

CITY OF ALMA, MICHIGAN

Financial Statements

Fiscal Year Ended June 30, 2021



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City of Alma, Michigan
Elected and Appointed Officials

City Commission

Greg Mapes	Mayor
Roxann Harrington	Vice Mayor
Audra Stahl	Commissioner
Michelle Pitts	Commissioner
Danny Wernick	Commissioner
Nicholas Piccolo	Commissioner
Roger Allman	Commissioner

City Officials

Matt Schooley	City Manager
Curtis Dancer	City Finance Director/Treasurer

FINANCIAL SECTION

Independent Auditors' Report

Honorable Mayor and Members of the City Commission
City of Alma, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alma Housing Commission, a component unit, which statements reflect total assets and deferred outflows of resources constituting 58 percent of total assets and deferred outflows of resources of discretely presented component units at June 30, 2021, and total revenues constituting 63 percent of total revenues of discretely presented component units for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Alma Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Alma, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding Correction of Error

As described in Note 16 to the financial statements, the Gratiot Community Airport Authority's beginning net position was restated. Our opinion is not modified with respect to that matter.

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alma's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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 other supplementary 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information, as identified in the table of contents, 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 December 21, 2021 on our consideration of the City of Alma'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 of Alma's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alma's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
December 21, 2021

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2021

As management of the City of Alma, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Alma for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this discussion as well as the additional information we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- ✚ From an entity-wide perspective, City of Alma primary government net position was \$42,225,304 at the close of fiscal year 2021. Net position refers to the cumulative amount of assets plus deferred outflows of resources that exceed liabilities plus deferred inflows of resources. Of this amount, \$8,764,444 is unrestricted and available to meet the ongoing obligations to citizens and creditors.
- ✚ The net position of the primary government increased by \$1,028,995 over the course of 2021 operations. This compares to an increase in net position of \$1,033,101 over fiscal year 2020.
- ✚ Net position of Governmental Activities increased by \$471,421 from fiscal year 2020. The total cost of the City's governmental programs decreased \$31,962 (0.5%) from fiscal year 2020.
- ✚ Business-type activities provided a \$557,574 increase in net position. The total cost of the City's business-type activities decreased \$80,968 (1.7%) from fiscal year 2020.
- ✚ From a fund perspective, the City of Alma's governmental funds report combined Fund Balances of \$9,337,401 at the close of fiscal year 2021. Of this amount, \$3,427,219 (36.7%) is unassigned and available to meet ongoing obligations.
- ✚ The General Fund reported an increase in Fund Balance of \$791,163 for fiscal year 2021.
- ✚ The unassigned portion of General Fund Balance increased \$886,519 over fiscal year 2020.
- ✚ Net position of the City of Alma's business-type activities totaled \$17,017,257 at the close of fiscal year 2021. Of this amount, \$6,596,605 (38.8%) is available to meet ongoing obligations and \$10,420,652 (61.2%) is net investment in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts: Management's Discussion and Analysis, the basic financial statements, required supplementary information and other supplementary information. The other supplementary information section includes combining statements for nonmajor governmental funds, nonmajor proprietary funds, internal service funds as well as statements for some of City of Alma's joint ventures.

The basic financial statements begin on page 4-1 of this report and present two different views of the City.

Government-wide Financial Statements

The government-wide financial statements summarize all City funds into one statement using the full accrual method of accounting. The primary government is comprised of governmental activities and business-type activities. Governmental activities are most of the basic municipal services including police and fire protection, building code enforcement, general administration, public works, cemetery and parks and recreation. Property taxes, state-shared revenue and charges for services are the primary sources for financing these activities. Business-type activities include water, sewer and refuse collection as well as public transit services. The City charges fees to customers to finance a significant portion of these services. The third category is Component Units and is presented in a separate, distinct column in the government-wide statements. These activities include Alma Downtown Development Authority,

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2021

Alma Public Library and Alma Housing Commission. Additional definition of the City's Component Units can be found beginning on page 4-17 of the Notes to Financial Statements.

Statement of Net Position

The Statement of Net Position provides information on assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources with the difference between those defined as net position. Over time, increases and decreases in net position can serve as a barometer of financial health. A trend of increasing net position is viewed as a sign of improving financial condition. The Statement of Net Position can be found on page 4-1.

Statement of Activities

The Statement of Activities presents revenues and expenses which reflect the underlying cause of the change in net position. All changes in net position are reported as soon as the underlying event to the change occurs, regardless of the timing of related cash flows. This statement includes depreciation on capital assets and is adjusted to eliminate inter-fund transactions which would distort the overview perspective of government-wide statements. The Statement of Activities can be found on page 4-2.

Internal service funds mainly benefit the governmental activities and are included in that section of the government-wide statements. Financial statements for the component units can be found on pages 4-15 and 4-16.

Fund Financial Statements

This report also includes information on individual funds. A fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Funds are used to ensure conformity with finance-related legal or regulatory compliance requirements. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

Governmental Funds

Governmental funds use a modified accrual basis of accounting which focuses on near-term inflows and outflows and balances of expendable resources. In the governmental fund statements, capital expenditures and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, and depreciation and accrued compensated absences are not recorded. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

The focus of governmental funds is narrower than that of the government-wide financial statements. Therefore, comparing the information presented in each statement can give the reader a better understanding of the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate a comparison to the government-wide statements. The basic governmental fund financial statements can be found on pages 4-3 and 4-5 of this report.

The City of Alma maintains nine individual governmental funds. The largest funds in terms of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures are considered major funds. The General Fund and Major Streets Fund are presented as major funds. Budgetary comparison schedules for the major governmental funds are presented on pages 5-1 through 5-3 of this report. In the basic financial statements, nonmajor funds are consolidated into one column. Combining statements for nonmajor governmental funds can be found beginning on page 6-1. The nonmajor governmental funds for the City of Alma include the Cemetery Endowment Fund, Library Endowment Fund, Local Streets Fund, Street Improvement Millage Fund, Local Development Financing Authority Fund, Housing Improvement Fund, and Alma Building Authority Fund.

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2021

Proprietary Funds

Proprietary funds use a full accrual basis of accounting for both government-wide statements and individual fund statements. The City of Alma uses two types of proprietary funds. Enterprise funds are used to report business like activities. Internal service funds are used to accumulate and allocate the cost of providing services to other city activities or functions.

The City of Alma maintains five enterprise funds. Four are presented separately as major funds in the proprietary fund financial statements found on pages 4-7 through 4-12. Major funds include Transit Services, Wastewater Utility, Water Utility and Refuse Disposal. Non-Major funds include State Street Plaza and are presented separately in the financial statements.

The City of Alma maintains one internal service fund as of 2021: Public Works Services and Equipment Maintenance. This fund is presented separately as a single column in the proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City of Alma. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available for the use of the City of Alma. Fiduciary Funds include the Public Safety Employees' Benefit Trust Fund, Tax Collection Fund, and Park Projects Fund. The Statement of Net Position for the Fiduciary Funds and the Statement of Changes in Fiduciary Net Position for the Custodial Funds is found on pages 4-13 and 4-14 in the Basic Statements.

Notes to the Financial Statements

The notes provide additional detailed information integral to understanding the data provided in the financial statements. The notes begin on page 4-17 of this report.

Required Supplementary Information

This report also presents required supplementary information including budgetary comparison schedules for major funds and the City of Alma's Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer Contributions to Municipal Employees Retirement System of Michigan (MERS). MERS is the primary provider of pension benefits to City employees. These schedules begin on page 5-1 of this report.

Other Supplementary Information

Other supplementary information begins on page 6-1 with Combining Statements for nonmajor governmental funds. Additional financial schedules for the Joint Ventures are also included in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The Statement of Net Position provides an overview of the City of Alma's assets plus deferred outflows of resources, liabilities plus deferred inflows and net position. Over time, the level of net position can provide a good indicator of the City's fiscal health. At the close of fiscal year 2021, the primary government net position was \$42,225,304.

The largest portion of City of Alma's net position reflects its net investment in capital assets. At June 30, 2021, this amount is \$27,868,057. Streets, bridges and sidewalks are the largest share of investment in capital assets for the governmental funds. The net book value of streets is \$9,700,876; or 34.8% of net investment in capital assets.

The City recorded \$1,561,104 in capital asset additions in fiscal year 2021. While streets are open for reconstruction, utility mains are evaluated for reconstruction and replaced as needed. The net book

City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2021

value of capital assets decreased 1.97% from last fiscal year. This resulted from a delay in project constructions during the current fiscal year due to Covid-19. Additional information detailing the changes in City of Alma's capital assets is presented in the Notes to Financial Statements beginning on page 4-30.

An additional \$5,592,803, or 13.2%, of City of Alma's net position is subject to restrictions on how it may be used. At the end of fiscal year 2021 the Cemetery Endowment and Library Endowment funds total \$778,864 of that amount. The ordinances creating both of those endowments allow eighty percent of each year's investment income to be transferred to the respective activity for operating purposes. The largest restriction of net position is related to street maintenance. Except for intermittent grant funding, Major and Local Street Funds are funded with Michigan PA 51 contributions and Street Improvement Millage Fund is funded with a voted tax millage.

The remaining balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position at the close of 2021 is \$8,764,444 or 20.8% of the City of Alma's net position.

A summarized comparison of the Statement of Net Position follows:

Table A-1
City of Alma, Michigan
Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	
Assets:							
Current and other assets	\$ 10.72	\$ 9.72	\$ 7.97	\$ 7.65	\$ 18.69	\$ 17.37	7.60%
Investment in joint ventures	1.47	1.47	-	-	1.47	1.47	0.00%
Capital assets	17.45	17.76	14.72	14.96	32.17	32.72	-1.68%
Total assets	29.64	28.95	22.69	22.61	52.33	51.56	1.49%
Deferred outflows:	0.66	0.55	0.34	0.29	1.00	0.84	
Total assets and deferred outflows	30.30	29.50	23.03	22.90	53.33	52.40	1.77%
Liabilities:							
Noncurrent liabilities	3.97	4.16	4.80	5.48	8.77	9.64	-9.02%
Other liabilities	0.60	0.45	1.00	0.94	1.60	1.39	15.11%
Total liabilities	4.57	4.61	5.80	6.42	10.37	11.03	-5.98%
Deferred inflows:	0.52	0.15	0.21	0.02	0.73	0.17	
Total liabilities and deferred inflows	5.09	4.76	6.01	6.44	11.10	11.20	-0.89%
Net position:							
Net investment in capital assets	17.45	17.73	10.42	10.12	27.87	27.85	0.07%
Restricted	5.59	5.05	-	-	5.59	5.05	10.69%
Unrestricted	2.17	1.96	6.60	6.34	8.77	8.30	5.66%
Total net position	\$ 25.21	\$ 24.74	\$ 17.02	\$ 16.46	\$ 42.23	\$ 41.20	2.50%

Changes in Net Position

From a government wide perspective, City of Alma Net Position increased \$1,028,995 during the 2021 fiscal year. Governmental Activities recorded an increase of \$471,421 and the increase for Business-type Activities was \$557,574. Total revenues for the primary government decrease \$134,205 from fiscal year 2020 to fiscal year 2021 due to a decrease in capital grant contributions for Transit of approximately \$440,000, partially offset by an increase in transit operating grants of approximately \$220,000 in response to the Covid-19 pandemic. Program expenses for Governmental Activities increased \$31,962 from fiscal year 2020 to 2021. Total expenses for Business-type Activities decreased \$80,968 from 2020 to 2021.

City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2021

The following table presents a summarized comparison of changes in net position during fiscal years ending June 30, 2021 and 2020. The information is presented to reflect the programs or activities of the City of Alma and mirrors the government-wide Statement of Activities on pages 4-2 of the basic statements.

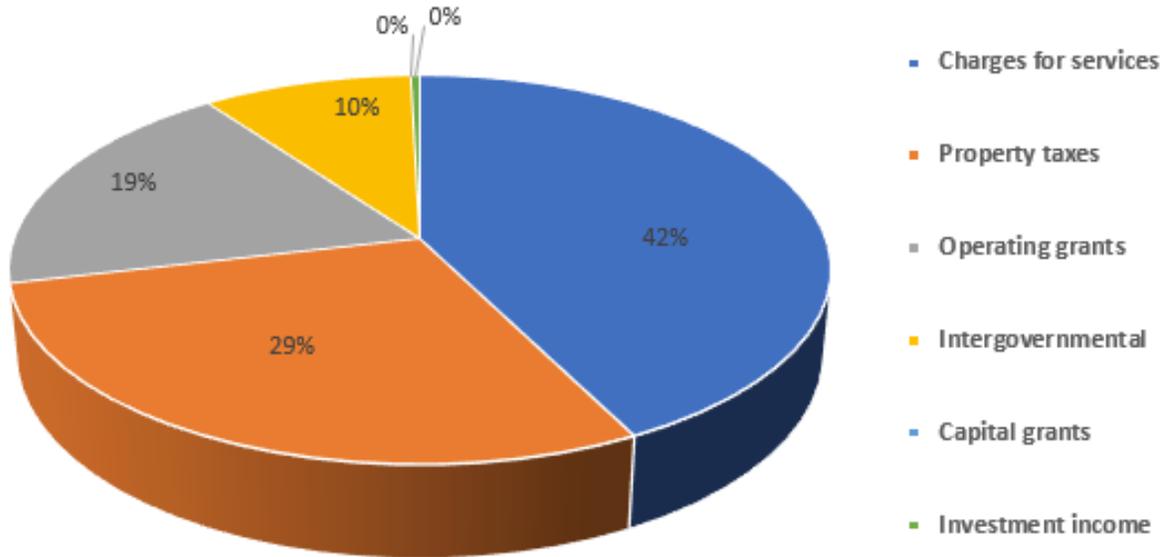
Table A-2
City of Alma, Michigan
Changes in Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	
Revenues:							
Program revenues:							
Charges for services	\$ 0.70	\$ 0.40	\$ 4.42	\$ 4.87	\$ 5.12	\$ 5.27	-2.85%
Operating grants & contributions	1.52	1.07	0.72	0.70	2.24	1.77	26.55%
Capital grants & contributions	-	-	-	0.44	-	0.44	-100.00%
General revenues:							
Property taxes	3.28	3.20	0.19	0.18	3.47	3.38	2.66%
Intergovernmental	1.16	1.11	-	-	1.16	1.11	4.50%
Investment income	0.04	0.10	0.01	0.08	0.05	0.18	-72.22%
Other revenue	0.03	0.03	0.01	-	0.04	0.03	33.33%
Total revenues	6.73	5.91	5.35	6.27	12.08	12.18	-0.82%
Expenses:							
Community development	0.35	0.21	-	-	0.35	0.21	66.67%
Housing & redevelopment	-	-	-	-	-	-	
Community safety	2.36	2.13	-	-	2.36	2.13	10.80%
Property maintenance	0.29	0.35	-	-	0.29	0.35	-17.14%
Transportation	1.63	1.82	-	-	1.63	1.82	-10.44%
Recreation & culture	0.29	0.46	-	-	0.29	0.46	-36.96%
Executive administration	0.43	0.60	-	-	0.43	0.60	-28.33%
Fiscal services	0.90	0.72	-	-	0.90	0.72	25.00%
Public works	0.01	-	-	-	0.01	-	
State Street Plaza	-	-	0.06	0.07	0.06	0.07	-14.29%
Transit Services	-	-	1.14	0.92	1.14	0.92	23.91%
Wastewater Utility	-	-	1.42	1.47	1.42	1.47	-3.40%
Water Utility	-	-	1.56	1.74	1.56	1.74	-10.34%
Solid Waste	-	-	0.61	0.66	0.61	0.66	-7.58%
Total expenses	6.26	6.29	4.79	4.86	11.05	11.15	-0.90%
Change in net position	0.47	(0.38)	0.56	1.41	1.03	1.03	0.00%
Beginning net position, as restated	24.74	25.12	16.46	15.05	41.20	40.17	2.56%
Ending net position	\$ 25.21	\$ 24.74	\$ 17.02	\$ 16.46	\$ 42.23	\$ 41.20	2.50%

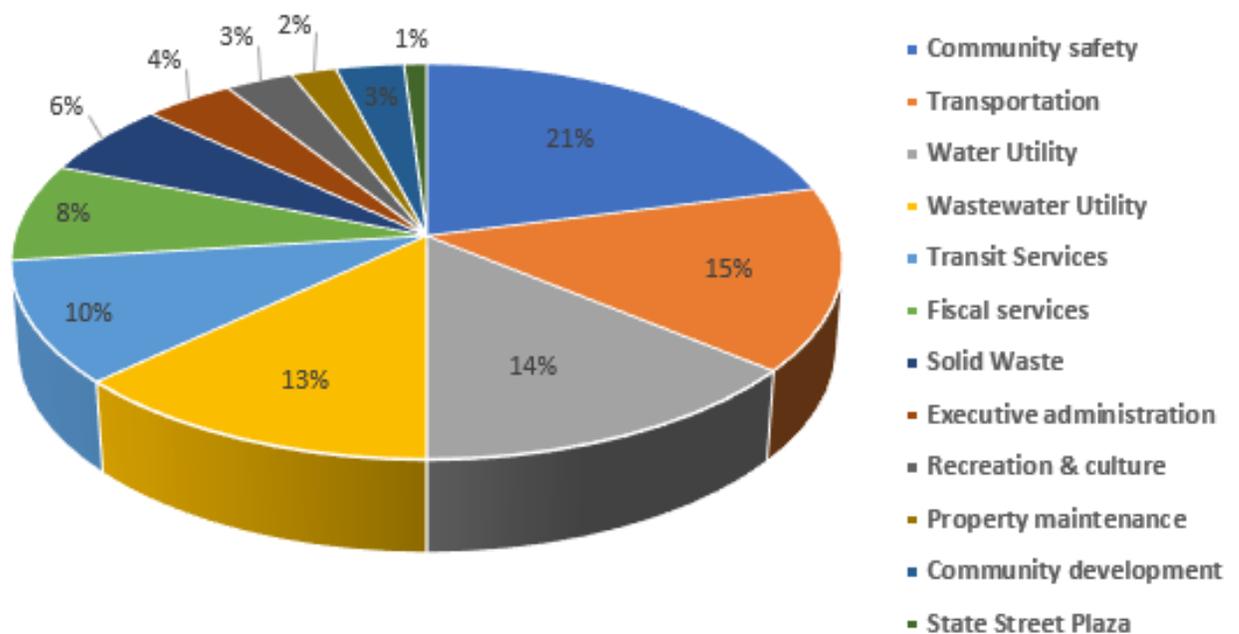
City of Alma, Michigan Management's Discussion and Analysis June 30, 2021

Also shown graphically are government-wide revenues by source as well as government-wide expenses by program shown as a percentage to total:

2021 Government Wide Revenues by Source



2021 Government Wide Expenses by Program



City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Commission adopts budgets for the General, Special Revenue, and Enterprise funds. Budgets are adopted at the activity level for General Fund and the fund level for all other funds.

The original adopted budget was created with an anticipate increase to fund balance of \$177,500 in the General Fund. During the fiscal year, amendments were made that created an anticipated decrease in fund balance of \$107,385 due to additional expenditures likely to be incurred. The actual result was an increase in General Fund balance of \$791,163. The increase was related in large part to additional Federal grants stemming from the CARES Act, increases in Intergovernmental revenue for lost revenue in the previous fiscal year that was able to be recouped, and increases in Charges for services for internal service fees recorded but not properly budgeted for.

CAPITAL ASSETS

The City of Alma primary government has \$32,166,120 invested in capital assets net of depreciation. Capital assets include all tangible assets that exceed \$5,000 in value and have an expected useful life of greater than a year. Capital assets include land, land improvements, streets, sidewalks, buildings, equipment, vehicles, storm drains and sewer and water mains. The City uses straight line depreciation ranging from three to fifty years of useful life. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 4-30.

DEBT ADMINISTRATION

The Governmental Activities of City of Alma had a Brownfield Redevelopment Loan outstanding with Michigan Department of Environmental Quality. At June 30, 2020, the outstanding amount was \$21,991. The remaining balance was paid in full during year June 30, 2021.

The Business-type Activities of the City have \$4,337,470 in outstanding bonded debt as of June 30, 2021. Of the outstanding debt, \$1,690,000 is general obligation bonded debt, \$15,000 is special assessment bonded debt for which the City has pledged its full faith and credit and \$2,632,470 is revenue bonds issued for the Wastewater Utility. Currently, there is no bonded debt outstanding for the Governmental Activities of City of Alma.

There is more detailed information on debt and other obligations beginning on page 4-33 of the Notes to Financial Statements. The Notes also include a complete schedule of debt repayments until maturity.

ECONOMIC FORECAST

The City of Alma has three main sources of revenue: property taxes, state shared revenue, and service charges.

Property Tax Base

The City of Alma recently completed a reappraisal for all properties within the City. This major commitment on behalf of the City makes for a fair and equitable assessment of the City's tax values.

State Shared Revenue

State shared revenue is the second largest source of revenue for General Fund. State shared sales tax revenue is made up of two components. The constitutional component is 13% of the gross collections of the 6% state sales tax. The statutory portion requires certain performances by the local unit to be eligible to receive it. The City of Alma has met all necessary requirements to qualify for next year's funding.

Service Charges for Utilities

From an entity-wide perspective, utility service charges are the third major revenue source. The Gratiot Area Water Authority has been created to produce potable water for both City of Alma and City of St. Louis. Water usage is metered for both municipalities. City of Alma Water Utility is charged with the distribution of water to its residents.

City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2021

THE FUTURE

The City of Alma Administrative Team is committed to ensuring that the policies, procedures, and personnel needed to maintain an efficient, functional finance department are in place. Our response to the COVID crisis will be measured and conservative.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide a general overview of the City of Alma's finances for all those with an interest and to show accountability for the financial resources managed for the benefit of its constituents. Questions concerning any of the information provided in this report or requests for additional information may be directed to the City Manager or Finance Director at 525 E. Superior Street, Alma, Michigan, 48801.

BASIC FINANCIAL STATEMENTS

City of Alma
Statement of Net Position
June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,560,696	\$ 7,662,148	\$ 16,222,844	\$ 1,212,637
Investments	262,203	182,703	444,906	1,755,758
Receivables	298,551	638,705	937,256	6,215
Due from other units of government	494,921	182,225	677,146	85,600
Internal balances	704,528	(704,528)	-	-
Due from component units	1,510	-	1,510	-
Due from joint ventures	1,555	-	1,555	-
Inventories	79,480	-	79,480	-
Prepaid items	322,793	10,385	333,178	5,828
Restricted assets				
Cash and cash equivalents	-	-	-	198,770
Equity interest in Gratiot Community Airport Authority	764,306	-	764,306	-
Equity interest in Rural Urban Fire Board	703,744	-	703,744	-
Capital assets not being depreciated	3,765,015	146,465	3,911,480	217,399
Capital assets, net of accumulated depreciation	13,682,390	14,572,250	28,254,640	3,971,456
Total assets	<u>29,641,692</u>	<u>22,690,353</u>	<u>52,332,045</u>	<u>7,453,663</u>
Deferred outflows of resources				
Deferred amount on bond refunding	-	39,407	39,407	25,452
Deferred amount relating to net pension liability	655,519	299,978	955,497	99,174
Total deferred outflows of resources	<u>655,519</u>	<u>339,385</u>	<u>994,904</u>	<u>124,626</u>
Liabilities				
Current payables and accrued expenses	446,272	344,631	790,903	149,648
Due to primary government	-	-	-	1,510
Due to other units of government	51,869	31,758	83,627	51,416
Advance due to other units of government	40,000	-	40,000	-
Unearned revenue	5,583	-	5,583	8,383
Portion of noncurrent liabilities due within one year	59,022	628,402	687,424	254,135
Noncurrent liabilities				
Compensated absences	88,535	32,267	120,802	17,893
Bonds payable, net of discount	-	3,757,470	3,757,470	705,000
Net pension liability	3,876,033	1,007,203	4,883,236	640,318
Total liabilities	<u>4,567,314</u>	<u>5,801,731</u>	<u>10,369,045</u>	<u>1,828,303</u>
Deferred inflows of resources				
Deferred amount relating to net pension liability	521,850	210,750	732,600	43,407
Net Position				
Net investment in capital assets	17,447,405	10,420,652	27,868,057	3,284,307
Restricted for:				
Street maintenance	4,778,627	-	4,778,627	-
Special tax districts	20,681	-	20,681	-
Housing rehabilitation	2,638	-	2,638	-
Tenant funds	-	-	-	8,702
Debt service	11,993	-	11,993	190,068
Permanent funds	778,864	-	778,864	-
Unrestricted	2,167,839	6,596,605	8,764,444	2,223,502
Total net position	<u>\$ 25,208,047</u>	<u>\$ 17,017,257</u>	<u>\$ 42,225,304</u>	<u>\$ 5,706,579</u>

City of Alma
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
Community development	\$ 344,581	\$ 6,155	\$ 50,000	\$ -	\$ (288,426)	\$ -	\$ (288,426)	\$ -
Housing and redevelopment	2,280	-	-	-	(2,280)	-	(2,280)	-
Community safety	2,361,407	146,524	299,638	-	(1,915,245)	-	(1,915,245)	-
Property maintenance	281,323	78,596	-	-	(202,727)	-	(202,727)	-
Transportation	1,633,973	50,592	1,152,792	108	(430,481)	-	(430,481)	-
Recreation and cultural	285,599	124,928	-	-	(160,671)	-	(160,671)	-
Executive administration	430,803	50	17,448	-	(413,305)	-	(413,305)	-
Fiscal services	902,079	293,566	-	-	(608,513)	-	(608,513)	-
Public works	14,852	-	-	-	(14,852)	-	(14,852)	-
Interest on long-term debt	148	-	-	-	(148)	-	(148)	-
Total governmental activities	6,257,045	700,411	1,519,878	108	(4,036,648)	-	(4,036,648)	-
Business-type activities								
State Street Plaza	64,545	45,552	-	-	-	(18,993)	(18,993)	-
Transit Services	1,135,487	152,208	722,246	-	-	(261,033)	(261,033)	-
Wastewater Utility	1,421,821	2,083,383	-	-	-	661,562	661,562	-
Water Utility	1,552,539	1,441,249	-	-	-	(111,290)	(111,290)	-
Solid Waste Disposal	613,835	687,138	-	-	-	73,303	73,303	-
Total business-type activities	4,788,227	4,409,530	722,246	-	-	343,549	343,549	-
Total primary government	\$ 11,045,272	\$ 5,109,941	\$ 2,242,124	\$ 108	(4,036,648)	343,549	(3,693,099)	-
Component units								
Alma Downtown Development Authority	\$ 9,337	\$ -	\$ 20,602	\$ -				
Alma Public Library	705,741	8,019	457,908	-				
Alma Housing Commission	1,218,582	403,583	745,170	44,317				
Interest on long term debt	26,126	-	-	-				
Total component units	\$ 1,959,786	\$ 411,602	\$ 1,223,680	\$ 44,317				(280,187)
General revenues								
Property taxes					3,279,798	185,238	3,465,036	255,397
State shared revenue					1,164,672	-	1,164,672	-
Investment income					37,620	13,411	51,031	34,124
Miscellaneous					25,979	15,376	41,355	26,597
Total general revenues					4,508,069	214,025	4,722,094	316,118
Change in net position					471,421	557,574	1,028,995	35,931
Net position - beginning of year					24,736,626	16,459,683	41,196,309	5,670,648
Net position - end of year					\$ 25,208,047	\$ 17,017,257	\$ 42,225,304	\$ 5,706,579

City of Alma
Balance Sheet
Governmental Funds
June 30, 2021

	Special Revenue Fund			Total Governmental Funds
	General	Major Streets	Nonmajor Governmental Funds	
Assets				
Cash and cash equivalents	\$ 3,100,080	\$ 2,917,468	\$ 2,411,052	\$ 8,428,600
Investments	106,402	77,355	60,857	244,614
Receivables	285,770	359	1,023	287,152
Due from other units of government	284,388	158,212	52,321	494,921
Due from other funds	15,214	-	-	15,214
Due from component units	1,510	-	-	1,510
Due from joint ventures	1,555	-	-	1,555
Prepaid items	317,967	42	179	318,188
Total assets	\$ 4,112,886	\$ 3,153,436	\$ 2,525,432	\$ 9,791,754
Liabilities				
Current payables	\$ 271,619	\$ -	\$ 84,228	\$ 355,847
Due to other funds	-	430	754	1,184
Due to other units of government	48,700	-	3	48,703
Advance due to other units of government	40,000	-	-	40,000
Unearned revenue	5,583	-	-	5,583
Total liabilities	365,902	430	84,985	451,317
Deferred inflows of resources				
Unavailable investment income	445	359	879	1,683
Unavailable special assessments	1,353	-	-	1,353
Total deferred inflows of resources	1,798	359	879	3,036
Fund Balances				
Non-spendable				
Prepaid items	317,967	42	179	318,188
Permanent Fund principal (nonexpendable)	-	-	778,742	778,742
Restricted for				
Street maintenance	-	3,152,605	1,625,340	4,777,945
TIF district infrastructure	-	-	20,678	20,678
Housing rehabilitation	-	-	2,638	2,638
Debt service	-	-	11,991	11,991
Unassigned	3,427,219	-	-	3,427,219
Total fund balances	3,745,186	3,152,647	2,439,568	9,337,401
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,112,886	\$ 3,153,436	\$ 2,525,432	\$ 9,791,754

City of Alma
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2021

Total fund balances for governmental funds	\$ 9,337,401
Total net position for governmental activities in the statement of net position is different because:	
Internal balances related to fund consolidations.	695,675
City of Alma investment in Gratiot Community Airport Authority, joint venture.	764,306
City of Alma investment in Rural Urban Fire Board, joint venture.	703,744
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	3,752,515
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	12,306,187
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	3,036
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(109,006)
Deferred outflows of resources resulting from net pension liability	468,966
Deferred inflows of resources resulting from net pension liability	(358,584)
Net pension liability is reported in the statement of net position	(2,874,827)
Internal service funds are included as part of governmental activities.	518,634
Net position of governmental activities	\$ 25,208,047

City of Alma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	General	Special Revenue Fund Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,669,610	\$ -	\$ 441,877	\$ 3,111,487
Licenses and permits	74,357	-	-	74,357
Federal grants	262,426	-	-	262,426
Intergovernmental revenue	1,698,898	840,459	369,889	2,909,246
Other state grants	50,000	-	-	50,000
Local contributions	10,306	-	-	10,306
Charges for services	515,744	58,449	1,250	575,443
Fines and forfeitures	13,654	-	-	13,654
Investment income	28,259	5,146	4,704	38,109
Rental income	19,345	-	-	19,345
Other revenue	114,357	-	-	114,357
Total revenues	5,456,956	904,054	817,720	7,178,730
Expenditures				
Current				
Community development	386,724	-	-	386,724
Housing and redevelopment	-	-	2,202	2,202
Community safety	2,398,020	-	-	2,398,020
Property maintenance	262,990	-	-	262,990
Transportation	139,640	269,090	859,414	1,268,144
Recreation and culture	218,320	-	572	218,892
Executive administration	398,721	-	-	398,721
Fiscal services	871,963	-	-	871,963
Debt service				
Principal retirement	21,991	-	-	21,991
Interest and fiscal charges	661	-	-	661
Total expenditures	4,699,030	269,090	862,188	5,830,308
Excess (deficiency) of revenues over expenditures	757,926	634,964	(44,468)	1,348,422
Other financing sources (uses)				
Transfers in	766	-	225,000	225,766
Transfers out	-	(225,000)	(766)	(225,766)
Sale of fixed assets	32,471	-	-	32,471
Total other financing sources and uses	33,237	(225,000)	224,234	32,471
Net change in fund balance	791,163	409,964	179,766	1,380,893
Fund balance - beginning of year, as restated	2,954,023	2,742,683	2,259,802	7,956,508
Fund balance - end of year	\$ 3,745,186	\$ 3,152,647	\$ 2,439,568	\$ 9,337,401

City of Alma
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - Total governmental funds	\$ 1,380,893
Total change in net position reported for governmental activities in the statement of activities is different because:	
The statement of activities includes a gain on investment in Rural Urban Fire Board	(4,174)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(950,757)
Capital outlay	683,124
Sale of capital assets (net book value)	(35,058)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(446,593)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest on outstanding note payable	513
Compensated absences	(10,456)
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the deferred outflows of resources related to the net pension liability	70,102
Net change in the deferred inflows of resources related to the net pension liability	(240,795)
Net change in pension liability	148,125
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Principal payment on Brownfield Redevelopment loan	21,991
The statement of activities includes charges to bring internal service funds to a break-even position	(139,758)
The statement of activities includes non operating revenues earned on internal service funds	(5,736)
Change in net position of governmental activities	\$ 471,421

City of Alma
Proprietary Funds
Statement of Net Position
June 30, 2021

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Assets			
Current assets			
Cash and cash equivalents	\$ 1,172,075	\$ 2,631,141	\$ 2,789,608
Investments	29,335	36,757	85,820
Receivables, net	41,782	286,489	205,406
Due from other units of government	124,378	57,847	-
Inventories	-	-	-
Prepaid items	254	9,666	465
Total current assets	<u>1,367,824</u>	<u>3,021,900</u>	<u>3,081,299</u>
Noncurrent assets			
Land	-	10,000	35,603
Construction in progress	-	33,228	5,334
Land improvements	-	-	3,105
Buildings and improvements	1,461,728	5,218,051	-
Equipment	104,397	1,268,404	198,109
Vehicles	1,136,221	-	-
Utility lines and appurtenances	-	9,530,263	8,589,533
Less accumulated depreciation	(942,553)	(7,198,164)	(4,909,984)
Total noncurrent assets	<u>1,759,793</u>	<u>8,861,782</u>	<u>3,921,700</u>
Total assets	<u>3,127,617</u>	<u>11,883,682</u>	<u>7,002,999</u>
Deferred Outflows of Resources			
Deferred amount on bond refunding	-	17,004	22,403
Deferred amount relating to net pension liability	79,335	82,029	138,614
Total deferred outflows of resources	<u>79,335</u>	<u>99,033</u>	<u>161,017</u>
Liabilities			
Current liabilities			
Current payables	25,321	196,204	91,495
Due to other funds	4,008	2,598	1,643
Due to other units of government	24,129	815	6,814
Current portion of noncurrent liabilities	17,336	428,443	182,623
Total current liabilities	<u>70,794</u>	<u>628,060</u>	<u>282,575</u>
Noncurrent liabilities			
Compensated absences	11,557	9,162	11,548
Long-term debt net of current portion	-	3,136,870	620,600
Net pension liability	251,977	291,456	463,770
Total noncurrent liabilities	<u>263,534</u>	<u>3,437,488</u>	<u>1,095,918</u>
Total liabilities	<u>334,328</u>	<u>4,065,548</u>	<u>1,378,493</u>
Deferred Inflows of Resources			
Deferred amount relating to net pension liability	68,507	57,161	85,082
Net Position			
Net investment in capital assets	1,759,793	5,327,216	3,158,203
Unrestricted	1,044,324	2,532,790	2,542,238
Total net position	<u>\$ 2,804,117</u>	<u>\$ 7,860,006</u>	<u>\$ 5,700,441</u>

City of Alma
Proprietary Funds
Statement of Net Position
June 30, 2021

	Enterprise Funds			Internal Service Fund
	Refuse Disposal	Nonmajor Fund State Street Plaza	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 471,805	\$ 597,519	\$ 7,662,148	\$ 132,096
Investments	10,736	20,055	182,703	17,589
Receivables, net	98,075	6,953	638,705	11,399
Due from other units of government	-	-	182,225	-
Inventories	-	-	-	79,480
Prepaid items	-	-	10,385	4,605
Total current assets	580,616	624,527	8,676,166	245,169
Noncurrent assets				
Land	-	62,300	107,903	12,500
Construction in progress	-	-	38,562	-
Land improvements	3,900	137,422	144,427	94,794
Buildings and improvements	-	769,791	7,449,570	585,188
Equipment	6,595	-	1,577,505	1,574,225
Vehicles	-	-	1,136,221	2,504,141
Utility lines and appurtenances	-	-	18,119,796	-
Less accumulated depreciation	(10,256)	(794,312)	(13,855,269)	(3,382,145)
Total noncurrent assets	239	175,201	14,718,715	1,388,703
Total assets	580,855	799,728	23,394,881	1,633,872
Deferred Outflows of Resources				
Deferred amount on bond refunding	-	-	39,407	-
Deferred amount relating to net pension liability	-	-	299,978	186,553
Total deferred outflows of resources	-	-	339,385	186,553
Liabilities				
Current liabilities				
Current payables	30,085	1,526	344,631	90,425
Due to other funds	584	20	8,853	5,177
Due to other units of government	-	-	31,758	3,166
Current portion of noncurrent liabilities	-	-	628,402	23,131
Total current liabilities	30,669	1,546	1,013,644	121,899
Noncurrent liabilities				
Compensated absences	-	-	32,267	15,420
Long-term debt net of current portion	-	-	3,757,470	-
Net pension liability	-	-	1,007,203	1,001,206
Total noncurrent liabilities	-	-	4,796,940	1,016,626
Total liabilities	30,669	1,546	5,810,584	1,138,525
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	-	-	210,750	163,266
Net Position				
Net investment in capital assets	239	175,201	10,420,652	1,388,703
Unrestricted (deficit)	549,947	622,981	7,292,280	(870,069)
Total net position	\$ 550,186	\$ 798,182	17,712,932	\$ 518,634
			(695,675)	
			<u>\$ 17,017,257</u>	

Internal balances related to internal service fund eliminations (695,675)
Net position for business-type activities \$ 17,017,257

City of Alma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Operating Revenue			
Local unit contributions	\$ -	\$ -	\$ -
Charges for services	152,208	2,083,383	1,382,843
Rental income	-	-	58,406
Other revenue	2,622	12,754	-
Total operating revenue	<u>154,830</u>	<u>2,096,137</u>	<u>1,441,249</u>
Operating Expenses			
Engineering	-	-	-
Maintenance	95,143	258,705	204,559
Accounting and administration	164,805	304,450	55,447
Transit operations	668,601	-	-
Sewage disposal	-	387,568	-
Potable water system	-	-	1,046,621
Refuse collection and disposal	-	-	-
Yard waste collection	-	-	-
Leaf collection	-	-	-
Yard waste compost site	-	-	-
Central garage	-	-	-
Transportation	-	-	-
Depreciation	187,858	349,532	185,105
Total operating expenses	<u>1,116,407</u>	<u>1,300,255</u>	<u>1,491,732</u>
Operating income (loss)	<u>(961,577)</u>	<u>795,882</u>	<u>(50,483)</u>
Nonoperating Revenue (Expenses)			
Property taxes	185,238	-	-
Federal grants	436,957	-	-
Intergovernmental	285,289	-	-
Investment income	2,173	3,335	6,028
Gain on disposal of assets	7,786	-	-
Interest expense and fiscal charges	-	(90,276)	(24,909)
Total nonoperating revenues (expenses)	<u>917,443</u>	<u>(86,941)</u>	<u>(18,881)</u>
Change in net position	<u>(44,134)</u>	<u>708,941</u>	<u>(69,364)</u>
Net position - beginning of year, as restated	<u>2,848,251</u>	<u>7,151,065</u>	<u>5,769,805</u>
Net position - end of year	<u>\$ 2,804,117</u>	<u>\$ 7,860,006</u>	<u>\$ 5,700,441</u>

City of Alma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

	Enterprise Funds			Internal Service Fund
	Refuse Disposal	Nonmajor Fund State Street Plaza	Total	
Operating Revenue				
Local unit contributions	\$ 5,836	\$ -	\$ 5,836	\$ -
Charges for services	681,302	45,552	4,345,288	989,672
Rental income	-	-	58,406	-
Other revenue	-	-	15,376	1,406
Total operating revenue	<u>687,138</u>	<u>45,552</u>	<u>4,424,906</u>	<u>991,078</u>
Operating Expenses				
Engineering	-	-	-	231,350
Maintenance	-	38,153	596,560	42,512
Accounting and administration	7,707	-	532,409	-
Transit operations	-	-	668,601	-
Sewage disposal	-	-	387,568	-
Potable water system	-	-	1,046,621	-
Refuse collection and disposal	427,380	-	427,380	-
Yard waste collection	32,871	-	32,871	-
Leaf collection	75,173	-	75,173	-
Yard waste compost site	56,021	-	56,021	-
Central garage	-	-	-	352,597
Transportation	-	-	-	393,021
Depreciation	260	24,875	747,630	221,350
Total operating expenses	<u>599,412</u>	<u>63,028</u>	<u>4,570,834</u>	<u>1,240,830</u>
Operating income (loss)	<u>87,726</u>	<u>(17,476)</u>	<u>(145,928)</u>	<u>(249,752)</u>
Nonoperating Revenue (Expenses)				
Property taxes	-	-	185,238	-
Federal grants	-	-	436,957	-
Intergovernmental	-	-	285,289	-
Investment income	722	1,153	13,411	503
Gain (loss) on disposal of assets	-	-	7,786	(6,239)
Interest expense and fiscal charges	-	-	(115,185)	-
Total nonoperating revenues (expenses)	<u>722</u>	<u>1,153</u>	<u>813,496</u>	<u>(5,736)</u>
Change in net position	88,448	(16,323)	667,568	(255,488)
Net position - beginning of year, as restated	<u>461,738</u>	<u>814,505</u>	<u>17,045,364</u>	<u>774,122</u>
Net position - end of year	<u>\$ 550,186</u>	<u>\$ 798,182</u>	<u>\$ 17,712,932</u>	<u>\$ 518,634</u>

**Reconciliation of Statement of Revenues, Expenses and Changes
in Net Position of Proprietary Funds to Statement of Activities
For the Year Ended June 30, 2021**

Change in net position per fund financial statements	\$ 667,568
Change in internal service charges to break even	(109,994)
Change in net position of per statement of activities	<u>\$ 557,574</u>

City of Alma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Cash flows from operating activities			
Receipts from customers	\$ 116,718	\$ 2,132,613	\$ 1,786,438
Payments to vendors	(123,604)	(249,301)	(933,231)
Payments to employees	(751,742)	(471,468)	(293,140)
Internal activity-receipts from (payments to) other funds	(36,551)	(126,431)	(129,446)
Other payments	-	-	-
Net cash provided (used) by operating activities	<u>(795,179)</u>	<u>1,285,413</u>	<u>430,621</u>
Cash flows from noncapital financing activities			
Receipts from long term receivables	-	(311)	-
Subsidies from other units	608,017	-	-
Receipts from voted millage	191,844	-	-
Net cash provided (used) by noncapital financing activities	<u>799,861</u>	<u>(311)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Acquisitions of capital assets	(7,303)	(341,540)	(150,031)
Capital contributions	-	-	-
Proceeds from sale of capital assets	7,827	-	-
Principal paid on capital debt	-	(400,500)	(159,500)
Interest paid on capital debt	-	(91,700)	(24,669)
Net cash provided (used) by capital and related financing activities	<u>524</u>	<u>(833,740)</u>	<u>(334,200)</u>
Cash flows from investing activities			
Investment income	2,367	3,579	6,596
Maturity of investments	14,128	17,703	41,330
Net cash provided by investing activities	<u>16,495</u>	<u>21,282</u>	<u>47,926</u>
Net change in cash and cash equivalents	21,701	472,644	144,347
Cash and cash equivalents - beginning of year, as restated	1,150,374	2,158,497	2,645,261
Cash and cash equivalents - end of year	<u>\$ 1,172,075</u>	<u>\$ 2,631,141</u>	<u>\$ 2,789,608</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (961,577)	\$ 795,882	\$ (50,483)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation and amortization expense	187,858	349,532	185,105
Changes in assets and liabilities			
Receivables (net)	(38,112)	45,450	344,368
Due from other units of government	-	(8,974)	821
Due from component units and joint ventures	-	4,815	-
Inventory	-	-	-
Prepaid items	20	3,227	1,130
Deferred outflows of resources	(17,966)	(11,142)	(18,045)
Current payables	14,050	93,521	(62,260)
Due to other funds	4,008	(1,781)	1,643
Due to other units of government	548	(1,272)	1,665
Net pension liability	(37,963)	(30,728)	(47,594)
Deferred inflows of resources	61,713	49,953	77,371
Compensated absences	(7,758)	(3,070)	(3,100)
Net cash provided (used) by operating activities	<u>\$ (795,179)</u>	<u>\$ 1,285,413</u>	<u>\$ 430,621</u>

City of Alma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds			Internal Service Funds
	Refuse Disposal	Nonmajor Fund State Street Plaza	Total	
Cash flows from operating activities				
Receipts from customers	\$ 684,994	\$ 44,222	\$ 4,764,985	\$ 988,827
Payments to vendors	(371,874)	(32,265)	(1,710,275)	(234,369)
Payments to employees	(113,152)	(3,423)	(1,632,925)	(784,085)
Internal activity-payments to other funds	(84,388)	(1,038)	(377,854)	-
Other payments	-	-	-	-
Net cash provided (used) by operating activities	<u>115,580</u>	<u>7,496</u>	<u>1,043,931</u>	<u>(29,627)</u>
Cash flows from noncapital financing activities				
Receipts from long term receivables	-	-	(311)	-
Subsidies from other units	-	-	608,017	-
Receipts from voted millage	-	-	191,844	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>799,550</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisitions of capital assets	-	-	(498,874)	(222,355)
Capital contributions	-	-	-	-
Proceeds from sale of capital assets	-	-	7,827	-
Principal paid on capital debt	-	-	(560,000)	-
Interest paid on capital debt	-	-	(116,369)	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,167,416)</u>	<u>(222,355)</u>
Cash flows from investing activities				
Investment income	793	1,286	14,621	572
Maturity of investments	5,170	9,659	87,990	8,470
Net cash provided by investing activities	<u>5,963</u>	<u>10,945</u>	<u>102,611</u>	<u>9,042</u>
Net change in cash and cash equivalents	121,543	18,441	778,676	(242,940)
Cash and cash equivalents - beginning of year, as restated	350,262	579,078	6,883,472	375,036
Cash and cash equivalents - end of year	<u>\$ 471,805</u>	<u>\$ 597,519</u>	<u>\$ 7,662,148</u>	<u>\$ 132,096</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 87,726	\$ (17,476)	\$ (145,928)	\$ (249,752)
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization expense	260	24,875	747,630	221,350
Changes in assets and liabilities				
Receivables (net)	(2,144)	(1,330)	348,232	(7,428)
Due from other units of government	-	-	(8,153)	-
Due from component units and joint ventures	-	-	4,815	-
Inventory	-	-	-	(25,121)
Prepaid items	-	-	4,377	(24)
Deferred outflows of resources	-	-	(47,153)	(37,811)
Current payables	29,154	1,407	75,872	71,325
Due to other funds	584	20	4,474	5,177
Due to other units of government	-	-	941	(48,012)
Net pension liability	-	-	(116,285)	(79,894)
Deferred inflows of resources	-	-	189,037	129,878
Compensated absences	-	-	(13,928)	(9,315)
Net cash provided (used) by operating activities	<u>\$ 115,580</u>	<u>\$ 7,496</u>	<u>\$ 1,043,931</u>	<u>\$ (29,627)</u>

City of Alma
Statement of Net Position
Fiduciary Funds
June 30, 2021

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 566,204
Investments	
Certificates of deposit	18,076
Interest receivable	84
Due from other units of government	10,045
Total assets	594,409
Liabilities	
Due to other units of government	17,558
Net Position	
Held in trust for public safety employees	569,860
Held for parks and recreation projects	6,991
Total net position	\$ 576,851

City of Alma
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
Additions	
Local contributions	\$ 40,630
Investment earnings	1,057
Property tax collections for other governments	6,434,323
Other revenue	<u>4,917</u>
Total additions	<u>6,480,927</u>
Deductions	
Payments to other organizations	38,556
Payments of property tax to other governments	<u>6,434,323</u>
Total deductions	<u>6,472,879</u>
Change in net position	8,048
Beginning net position, as restated	<u>568,803</u>
Ending net position	<u><u>\$ 576,851</u></u>

City of Alma
Combining Statement of Net Position
Component Units
June 30, 2021

	Alma Downtown Development Authority	Alma Public Library	at 12/31/20 Alma Housing Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 112,865	\$ 132,188	\$ 967,584	\$ 1,212,637
Investments	2,663	5,665	1,747,430	1,755,758
Receivables	37	3,502	2,676	6,215
Due from other units of government	-	85,600	-	85,600
Prepaid items	-	1,040	4,788	5,828
Restricted assets				
Restricted cash	-	190,068	8,702	198,770
Total current assets	115,565	418,063	2,731,180	3,264,808
Noncurrent assets				
Land	-	93,309	124,090	217,399
Land improvements	-	116,662	-	116,662
Buildings and improvements	-	3,796,172	7,821,812	11,617,984
Equipment and furnishings	-	213,019	389,596	602,615
Books	-	691,075	-	691,075
Less accumulated depreciation	-	(2,354,961)	(6,701,919)	(9,056,880)
Total noncurrent assets	-	2,555,276	1,633,579	4,188,855
Total assets	115,565	2,973,339	4,364,759	7,453,663
Deferred Outflows of Resources				
Deferred amount on bond refunding	-	25,452	-	25,452
Deferred amount relating to net pension liability	-	66,762	32,412	99,174
Total deferred outflows of resources	-	92,214	32,412	124,626
Liabilities				
Current liabilities				
Current payables	143	25,400	124,105	149,648
Due to other units of government	11	579	50,826	51,416
Due to primary government	35	1,475	-	1,510
Portion of noncurrent liabilities due within one year	-	234,675	19,460	254,135
Unearned revenue	-	-	8,383	8,383
Total current liabilities	189	262,129	202,774	465,092
Due in more than one year				
Compensated absences	-	6,450	11,443	17,893
Bonds payable	-	705,000	-	705,000
Net pension liability	-	271,084	369,234	640,318
Total liabilities due in more than one year	-	982,534	380,677	1,363,211
Total liabilities	189	1,244,663	583,451	1,828,303
Deferred Inflows of Resources				
Deferred amount relating to net pension liability	-	35,118	8,289	43,407
Net Position				
Net investment in capital assets	-	1,650,728	1,633,579	3,284,307
Restricted	-	190,068	8,702	198,770
Unrestricted (deficit)	115,376	(55,024)	2,163,150	2,223,502
Total net position	\$ 115,376	\$ 1,785,772	\$ 3,805,431	\$ 5,706,579

City of Alma
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2021

	Alma Downtown Development Authority	Alma Public Library	at 12/31/20 Alma Housing Commission	Total
Expenses				
Community development	\$ 9,337	\$ -	\$ -	\$ 9,337
Recreation and culture	-	705,741	-	705,741
Public housing	-	-	1,218,582	1,218,582
Interest on long term debt	-	26,126	-	26,126
Total expenses	9,337	731,867	1,218,582	1,959,786
Program revenues				
Property tax levy for operating	20,602	308,273	-	328,875
Charges for services	-	8,019	403,583	411,602
Operating grants and contributions	-	149,635	745,170	894,805
Capital grants and contributions	-	-	44,317	44,317
Total program revenues	20,602	465,927	1,193,070	1,679,599
Net program revenue (expense)	11,265	(265,940)	(25,512)	(280,187)
General revenues				
Property tax levy for debt retirement	-	255,397	-	255,397
Investment income	165	682	33,277	34,124
Other revenue	4,068	273	22,256	26,597
Total general revenue	4,233	256,352	55,533	316,118
Change in net position	15,498	(9,588)	30,021	35,931
Beginning net position	99,878	1,795,360	3,775,410	5,670,648
Ending net position	\$ 115,376	\$ 1,785,772	\$ 3,805,431	\$ 5,706,579

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Gratiot County, Michigan, Alma was settled in 1853 along the banks of the Pine River, became a village in 1872 and was incorporated in 1905 as the City of Alma. Organized under Michigan's Comprehensive Home Rule City Act, the City of Alma is governed by a seven-member City Commission elected by its more than 9,000 citizens at large. The City Commission selects the Mayor and Vice Mayor from among its members. A City Manager is appointed to administer the business of the City. By charter, City of Alma is a full service city providing police and fire protection, highways and streets, sanitation, water production and distribution, housing, recreation, public improvements, planning, zoning and general administration. The accounting policies of the City of Alma conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

(A) THE REPORTING ENTITY

As required by generally accepted accounting principles, the reporting entity consists of the primary government and component units for which the elected officials of the primary government are financially accountable. Component units are those legally separate entities which are fiscally dependent on the primary government or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading. The financial statements are written from the perspective of the primary government.

All component units are presented in a separate column in the government-wide financial statements to emphasize their separate legal status from the primary government. Alma Downtown Development Authority and Alma Public Library have a June 30 year end. Alma Housing Commission has a December 31 year end. The following component units are included in the City's reporting entity.

(i) Discretely Presented Component Units

Alma Downtown Development Authority is responsible for the correction and prevention of deterioration, encouragement of historic preservation, authorization of the creation and implementation of development plans and promotion of economic growth within the central business district. The Alma City Commission appoints board members as recommended by the Mayor. The Alma D.D.A. is legally separate from the City and is funded by a two-mill property tax levied on the district as authorized by the Alma City Commission. The D.D.A. also receives contributions from the City and rental income from a donated downtown building. There are no separate financial statements.

Alma Public Library operates the local library in Alma. The Library Board is appointed by the City Commission. The Library is legally separate from the City; however, any debt issued by the Library must be approved by the Alma City Commission. The Library is funded primarily through a local operating millage and the City's share of a county-wide library millage as well as an allocation of penal fines from the district court. There are no separate financial statements.

Alma Housing Commission provides assistance with low income housing by operating subsidized low-income housing and rent vouchers. The Board of the Housing Commission is appointed by the City Manager. The Commission is legally separate from the City. All debt must be approved by the City of Alma. All land used by the Housing Commission is owned by the City. Tartan Terrace was originally constructed with bond proceeds issued by the Alma Building Authority and remains titled to the City. The Commission receives most of its funding from rental income and federal grants. Fiscal year ended December 31, 2020 has been presented in this report.

Complete financial statements for the Housing Commission can be obtained by writing to:

Alma Housing Commission
400 E. Warwick
Alma, MI 48801

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

(ii) Blended Component Units

Alma Building Authority provides bond financing for City of Alma and its component units. The Board is appointed by the Alma City Commission. The Authority is a separate legal entity. Although there are residual debt service monies on hand, the authority is inactive.

Local Development Finance Authority is responsible for providing infrastructure improvements in Alma's industrial district. A majority of the board of the Alma L.D.F.A. is appointed by the City Manager. The Alma Public School Board and the Gratiot County Board of Commissioners each appoint one member of the board. Projects are restricted to the established development district. The Alma L.D.F.A. is legally separate from the City but the Alma City Commission must approve all debt issues. There are no separate financial statements.

(iii) Joint Ventures

Rural Urban Fire Board was created through Public Act 35 of 1951, as amended and Public Act 8, as amended. The agreement is made among the City of Alma, the Township of Arcada, the Township of Sumner, the Township of Seville and the Township of Pine River. The Board consists of seven voting members, including the Supervisor of each of the Townships, the City Manager of Alma and two other individuals appointed by Alma's City Commission. The primary purpose of the Rural Urban Fire Board is to provide fire protection services to its members.

The Board approves an annual budget and within the financial constraints of that budget and the authority granted by the agreement, the Department is managed by Alma according to laws, rules and regulations applicable to Alma as a municipal corporation. The employees of the Rural Urban Fire Department are considered employees of City of Alma. The City of Alma's equity interest in the Rural Urban Fire Board's operating reserve totaling \$703,744 is recorded within the governmental activities column of the entity-wide statement of net position.

The City maintains the accounting records for the Board. The financial statements are presented in other supplementary information. There are no separate financial statements.

Gratiot Community Airport Authority operates the only public airport in Gratiot County. Under MCL 259.621, et. Seq. an agreement to establish the Gratiot Community Airport Authority was entered into on February 18, 2009 and amended on January 30, 2012. The agreement is between the County of Gratiot, City of Alma, City of St. Louis, City of Ithaca, Township of Pine River and Township of Arcada. The Authority is operated by a six person board, one member from each member municipality.

Operational funds are contributed in part by each member municipality. The Authority Agreement provides for each member municipality to contribute to the Authority with Gratiot County and the City of Alma contributing additional funds required in equal percentages. The Authority Board is responsible for preparing and adopting a budget including the appropriations required from each member municipality.

The member municipalities conveyed title to the lands used as the Airport to the Authority. Any lands obtained hereafter shall be owned by the Authority. The City of Alma's equity interest in the Authority's operating reserve totaling \$764,306 is recorded within the governmental activities column of the entity-wide statement of net position.

The City maintains the accounting records for the Gratiot Community Airport Authority. The financial statements are presented in other supplementary information. The Gratiot Community Airport Authority is a proprietary fund type and does not produce separate financial statements.

Gratiot Area Water Authority is a joint venture between the City of Alma and the City of St Louis. The purpose of the Authority is to locate, treat and deliver potable water to the residents of the two cities. The Authority is governed by a Board of Trustees consisting of two voting representatives for each constituent municipality as appointed by a majority vote of the respective governing body. The city managers for each constituent municipality also serve, ex officio.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

The Board is responsible for preparing and adopting an annual budget of proposed expenditures for the operation of the Authority. The Board has the power to acquire real and personal property, enter into contracts and issue debt. Funding for the Authority is provided by each constituent municipality based on metered water usage. The City has no equity interest in the Gratiot Area Water Authority. The City of St. Louis maintains the accounting records for the Authority. The Gratiot Area Water Authority is a proprietary fund type and produces separate audited financial statements which may be obtained by contacting the City of St. Louis.

Gratiot County Central Dispatch Authority is a joint venture between Gratiot County, the State of Michigan, City of Alma, City of St. Louis, City of Ithaca and City of Breckenridge. The Authority provides emergency dispatch services for all police, fire and rescue services in Gratiot County. The governing board is comprised of 11 members. Gratiot County appoints six board members: the County Sheriff, one township representative, one village representative, one county citizen, and two county commissioners. Each other unit appoints one board member. The Authority is responsible for preparing the annual budget (which must also be approved by Gratiot County) and carrying out all activities of the Authority.

The Authority receives funding from telephone surcharge fees and local contributions. A formula has been established to allocate the local contributions. The financial activities of Gratiot County Central Dispatch Authority are reported in Gratiot County's financial statements as a component unit. Gratiot County Central Dispatch is on an October 1 to September 30, fiscal year. The City has no equity interest in the Dispatch Authority. There are no separate financial statements produced for Gratiot County Central Dispatch Authority. Copies of Gratiot County financial statements can be obtained by writing:

Gratiot County Treasurer
P.O. Drawer 437
Ithaca, Michigan 48847

(iv) Joint Operation

Mid-Michigan Area Cable Communications Consortium is a joint operation between twelve mid-Michigan communities with cable franchises granted to Charter Communications Inc. The twelve communities include the Cities of Alma, Clare, Harrison, Ithaca, Mt Pleasant and St Louis, the Villages of Breckenridge, North Star and Shepherd, and the Townships of Arcada, Pine River and The Charter Township of Union. The Consortium is responsible for developing, monitoring, and enforcing the cable ordinance, negotiating and monitoring cable franchise agreements, and, to the extent permitted by federal law, regulating cable rates. The Consortium is responsible for the operation of the public, education and government access channels. Each community is permitted two members of the governing board. The Consortium is responsible for preparing the annual budget.

A formula has been established to allocate the portion of each unit's cable franchise fees contributed to the consortium. The Consortium is on a January 1 to December 31, fiscal year and produces separate financial statements. Copies of Mid-Michigan Area Cable Communication Consortium financial statements can be obtained by writing:

Mid-Michigan Area Cable Consortium
312 West Michigan Street
Mt. Pleasant, MI. 48858

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government of the City of Alma and its component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of Alma is reported separately from certain legally separate component units for which the City of Alma is financially accountable.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Fund does not have a measurement focus; however it is subject to the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to offset liabilities of the current period. The City of Alma considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except debt service expenditures, compensated absences and claims and judgments are recorded only when payment is due.

Intergovernmental revenues, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The City of Alma reports the following major governmental funds:

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

The Major Streets Fund accounts for the receipt of state shared gas and weight taxes allocated to the City according to Act 51. The expenditure of these funds is restricted to City of Alma streets that have been designated as major by the Michigan Department of Transportation.

The City of Alma reports the following major proprietary funds:

The Transit Services Fund accounts for the activities of the demand response bus system operated by the City of Alma. The system is supported by federal and state grants, local tax dollars and user fees.

The Wastewater Utility Fund accounts for activities related to the collection and purification of wastewater.

The Water Utility Fund accounts for activities related to the distribution of potable water and contributions to the Gratiot Area Water Authority.

The Refuse Disposal Fund accounts for the activities of collection and disposal of household hazardous waste, yard waste.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Additionally, the City of Alma reports the following fund types:

Permanent Funds are used to account for the Cemetery Endowment and the Library Endowment. Both endowments were created by ordinance and transfer eighty percent of investment income to operating funds.

Special Revenue Funds are used to account for the administration of grant monies received from Michigan Housing Development Authority. Special revenue funds are also used to account for the residual funds of the Local Development Finance Authority, local streets funding and related project, and the street improvement millage.

A Debt Service Fund is used to account for Alma Building Authority funds remaining after payment of bonds issued to construct Tartan Terrace senior housing complex.

Nonmajor proprietary funds are used to account for the rental facilities owned and leased by the City.

Internal Service Funds are used to account for public works services, fleet maintenance, equipment replacement, engineering services, geographical information system, data information systems, accounting, retiree medical insurance, and buildings and grounds maintenance services provided to other departments on a cost reimbursement basis.

Fiduciary Funds include the following custodial funds:

- Public Safety Employees' Benefit Trust Fund which is used to account for private donations legally held in trust for Police and Fire personnel killed or disabled in the line of duty.
- Tax Collection Fund which is used to collect and distribute State of Michigan, Gratiot County, Alma Public Schools, and Gratiot Isabella Regional Educational School District property tax monies and payments in lieu of taxes collected from subsidized housing units within the City limits.
- Park Project Fund which accounts for amounts on hand related to various parks and recreation projects administered by a third party.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions are charges for services provided between the Transit Services Fund, Water Utility Fund, Wastewater Utility Fund and other functions and segments and payment in lieu of taxes from the Alma Housing Commission. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Property taxes, state shared sales tax revenue and investment income are reported as general revenue. Examples of program revenues include:

- Cemetery burial charges
- Building permits
- Special assessments
- Usage charges for water and sewer services
- Charges for police and fire incident reports and fines

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

(D) DEPOSITS AND INVESTMENTS

Cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of less than three months at time of purchase. City of Alma includes cash on hand, demand deposits and short-term investments as cash equivalents.

Investments are reported at fair market value. City of Alma has adopted an Investment Policy which specifies all investments be made in accordance with all State of Michigan laws and regulations. The policy allows investment in approved financial institution certificates of deposit and other interest-bearing demand deposit accounts and obligations of the U.S. Treasury. In addition, excess funds of the Cemetery Endowment Fund, Library Endowment Fund and Public Safety Employees' Benefit Trust Fund may be invested in mutual funds.

(E) RECEIVABLES

Receivables have been recognized for all significant amounts due the City. Generally, no allowances have been made for uncollectible receivables. Most delinquent receivables can be added to the tax roll and become a lien against the property. No allowance for uncollectible accounts has been determined necessary.

(F) INVENTORIES

Inventories of proprietary funds are valued at lower of cost or market using first-in, first-out costing. Inventories consist of disinfecting chemicals, vehicle maintenance parts and tires and road maintenance materials and signs. In governmental funds, materials purchased are recorded as expenditures when acquired.

(G) PREPAID ITEMS

Certain types of services are paid for in advance. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items include rent payments, insurance premiums and software maintenance agreements. The consumption method is used to account for prepaid items in governmental funds.

(H) RESTRICTED ASSETS

Unexpended proceeds of bond issuances, as well as certain resources set aside for bond repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

(I) CAPITAL ASSETS

Capital assets include property, buildings, equipment, vehicles and infrastructure assets (e.g. streets, bridges, and sidewalks) and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Alma as tangible assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against the related function or program in the government-wide Statement of Activities and all proprietary fund financial statements. Accumulated depreciation is reported on the government-wide statement of net position and all proprietary fund statements of net position.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

The straight-line depreciation method is used for all depreciable capital assets. Land is not depreciated. The estimated useful lives for capital assets are displayed in the following table:

Asset Class	Depreciable Life
Land Improvements	10-20 Years
Buildings	10-40 Years
Equipment	5-20 Years
Vehicles	3-10 Years
Utility Lines and Appurtenances	10-40 Years
Streets and Bridges	25 Years
Sidewalks	50 Years
Library Books	15-20 Years

(J) DEFERRED OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Deferred amounts on bond refunding represent the difference between the reacquisition price and the net carrying amount of the prior debt.

(K) COMPENSATED ABSENCES

The City allows employees to accumulate sick leave to a maximum of 720 hours. Sick leave is paid only upon illness while in the employ of the City. Sick leave is not paid upon termination. No liability provision is made for accumulated sick leave due to the uncertainty of the actual amount which may eventually be paid.

Earned vacation leave is required to be used within two years of accrual with a maximum carryover of 120 hours. Earned vacation leave is paid upon termination. Accumulated unpaid vacation pay is accrued when incurred in the government wide financial statements and in proprietary fund financial statements.

(L) LONG-TERM OBLIGATIONS

In the government-wide financial statements and fund financial statements of proprietary fund types, long term debt and obligations are reported as liabilities in the applicable statement of net position. Bond premiums or discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements of governmental fund types, bond premiums, discounts, and issuance costs are reported in 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. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service in the current period.

City of Alma, Michigan
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June 30, 2021

(M) 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 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 to 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. The City receives actuarial-based calculations to compute the annual determined contributions (ADC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions, adjusted for interest and "adjustment to the ADC" on the beginning of the year underpaid amount, if any.

(N) 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 represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until that time.

Unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from five sources: property taxes, special assessments, cable franchise fees, lease income and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

(O) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(P) FUND BALANCE POLICIES AND FLOW ASSUMPTION

In the fund financial statements, governmental funds report fund balance in the following categories:

- Non-spendable – assets that are not available in a spendable form.
- Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.
- Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Commission. A fund balance commitment may be established, modified or rescinded by a resolution of the City Commission.
- Assigned – amounts intended to be used for specific purposes, as determined by the City Commission or City Manager. The City Commission has granted the City Manager the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.
- Unassigned – all other resources, the remaining fund balances after non-spendable restrictions, commitments and assignments.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

City of Alma, Michigan
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When expenditures are incurred for purposes for which committed, assigned or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: 1) committed, 2) assigned, 3) unassigned.

(Q) PROPERTY TAXES

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes unpaid at March 1 are advanced to the City and collected by Gratiot County. Personal property taxes, property taxes on leased land and industrial facilities property taxes remaining unpaid at March 1 are collected by the City of Alma Treasurer. The City considers property taxes both measurable and available when they are levied on July 1 and recognizes property tax revenue at that time.

The City acts as property tax collection agent for Gratiot County, Alma Public Schools, and the Gratiot-Isabella Intermediate School District. Taxes collected on behalf of those units are remitted according to State of Michigan regulation. The tax collections are received and distributed from an agency fund. The City collects a 1% property tax administration fee.

(R) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

FUND DEFICITS

The City has an accumulated unrestricted net position deficit of \$55,024 in the Alma Public Library Fund, a component unit. A deficit elimination plan is not required.

BUDGETARY INFORMATION

Under City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30th of each year.
2. The City Manager shall submit a proposed operating budget to the City Commission by April 20.
3. A public hearing must be held before the budget is adopted. The budget hearing must be properly noticed seven days before the hearing.
4. The City Commission must adopt the budget by resolution no later than June 1.

Formal budgetary integration is employed as a management control device for all funds except the following fund types:

- Permanent funds
- Fiduciary funds
- Debt service funds
- Internal service funds

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriation budgets are adopted for the General, Special Revenue and Enterprise Funds. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for all Capital Project Funds. In addition, the City Commission approves budgets for two component units: Alma Public Library and Alma Downtown Development Authority.

The budget for the General Fund is adopted at the activity level. All other budgets are approved at the fund level. For management purposes, the City develops a more detailed budget. The City Commission must approve any revision that alters the total expenditures above the legal level. City Commission approval of projects involving intergovernmental grant funding are considered approved budget amendments when grant awards are approved. The City Manager, or his designee, is authorized to transfer budgeted amounts within these functional areas.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Excess of expenditures over appropriations

The City had the following expenditures in excess of appropriations.

Fund	Final Budget	Actual	Difference
General Fund			
Community development	\$ 259,760	\$ 386,724	\$ 126,964
Community safety	2,339,125	2,398,020	58,895
Recreation and culture	158,135	218,320	60,185
Debt service	22,650	22,652	2

(S) BUILDING PERMIT REVENUES AND RELATED EXPENDITURES

Under Public Act 245 of 1999, permit fees for building construction must be restricted to the operation of the enforcing agency. For the fiscal year ending June 30, 2021, the City of Alma collected \$45,551 in building permit fees. For the same time period, the City expended an amount in excess of the collections related to the building permit program.

(T) ADOPTION OF NEW ACCOUNTING STANDARDS

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

(U) UPCOMING ACCOUNTING AND REPORTING CHANGES

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

City of Alma, Michigan
Notes to the Financial Statements
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Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2022.

Statement No. 91, *Conduit Debt Obligations* provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement is effective for the year ending June 30, 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 *Leases*. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. This statement is effective for the year ending June 30, 2023.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

NOTE 2 - DEPOSITS AND INVESTMENTS

(A) RECONCILIATION OF DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash and investments as reported in the financial statements to the City's deposits and investments:

Government-wide Financial Statement Captions:	
<i>Primary Government:</i>	
Cash and cash equivalents	\$ 16,222,844
Investments	444,906
<i>Fiduciary Funds:</i>	
Cash and cash equivalents	566,204
Investments	18,076
<i>Component Units:</i>	
Cash and cash equivalents	1,212,637
Investments	1,755,758
Restricted cash	198,770
<i>Joint Ventures:</i>	
Cash and cash equivalents	1,282,334
Investments	37,446
Total	\$ 21,738,975

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Notes to Financial Statements:

Deposits	\$ 12,765,278
Cash on hand	1,855
Investments	8,971,842
Total	<u><u>\$ 21,738,975</u></u>

(B) DEPOSITS

For deposits, custodial credit risk is the risk that in the event of a bank failure the government may lose its deposits in that bank. The City's investment policy restricts the amount of deposits in any one financial institution to 50% of the City's total deposits. Alma Housing Commission is included but reported in the financial statements as of December 31, 2020. At June 30, 2021, the bank balance was \$13,105,322. Of the bank balance, \$4,072,799 was covered by FDIC insurance and \$6,182,542 was collateralized by governmental securities having a fair market value of \$7,880,500, leaving \$2,849,991 uninsured and uncollateralized.

At December 31, 2020, the Alma Housing Commission has a depository agreement with every bank holding cash and investments that guarantees 100% collateralization of funds beyond FDIC and SPIC limits.

Following an Attorney General Opinion, the City restricts its deposits to banks, savings and loan associations or credit unions having their principal office in the State of Michigan.

(C) INVESTMENTS

Under its investment policy, which follows State statutes, the City restricts its investments to bonds, bills, or notes of the United States; commercial paper rated prime; securities issued or guaranteed by agencies or instrumentalities of the United States; United States government federal agency obligation repurchase agreements composed of eligible collateral whose fair value must be maintained equal to or greater than amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investments pools that are composed entirely of the aforementioned investments that are legal for direct investment by a city.

Interest Rate Risk

Unless matched to a specific cash flow, the City's investment policy restricts investments to one year for governmental fund types, two years for enterprise fund types, and five years for endowment funds.

Credit Risk

The City's investment policy restricts investment in commercial paper to the top investment rating provided by two nationally recognized rating agencies at the time of purchase and requires immediate sale if the principal invested becomes jeopardized. City of Alma is not invested in commercial paper.

Concentration of Credit Risk

The City of Alma uses common checking accounts for several of the operating funds. Each fund's share of the cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings in relation to the average cash balance of each fund. Investments are carried at cost as declines in fair values are considered temporary except for investments where the term is for more than twelve months or in the case of mutual funds. Investments in long term investments and mutual funds are recorded at fair value.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are in US Government instruments or securities guaranteed by the US Government or collateralized. The City has not adopted a formal custodial credit risk policy.

(D) RELATED PARTY

A City Commissioner is the vice president of deposit administration for a bank that the City holds deposits with in the amount of \$3,094,914 as of June 30, 2021.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 3 - FAIR MARKET VALUE

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the net asset value of the City's investment in Michigan CLASS was \$8,971,842. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. 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. It has a rating of AAA from Standard and Poor's with a weighted average maturity of 54 days.

NOTE 4 - RECEIVABLES

Receivables of the primary government and component units have been disaggregated in the following table. All major funds have been shown individually. Delinquent utility bills are placed as a lien against the property and collected in the next year with the property taxes.

	Within One Year			Long Term Receivables	
	Taxes	Accounts/ Special Assessments/ Utilities	Investment Earnings	Special Assessments	Total
Primary Government					
Governmental Activities:					
General Fund	\$ 4,677	\$ 278,807	\$ 446	\$ 1,840	\$ 285,770
Major Streets Fund	-	-	359	-	359
Non-Major Funds	-	795	228	-	1,023
Total governmental funds	4,677	279,602	1,033	1,840	287,152
Internal Service Funds	-	11,270	129	-	11,399
Total governmental activities	4,677	290,872	1,162	1,840	298,551
Business-type Activities:					
Transit Services	284	41,362	136	-	41,782
Wastewater Utility	-	269,951	170	16,368	286,489
Water Utility	-	205,008	398	-	205,406
Refuse Disposal	-	98,025	50	-	98,075
Non-Major Funds	-	6,860	93	-	6,953
Total business-type activities	284	621,206	847	16,368	638,705
Primary Government Totals	\$ 4,961	\$ 912,078	\$ 2,009	\$ 18,208	\$ 937,256
Component Units					
Alma Downtown Development Authority	\$ 25	\$ -	\$ 12	\$ -	\$ 37
Alma Public Library	592	2,884	26	-	3,502
Alma Housing Commission	-	2,676	-	-	2,676
	\$ 617	\$ 5,560	\$ 38	\$ -	\$ 6,215

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The following table presents amounts due at June 30, 2021:

Interfund Receivables / Payables
Between Funds of Primary Government

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General Fund	Major Streets Fund	\$ 430
General Fund	Transit Fund	4,008
General Fund	Wastewater Fund	2,598
General Fund	Water Fund	1,643
General Fund	Refuse Disposal Fund	584
General Fund	Internal Service Fund	5,177
General Fund	Nonmajor Governmental Funds	754
General Fund	Nonmajor Enterprise Funds	20
		<u>\$ 15,214</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets including internal service funds is presented below:

Governmental Activities of Primary Government

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021
Capital assets not being depreciated				
Land	\$ 3,741,686	\$ -	\$ -	\$ 3,741,686
Construction in progress	44,911	349,696	(371,278)	23,329
Total capital assets not being depreciated	<u>3,786,597</u>	<u>349,696</u>	<u>(371,278)</u>	<u>3,765,015</u>
Capital assets being depreciated				
Land improvements	2,222,199	212,588	-	2,434,787
Buildings and improvements	3,385,277	90,321	(10,346)	3,465,252
Equipment	2,389,968	90,529	(364,594)	2,115,903
Vehicles	2,863,568	182,042	(365,316)	2,680,294
Sidewalks	1,671,427	-	-	1,671,427
Streets and Bridges	26,135,758	351,581	-	26,487,339
Total capital assets being depreciated	<u>38,668,197</u>	<u>927,061</u>	<u>(740,256)</u>	<u>38,855,002</u>
Less accumulated depreciation for				
Land improvements	1,436,253	84,217	-	1,520,470
Buildings and improvements	2,835,197	39,419	(10,347)	2,864,269
Equipment	1,761,426	100,654	(323,295)	1,538,785
Vehicles	2,009,399	161,186	(365,317)	1,805,268
Sidewalks	616,176	41,181	-	657,357
Streets and Bridges	16,041,013	745,450	-	16,786,463
Total accumulated depreciation	<u>24,699,464</u>	<u>1,172,107</u>	<u>(698,959)</u>	<u>25,172,612</u>
Net capital assets being depreciated	<u>13,968,733</u>	<u>(245,046)</u>	<u>(41,297)</u>	<u>13,682,390</u>
Governmental activities capital assets, net	<u>\$ 17,755,330</u>	<u>\$ 104,650</u>	<u>\$ (412,575)</u>	<u>\$ 17,447,405</u>

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Depreciation expense was charged to the following governmental activities of the primary government:

Governmental Activities Depreciation Expense	
Community development	\$ 2,956
Community safety	33,022
Property maintenance	12,004
Transportation	823,151
Recreation and culture	61,439
Executive administration	18,185
Internal service funds	221,350
Total governmental activities	<u>\$ 1,172,107</u>

A summary of changes in capital assets for business-type activities is presented below:

Business-type Activities of Primary Government				
	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021
Capital assets not being depreciated				
Land	\$ 107,903	\$ -	\$ -	\$ 107,903
Construction in progress	72,036	306,714	(340,188)	38,562
Total capital assets not being depreciated	179,939	306,714	(340,188)	146,465
Capital assets being depreciated				
Land improvements	144,427	-	-	144,427
Buildings and improvements	7,428,046	21,524	-	7,449,570
Equipment	1,637,342	40,468	(100,305)	1,577,505
Vehicles	1,199,589	-	(63,368)	1,136,221
Utility lines and appurtenances	17,649,440	470,356	-	18,119,796
Total capital assets being depreciated	28,058,844	532,348	(163,673)	28,427,519
Less accumulated depreciation for				
Land improvements	68,782	5,861	-	74,643
Buildings and improvements	4,313,751	140,982	-	4,454,733
Equipment	945,803	78,098	(100,264)	923,637
Vehicles	354,256	142,873	(63,368)	433,761
Utility lines and appurtenances	7,588,679	379,816	-	7,968,495
Total accumulated depreciation	13,271,271	747,630	(163,632)	13,855,269
Net capital assets being depreciated	14,787,573	(215,282)	(41)	14,572,250
Business-type capital assets, net	\$ 14,967,512	\$ 91,432	\$ (340,229)	\$ 14,718,715

Depreciation expense was charged to the following business-type activities of the primary government:

Business-type Activities Depreciation Expense	
State Street Plaza	\$ 24,875
Transit Services	187,858
Wastewater Utility	349,532
Water Utility	185,105
Refuse Disposal	260
Total business-type activities	<u>\$ 747,630</u>

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Summaries of changes in capital assets for component units are presented in the following schedules:

Alma Public Library Component Unit

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021
Capital assets not being depreciated				
Land	\$ 93,309	\$ -	\$ -	\$ 93,309
Capital assets being depreciated				
Land improvements	108,210	8,452	-	116,662
Buildings and improvements	3,769,327	26,845	-	3,796,172
Equipment	257,167	-	(44,148)	213,019
Books	691,075	-	-	691,075
Total capital assets being depreciated	4,825,779	35,297	(44,148)	4,816,928
Less accumulated depreciation for				
Land improvements	55,967	4,616	-	60,583
Buildings and improvements	1,448,187	94,395	-	1,542,582
Equipment	227,963	5,775	(42,874)	190,864
Books	535,253	25,679	-	560,932
Total accumulated depreciation	2,267,370	130,465	(42,874)	2,354,961
Net capital assets being depreciated	2,558,409	(95,168)	(1,274)	2,461,967
Total net capital assets	\$ 2,651,718	\$ (95,168)	\$ (1,274)	\$ 2,555,276

Alma Housing Commission Component Unit

	Balances December 31, 2019	Additions	Deletions	Balances December 31, 2020
Capital assets not being depreciated				
Land	\$ 124,090	\$ -	\$ -	\$ 124,090
Capital assets being depreciated				
Buildings and improvements	7,813,577	8,235	-	7,821,812
Equipment	392,405	58,163	(60,972)	389,596
Total capital assets being depreciated	8,205,982	66,398	(60,972)	8,211,408
Less accumulated depreciation	6,619,902	142,989	(60,972)	6,701,919
Net capital assets being depreciated	1,586,080	(76,591)	-	1,509,489
Total net capital assets	\$ 1,710,170	\$ (76,591)	\$ -	\$ 1,633,579

Component Unit Totals

Capital assets not being depreciated		
Alma Public Library	\$ 93,309	
Alma Housing Commission	124,090	
	<u>\$ 217,399</u>	
Capital assets, net of accumulated depreciation		
Alma Public Library	\$ 2,461,967	
Alma Housing Commission	1,509,489	
	<u>\$ 3,971,456</u>	

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 7 - LONG-TERM DEBT

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Due Within One Year
Governmental activities					
Note payable	\$ 21,991	\$ -	\$ (21,991)	\$ -	\$ -
Compensated absences	146,416	242,561	(241,420)	147,557	59,022
Total long-term liabilities	<u>\$ 168,407</u>	<u>\$ 242,561</u>	<u>\$ (263,411)</u>	<u>\$ 147,557</u>	<u>\$ 59,022</u>
Business-type activities					
Bonds payable					
General obligation bonds	\$ 2,035,000	\$ -	\$ (345,000)	\$ 1,690,000	\$ 365,000
Special assessment bonds	35,000	-	(20,000)	15,000	15,000
Revenue bonds	2,827,470	-	(195,000)	2,632,470	200,000
Total bonds payable	4,897,470	-	(560,000)	4,337,470	580,000
Compensated absences	94,597	73,277	(87,205)	80,669	48,402
Total long-term liabilities	<u>\$ 4,992,067</u>	<u>\$ 73,277</u>	<u>\$ (647,205)</u>	<u>\$ 4,418,139</u>	<u>\$ 628,402</u>
Component Units					
Bonds payable					
General obligation bonds	\$ 1,145,000	\$ -	\$ (215,000)	\$ 930,000	\$ 225,000
Compensated absences	41,293	22,413	(16,678)	47,028	29,135
Total long-term liabilities	<u>\$ 1,186,293</u>	<u>\$ 22,413</u>	<u>\$ (231,678)</u>	<u>\$ 977,028</u>	<u>\$ 254,135</u>

The note payable in governmental activities is a Brownfield Redevelopment Loan with Michigan Department of Environmental Quality, Remediation Division. The contract was executed on September 21, 2005. The ten-year repayment commenced September 21, 2010. Interest is at a nominal annual rate of 2%. The final payment was made during the fiscal year ended June 30, 2021.

For governmental activities, compensated absences are generally liquidated by the general fund. Internal service funds predominantly serve the governmental funds. Accordingly, compensated absences for internal service funds are included as part of the totals for governmental activities.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

Long-term bonded debt of the primary government and discretely presented component units is comprised of the following individual issues:

	Balance at June 30, 2020	Additions	Reductions	Balance at June 30, 2021	Due Within One Year
Business-type activities:					
\$485,000 2006 General Obligation Bonds. Bonds due in annual installments of \$25,000 through May 1, 2022, interest at 4.75%. Sold at par.	\$ 45,000	\$ -	\$ (20,000)	\$ 25,000	\$ 25,000
\$755,000 2011 Capital Improvement Limited Tax General Obligation Bonds. Bonds due in annual installments of \$55,000 to \$70,000 through May 1, 2026, interest at 3.65% to 4.50% Sold at par.	360,000	-	(50,000)	310,000	55,000
\$2,655,000 2016 General Obligation Refunding Bonds. Bonds due in annual installments of \$165,000 to \$310,000 through May 1, 2026, interest at 1.88% Sold at par.	1,630,000	-	(275,000)	1,355,000	285,000
\$500,000 2006 Special Assessment Bonds. Bonds due in annual installments of \$15,000 through May 1, 2022, interest at 4.75%. Sold at par.	35,000	-	(20,000)	15,000	15,000
\$1,465,451 2011 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$70,000 to \$90,451 through April 1, 2032, interest at 2.5%.	955,451	-	(70,000)	885,451	70,000
\$660,000 2013 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$35,000 to \$39,960 through April 1, 2033, interest at 2.0%.	454,960	-	(30,000)	424,960	35,000
\$494,981 2012 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$25,000 to \$34,981 through April 1, 2032, interest at 2.5%.	329,981	-	(25,000)	304,981	25,000
Lien Revenue Bonds, Series 2013. Bonds due in installments of \$65,000 to \$85,000 through April 1, 2033, interest at 2.5%.	975,000	-	(65,000)	910,000	65,000
Lien Revenue Bonds, Series 2013. Bonds due in installments of \$5,000 to \$12,078 through April 1, 2024, interest at 2.5%.	112,078	-	(5,000)	107,078	5,000
Total Business-type activities	<u>\$ 4,897,470</u>	<u>\$ -</u>	<u>\$ (560,000)</u>	<u>\$ 4,337,470</u>	<u>\$ 580,000</u>
Component Units:					
\$1,945,000 General Obligation Refunding Bonds. Bonds due in annual installments of \$225,000 to \$240,000 through June 1, 2025, interest 1.73%.	<u>\$ 1,145,000</u>	<u>\$ -</u>	<u>\$ (215,000)</u>	<u>\$ 930,000</u>	<u>\$ 225,000</u>

City of Alma, Michigan
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The annual requirements to pay future principal and interest on bonded debt are as follows:

Primary Government - Business-type Activities

Year Ending June 30,	General Obligation Bonds		Special Assessment Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 365,000	\$ 39,948	\$ 15,000	\$ 712	\$ 200,000	\$ 61,936	\$ 580,000	\$ 102,596
2023	350,000	31,258	-	-	205,000	57,113	555,000	88,371
2024	365,000	23,316	-	-	210,000	52,037	575,000	75,353
2025	375,000	14,972	-	-	215,000	45,963	590,000	60,935
2026	235,000	6,252	-	-	225,000	41,637	460,000	47,889
2027 - 2031	-	-	-	-	1,185,000	124,186	1,185,000	124,186
2032 - 2033	-	-	-	-	392,470	10,403	392,470	10,403
	<u>\$ 1,690,000</u>	<u>\$ 115,746</u>	<u>\$ 15,000</u>	<u>\$ 712</u>	<u>\$ 2,632,470</u>	<u>\$ 393,275</u>	<u>\$ 4,337,470</u>	<u>\$ 509,733</u>

The City has pledged its full faith and credit on the special assessment bonds. In the event that the special assessments collected do not provide sufficient resources to repay the bonds, the City will be responsible for the repayment.

Component Units

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2022	\$ 225,000	\$ 16,090	\$ 241,090
2023	230,000	12,196	242,196
2024	235,000	8,218	243,218
2025	240,000	4,152	244,152
	<u>\$ 930,000</u>	<u>\$ 40,656</u>	<u>\$ 970,656</u>

NOTE 8 - INTERFUND TRANSFERS

During the year, the following transfers were made between funds:

	Transfers from:		Totals
	Major Streets Fund	Nonmajor Governmental Funds	
Transfers to:			
General Fund	\$ -	\$ 766	\$ 766
Nonmajor Governmental Funds	225,000	-	225,000
Totals	<u>\$ 225,000</u>	<u>\$ 766</u>	<u>\$ 225,766</u>

NOTE 9 - PENSION PLANS

(A) MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all full-time employees of the City. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

City of Alma, Michigan
Notes to the Financial Statements
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MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan
 1134 Municipal Way
 Lansing, MI 48917
<http://www.mersofmich.com>

Benefits provided – At the December 31, 2020 valuation date, the benefits provided were as follows:

	General	POAM/COAM Middle Emp	Fire Volunteer	Housing Commission	POAM/COAM Senior Emp	Police Chief & Lieut.
Status	Open	Closed to new hires	Open	Open	Closed to new hires	Open
Benefit Multiplier	2.25% (80% max)	2.00% (no max)	2.25% (80% max)	2.25% (80% max)	2.50% (80% max)	2.50% (80% max)
Normal Retirement Age	60	60	60	60	60	60
Vesting	10 years	10 years	10 years	10 years	10 years	10 years
Early Retirement (Unreduced)	N/A	55/25	N/A	N/A	55/25	55/25
Early Retirement (Reduced)	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15
Final Average Compensation	3 years	3 years	3 years	3 years	3 years	3 years
Employee Contributions	5.50%	4.83%	5.50%	5.50%	5.00%	5.50%
DC Plan for New Hires	N/A	7/28/1997	N/A	N/A	N/A	N/A

The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Employees covered by benefit terms – At the December 31, 2020 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	85
Inactive employees entitled to, but not yet receiving benefits	7
Active employees	80
	172

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by 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 employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 14.54% to 18.15% based on annual payroll for open divisions. The general, fire volunteer, housing commission and police chief and lieutenant divisions remain open; however the POAM/COAM middle employee and POAM/COAM senior employee divisions are closed to new employees. There is an annual employer contribution amount of \$18,204 for the closed divisions.

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

Actuarial assumptions – The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 7.35%, net of investment expense, including inflation; and 4) Retirement age of 60.

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 2.50%.

Mortality rates used were based on a 50% male and 50% female blend of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables.

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The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study. There were no significant changes in assumptions in the latest actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global fixed income	20.00%	3.75%	0.75%	2.50%	25.00%
Private investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>29.60%</u>

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

Total Pension Liability	
Service cost	\$ 350,391
Interest on the total pension liability	1,817,267
Experience differences	(164,086)
Changes in actuarial assumptions	668,263
Benefit payments and refunds	(1,680,826)
Net change in total pension liability	<u>991,009</u>
Total pension liability - beginning	24,576,611
Total pension liability - ending (a)	<u>\$ 25,567,620</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 638,838
Employee contributions	188,554
Pension plan net investment income	2,280,425
Benefit payments and refunds	(1,680,826)
Pension plan administrative expense	(36,665)
Net change in plan fiduciary net position	<u>1,390,326</u>
Plan fiduciary net position - beginning	18,466,221
Plan fiduciary net position - ending (b)	<u>\$ 19,856,547</u>
Net pension liability (a-b)	<u>\$ 5,711,073</u>
Plan fiduciary net position as a percentage of total pension liability	77.66%
Covered payroll	\$ 3,441,204
Net pension liability as a percentage of covered employee payroll	165.96%

City of Alma, Michigan
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Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 28,324,037	\$ 25,567,620	\$ 23,229,879
Fiduciary net position	19,856,547	19,856,547	19,856,547
Net pension liability	<u>\$ 8,467,490</u>	<u>\$ 5,711,073</u>	<u>\$ 3,373,332</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2021, the employer recognized pension expense of \$605,114.

The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Differences in experience	\$ 7,544	\$ (246,467)	\$ (238,923)
Differences in assumptions	805,717	-	805,717
Net difference between projected and actual earning on plan investments	79	(577,415)	(577,336)
Contributions subsequent to the measurement date*	285,873	-	-
Total	<u>\$ 1,099,213</u>	<u>\$ (823,882)</u>	<u>\$ (10,542)</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the net pension expense for the following fiscal year. The joint ventures report a portion of the net pension liability and related deferred outflows of resources. The City's financial statements report the investment in joint ventures using the equity method. Therefore, a portion of the contributions are not recorded on the City's financial statements, except as they relate to the overall investment in the joint venture.

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

Year Ended June 30,			
2022	\$	96,443	
2023		283,340	
2024		(221,207)	
2025		(169,118)	
	<u>\$</u>	<u>(10,542)</u>	

The net pension liability and deferred outflows of resources have been reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability
Governmental activities	\$ 655,519	\$ 521,850	\$ 3,876,033
Business-type activities	299,978	210,750	1,007,203
Component units	99,174	43,407	640,318
Joint ventures	44,542	47,875	248,089
	<u>\$ 1,099,213</u>	<u>\$ 823,882</u>	5,771,643
Alma Housing Commission*			(60,570)
			<u>\$ 5,711,073</u>

City of Alma, Michigan
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* The Alma Housing Commission's December 31, 2020 audited financial statements were not updated to include the MERS December 31, 2020 actuary information. Reconciling items are required to go between the footnote information and the amounts included in the required supplementary information schedules and actuary reports.

(B) POLICE DEFINED CONTRIBUTION PLAN

The Police Defined Contribution Plan is a 401A defined contribution pension plan administered by the ICMA Retirement Corporation through MERS. All full-time sworn union police officers hired after July 28, 1997 received the defined contribution plan. As of June 30, 2021 twelve officers were participating in the defined contribution plan. Under the contract agreement, the employees contribute 4.65% of gross compensation and the City contributes 5.85% of gross compensation. Over the past year, the employees contributed \$36,287 and the City contributed \$45,651 to the plan. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

(C) MIDDLE TIER POLICE OFFICERS PLAN

The Middle Tier Police Officers Plan is a 401A defined contribution plan administered by the ICMA Retirement Corporation. This plan covered all full-time police officers that were hired by July 27, 1997 and had less than 20 years of service and were not age 50 or older. This is a supplemental pension plan that is not currently receiving contributions from either the employees or the City. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

(D) 457 RETIREMENT PLAN

The City maintains a Section 457 retirement plan for eligible employees. The City contributes 1.5% of gross compensation for eligible employees. Over the past year, the employees contributed \$93,434 and the City contributed \$12,632 to the plan. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risk of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City is a member of Michigan Municipal Risk Management Authority, a public entity risk pool of cities, counties, authorities, colleges and other local units of government. The Authority had more than 300 members as of June 30, 2021. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services for general and automotive liability, motor vehicle physical damage, and property; purchase or otherwise make other provisions for reinsurance, excess insurance or make other provisions for payment of losses and related expenses; and provide claims, legal defense and related general administrative services to members.

The Authority is governed by a ten-member Board of Directors composed of local government representatives from the membership elected by the membership. The Board of Directors establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered to impose sanctions or terminate membership.

The City's maximum retention on general liability and auto liability is \$75,000 per occurrence. The retention limit on auto physical damage is \$15,000 per unit and \$30,000 per occurrence after a \$1,000 deductible. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the City. At June 30, 2021, the City had funds on deposit of \$187,697 with the Authority in the Member Risk Retention Fund. Claims have not exceeded coverage in any of the prior three fiscal years.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 11 - CONTINGENCIES AND COMMITMENTS

(A) GRANTS AND REIMBURSEMENTS

The City has received federal and state grants for specific purposes subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement would not be material.

(B) CONSTRUCTION COMMITMENTS

At June 30, 2021, the City has a balance of \$1,584,524 remaining on construction commitments which totaled \$3,089,110.

(D) POSTCLOSURE CARE OF LANDFILL

In October of 2007, Weston Solutions, working on behalf of the Michigan Department of Environmental Quality (MDEQ), issued a report entitled "Site Investigation Report Midwest Refinery/Pine River Alma, MI". The report was part of a project to identify sites impacting the Pine River and its sediments. Subsequently, City of Alma was informed that the report identified Euclid Ball Field site as a former dump site. The City of Alma retained NTH Consultants to assist with additional assessment of the current conditions at the Euclid Ball Field site with respect to the City's obligations under Part 201, Environmental Remediation, of Michigan's Natural Resources and Environmental Protection Act, 1994 P.A. 451, as amended (Part 201).

According to historical MDEQ file information, beginning in October 1958, the City of Alma owned and operated the City of Alma Municipal Landfill at the site currently known as Euclid Ball Field. The site covers approximately 7 acres and generally sits adjacent to the Pine River in the City of Alma. Active filling of the landfill took place between 1958 and 1969, and before this time, the site was reportedly used for land filling various waste residuals by the Alma Sugar Company.

The results of the study performed by NTH Consultants were reviewed with representatives from the Michigan Department of Environmental Quality, NTH Consultants and City of Alma. The MDEQ recommended that the City pursue a "mixing zone" designation for Euclid Ball Field. This means that when the groundwater is mixed with river water the resulting combination of water and impurities is so diluted that it is unlikely to harm the environment or aquatic life. The City will have some ongoing responsibilities for continuing to monitor and occasionally test the groundwater. The groundwater does not have to be routed through our wastewater plant.

Additionally, there are two hotspots on the site with elevated concentrations of lead. The first spot is just outside the outfield fence and is covered in vegetation. The second spot is at the far end of the field near the river bank and is covered by a patch of poison ivy. The options for remediation of the first hot spot include covering the spot with clean soil, removing the soil or capping the spot with an asphalt cover. The exact method of remediation has not yet been agreed to with MDEQ. Remediation of the second hot spot is still being discussed with MDEQ. Estimates of the cost of remediation and monitoring the groundwater are currently being developed.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

NOTE 12 - OPERATING LEASES

The City currently has operating lease agreements for office space in the State Street Plaza, ground space with erected billboard signs for advertising, vacant land leased for agricultural purposes, and water towers leased to various cellular providers.

Future minimum rentals to be received under these leases as of June 30, 2021 are as follows:

Fiscal year ending June 30,	
2022	\$ 108,370
2023	83,986
2024	84,348
2025	59,342
2026	49,680
	\$ 385,726

Property Description	Property Cost	Accumulated Depreciation	Carrying Amount	Remaining Lease Payments
State Street Building	\$ 436,611	\$ 436,611	\$ -	\$ 38,821
Land at 820 Superior Street	13,000	-	13,000	5,000
Land at Lot 83 of Elmwood Subdivision	1,076	-	1,076	5,000
Agricultural Land	18,078	-	18,078	6,510
Agricultural Land	131,785	-	131,785	56,550
Jerome Road cold storage	-	-	-	2,040
Water tower	-	-	-	271,805
	\$ 600,550	\$ 436,611	\$ 163,939	\$ 385,726

NOTE 13 - PERMANENT FUNDS

The City of Alma has two permanent funds that were created by ordinance by the Alma City Commission. The Cemetery Endowment Fund receives half the proceeds from the sale of grave lots. The Library Endowment Fund was created through donations. The creating ordinances permit up to eighty percent of current interest revenue, excluding any gains or losses recorded to adjust investments to market, to be transferred to the designated activity. In fiscal year 2021, the Cemetery Endowment Fund earned \$958 in investment income and transferred \$766 to the General Fund for cemetery operations. The Library Endowment Fund earned \$715 in investment income and transferred \$572 to Alma Public Library for collection purchases. Transfer of funds was made prior to June 30, 2021.

NOTE 14 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under programs as authorized under Public Act 198 of 1974, as amended (PA 198), Public Act 346 of 1966 (PA 346) and Public Act 381 of 1996, as amended (PA 381).

PA 198 (Industrial Property Tax Abatement) allows abatements to encourage Michigan manufacturers to build new plans, expand existing plans, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement. Once approved the firm pays an Industrial Facilities Tax (IFT), instead of property taxes, which reflects the abatement savings. The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to the construction of a new facility are not exempt. Likewise, any structures or equipment added after completion of the project are fully taxable. The IFT on new plant and non-industrial personal property is computed at half the local property mileage rate, resulting in a reduction of property taxes of approximately 50%. For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement, resulting in a 100% exemption from property tax on the value of the improvements. A speculative building would be eligible for a reduction in property taxes of approximately 50%. Commercial personal property will receive an automatic reduction of 12 mills

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2021

for local school on their property tax bill. The City abated approximately \$29,700 related to PA 198 during fiscal year 2021.

PA 346 (State Housing Development Authority Act) provides property tax abatements in the form of payments in lieu of taxes for nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, mobile home park corporations, and mobile home park associations. Properties must meet eligibility requirements. The City abated approximately \$123,500 related to PA 346 during fiscal year 2021.

PA 381 (Brownfield Redevelopment Abatement) allows abatements to encourage the purchase and revitalization of properties in which redevelopment or reuse may be complicated by the presence or perception of contamination. Revitalizing and redeveloping these properties protects the environment, reuses existing infrastructure, minimizes urban sprawl and creates economic opportunities. The City abated approximately \$4,100 related to PA 381 during fiscal year 2021.

PA 146 (Obsolete Property Rehabilitation Act) provides property tax exemptions for commercial properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1 to 12 years as determined by the City. The City abated approximately \$400 related to PA 146 during fiscal year 2021.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

As indicated in Note 1, Governmental Accounting Standards Board Statement 84 has been adopted. The standard requires this change be applied retroactively. The impact of this change is to increase beginning net position of the custodial funds reported in the statement of changes in fiduciary net position as of July 1, 2020 by \$568,803, restating it from \$0 to \$568,803.

NOTE 16 - RESTATEMENT OF FUND BALANCE AND NET POSITION

The Administrative Services Fund, an internal service fund, was closed out effective July 1, 2020. Amounts previously recorded in this fund are now recorded in the General Fund and the Public Works Services and Equipment Maintenance Fund. Fund balance of the General Fund was restated from \$2,847,513 to \$2,954,023, an increase of \$106,510. Net position of the Public Works Services and Equipment Maintenance Fund was restated from \$764,571 to \$774,122, an increase of \$9,551. Overall, this resulted in net position of the internal service funds to be restated from \$634,245 to \$774,122.

The Gratiot Community Airport Authority erroneously excluded a capital asset project administered by the State of Michigan. Net position as of July 1, 2020 increased \$163,894, restating it from \$1,955,347 to \$2,119,241 to correct the error.

REQUIRED SUPPLEMENTARY INFORMATION

City of Alma
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,251,100	\$ 2,748,810	\$ 2,669,610	\$ (79,200)
Licenses and permits	177,350	177,350	74,357	(102,993)
Federal grants	1,000	1,000	262,426	261,426
Intergovernmental revenue	1,052,000	1,282,000	1,698,898	416,898
Other state grants	-	-	50,000	50,000
Local contributions	1,500	1,500	10,306	8,806
Charges for services	130,500	130,500	515,744	385,244
Fines and forfeitures	26,500	26,500	13,654	(12,846)
Investment income	40,000	40,000	28,259	(11,741)
Rental income	27,500	27,500	19,345	(8,155)
Other revenue	67,000	67,000	114,357	47,357
Total revenues	3,774,450	4,502,160	5,456,956	954,796
Expenditures				
Community Development				
Economic development	92,500	166,750	125,374	(41,376)
Downtown maintenance	32,100	63,310	54,748	(8,562)
Parking lots	-	-	177,860	177,860
Zoning	27,000	29,700	28,742	(958)
Total community development	151,600	259,760	386,724	126,964
Community Safety				
Police	1,556,250	1,796,875	1,846,832	49,957
Contribution to Rural Urban Fire Board	257,000	277,950	264,951	(12,999)
Emergency management	-	150,000	151,089	1,089
Inspection services	98,000	114,300	135,148	20,848
Total community safety	1,911,250	2,339,125	2,398,020	58,895
Property Maintenance				
Riverside Cemetery	66,400	148,040	148,593	553
Municipal building	143,250	127,575	114,397	(13,178)
Total property maintenance	209,650	275,615	262,990	(12,625)
Transportation				
Contribution to Gratiot Community Airport Authority	26,250	26,375	26,000	(375)
Sidewalks	57,500	65,750	4,949	(60,801)
Public service permits	16,600	18,260	3,563	(14,697)
Street lighting	123,750	136,125	105,128	(30,997)
Total transportation	224,100	246,510	139,640	(106,870)
Recreation and Culture				
Parks and recreation	102,850	158,135	218,320	60,185
Executive Administration				
City commission	37,500	41,250	30,988	(10,262)
City manager	200,950	222,545	223,385	840
City clerk	60,400	96,440	99,072	2,632
Elections	39,250	44,675	45,276	601
Total executive administration	338,100	404,910	398,721	(6,189)

City of Alma
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Fiscal Services				
City treasurer	\$ 73,150	\$ -	\$ -	\$ -
Finance	353,600	619,425	593,144	(26,281)
City assessor	222,650	284,915	278,819	(6,096)
Total fiscal services	<u>649,400</u>	<u>904,340</u>	<u>871,963</u>	<u>(32,377)</u>
Debt service				
Principal retirement	11,000	21,990	21,991	1
Interest and fiscal charges	500	660	661	1
Total debt service	<u>11,500</u>	<u>22,650</u>	<u>22,652</u>	<u>2</u>
Total expenditures	<u>3,598,450</u>	<u>4,611,045</u>	<u>4,699,030</u>	<u>87,985</u>
Excess (deficiency) of revenues over expenditures	<u>176,000</u>	<u>(108,885)</u>	<u>757,926</u>	<u>866,811</u>
Other financing sources				
Transfers in	1,500	1,500	766	(734)
Sale of fixed assets	-	-	32,471	32,471
Total other financing sources	<u>1,500</u>	<u>1,500</u>	<u>33,237</u>	<u>31,737</u>
Net change in fund balance	177,500	(107,385)	791,163	898,548
Fund balance - beginning of year, as restated	<u>2,954,023</u>	<u>2,954,023</u>	<u>2,954,023</u>	<u>2,954,023</u>
Fund balance - end of year	<u>\$ 3,131,523</u>	<u>\$ 2,846,638</u>	<u>\$ 3,745,186</u>	<u>\$ 3,852,571</u>

City of Alma
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues				
Intergovernmental revenue	\$ 800,000	\$ 800,000	\$ 840,459	\$ 40,459
Charges for services	65,000	65,000	58,449	(6,551)
Investment income	25,000	25,000	5,146	(19,854)
Total revenues	890,000	890,000	904,054	14,054
Expenditures				
Transportation	575,500	677,497	269,090	(408,407)
Excess of revenues over expenditures	314,500	212,503	634,964	422,461
Other financing uses				
Transfers out	-	-	(225,000)	(225,000)
Net change in fund balance	314,500	212,503	409,964	197,461
Fund balance - beginning of year	2,742,683	2,742,683	2,742,683	2,742,683
Fund balance - end of year	<u>\$ 3,057,183</u>	<u>\$ 2,955,186</u>	<u>\$ 3,152,647</u>	<u>\$ 2,940,144</u>

City of Alma
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 350,391	\$ 329,738	\$ 317,126	\$ 302,791	\$ 309,665	\$ 313,992	\$ 294,442
Interest on the total pension liability	1,817,267	1,835,225	1,796,668	1,749,781	1,718,730	1,563,120	1,562,072
Experience differences	(164,086)	(212,587)	(73,880)	37,163	(198,912)	297,688	-
Changes in actuarial assumptions	668,263	635,801	-	-	-	1,069,778	-
Other changes	-	-	-	-	1	48,849	1
Benefit payments and refunds	<u>(1,680,826)</u>	<u>(1,574,026)</u>	<u>(1,554,493)</u>	<u>(1,467,129)</u>	<u>(1,408,696)</u>	<u>(1,283,580)</u>	<u>(1,239,396)</u>
Net change in total pension liability	991,009	1,014,151	485,421	622,606	420,788	2,009,847	617,119
Total pension liability - beginning	<u>24,576,611</u>	<u>23,562,460</u>	<u>23,077,039</u>	<u>22,454,433</u>	<u>22,033,645</u>	<u>20,023,798</u>	<u>19,406,679</u>
Total pension liability - ending (a)	<u>\$ 25,567,620</u>	<u>\$ 24,576,611</u>	<u>\$ 23,562,460</u>	<u>\$ 23,077,039</u>	<u>\$ 22,454,433</u>	<u>\$ 22,033,645</u>	<u>\$ 20,023,798</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 638,838	\$ 928,709	\$ 570,407	\$ 530,295	\$ 456,069	\$ 381,166	\$ 327,410
Employee contributions	188,554	183,108	173,197	178,066	175,037	173,737	164,795
Pension plan net investment income (loss)	2,280,425	2,242,067	(693,036)	2,195,796	1,777,699	(247,530)	1,041,229
Benefit payments and refunds	(1,680,826)	(1,574,026)	(1,554,493)	(1,467,129)	(1,408,696)	(1,283,580)	(1,239,396)
Pension plan administrative expense	<u>(36,665)</u>	<u>(38,598)</u>	<u>(34,899)</u>	<u>(34,814)</u>	<u>(35,118)</u>	<u>(36,550)</u>	<u>(38,113)</u>
Net change in plan fiduciary net position	1,390,326	1,741,260	(1,538,824)	1,402,214	964,991	(1,012,757)	255,925
Plan fiduciary net position - beginning	<u>18,466,221</u>	<u>16,724,961</u>	<u>18,263,785</u>	<u>16,861,571</u>	<u>15,896,580</u>	<u>16,909,337</u>	<u>16,653,412</u>
Plan fiduciary net position - ending (b)	<u>\$ 19,856,547</u>	<u>\$ 18,466,221</u>	<u>\$ 16,724,961</u>	<u>\$ 18,263,785</u>	<u>\$ 16,861,571</u>	<u>\$ 15,896,580</u>	<u>\$ 16,909,337</u>
Net pension liability (a-b)	<u>\$ 5,711,073</u>	<u>\$ 6,110,390</u>	<u>\$ 6,837,499</u>	<u>\$ 4,813,254</u>	<u>\$ 5,592,862</u>	<u>\$ 6,137,065</u>	<u>\$ 3,114,461</u>
Plan fiduciary net position as a percentage of total pension liability	77.66%	75.14%	70.98%	79.14%	75.09%	72.15%	84.45%
Covered payroll	\$ 3,441,204	\$ 3,234,684	\$ 3,167,791	\$ 2,992,991	\$ 3,087,594	\$ 3,147,432	\$ 2,950,843
Net pension liability as a percentage of covered payroll	165.96%	188.90%	215.84%	160.82%	181.14%	194.99%	105.54%

Note 1: The joint ventures are recorded on the City's financial statements using the equity method. The joint ventures have recorded their proportionate share of the above net pension liability.

*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Alma
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2021

Actuarial Valuation Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2010	\$ 214,704	\$ 163,855	\$ 50,849	\$ 3,029,810	5.41%
12/31/2011	237,912	216,042	21,870	2,980,941	7.25%
12/31/2012	279,504	242,253	37,251	2,949,631	8.21%
12/31/2013	262,728	278,860	(16,132)	3,013,287	9.25%
12/31/2014	327,410	327,410	-	2,949,367	11.10%
12/31/2015	381,166	381,166	-	3,172,776	12.01%
12/31/2016	456,069	456,069	-	3,130,701	14.57%
12/31/2017	530,295	530,295	-	3,127,404	16.96%
12/31/2018	570,407	570,407	-	3,222,342	17.70%
12/31/2019	678,709	928,709	(250,000)	3,329,380	27.89%
12/31/2020	621,960	638,838	(16,878)	3,439,733	18.57%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage, open
Remaining amortization period	18 years
Asset valuation method	5-year smoothed value of assets
Price inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%, net of administrative expenses
Retirement age	60
Mortality	RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend

OTHER SUPPLEMENTARY INFORMATION

City of Alma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Permanent Funds		Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Cemetery Endowment	Library Endowment	Local Streets	Street Improvement Millage	Local Development Financing Authority	Housing Improvement	Alma Building Authority	
Assets								
Cash and cash equivalents	\$ 443,243	\$ 309,487	\$ 927,369	\$ 696,627	\$ 20,022	\$ 2,694	\$ 11,610	\$ 2,411,052
Investments	14,890	11,123	21,977	11,830	656	-	381	60,857
Receivables	69	52	102	795	3	-	2	1,023
Due from other units of government	-	-	51,142	1,179	-	-	-	52,321
Prepaid items	-	-	179	-	-	-	-	179
Total assets	\$ 458,202	\$ 320,662	\$ 1,000,769	\$ 710,431	\$ 20,681	\$ 2,694	\$ 11,993	\$ 2,525,432
Liabilities								
Current payables	\$ -	\$ -	\$ 83,219	\$ 966	\$ -	\$ 43	\$ -	\$ 84,228
Due to other funds	-	-	744	-	-	10	-	754
Due to other units of government	-	-	-	-	-	3	-	3
Total liabilities	-	-	83,963	966	-	56	-	84,985
Deferred inflows of resources								
Unavailable investment income	69	53	102	650	3	-	2	879
Fund Balances								
Non-spendable								
Prepaid items	-	-	179	-	-	-	-	179
Permanent Fund principal (nonexpendable)	458,133	320,609	-	-	-	-	-	778,742
Restricted for								
Street maintenance	-	-	916,525	708,815	-	-	-	1,625,340
TIF district infrastructure	-	-	-	-	20,678	-	-	20,678
Housing rehabilitation	-	-	-	-	-	2,638	-	2,638
Debt service	-	-	-	-	-	-	11,991	11,991
Total fund balances	458,133	320,609	916,704	708,815	20,678	2,638	11,991	2,439,568
Total liabilities, deferred inflows of resources, and fund balances	\$ 458,202	\$ 320,662	\$ 1,000,769	\$ 710,431	\$ 20,681	\$ 2,694	\$ 11,993	\$ 2,525,432

City of Alma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Permanent Funds		Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds	
	Cemetery Endowment	Library Endowment	Local Streets	Street Improvement Millage	Local Development Financing Authority	Housing Improvement		Alma Building Authority
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ 441,877	\$ -	\$ -	\$ -	\$ 441,877
Intergovernmental	-	-	312,333	57,556	-	-	-	369,889
Charges for services	1,250	-	-	-	-	-	-	1,250
Investment income	958	715	1,665	1,298	43	-	25	4,704
Total revenues	2,208	715	313,998	500,731	43	-	25	817,720
Expenditures								
Current								
Housing and redevelopment	-	-	-	-	-	2,202	-	2,202
Transportation	-	-	557,714	301,700	-	-	-	859,414
Recreation and culture	-	572	-	-	-	-	-	572
Total expenditures	-	572	557,714	301,700	-	2,202	-	862,188
Excess (deficiency) of revenues over expenditures	2,208	143	(243,716)	199,031	43	(2,202)	25	(44,468)
Other financing sources (uses)								
Transfers in	-	-	225,000	-	-	-	-	225,000
Transfers out	(766)	-	-	-	-	-	-	(766)
Total other financing sources (uses)	(766)	-	225,000	-	-	-	-	224,234
Net change in fund balance	1,442	143	(18,716)	199,031	43	(2,202)	25	179,766
Fund balance - beginning of year	456,691	320,466	935,420	509,784	20,635	4,840	11,966	2,259,802
Fund balance - end of year	\$ 458,133	\$ 320,609	\$ 916,704	\$ 708,815	\$ 20,678	\$ 2,638	\$ 11,991	\$ 2,439,568

**City of Alma
Joint Ventures
Combining Statement of Net Position
June 30, 2021**

	Rural Urban Fire Board	Gratiot Community Airport Authority	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 883,958	\$ 398,376	\$ 1,282,334
Investments	25,568	11,878	37,446
Receivables	5,911	16,352	22,263
Prepaid items	557	-	557
Total current assets	915,994	426,606	1,342,600
Noncurrent assets			
Capital assets not being depreciated	-	208,000	208,000
Capital assets, net of accumulated depreciation	693,262	1,432,487	2,125,749
Total noncurrent assets	693,262	1,640,487	2,333,749
Total assets	1,609,256	2,067,093	3,676,349
Deferred Outflows of Resources			
Deferred amount relating to net pension liability	44,542	-	44,542
Liabilities			
Current liabilities			
Current payables	22,711	5,540	28,251
Due to other units of government	400	31	431
Due to primary government	1,434	121	1,555
Total current liabilities	24,545	5,692	30,237
Due in more than one year			
Net pension liability	248,089	-	248,089
Total liabilities	272,634	5,692	278,326
Deferred Inflows of Resources			
Deferred amount relating to net pension liability	47,875	-	47,875
Net Position			
Net investment in capital assets	693,262	1,640,487	2,333,749
Unrestricted	640,027	420,914	1,060,941
Total net position	\$ 1,333,289	\$ 2,061,401	\$ 3,394,690

City of Alma
Joint Ventures
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	Rural Urban Fire Board	Gratiot Community Airport Authority	Total
Operating Revenues			
Licenses and permits	\$ -	\$ 150	\$ 150
Federal grants	-	30,000	30,000
Local contributions	530,355	73,000	603,355
Charges for services	15	2,390	2,405
Rental income	-	51,493	51,493
 Total operating revenues	 <u>530,370</u>	 <u>157,033</u>	 <u>687,403</u>
Operating Expenses			
Fire protection	467,308	-	467,308
Transportation	-	111,447	111,447
Depreciation	57,567	107,419	164,986
 Total operating expenses	 <u>524,875</u>	 <u>218,866</u>	 <u>743,741</u>
 Operating income (loss)	 <u>5,495</u>	 <u>(61,833)</u>	 <u>(56,338)</u>
Nonoperating Revenues			
Investment income	1,505	688	2,193
Other revenue	966	3,305	4,271
 Total nonoperating revenues	 <u>2,471</u>	 <u>3,993</u>	 <u>6,464</u>
 Change in net position	 <u>7,966</u>	 <u>(57,840)</u>	 <u>(49,874)</u>
Beginning net position, as restated	<u>1,325,323</u>	<u>2,119,241</u>	<u>3,444,564</u>
Ending net position	<u>\$ 1,333,289</u>	<u>\$ 2,061,401</u>	<u>\$ 3,394,690</u>

City of Alma
Joint Ventures
Combining Statement of Cash Flows
For the Year Ended June 30, 2021

	Rural Urban Fire Board	Gratiot Community Airport Authority	Total
Cash flows from operating activities			
Receipts from customers	\$ 524,578	\$ 157,683	\$ 682,261
Payments to vendors	(100,273)	(75,621)	(175,894)
Payments to employees	(317,358)	(19,646)	(337,004)
Payments for interfund services used	(29,207)	(2,816)	(32,023)
Net cash provided by operating activities	<u>77,740</u>	<u>59,600</u>	<u>137,340</u>
Cash flows from noncapital financing activities			
Other revenue	<u>966</u>	<u>3,305</u>	<u>4,271</u>
Cash flows from investing activities			
Investment income	1,674	767	2,441
Maturity of investments	<u>12,313</u>	<u>5,721</u>	<u>18,034</u>
Net cash provided by investing activities	<u>13,987</u>	<u>6,488</u>	<u>20,475</u>
Net change in cash and cash equivalents	92,693	69,393	162,086
Cash and cash equivalents - beginning of year	791,265	328,983	1,120,248
Cash and cash equivalents - end of year	<u>\$ 883,958</u>	<u>\$ 398,376</u>	<u>\$ 1,282,334</u>
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ 5,495	\$ (61,833)	\$ (56,338)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation expense	57,567	107,419	164,986
Changes in assets and liabilities			
Receivables (net)	(5,792)	4,821	(971)
Due from other units of government	-	4,492	4,492
Prepaid items	(15)	-	(15)
Deferred outflows of resources	(10,601)	-	(10,601)
Current payables	17,102	4,611	21,713
Due to other units of government	(1,464)	(31)	(1,495)
Due to primary government	1,434	121	1,555
Net pension liability	(22,398)	-	(22,398)
Deferred inflows of resources	<u>36,412</u>	<u>-</u>	<u>36,412</u>
Net cash provided by operating activities	<u>\$ 77,740</u>	<u>\$ 59,600</u>	<u>\$ 137,340</u>



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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

Independent Auditors' Report

Honorable Mayor and Members of the City Commission
City of Alma, 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 units, each major fund, and the aggregate remaining fund information of the City of Alma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Alma's basic financial statements, and have issued our report thereon dated December 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Alma Housing Commission, as described in our report on City of Alma's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Alma'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 of Alma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Alma's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Alma'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-004.

City of Alma's Response to Findings and Corrective Action Plan

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, MI
December 21, 2021

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2021

Finding 2021-001, 2020-001, 2019-001, 2018-001, 2017-001, 2016-001, 2015-001 and 2014-001 Material Weakness – Audit Adjustments

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries, so that the trial balances from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Condition: Audit procedures identified fourteen adjustments of which three were material. These adjustments related to the recording of the Alma Housing Commission and Gratiot Area Water Authority payroll and to the utility billing receivable and revenue of the Wastewater Utility Fund, Water Utility Fund and Refuse Disposal Fund. The misstatements were not detected by the City's internal control over financial reporting.

Cause and Effect: The errors related to the payroll recording were the result of management's lack of understanding as to how these transactions should be recorded within the respective funds. The errors related to the utility billing were an oversight on managements part as they were not aware of the requirement to record an unbilled receivable at fiscal year end.

Recommendation: In order to ensure the City Commission and public are provided with accurate financial information we recommend updating how payroll transactions related to the Alma Housing Commission and Gratiot Area Water Authority are recorded in the general ledger each pay period. We recommend that posting an adjustment for the year end unbilled utility revenue be added to a fiscal year end checklist with a responsible party assigned to the task.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

Finding 2021-002 Material Weakness – Prior Period Adjustment

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries, so that the trial balances from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Condition: City management identified a hangar upgrade and improvement project for the Gratiot Community Airport that was administered by the State of Michigan in a prior year that had not been recorded in the City's financial statements. Upon completion of the project, ownership of the assets is maintained by the airport. This resulted in the Gratiot Community Airport Authority Fund restating net position from \$1,955,347 to \$2,119,241, an increase of \$163,894.

Cause and Effect: The cause of the omission is likely the result of prior finance department personnel's lack of understanding of the recording requirements for this type of project. The effect is that prior financial statements were inaccurate.

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2021

Recommendation: We recommend that all departments within the City keep the finance department informed of projects being administered by another governmental unit. Progress and final accounting documents should be provided to the finance department in a timely manner for review and recording.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

Finding 2021-003, 2020-003, 2019-003, 2018-003, 2017-003 and 2016-002 Material Weakness – Federal Award Written Procedures

Criteria: Uniform Grant Guidance requires written procedures covering the following: financial management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and subrecipient monitoring.

Condition: The City has not developed the required written procedures. This is a repeat finding.

Cause and Effect: Management was initially unaware of the requirement to establish federal written procedures during the June 30, 2016 audit. Subsequently, management has not made development of written procedures a priority.

Recommendation: The City should develop and implement the required federal written procedures.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

Finding 2021-004 and 2020-005 Significant Deficiency and Noncompliance – Expenditures Not Within Authorized Budget Amounts

Criteria: The uniform budgeting and accounting act of the State of Michigan requires the legislative body of the local unit to amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment.

Condition: Expenditures in the General Fund were not within authorized budget amounts. Total budgeted expenditures were \$4,611,045 while actual expenditures were \$4,699,030 resulting in \$87,985 total over expenditures. Community development, community safety and recreation and culture had the most significant over expenditures.

Cause and Effect: Budgets imported into the general ledger software did not match the original resolution. Additionally, as budget amendments were made throughout the fiscal year the general ledger was not updated to reflect authorized amounts.

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2021

Recommendation: The City should have a process in place to accurately upload and subsequently adjust budget amounts authorized by the City Commission. Management should review budget to actual reports periodically throughout the fiscal year. Additionally, the general ledger system should be used to limit the ability to incur expenditures in excess of the budget amounts available in the system.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

City of Alma, Michigan
Corrective Action Plan
June 30, 2021



There were four control deficiencies identified during the annual financial statement audit performed by a third-party external audit firm that require a response and corrective action plan by management. The City of Alma has reviewed and agreed with these findings and is taking the necessary steps to address these issues and make the proper corrections.

Finding 2021-001: Accounting Control Environment and Audit Adjustments

Contact: Curtis Dancer, Finance Director

Anticipated Completion Date: June 30, 2022

Management's Response and Corrective Action Plan

As noted in the corrective action plan in the 2020 financial statement audit, the City administration believed that it was necessary for a complete evaluation and reorganization of all personnel and processes for the finance department to function as a professional unit of government and viewed this as a top priority to ensure completeness and accuracy of financial records moving forward.

As a result, the finance department has gone through a complete overhaul that led to changes in personnel, positions, and processes within the department. This includes the promotion of the previous Accountant/Deputy Treasurer to Finance Director/Treasurer, the promotion of the previous Cashier to Deputy Treasurer, and bringing on two additional staff to fill the vacant roles of Financial Analyst and Accountant. The two new staff brought onboard both have degrees in accounting and over 50 years of professional accounting/finance experienced combined. This department restructure also allowed management to re-evaluate and update the job descriptions and responsibilities for each role to properly evaluate performances of staff and hold staff responsible. These changes went into effect after the June 30, 2021, fiscal year end.

The City's finance department will continue to seek training both internally and externally with an emphasis placed on appropriate financial practices. The City has adopted a policies and procedures manual in April 2021 to define essential processes and year-end adjustments as well as created a finance calendar with due dates for completion.

The City's finance department will evaluate the recording of the activities related to the Alma Housing Unit and the Gratiot Area Water Authority to ensure the financial records are accurate. The City will also add the posting of an adjustment for the year end untitled utility revenue to the fiscal year end checklist. All activities will be assigned to a responsible party and reviewed by the Finance Director.

City of Alma, Michigan
Corrective Action Plan
June 30, 2021

Finding 2021-002: Prior Period Adjustments

Contact: Curtis Dancer, Finance Director

Anticipated Completion Date: July 1, 2021

Management's Response and Corrective Action Plan

It is critical to have the staff in place with the knowledge of reporting requirements for capital projects to ensure that financial statements are being presented fairly and prior period adjustments are not required. This omission during the prior year audit stemmed from a lack of understanding by staff responsible for overseeing the recording/reporting of capital projects and the former finance director's lack of review to ensure proper recording.

Management has put the proper procedures in place to ensure omissions of this matter are not made going forward. This includes having a member of the finance department with the appropriate knowledge and experience reviewing and reconciling the assets recorded in the accounting systems fixed asset module to the general ledger module at year end. In addition, the finance department provides reports from the fixed assets module annually to department heads to get verification from the department heads that the current asset listing, including additions and disposals during the fiscal year, appear complete and accurate. An internal physical verification of fixed assets will also be performed on a random basis to ensure everything is recorded.

Finding 2021-003: Federal Award Written Procedures

Contact: Curtis Dancer, Finance Director

Anticipated Completion Date: March 31, 2021

Management's Response and Corrective Action Plan

In September of 2017, in response to a material weakness finding in the previous audit, the City Commission approved a policy and procedure for the administration of all Federal, State, and County grants. The policy in place specifically states that procedures for grant development, application and approval, grant program implementation, financial and budgetary compliance, and record keeping requirements. During the current fiscal year, the Grant Administration Policy was formally adopted into the Finance Department Manual and shared with all department heads and supervisors.

It was brought to management's attention during the audit that the policy created did not include all the necessary components required under the Uniform Grant Guidance. Management has instructed the Finance Director to review the requirements of the Uniform Grant Guidance and make the appropriate changes to present to the Finance Committee and ultimately the City Commission for adoption.

While the formal adoption of an amended policy is necessary to conform with Uniform Grant Guidance requirements, management has not identified through internal review any instances over the previous fiscal year of noncompliance with grant requirements beyond the adaptation of a formal written policy.

City of Alma, Michigan
Corrective Action Plan
June 30, 2021

Finding 2021-004: Expenditures Not Within Authorized Budget Amounts

Contact: Curtis Dancer, Finance Director

Anticipated Completion Date: Immediate

Management's Response and Corrective Action Plan

Management understands the importance of ensuring that expenditures are within authorized budgeted amounts and has taken several steps to ensure appropriate budget reporting moving forward.

First and foremost, a review has been done in FY 2022 to ensure that the budget amounts recorded in the BS&A system match the budgeted amounts approved by the Commission through a certified budget resolution. This is done each time a budget resolution is formally approved by the Commission.

Management has created a new procedure in which the Finance Director meets formally one-on-one with each department head at the close of each quarter to review the status of the budget within each department. Reports include both budget-to-actual and actual-to-actual from previous years with percentages of budgets used to-date by line item. At that time any purposed budget amendments are drafted to be included on the agenda of the first Commission meeting following a quarter end. Results of these meetings are reviewed with the City Manager. The City has also implemented flags within the accounting software to warn and prevent budget overages from occurring without City Manager or Finance Director approval.



December 21, 2021

Honorable Mayor and Members of the City Commission
City of Alma
525 E Superior St.
Alma, Michigan 48801

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alma (the City) as of and for the year ended June 30, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Alma, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 engagement letter to you dated June 30, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2020:

- Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The criteria generally is on (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.
- Statement No. 98, *The Annual Comprehensive Financial Report* establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement 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:

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.

We evaluated the key factors and assumptions used to develop these estimates 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.

Accounting Standards

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in Note 1 of the financial statements.

Cybersecurity Posture

Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached. Additionally, cyber insurance coverage may be difficult or costly to obtain without adequate safeguards in place within your organization.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published *Framework for Improving Critical Infrastructure Cybersecurity*, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov. Once you have performed a risk assessment, it's time to take action. A few simple solutions that are recommended to prevent cyber-attacks include:

- **Document your program** – Identify specific roles and responsibilities as well as adopting security policies and procedures for your organization to follow, is generally a good practice to have guidelines to follow in the event of an attack. Annually, risks should be reassessed, and the program should be modified to address any identified risks.
- **Offsite back up location** – Frequent data back ups are a good safeguard; but if your entire network is compromised, restoring a back up saved to the network, becomes problematic. Routinely backing up data and storing offsite, allows for your organization to get back up and running as quickly as possible, if your network is attacked.
- **Require routine password changes** – Frequently, people have a bad habit of using the same password for multiple applications. Inevitably, at some point that password will likely be compromised in one of those applications. Requiring users to change their password routinely, reduces the risk of your system being accessed with a compromised password. Requiring a complex password to be of a certain length and contain a mixture of character types, reduces your risk even further.
- **Utilizing multifactor authentication (MFA)** – knowing that people may use the same password to access multiple applications, this extra security layer makes it more difficult for attackers to gain access to your system. Microsoft claims that MFA can block over 99.9 percent of account compromise attacks.

- **Provide cybersecurity training** – Security awareness training provides a human firewall to protect your system. Training sessions and automated simulated attacks are utilized to help train people on how to spot phishing email attacks. Yeo & Yeo is able to provide security training to your employees.

Placing significant emphasis on evaluating your organization’s cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat and help lessen the impact of a breach.

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.

The following material misstatements were detected as a result of our audit procedures and corrected by management:

- The City uses Fund 736 to process payroll for the Alma Housing Commission. The activity in this fund should not include individual revenues and expenditures. An audit adjustment was required to eliminate the activity to reflect only assets and liabilities. Overall, the adjustment increased assets \$1,699 and reduced liabilities, revenues and expenditures by \$9,960, \$462,154 and \$473,813, respectively.
- An adjustment was required to correct the utility billing receivable recorded at year end. The adjustment increased utility billing receivable and related revenue of the Wastewater Utility Fund, Water Utility Fund and Refuse Disposal Fund by \$158,755, \$111,914 and \$55,402, respectively.
- The City previously used Fund 593 to record all activity of the Gratiot Area Water Authority. During the current fiscal year the City began using the fund to record payroll processed on behalf of the Gratiot Area Water Authority. However, prior activity had not been eliminated from the fund which resulted in asset and liability accounts with balances that should have been zeroed out. Additionally, an adjustment of \$355,962 and \$357,276 was necessary to remove the revenue and expenditure balances, respectively, as the activity in this fund should not include individual revenues and expenditures.

There were no known uncorrected misstatements that were more than trivial.

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 dated as of the date of the audit report.

Management’s Consultations with Other 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.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraph:

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted GASB Statement No. 84 *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Emphasis of Matter Regarding Correction of Error

As described in Note 16 to the financial statements, the Gratiot Community Airport Authority's beginning net position was restated. Our opinion is not modified with respect to that matter.

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the Schedule of Findings and Responses. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements 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.

Report on Other Supplementary Information

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

Appendix II Matters for Management's Consideration

In planning and performing our audit of the financial statements of City of Alma as of and for the year ended June 30, 2021, we considered City of Alma's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion 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.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls and improving compliance. This letter does not affect our report dated December 21, 2021, on the financial statements of City of Alma. Our comments and recommendations are:

Deficit Unrestricted Net Position

The City has an accumulated unrestricted net position deficit in the Alma Public Library Fund, a component unit, in the amount of \$55,024 as of June 30, 2021.

We recommend that the City evaluate the activity of the Alma Public Library Fund to ensure the expenditure level can be supported by current revenue sources. Additional revenue sources may need to be secured or expenditures reduced.

Municipal Finance Qualifying Statement

Michigan Public Act 34 of 2001 requires municipalities to file an annual qualifying statement. We noted that the City has not filed the qualifying statement.

We recommend that the City review the public act and designate an individual to prepare the qualifying statement to comply with State law, and to help minimize any issues that could arise from the failure to submit the statement should the City decide to issue any new debt.

Accounting Control Environment

The City did not complete the audit of the June 30, 2020 financial statements until March 2021. Because the audit was not filed timely, management had a reduced time frame available to make improvements and rectify findings. Given this limitation, the City has made notable improvements in the overall control environment of the finance department. While the results of the June 30, 2021 audit reflect an overall reduction in findings and management comments, there are still multiple deficiencies, some of which are repeat deficiencies.

We recommend management review the deficiencies identified during the audit and continue to develop and implement plans for improvement. Training plans should be considered for each staff member to ensure their knowledge remains up to date.