council and staff have been working hard on a long-term funding plan for the city's water & sewer department. The city is facing the challenges of an aging infrastructure, state unfunded mandates, including LCR (Lead and Copper Replacement), PFAS clean up at the old West Washington Road landfill, and substantial equipment, utility, material and maintenance cost increases since the covid-19 pandemic. As a result of these challenges, it became necessary to implement rate increases of which were twenty-five percent this year.

Since 2021 the city has utilized the assistance of Municipal Analytics and Waterworth utility software to conduct a water and sewer rate analysis to evaluate and develop rates and charges that best meet the city's goals and objectives and are fair and equitable to users of the systems. The results show the necessity to adjust the rates, accordingly, to sustain the systems on a long-term basis, provide financial stability, regulate water quality, and continue to meet State of Michigan water and sewer regulations, all while charging the fairest rates for all users.

To help alleviate the burden of the increase the City Council made the decision to switch to monthly billing for residents, which went into effect in October. Commercial and other non-residential users will remain on a quarterly billing cycle.

Infrastructure

The city replaced the watermain on Gwinner Street this year, along with several on-going LCR service replacements.

Public Safety and Transportation

The City is currently working on a new contract with the Gratiot County Sheriff's Department for law enforcement services. This partnership allows the city to continue having 24/7 policing. GESA (Gratiot Emergency Services Authority) and SLIPR (St. Louis, Ithaca, and Pine River Township Transit) are both in their third year of operation. The Ithaca Fire Department governed by GESA continues to do a great job servicing the city, while the SLIPR partnership with Alma Transit continues to allow our residents greater mobility in the county.

City Election and City Council

This year's November election brought the successful renewal of the city's Emergency Services Millage as well as the school's sinking fund. The city council election resulted in some changes to the council, as Jim Gruesbeck did not run for re-election. Mayor Brett Baublitz and Councilpersons James Andrew and Rob Endter will return for new terms and they will be joined by newly elected Kristyn Roethlisberger.



City of Ithaca, Michigan

Management's Discussion and Analysis

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

Barbara Fandell

Barbara Fandell, ACPFA MiCPT
City Treasurer-Finance Director
Email : bfandell@ithacami.com

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



City of Ithaca
Statement of Net Position
June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,533,136	\$ 1,023,784	\$ 3,556,920	\$ 4,963
Investments	1,720,724	523,984	2,244,708	22,211
Accounts receivable	19,926	192,333	212,259	-
Property taxes receivable	1,195,493	254,850	1,450,343	-
Lessor receivable	268,196	-	268,196	-
Due from other governments	166,125	-	166,125	-
Due from agency fund	1,500	-	1,500	-
Inventories	-	56,346	56,346	-
Noncurrent assets				
Capital assets not being depreciated	181,681	37,621	219,302	-
Capital assets being depreciated, net	1,612,231	6,796,928	8,409,159	-
Total assets	7,699,012	8,885,846	16,584,858	27,174
Deferred Outflows of Resources				
Related to pension	280,728	187,152	467,880	-
Liabilities				
Accounts payable	165,053	17,396	182,449	402
Accrued liabilities	10,046	6,493	16,539	-
Accrued interest	-	27,775	27,775	-
Unearned revenue	281,970	-	281,970	-
Compensated absences, due within one year	6,726	4,460	11,186	-
General obligations payable, due within one year	-	135,000	135,000	-
Noncurrent liabilities				
Compensated absences, due beyond one year	38,113	25,272	63,385	-
General obligations payable, due beyond one year	-	2,710,000	2,710,000	-
Bond premium, net of amortization	-	163,262	163,262	-
Net pension liability	1,125,076	750,052	1,875,128	-
Total liabilities	1,626,984	3,839,710	5,466,694	402
Deferred Inflows of Resources				
Related to lessor activity	255,558	-	255,558	-
Total deferred inflows of resources	255,558	-	255,558	-
Net position				
Net investment in capital assets	1,793,912	3,826,287	5,620,199	-
Restricted	1,916,530	-	1,916,530	-
Unrestricted	2,386,756	1,407,001	3,793,757	26,772
Total net position	\$ 6,097,198	\$ 5,233,288	\$ 11,330,486	\$ 26,772

City of Ithaca
Statement of Activities
For the Year Ended June 30, 2023

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	\$ 747,122	\$ 164,482	\$ 39,968	\$ (542,672)	\$ -	\$ (542,672)	\$ -
Public safety	553,595	-	-	(553,595)	-	(553,595)	-
Public works	1,026,608	-	551,953	(474,655)	-	(474,655)	-
Community and economic development	83,905	-	-	(83,905)	-	(83,905)	-
Recreation and cultural	326,398	3,178	8,029	(315,191)	-	(315,191)	-
Total governmental activities	2,737,628	167,660	599,950	(1,970,018)	-	(1,970,018)	-
Business-type activities							
Water and Sewer	1,050,468	856,148	29,227	-	(165,093)	(165,093)	-
Total primary government	<u>\$ 3,788,096</u>	<u>\$ 1,023,808</u>	<u>\$ 629,177</u>	(1,970,018)	(165,093)	(2,135,111)	-
Component units							
Downtown Development Authority	<u>\$ 7,364</u>	<u>\$ 3,275</u>	<u>\$ -</u>	-	-	-	(4,089)
General revenues							
Property taxes				1,402,527	253,499	1,656,026	-
State funding				527,853	-	527,853	-
Unrestricted investment earnings				200,122	20,490	220,612	877
Gain on disposal of capital assets				858	-	858	-
Transfers to component unit				3,900	-	3,900	(3,900)
Other revenues				144,848	3,219	148,067	5,615
Total general revenues				<u>2,280,108</u>	<u>277,208</u>	<u>2,557,316</u>	<u>2,592</u>
Change in net position				310,090	112,115	422,205	(1,497)
Net position, beginning of year				<u>5,787,108</u>	<u>5,121,173</u>	<u>10,908,281</u>	<u>28,269</u>
Net position, end of year				<u>\$ 6,097,198</u>	<u>\$ 5,233,288</u>	<u>\$ 11,330,486</u>	<u>\$ 26,772</u>

FUND FINANCIAL STATEMENTS



City of Ithaca
Balance Sheet - Governmental Funds
June 30, 2023

	Major Funds					Non-Major	Total
	General	Major	Local	Library	Grant	Governmental	Governmental
	Fund	Street	Street		Projects	Funds	Funds
Assets							
Cash and cash equivalents	\$ 1,001,128	\$ 383,160	\$ 215,841	\$ 248,924	\$ 285,495	\$ 211,524	\$ 2,346,072
Investments	856,271	230,230	323,597	247,545	-	12,416	1,670,059
Accounts receivable	15,893	-	-	-	-	-	15,893
Lessor receivable	268,196	-	-	-	-	-	268,196
Due from agency fund	1,500	-	-	-	-	-	1,500
Due from other governments	70,264	75,381	20,480	-	-	-	166,125
Total assets	<u>\$ 2,213,252</u>	<u>\$ 688,771</u>	<u>\$ 559,918</u>	<u>\$ 496,469</u>	<u>\$ 285,495</u>	<u>\$ 223,940</u>	<u>\$ 4,467,845</u>
Liabilities							
Accounts payable	\$ 43,838	\$ 483	\$ 274	\$ 51,197	\$ 290	\$ -	\$ 96,082
Accrued liabilities	5,323	1,033	739	2,077	-	-	9,172
Unearned revenue	-	-	-	-	281,970	-	281,970
Total liabilities	<u>49,161</u>	<u>1,516</u>	<u>1,013</u>	<u>53,274</u>	<u>282,260</u>	<u>-</u>	<u>387,224</u>
Deferred inflows of resources							
Related to lessor activity	255,558	-	-	-	-	-	255,558
Total deferred inflows of resources	<u>255,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,558</u>
Fund balances							
Restricted	-	687,255	558,905	443,195	3,235	223,940	1,916,530
Unassigned	1,908,533	-	-	-	-	-	1,908,533
Total fund balances	<u>1,908,533</u>	<u>687,255</u>	<u>558,905</u>	<u>443,195</u>	<u>3,235</u>	<u>223,940</u>	<u>3,825,063</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,213,252</u>	<u>\$ 688,771</u>	<u>\$ 559,918</u>	<u>\$ 496,469</u>	<u>\$ 285,495</u>	<u>\$ 223,940</u>	<u>\$ 4,467,845</u>

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, 2023

Total fund balance - governmental funds	\$ 3,825,063
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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	4,461,835
Deduct:	Accumulated depreciation	(3,106,328)

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	610,322
------	--	---------

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	1,195,493
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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	280,728
Deduct:	Net pension liability	(1,125,076)
Deduct:	Compensated absences	(44,839)

Total net position - governmental activities	<u><u>\$ 6,097,198</u></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, 2023

	Major Funds					Non-Major	Total
	General Fund	Major Street	Local Street	Library	Grant Projects	Governmental Funds	Governmental Funds
Revenues							
Taxes and penalties	\$ 1,157,589	\$ -	\$ -	\$ 172,371	\$ -	\$ -	\$ 1,329,960
Licenses and permits	44,797	-	-	-	-	-	44,797
State funding	527,853	414,529	137,424	8,029	-	-	1,087,835
Federal funding	-	-	-	-	39,968	-	39,968
Charges for services	119,685	-	-	3,178	-	-	122,863
Fines and forfeitures	-	-	-	41,750	-	-	41,750
Interest and rentals	151,615	15,477	10,345	12,730	2,847	6,027	199,041
Other revenues	87,304	436	8,133	7,985	-	43,103	146,961
Total revenues	2,088,843	430,442	155,902	246,043	42,815	49,130	3,013,175
Expenditures							
General government	744,363	-	-	-	39,968	-	784,331
Public safety	553,595	-	-	-	-	-	553,595
Public works	317,807	469,028	233,817	-	-	-	1,020,652
Community and economic development	49,477	-	-	-	-	-	49,477
Recreation and cultural	103,998	-	-	295,211	-	-	399,209
Other expenditures	211,364	-	-	-	-	-	211,364
Total expenditures	1,980,604	469,028	233,817	295,211	39,968	-	3,018,628
Revenues over (under) expenditures	108,239	(38,586)	(77,915)	(49,168)	2,847	49,130	(5,453)
Other financing sources (uses)							
Transfers in - governmental funds	274,195	34,303	127,320	-	-	-	435,818
Transfers out - governmental funds	(69,048)	(92,575)	-	-	-	(274,195)	(435,818)
Transfers in - component unit	13,900	-	-	-	-	-	13,900
Transfers out - component unit	(10,000)	-	-	-	-	-	(10,000)
Total other financing sources (uses)	209,047	(58,272)	127,320	-	-	(274,195)	3,900
Net change in fund balances	317,286	(96,858)	49,405	(49,168)	2,847	(225,065)	(1,553)
Fund balance, beginning of year	1,591,247	784,113	509,500	492,363	388	449,005	3,826,616
Fund balance, end of year	<u>\$ 1,908,533</u>	<u>\$ 687,255</u>	<u>\$ 558,905</u>	<u>\$ 443,195</u>	<u>\$ 3,235</u>	<u>\$ 223,940</u>	<u>\$ 3,825,063</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, 2023

Net change in fund balances - total governmental funds	\$ (1,553)
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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	396,293
Deduct:	Depreciation expense	(121,911)

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.

Deduct:	Net income of internal service fund	(75,404)
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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 accrual	72,567
Deduct:	Payments of long-term loan receivable	(43,863)

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	176,069
Add:	Change in deferred inflow - related to pension	148,044
Deduct:	Change in net pension liability	(239,707)
Deduct:	Change in accrual for compensated absences	(445)

Change in net position - governmental activities	\$ <u>310,090</u>
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City of Ithaca
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Assets		
Cash and cash equivalents	\$ 1,023,784	\$ 187,064
Investments	523,984	50,665
Accounts receivable	192,333	4,033
Property taxes receivable	254,850	-
Inventories	56,346	-
Noncurrent assets		
Capital assets not being depreciated	37,621	-
Capital assets being depreciated, net	6,796,928	438,405
Total assets	<u>8,885,846</u>	<u>680,167</u>
Deferred outflows of resources		
Related to pension	187,152	-
Liabilities		
Accounts payable	17,396	68,971
Accrued liabilities	6,493	874
Accrued interest	27,775	-
Compensated absences, due within one year	4,460	-
General obligations payable, due within one year	135,000	-
Noncurrent liabilities		
Compensated absences, due beyond one year	25,272	-
General obligations payable, due beyond one year	2,710,000	-
Bond premium, net of amortization	163,262	-
Net pension liability	750,052	-
Total liabilities	<u>3,839,710</u>	<u>69,845</u>
Net position		
Net investment in capital assets	3,826,287	438,405
Unrestricted	<u>1,407,001</u>	<u>171,917</u>
Total net position	<u><u>\$ 5,233,288</u></u>	<u><u>\$ 610,322</u></u>

City of Ithaca
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Operating revenues		
Water and sewer sales	\$ 813,545	\$ -
Penalties and interest charges	8,358	-
Rental revenue	34,245	-
Service charges	-	161,460
Property taxes	253,499	-
State grant	29,227	-
Miscellaneous revenues	3,219	37,698
Total operating revenues	<u>1,142,093</u>	<u>199,158</u>
Operating expenses		
Water		
Personnel services	207,024	-
Contractual services	80,598	-
Supplies	29,169	-
Depreciation	164,612	-
Other expenses	64,351	-
Sewer		
Personnel services	162,569	-
Contractual services	55,278	-
Supplies	25,487	-
Depreciation	133,819	-
Other expenses	24,060	-
Other		
Personnel services	-	40,378
Contractual services	-	3,058
Supplies	-	51,296
Depreciation	-	91,641
Other expenses	-	90,128
Total operating expenses	<u>946,967</u>	<u>276,501</u>
Operating income (loss)	195,126	(77,343)
Nonoperating revenues (expenses)		
Interest revenue	20,490	1,081
Gain on disposal of capital assets	-	858
Other expenses	<u>(103,501)</u>	<u>-</u>
Total nonoperating revenues (expenses)	(83,011)	1,939
Change in net position	112,115	(75,404)
Net position, beginning of year	<u>5,121,173</u>	<u>685,726</u>
Net position, end of year	<u><u>\$ 5,233,288</u></u>	<u><u>\$ 610,322</u></u>

City of Ithaca
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds	Governmental Activities
	Water and Sewer	Internal Service
Cash flows from operating activities		
Receipts from customers	\$ 872,248	\$ -
Receipts from State	31,352	-
Receipts from interfund charges	-	214,528
Payments to suppliers / outsiders	(285,394)	(80,827)
Payments to employees	(420,917)	(39,899)
Other receipts	241,700	-
Net cash provided by (used in) operating activities	438,989	93,802
Cash flows from capital and related financing activities		
Change in capital assets	(16,302)	(74,764)
Proceeds from sale of assets	-	6,000
Bond premium, net of amortization	(11,661)	-
Principal paid on debt	(125,000)	-
Interest and fees paid on debt	(104,439)	-
Net cash provided by (used in) capital and related financing activities	(257,402)	(68,764)
Cash flows from investing activities		
(Purchase)/sale of investments	(234,860)	(50,665)
Interest revenue	20,490	1,081
Net cash provided by (used in) investing activities	(214,370)	(49,584)
Net increase (decrease) in cash and cash equivalents	(32,783)	(24,546)
Cash and cash equivalents, beginning of year	1,056,567	211,610
Cash and cash equivalents, end of year	<u>\$ 1,023,784</u>	<u>\$ 187,064</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 195,126	\$ (77,343)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	298,431	91,641
Change in assets and liabilities		
Accounts receivable	16,100	15,370
Property taxes receivable	(15,018)	-
Due from other governments	2,125	-
Inventories	12,036	-
Deferred outflows of resources related to pensions	(117,380)	-
Accounts payable	(18,487)	63,655
Accrued liabilities	2,526	479
Compensated absences	2,421	-
Net pension liability	159,805	-
Deferred inflows of resources related to pensions	(98,696)	-
Net cash provided by operating activities	<u>\$ 438,989</u>	<u>\$ 93,802</u>

City of Ithaca
Statement of Net Position - Fiduciary Funds
June 30, 2023

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 1,040
Accounts receivable	<u>473</u>
Total assets	1,513
Liabilities	
Due to other funds	<u>1,500</u>
Total liabilities	1,500
Net position	
Restricted	<u>13</u>
Total net position	<u><u>\$ 13</u></u>

City of Ithaca
Statement of Changes in Net Position - Fiduciary Funds
June 30, 2023

	<u>Custodial Fund</u>
Additions	
Tax collections for other governments	<u>\$ 4,344,946</u>
Total additions	4,344,946
Deductions	
Payments of taxes to other governments	<u>4,360,770</u>
Total deductions	4,360,770
Change in fiduciary net position	(15,824)
Net position, beginning of year	<u>15,837</u>
Net position, end of year	<u><u>\$ 13</u></u>

City of Ithaca
Statement of Net Position - Component Unit
June 30, 2023

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 4,963
Investments	22,211
Total assets	<u>27,174</u>
Liabilities	
Accounts payable	<u>402</u>
Total liabilities	402
Net position	
Unrestricted	<u>26,772</u>
Total net position	<u><u>\$ 26,772</u></u>

City of Ithaca
Statement of Activities - Component Unit
For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
Downtown Development Authority				
General government	\$ 7,364	\$ 3,275	\$ -	\$ (4,089)
General Revenues				
Unrestricted investment earnings				877
Transfers in				10,000
Transfers out				(13,900)
Other revenues				5,615
Total general revenues				2,592
Change in net position				(1,497)
Net position, beginning of year				28,269
Net position, end of year				\$ 26,772

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 Fund (an Enterprise Fund) accounts 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 Cemetery Sinking Fund accounts for funds that are placed in reserve for future operations.
- 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 or have a measurement focus. 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 an 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.

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

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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.

Accounts Receivable/Payable

Accounts receivable/payable in all funds report amounts that have arisen in the ordinary course of business. Accounts receivable 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.

Inventory

Inventory is 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	10 – 50
Furniture and Equipment	5 – 20
Infrastructure	10 – 20
Vehicles	10 – 15
Sewer System	4 – 50
Water System	4 – 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 Payroll and Benefits

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

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 position 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 qualifies for reporting in this category which relates to pension items reported in the government-wide statement of net position. The deferred amounts related to pension relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenues from one source: lessor activity. The lessor activity amounts 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.

Leases

Lessor: The City is a lessor for various 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 2022 taxable valuation of property located in the City for operating and water/sewer debt purposes totaled \$65.1 million on which ad valorem taxes levied consisted of 13.9272 mills for operating, 1.4955 mills for emergency service, 0.9986 for sidewalk repairs and 3.0000 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, \$1,792,318 of the City's bank balance of \$3,553,384 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.

Investment Type	Amortized Cost	Weighted Average Maturity
Total Primary Government		
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,244,708	N/A
Total Component Unit		
Michigan Public Sector Local Government Investment Pool – Michigan Class	22,211	N/A
Total	<u>2,266,919</u>	
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.

Investment Type	Amortized Cost	Standard & Poor's Rating	Rating Agency
Total Primary Government			
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,244,708	AAAm	Standard & Poor's
Total Component Unit			
Michigan Public Sector Local Government Investment Pool – Michigan Class	<u>22,211</u>	AAAm	Standard & Poor's
Total	<u>2,266,919</u>		

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

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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.

Investment Type	Amortized Cost
Total Primary Government	
Michigan Public Sector Local Government Investment Pool – Michigan Class	2,244,708
Total Component Unit	
Michigan Public Sector Local Government Investment Pool – Michigan Class	<u>22,211</u>
Total	<u>2,266,919</u>

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

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
Cash and cash equivalents	2,533,136	1,023,784	3,556,920	4,963
Investments	1,720,724	523,984	2,244,708	22,211
Totals	4,253,860	1,547,768	5,801,628	27,174

NOTE 3 - 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	68,764
General Fund – State of Michigan HAVA Election Grant	1,500
Major Street Fund – State of Michigan Act 51	75,381
Local Street Fund – State of Michigan Act 51	20,480
Total	166,125

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

NOTE 4 – LEASE RECEIVABLE

The City's ending receivable for lease payments and deferred inflow of resources associated with leases that will be recognized as revenue over the lease term are detailed below.

Description of Lease	Received during current fiscal year		Remaining amount as of year-end	
	Lease Revenue	Lease Interest	Lease Receivable	Deferred Inflows
Building Lease -122 Maple St	8,848	217	3,824	3,609
Building Lease-130 W Center St	4,668	432	14,726	14,398
Water Tower Space	2,020	576	21,939	21,130
Water Tower Space – East	34,693	3,924	138,089	132,045
Water Tower Space – West	12,990	2,418	89,618	84,376
Total	63,219	7,567	268,196	255,558

NOTE 5 - 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	2,342,014	325,973	(19,704)	-	2,648,283
Furniture and equipment	1,490,055	82,405	(81,900)	-	1,490,560
Infrastructure	453,153	-	-	-	453,153
Vehicles	917,638	62,677	-	-	980,315
Total capital assets being depreciated	5,582,773	471,055	(101,604)	-	5,952,224
Accumulated depreciation	(4,222,905)	(213,551)	96,463	-	(4,339,993)
Capital assets being depreciated, net	1,359,868	257,504	(5,141)	-	1,612,231
Net capital assets	1,541,549	257,504	(5,141)	-	1,793,912

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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
Total capital assets not being depreciated	37,621	-	-	-	37,621
Capital assets being depreciated					
Furniture and equipment	6,775	-	-	-	6,775
Water system	8,177,059	-	-	-	8,177,059
Sewer system	4,605,480	16,302	(11,474)	-	4,610,308
Total capital assets being depreciated	12,789,314	16,302	(11,474)	-	12,794,142
Accumulated depreciation	(5,710,257)	(298,431)	11,474	-	(5,997,214)
Capital assets being depreciated, net	7,079,057	(282,129)	-	-	6,796,928
Net capital assets	7,116,678	(282,129)	-	-	6,834,549

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	55,193
Public works	5,956
Recreation and cultural	26,334
Community and economic development	34,427
Internal service fund	91,641
Total governmental activities	213,551

Business-type activities	Amount
Water	164,612
Sewer	133,819
Total business-type activities	298,431

The City is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the City has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 6 - LONG-TERM DEBT

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.

The changes in premiums during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on long-term debt	174,923	-	(11,662)	163,262

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Long-term debt

Long-term debt activity for the year was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Government-Wide					
Compensated absences	44,394	7,104	(6,659)	44,839	6,726
Business-Type					
Compensated absences	27,311	6,517	(4,097)	29,731	4,460
General obligation bonds	2,970,000	-	(125,000)	2,845,000	135,000
Total business-type	2,997,311	13,621	(135,756)	2,919,570	146,186

The requirements to pay principal and interest on the long-term debt outstanding at year-end are shown below:

	General Obligation Bonds	
Year Ended June 30	Principal	Interest
2024	135,000	111,100
2025	145,000	105,700
2026	155,000	99,900
2027	165,000	93,700
2028	175,000	87,100
2029-2033	1,045,000	320,500
2034-2038	1,025,000	95,726
Total long-term debt	2,845,000	913,726

NOTE 7 – 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, 2022 Valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>2</u>
Total	23

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 \$340,548. The City made contributions in the amount of \$376,707 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, 2022, 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, 2022 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: 7.00%, 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 2014-2018.

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 7.00% 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%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
	100.00%		7.00%		4.50%

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 7.00% 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.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for 2022. 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

City of Ithaca
Notes to the Financial Statements
June 30, 2023

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 01/01/2022	4,976,188	3,500,572	1,475,616
Changes for the year			
Service cost	21,218	-	21,218
Interest on total pension liability	346,797	-	346,797
Changes in benefits	-	-	-
Difference between expected and actual experience	30,380	-	30,380
Changes in assumptions	-	-	-
Employer contributions	-	361,585	(361,585)
Employee contributions	-	6,018	(6,018)
Net investment income	-	(362,260)	362,260
Benefit payments, including employee refunds	(406,761)	(406,761)	-
Administrative expense	-	(6,461)	6,461
Other changes	1	2	(1)
Net changes	(8,365)	(407,877)	399,512
Balances as of 12/31/2022	4,967,823	3,092,695	1,875,128

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 7.25%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/2022	1,875,128	1,875,128	1,875,128
Change in Net Pension Liability (NPL)	477,789	-	(408,198)
Calculated Net Pension Liability	2,352,917	1,875,128	1,466,930
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.			

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

For the year ended June 30, 2023, the City recognized pension expense of \$233,353. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	281,003	-
Contributions Subsequent to 12/31/2022*	186,877	-
Totals	467,880	-

City of Ithaca
Notes to the Financial Statements
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*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, 2024.

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
2023	24,057
2024	53,098
2025	80,969
2026	122,879
Total	281,003

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 and 7 terminated 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 \$6,395) amounted to \$54,759, which includes \$30,038 of employer contributions, and \$24,721 of employee contributions. The outstanding liability to the plan at year-end was \$0.

NOTE 8 - 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:

Net investment in capital assets	Amount
Capital assets not being depreciated	181,681
Capital assets being depreciated, net	1,612,231
Net investment in capital assets	1,793,912

City of Ithaca
Notes to the Financial Statements
June 30, 2023

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

Net investment in capital assets	Amount
Capital assets not being depreciated	37,621
Capital assets being depreciated, net	6,796,928
Capital related general obligation bonds	(2,845,000)
Unamortized premium/discount on bond refunding	(163,262)
Net investment in capital assets	3,826,287

NOTE 9 - 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 10 – TRANSFERS

Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General	288,095	(79,048)
Major Street	34,303	(92,575)
Local Street	127,320	-
Caldwell Memorial	-	(70,481)
Gibbs Memorial	-	(187,031)
Cemetery Sinking	-	(16,683)
Downtown Development Authority	-	(3,900)
Total Interfund Transfers	449,718	(449,718)

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.

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 Cemetery Sinking fund, which was closed due to the incorporation of the Cemetery as an activity of the General Fund. Lastly, funds were transferred from the Caldwell and Gibbs funds to the General fund for major building renovation projects at the Community Center and City Hall respectively.

NOTE 11 - TAX ABATEMENTS

The City of Ithaca has Five 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.

City of Ithaca
Notes to the Financial Statements
June 30, 2023

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 2022, 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 \$210,379.73. Information on individual abatements is available from the City's Treasurer.

CITY OF ITHACA ASSESSORS WARRANT - SUMMER 2022 - IFT'S - POST 1994						
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	\$1,523,554		6.9636	\$10,609.35	\$21,218.69	(\$10,609.35)
WATER/SEWER DEBT	\$1,523,554		1.5000	\$2,285.32	\$4,570.63	(\$2,285.32)
EMERGENCY SERVICES	\$1,523,554		0.7477	\$1,139.11	\$2,278.23	(\$1,139.11)
CITY SIDEWALKS	\$1,523,554		0.4993	\$760.69	\$1,521.38	(\$760.69)
ADMIN FEE				\$147.94	\$295.89	(\$147.94)
TOTAL 2022 SUMMER TAX COLLECTION FOR IFT'S - POST 1994				\$14,942.41	\$29,884.83	(\$14,942.41)
IFT Rehab						
CITY OPERATING	\$0	\$0	13.9272	\$0.00	\$0.00	\$0.00
WATER/SEWER DEBT	\$0	\$0	3.0000	\$0.00	\$0.00	\$0.00
EMERGENCY SERVICES	\$0	\$0	1.4955	\$0.00	\$0.00	\$0.00
CITY SIDEWALKS	\$0	\$0	0.9986	\$0.00	\$0.00	\$0.00
ADMIN FEE				\$0.00	\$0.00	\$0.00
Total 2022 SUMMER TAX COLLECTION FOR IFT REHAB				\$0.00	\$0.00	\$0.00
OPRA Rehab						
CITY OPERATING	\$96,270	\$436,436	13.9272	\$1,340.76	\$6,078.33	(\$4,737.57)
WATER/SEWER DEBT	\$96,270	\$436,436	3.0000	\$288.81	\$1,309.31	(\$1,020.50)
EMERGENCY SERVICES	\$96,270	\$436,436	1.4955	\$143.96	\$652.69	(\$508.73)
CITY SIDEWALKS	\$96,270	\$436,436	0.9986	\$96.14	\$435.82	(\$339.69)
ADMIN FEE				\$18.70	\$84.76	(\$66.06)
Total 2022 SUMMER TAX COLLECTION FOR IFT REHAB				\$1,888.37	\$8,560.92	(\$6,672.55)
Renaissance Zone						
CITY OPERATING	\$0	\$11,381,304	13.9272	\$0.00	\$158,509.70	(\$158,509.70)
WATER/SEWER DEBT	\$11,381,304	\$11,381,304	3.0000	\$34,143.89	\$34,143.89	\$0.00
EMERGENCY SERVICES	\$0	\$11,381,304	1.4955	\$0.00	\$17,020.74	(\$17,020.74)
CITY SIDEWALKS	\$0	\$11,381,304	0.9986	\$0.00	\$11,365.37	(\$11,365.37)
ADMIN FEE				\$341.44	\$2,210.40	(\$1,868.96)
TOTAL 2022 SUMMER TAX COLLECTION FOR REN ZONE				\$34,485.34	\$223,250.12	(\$188,764.78)
TOTAL 2022 SPECIAL ACTS SUMMER TAX COLLECTION				\$51,316.11	\$261,695.86	(\$210,379.73)

NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued by the GASB in June 2022 and will be effective for the City's fiscal year June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement prescribes the accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

GASB Statement No. 101, *Compensated Absences*, was issued by the GASB in June 2022 and will be effective for the City's fiscal year June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



City of Ithaca
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$ 1,162,743	\$ 1,166,841	\$ 1,157,589	\$ (9,252)
Licenses and permits	49,400	46,400	44,797	(1,603)
State grants	472,979	526,308	527,853	1,545
Charges for services	153,500	118,500	119,685	1,185
Interest and rentals	101,431	144,610	151,615	7,005
Other revenues	69,900	81,203	87,304	6,101
Total revenues	2,009,953	2,083,862	2,088,843	4,981
Expenditures				
General government	836,222	829,387	744,363	85,024
Public safety	645,211	558,418	553,595	4,823
Public works	399,996	405,996	317,807	88,189
Community and economic development	38,550	59,035	49,477	9,558
Recreation and cultural	130,090	125,590	103,998	21,592
Other expenditures	210,713	211,364	211,364	-
Total expenditures	2,260,782	2,189,790	1,980,604	209,186
Revenues over (under) expenditures	(250,829)	(105,928)	108,239	214,167
Other financing sources (uses)				
Transfers in - governmental funds	265,000	281,683	274,195	(7,488)
Transfers out - governmental funds	(68,000)	(69,048)	(69,048)	-
Transfers in - component unit	13,900	13,900	13,900	-
Transfers out - component unit	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	200,900	216,535	209,047	(7,488)
Net change in fund balance	(49,929)	110,607	317,286	206,679
Fund balance, beginning of year	1,591,247	1,591,247	1,591,247	-
Fund balance, end of year	\$ 1,541,318	\$ 1,701,854	\$ 1,908,533	\$ 206,679

City of Ithaca
 Budgetary Comparison Schedule - Major Street Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State grants	\$ 407,962	\$ 407,962	\$ 414,529	\$ 6,567
Interest and rentals	1,200	15,200	15,477	277
Other revenues	1,000	1,000	436	(564)
Total revenues	410,162	424,162	430,442	6,280
Expenditures				
Public works	473,193	496,620	469,028	27,592
Revenues over (under) expenditures	(63,031)	(72,458)	(38,586)	33,872
Other financing sources (uses)				
Transfers in - governmental funds	34,000	34,303	34,303	-
Transfers out - governmental funds	(92,575)	(92,575)	(92,575)	-
Total other financing sources (uses)	(58,575)	(58,272)	(58,272)	-
Net change in fund balance	(121,606)	(130,730)	(96,858)	33,872
Fund balance, beginning of year	784,113	784,113	784,113	-
Fund balance, end of year	<u>\$ 662,507</u>	<u>\$ 653,383</u>	<u>\$ 687,255</u>	<u>\$ 33,872</u>

City of Ithaca
Budgetary Comparison Schedule - Local Street Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
State grants	\$ 134,364	\$ 134,364	\$ 137,424	\$ 3,060
Interest and rentals	-	10,000	10,345	345
Other revenues	7,450	7,450	8,133	683
Total revenues	141,814	151,814	155,902	4,088
Expenditures				
Public works	255,733	256,866	233,817	23,049
Revenues over (under) expenditures	(113,919)	(105,052)	(77,915)	27,137
Other financing sources (uses)				
Transfers in - governmental funds	-	-	127,320	127,320
Net change in fund balance	(113,919)	(105,052)	49,405	154,457
Fund balance, beginning of year	509,500	509,500	509,500	-
Fund balance, end of year	\$ 395,581	\$ 404,448	\$ 558,905	\$ 154,457

City of Ithaca
 Budgetary Comparison Schedule - Library Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes and penalties	\$ 130,000	\$ 172,000	\$ 172,371	\$ 371
State grants	6,500	8,000	8,029	29
Charges for services	3,875	3,875	3,178	(697)
Fines and forfeits	54,000	42,000	41,750	(250)
Interest and rentals	7,500	12,500	12,730	230
Other revenues	3,150	7,625	7,985	360
Total revenues	205,025	246,000	246,043	43
Expenditures				
Recreation and cultural	267,950	301,139	295,211	5,928
Revenues over (under) expenditures	(62,925)	(55,139)	(49,168)	5,971
Fund balance, beginning of year	492,363	492,363	492,363	-
Fund balance, end of year	\$ 429,438	\$ 437,224	\$ 443,195	\$ 5,971

City of Ithaca
 Budgetary Comparison Schedule - Grant Projects Fund
 For the Year Ended June 30, 2023

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Federal funding	\$ 317,500	\$ 317,500	\$ 39,968	\$ (277,532)
Interest and rentals	600	600	2,847	2,247
Total revenues	318,100	318,100	42,815	(275,285)
Expenditures				
General government	528,794	528,794	39,968	488,826
Revenues over (under) expenditures	(210,694)	(210,694)	2,847	(764,111)
Fund balance, beginning of year	388	388	388	-
Fund balance, end of year	\$ (210,306)	\$ (210,306)	\$ 3,235	\$ (764,111)

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				
	2014	2015	2016	2017	2018
Total Pension Liability (TPL)					
Service Cost	22,097	22,158	23,731	19,110	20,002
Interest	334,991	335,619	348,062	351,659	346,137
Changes of Benefit Terms	-	-	-	-	-
Difference between expected & actual experience	-	56,022	45,090	(45,573)	63,500
Changes of assumptions	-	225,895	-	-	-
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)
Other	-	-	(2)	(2)	(1)
Net Change in Total Pension Liability	12,268	285,482	55,465	(52,607)	18,111
Total Pension Liability beginning	4,221,863	4,234,131	4,519,613	4,575,078	4,522,471
Total Pension Liability ending	4,234,131	4,519,613	4,575,078	4,522,471	4,540,582
Fiduciary Net Position					
Contributions-employer	125,664	139,944	169,269	194,700	383,952
Contributions-employee	9,220	8,557	8,896	8,141	7,113
Net Investment income	168,684	(38,107)	269,761	322,962	(100,992)
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)
Administrative expense	(6,147)	(5,702)	(5,331)	(5,129)	(5,048)
Other	-	-	-	-	-
Net Change in Fiduciary Net Position	(47,399)	(249,520)	81,179	142,873	(126,502)
Fiduciary Net Position beginning	2,735,571	2,688,172	2,438,652	2,519,831	2,662,704
Fiduciary Net Position ending	2,688,172	2,438,652	2,519,831	2,662,704	2,536,202
Net Pension Liability (NPL)	1,545,959	2,080,961	2,055,247	1,859,767	2,004,380
Fiduciary Net Position as a % of the TPL	63%	54%	55%	59%	56%
Covered Employee Payroll	181,796	182,060	189,274	144,643	151,337
NPL as a % of covered employee payroll	850%	1143%	1086%	1286%	1324%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year. GASB 68 was implemented in fiscal year June 30, 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History". For the 2022 actuarial valuation, the long-term investment return is assumed to be 7.00% annually, net of administrative and investment expenses. This assumption was first used for the December 31, 2021 actuarial valuations.

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			
	2019	2020	2021	2022
Total Pension Liability (TPL)				
Service Cost	17,228	18,409	19,608	21,218
Interest	348,127	335,614	348,476	346,797
Changes of Benefit Terms	-	-	-	-
Difference between expected & actual experience	(45,828)	99,806	89,298	30,380
Changes of assumptions	143,955	123,367	149,864	-
Benefit payments including employee refunds	(395,198)	(404,191)	(412,928)	(406,761)
Other	-	-	(1)	1
Net Change in Total Pension Liability	68,284	173,005	194,317	(8,365)
Total Pension Liability beginning	4,540,582	4,608,866	4,781,871	4,976,188
Total Pension Liability ending	4,608,866	4,781,871	4,976,188	4,967,823
Fiduciary Net Position				
Contributions-employer	395,913	249,858	406,879	361,585
Contributions-employee	6,661	5,730	5,825	6,018
Net Investment income	338,019	352,047	432,199	(362,260)
Benefit payments including employee refunds	(395,198)	(404,191)	(412,928)	(406,761)
Administrative expense	(5,817)	(5,682)	(4,945)	(6,461)
Other	-	-	-	2
Net Change in Fiduciary Net Position	339,578	197,762	427,030	(407,877)
Fiduciary Net Position beginning	2,536,202	2,875,780	3,073,542	3,500,572
Fiduciary Net Position ending	2,875,780	3,073,542	3,500,572	3,092,695
Net Pension Liability (NPL)	1,733,086	1,708,329	1,475,616	1,875,128
Fiduciary Net Position as a % of the TPL	62%	64%	70%	62%
Covered Employee Payroll	117,518	121,916	123,943	128,048
NPL as a % of covered employee payroll	1475%	1401%	1191%	1464%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year. GASB 68 was implemented in fiscal year June 30, 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History".

For the 2022 actuarial valuation, the long-term investment return is assumed to be 7.00% annually, net of administrative and investment expenses. This assumption was first used for the December 31, 2021 actuarial valuations.

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

	Fiscal years ending				
	2014	2015	2016	2017	2018
Actuarial Determined Contributions	97,398	112,824	132,972	149,790	184,356
Contributions in relation to the actuarially determined contribution	117,045	135,276	144,612	154,968	194,700
Contribution deficiency (excess)	(19,647)	(22,452)	(11,640)	(5,178)	(10,344)
Covered Employee Payroll	223,500	181,796	182,060	189,274	144,643
Contributions as a Percentage of Covered Employee Payroll	52%	74%	79%	82%	135%

Notes to Schedule of Contributions

Valuation Date

December 31, 2022

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	7.00%
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				
	2019	2020	2021	2022	2023
Actuarial Determined Contributions	222,828	236,580	258,708	300,864	370,302
Contributions in relation to the actuarially determined contribution	383,472	396,651	364,168	348,864	376,697
Contribution deficiency (excess)	(160,644)	(160,071)	(105,460)	(48,000)	(6,395)
Covered Employee Payroll	151,337	117,518	113,057	130,660	130,945
Contributions as a Percentage of Covered Employee Payroll	253%	338%	322%	267%	288%

Notes to Schedule of Contributions

Valuation Date

December 31, 2022

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	7.00%
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, 2023

	Special Revenue Funds				Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Economic Development	Cemetery Perpetual	
Assets						
Cash and cash equivalents	\$ 22,790	\$ 57,437	\$ -	\$ 98,383	\$ 32,914	\$ 211,524
Investments	-	12,416	-	-	-	12,416
Total assets	<u>\$ 22,790</u>	<u>\$ 69,853</u>	<u>\$ -</u>	<u>\$ 98,383</u>	<u>\$ 32,914</u>	<u>\$ 223,940</u>
Restricted	\$ 22,790	\$ 69,853	\$ -	\$ 98,383	\$ 32,914	\$ 223,940
Total fund balance	<u>22,790</u>	<u>69,853</u>	<u>-</u>	<u>98,383</u>	<u>32,914</u>	<u>223,940</u>
Total liabilities and fund balance	<u>\$ 22,790</u>	<u>\$ 69,853</u>	<u>\$ -</u>	<u>\$ 98,383</u>	<u>\$ 32,914</u>	<u>\$ 223,940</u>

City of Ithaca
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds				Permanent Fund	
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Economic Development	Cemetery Perpetual	Totals
Revenues						
Interest and rentals	\$ 114	\$ 5,539	\$ 34	\$ 258	\$ 82	\$ 6,027
Other revenues	-	-	-	42,713	390	43,103
Total revenues	114	5,539	34	42,971	472	49,130
Other financing sources (uses)						
Transfers out - governmental funds	(70,481)	(187,031)	(16,683)	-	-	(274,195)
Total other financing sources (uses)	(70,481)	(187,031)	(16,683)	-	-	(274,195)
Net change in fund balances	(70,367)	(181,492)	(16,649)	42,971	472	(225,065)
Fund balance, beginning of year	93,157	251,345	16,649	55,412	32,442	449,005
Fund balance, end of year	\$ 22,790	\$ 69,853	\$ -	\$ 98,383	\$ 32,914	\$ 223,940



**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, 2023, 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 15, 2023.

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, 2023. 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.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules and the prospective 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,



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