

**City of Ithaca  
Ithaca, Michigan**

**Financial Statements  
June 30, 2021**



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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Ithaca

### **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 unit, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, 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.

### **Change in Accounting Principle**

As discussed in the notes to the financial statements, during the year the City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 84. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, 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 Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



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

October 29, 2021

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**





## Management's Discussion and Analysis

As management of the City of Ithaca, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2021. This management's discussion and analysis (MD&A) is intended to assist in focusing on significant financial issues and to provide an overview of the City's financial activity.

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

### **Financial Highlights**

- The net position of the City is the amount by which the City's assets exceed its liabilities. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at June 30, 2021, the end of the fiscal year, by \$10,966,079 (*net position*). Of this, \$2,933,566 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$175,048. This resulted from an increase in net position of the governmental activities of \$189,131 and a decrease in net position of business activities by \$14,083.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$3,474,535. This is a net increase of \$192,332 from the prior year. Of the total fund balance for governmental funds, \$1,259,396 is available for spending at the City's discretion (unassigned fund balance) and \$2,215,139 is constrained for specific purposes by constitutional provision or enabling legislation (restricted fund balance.)
- As of June 30, 2021, the unassigned fund balance for the General Fund was \$1,259,396 or 71.4% of the total General Fund expenditures and transfer out.
- The City's long-term debt consists of compensated absences for full-time employees and the outstanding enterprise fund bonded indebtedness for water and sewer system improvements. A detailed schedule of the City's long-term obligations can be found in the *Notes to the Financial Statements*.



# City of Ithaca, Michigan

## Management's Discussion and Analysis

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of five components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements 3) Fiduciary Funds; 4) Component Units; and 5) Notes to the Financial Statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the City's net position changed during the fiscal year. All of the city's revenues and expenses are reported based on when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cashflows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

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

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

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



## Management's Discussion and Analysis

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

- **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the inflow and outflow of cash and other spendable resources, and the balance left at year-end that is available for spending. The governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer resources that can be spent in the near future to finance City programs.

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

The City maintains fourteen individual governmental funds for budgetary purposes. One of these funds does not meet the GASB #54 criteria for separate financial reporting as a fund and is combined with the General Fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major and Local Streets, Library, Economic Development and Fire funds, each of which are considered to be major funds. Data from the non-major governmental funds are combined in a single-column presentation on the governmental funds statements. Individual fund data for each of these non-major governmental funds is provided in the combining statements elsewhere in this report.

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

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

- **Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water supply and sanitary sewage collection and disposal systems. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment





# City of Ithaca, Michigan

## Management's Discussion and Analysis

fund (motor pool operations). The services of the equipment fund predominantly benefit governmental rather than business-type functions, and are included in their entirety within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer fund, which is considered to be a major fund of the city.

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

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

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

### **Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 14-32 of this report.

### **Required Supplementary Information**

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

This supplementary information can be found on pages 33-40 of this report.

### **Other information**

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

This information can be found on pages 41-42 of this report.

### **Component Unit**

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



## City of Ithaca, Michigan

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### Management's Discussion and Analysis

#### Government-Wide Financial Analysis

The *Statement of Net Position* provides an overview of the City's assets, liabilities and net position. As previously mentioned, this provides a good indicator of the City's fiscal health. On the next page is a summarized version of the Statement of Net Position that provides a perspective of the financial position of the City as a whole as of June 30, 2021.

The total net position of the City for Fiscal Year end June 2021 is \$10,966,079. However, \$5,817,374 represents its investment in capital assets net of related debt (i.e. land, buildings, furniture & fixtures, equipment, vehicles, water & sewer systems), with 62.5% (\$3,637,271) being the water supply and sewage disposal systems' infrastructure. These assets are used to provide services to residents, but are not available for future spending nor can they be liquidated to eliminate their related liabilities.

Of the more liquid assets, \$2,215,139 represents resources and funds that have external restrictions on how they may be used. These assets are held for street maintenance & operations, library operations, fire & rescue operations & reserves, and perpetual care of the city cemetery. The City may use the remaining balance (unrestricted net position) of \$2,933,566 for ongoing obligations to residents and creditors. The total net position for the year increased by \$175,048 and was discussed earlier in this document.



# City of Ithaca, Michigan

## Management's Discussion and Analysis

City of Ithaca, Michigan Statement of Net Position							
	Governmental Activities		Business-Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
<b>Assets:</b>							
Current and Other Assets	\$5,208,702	\$4,909,113	\$ 2,084,436	\$ 2,214,700	\$ 7,293,138	\$ 7,123,813	
Land	181,681	181,681	57,976	95,830	239,657	277,511	
Capital Assets (net of deprec.)	1,998,422	1,936,799	6,855,880	6,859,308	8,854,302	8,796,107	
<b>Total Assets</b>	<b>7,388,805</b>	<b>7,027,593</b>	<b>8,998,292</b>	<b>9,169,838</b>	<b>16,387,097</b>	<b>16,197,431</b>	
<b>Deferred Outflows:</b>							
Deferred outflow-Pension related	139,430	72,735	92,953	48,489	232,383	121,224	
<b>Total Deferred Outflows</b>	<b>139,430</b>	<b>72,735</b>	<b>92,953</b>	<b>48,489</b>	<b>232,383</b>	<b>121,224</b>	
<b>Liabilities:</b>							
Long-Term Debt	44,522	41,794	3,174,862	3,315,513	3,219,384	3,357,307	
Net Pension Liability	1,024,997	1,039,852	683,332	693,234	1,708,329	1,733,086	
Other Liabilities	421,683	230,256	204,878	206,975	626,561	437,231	
<b>Total Liabilities</b>	<b>1,491,202</b>	<b>1,311,902</b>	<b>4,063,072</b>	<b>4,215,722</b>	<b>5,554,274</b>	<b>5,527,624</b>	
<b>Deferred Inflows:</b>							
Deferred inflows-Pension related	59,476	0	39,651	0	99,127	0	
<b>Total Deferred Inflows</b>	<b>59,476</b>	<b>0</b>	<b>39,651</b>	<b>0</b>	<b>99,127</b>	<b>0</b>	
<b>Net Position:</b>							
Invested in capital assets, net of related debt	2,180,103	2,118,480	3,637,271	3,556,892	5,817,374	5,675,372	
Restricted	2,215,139	2,169,747	0	0	2,215,139	2,169,747	
Unrestricted	1,582,315	1,500,199	1,351,251	1,445,713	2,933,566	2,945,912	
<b>Total Net Position</b>	<b>5,977,557</b>	<b>5,788,426</b>	<b>4,988,522</b>	<b>5,002,605</b>	<b>10,966,079</b>	<b>10,791,031</b>	



# City of Ithaca, Michigan

## Management's Discussion and Analysis

The following table shows the changes in net position:

City of Ithaca, Michigan Change In Net Position							
	Governmental Activities		Business-Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
<b>REVENUES:</b>							
<b>Program Revenues:</b>							
Charges for Services	\$ 245,735	\$ 209,245	785,621	790,119	1,031,356	999,364	
Grants and Contributions	621,252	613,030	2,272	0	623,524	613,030	
<b>General Revenues:</b>							
Property Taxes	1,283,600	1,296,260	239,947	231,854	1,523,547	1,528,114	
State-Shared Revenues	392,482	328,391	0	0	392,482	328,391	
Investment Earnings	66,141	93,400	5,856	20,798	71,997	114,198	
Gain on Disposal of Capital Asset	22,394	847	0	0	22,394	847	
Transfers	2,377	2,106	0	0	2,377	2,106	
Other	226,919	140,294	16,276	25,919	243,195	166,213	
<b>Total Revenues</b>	<b>2,860,900</b>	<b>2,683,573</b>	<b>1,049,972</b>	<b>1,086,459</b>	<b>3,910,872</b>	<b>3,752,263</b>	
<b>EXPENSES:</b>							
General Government	657,835	843,609	0	0	657,835	843,609	
Public Safety	979,093	797,351	0	0	979,093	797,351	
Public Works	714,860	634,909	0	0	714,860	634,909	
Rec./Cultural/Econ. Dev.	319,981	312,028	0	0	319,981	312,028	
Water and Sewer	0	0	1,064,055	1,005,600	1,064,055	1,005,600	
<b>Total Expenses</b>	<b>2,671,769</b>	<b>2,587,897</b>	<b>1,064,055</b>	<b>1,005,600</b>	<b>3,735,824</b>	<b>3,593,497</b>	
<b>Change in Net Position</b>	<b>189,131</b>	<b>95,676</b>	<b>(14,083)</b>	<b>63,090</b>	<b>175,048</b>	<b>158,766</b>	
<b>Net Position – July 1 restated</b>	<b>5,788,426</b>	<b>5,692,750</b>	<b>5,002,605</b>	<b>4,939,515</b>	<b>10,791,031</b>	<b>10,632,265</b>	
<b>Prior Period Adjustment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Net Position – June 30</b>	<b>5,977,557</b>	<b>5,788,426</b>	<b>4,988,522</b>	<b>5,002,605</b>	<b>10,966,079</b>	<b>10,791,031</b>	

**Governmental Activities:** The City's total governmental revenue is reported at \$2,860,900, an increase of \$189,131 from the prior fiscal year. Total expenses increased by \$83,872 from the prior fiscal year. This is primarily due to grant funding received due to the COVID pandemic, changes in personnel and vacancy fillings and building updates and repairs.

**Business-type Activities:** The City's total business-type revenue is reported at \$1,049,972, a decrease of \$36,487 from the prior fiscal year. Total expenses increased by \$58,455 from the prior fiscal year, netting an overall decrease of \$14,083 for business-type activities. This is primarily due to a decline in interest earnings and equipment rental, and project costs for the repair and replacement of three water lines in the city.



# City of Ithaca, Michigan

## Management's Discussion and Analysis

### Government Funds

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

**General Fund:** The General Fund receives all city revenue not designated for specific use by state statutes or the City Charter and accounts for most of the services provided to residents. Such as public safety, assessing, public works, parks, cemetery, etc.

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

- **Major and Local Street Funds** – These are used to account for the receipt and expenditures of state shared gas and weight taxes under Act 51, of 1951 as amended. Gas and weight taxes are distributed to cities and villages in Michigan based on population and the number of miles of street located within the jurisdictional limits.
- **Library Fund** – These funds account for the receipt and expenditures of state penal fines, local millage, and state shared aid for the operation of the city owned Thompson Home Public Library.
- **Fire Funds** – These funds account for the receipt and expenditures from the city general fund and contracts with six townships for fire protection and first responder services.
- **Economic Development** – This fund is used to account for the repayment of loans made to businesses which originated from State funds after the downtown fire in the 1980's and for expenditures used to further the city's economic vitality.

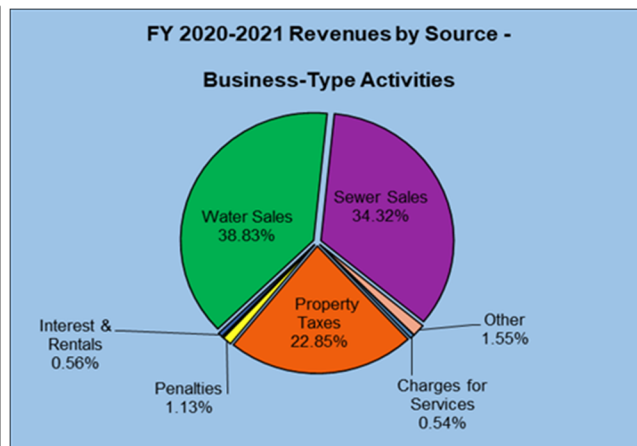
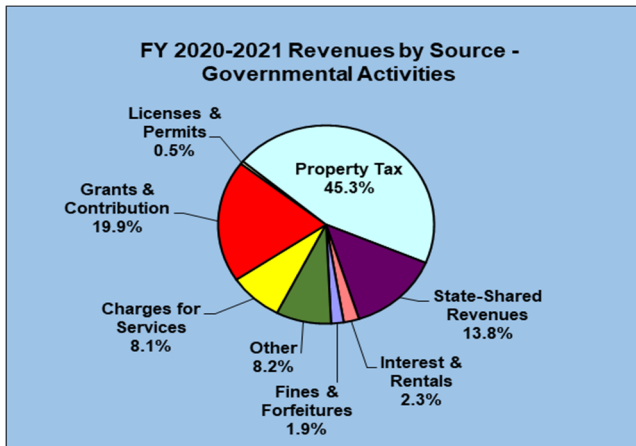
**Enterprise Funds:** Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the city is to provide goods or services to the general public on a continuing basis that is financed or recovered primarily through user fees or charges, or where the intent of the city is that periodic determination of net income is appropriate for accountability purposes. The enterprise fund of the city are the Water and Sewer fund which is used to account for the costs of providing water and sanitary sewer services to city residents, businesses and users of the systems.



Management’s Discussion and Analysis

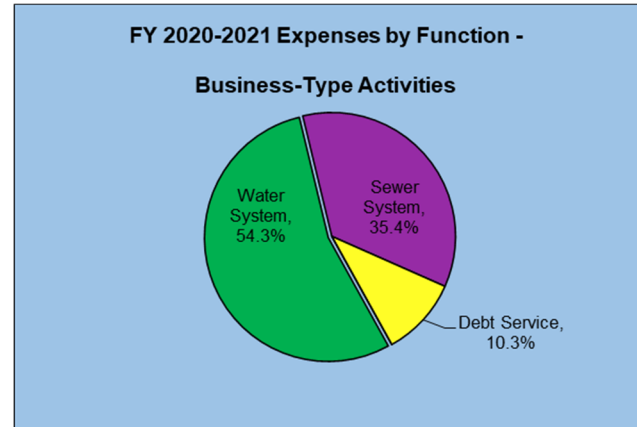
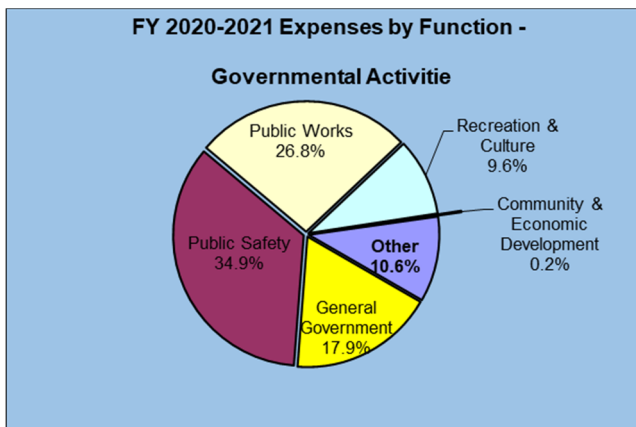
Budgetary Highlights

The majority of the City’s budget in FY 2020-2021 was based on four main revenue sources: *property taxes, charges for utility services, grants & contributions and state-shared revenues*. Ithaca continues to have a conservative fiscal philosophy in being good stewards of the public’s money. This philosophy has translated into preparing for economic challenges while maintaining the solid foundation of our operations.



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

The General Fund budget was originally projected to have a decrease in fund balance by \$171,572, however due to the delay in the renovation for energy efficiencies to City Hall and other amendments, the amended budget projected a decrease of \$41,495. During the year, the General Fund budget expenditures were underspent by \$162,236 and revenues were more than anticipated by \$5,334 when comparing budget to actual, resulting in an actual increase to the fund balance of \$126, 074.





# City of Ithaca, Michigan

## Management's Discussion and Analysis

### Capital Assets

At June 30, 2021, the City of Ithaca had \$9,093,959 invested in a wide range of capital assets, including land, buildings, infrastructure, equipment, vehicles, improvements, furniture and the water and sewer systems. At June 30, 2020 this total was \$9,073,618. To note: the city is considered a Phase 3 Government, as defined by GASB 34, and as so, has elected to not retroactively apply the reporting of major general infrastructure assets such as roads, storm drains, bridges, etc. Additional information about the city's capital assets can be found in the Notes to Financial Statements in Note 4 and Note 7 on pages 21 and 28 respectively.

### Long-Term Debt

At June 30, 2021, the City had total long-term debt outstanding (not including net pension liability) of \$3,159,293. Of this amount, \$3,090,000 is bonded debt which is backed by the full faith and credit of the city. The remaining \$69,293 is compensated absences for city personnel. Additional information about the City's long-term indebtedness can be found in the Notes to Financial Statement in Note 5 on page 22 of this report.

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

### Economic Forecast

#### *National Leadership Change and National Debt*

This year saw a change in leadership for our Country when Democrat Joe Biden won the General Election in 2020 to become the United States 46<sup>th</sup> President. The 2020 election also decided control of both chambers; the Democratic Party retained their majority in the House of Representatives and there was a tie (the third time in history) in the Senate. With Vice President Kamala Harris serving as the tie breaker in her constitutional role as Senate President, the Democratic Party also gained control of the Senate creating a federal government trifecta.

The current national debt as of June 2021 is approximately \$28.4 trillion dollars, up more than \$3.2 trillion dollars from last year. With the increase of dollars in circulation we are seeing inflation in prices and the U.S. currency being devalued.

#### *Covid-19 Global Pandemic and Its' Effect on Local Business*

Over a year and a half into the onset of Covid-19, the city along with everyone is still dealing with its' effects. From the illness itself, to quarantines, mask-up, and stay home orders to the new Delta variant we are all feeling the fall out of the pandemic.



## City of Ithaca, Michigan

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### Management's Discussion and Analysis

Throughout the pandemic, the federal government created the American Rescue Plan and has continued to provide financial assistance to all levels of government, businesses and individuals through various programs and grants to date.

Despite its assistance, it has become increasingly difficult to find available contractors for infrastructure and building projects. Not to mention what the pandemic seems to have done to the employment pool, itself. Many businesses are struggling to find qualified workers, if any at all. The City of Ithaca is not immune to this problem as we received two applications for our seasonal positions this past summer. A number that falls in comparison to the twenty plus applicants normally submitted for the same position in the recent history.

While gatherings have been steadily increasing since last year, many press forward with caution. Some businesses have implemented permanent work from home hours, and others have scaled back their time open to the public. Some due to the work-force shortage, while others are a result of continued Covid-19 caution. One thing that has come out of the pandemic is some industries and stand-alone businesses have showed their resolve in adapting to change and pivoting to parameters outside their control to accommodate their customers.

#### *Local Business*

The City of Ithaca has seen some attrition, but mostly growth for our local business community this year. Burger King and Grub-A-Dubs have closed their doors, but there are many more new businesses coming to Ithaca. Mills Excavating bought the property formerly occupied by Gratiot Towing to house their business. They will also be leasing the front building to Biggby Coffee, who is currently under the planning stage of their restaurant. Other new businesses include Next Level Nutrition, Kingdom Tattoo, Salon 12 Twenty, and the Pink Cactus in the city's downtown. Ithaca Family Practice, has also re-opened their medical office on Pine River Street.

In addition, the city has had some existing businesses expand their operations including Kimmel Propane, who built a new office and warehouse, Shaw's Auto Body who extended their building footprint and Trident Manufacturing is currently awaiting approval on an accessory building to house their materials. On the horizon there is Rusted Roses, who is currently renovating their upstairs for apartments and plan to open an antiques and old-time candy shop on the main floor. Humbly Rooted Café is approaching an opening date in the city's downtown as well.

Gemini Capital Management VIII, LLC made a significant investment into the city's downtown for the rehabilitation of several buildings, creating fourteen upper-level apartments and each building also housing ground floor commercial retail space. The company's investment of approximately \$2.3 million was granted a property tax abatement by the city under the Obsolete Property Rehabilitation Act.





# City of Ithaca, Michigan

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## Management's Discussion and Analysis

### **Ithaca Economy**

#### ***Grant/ARP Funds***

The city has been awarded grant funding from the State of Michigan with its' American Rescue Plan (ARP) funding in the amount of \$289,000. Gratiot County Commissioners also awarded the City \$500,000 of the county ARP funds. These funds will all go towards the lead/copper replacement mandate. ARP was set up, in part, to help local governments offset the reduction in general revenue during the pandemic. These funds are restricted to the following uses; responses to public health emergency or negative economic impacts, premium pay for essential workers, provide government services to the extent of revenue loss, and to make necessary investments in water, sewer or broadband infrastructure.

Ithaca was also a \$4,250 awardee of the Source Water Protection Grant that will go towards helping protect our clean water sources and to educate the public about where their water originates and how best to ensure it remains healthy.

#### ***Challenges***

The City of Ithaca is dealing with two state-mandated, unfunded projects currently with the lead/copper replacement (LCR) and the city owned former landfill on East Washington Road.

The LCR project states the city has to replace any lead or galvanized water lines from the water main to the meter or 18" inside the home. Preliminary estimates for this project are estimated to cost between \$1.5 and \$2.0 million dollars. The Ithaca City Council has deemed this mandate to be the biggest financial challenge for the residents and tax payers of Ithaca. Hence, the Council ear marked the City's \$289,000 American Rescue Plan (ARP) funds for this project. We have also secured \$500,000 from the County's ARP funds for this project, and believe this use of ARP funds will get us half way to completion and lessen the burden to our residents.

The former landfill was designated as a Per- and polyfluoroalkyl substances (PFAS) site by the Michigan Department of Environment, Great Lakes & Energy (EGLE). PFAS are widely used, long lasting chemicals, components of which break down very slowly over time. Because of their widespread use and persistence in the environment, many PFAS are found in the blood of people and animals all over the world and are present at low levels in a variety of food products and in the environment. The city has hired SME, an environmental consultant to determine the best course of action and any remediation requirements that may be needed. A work plan has been submitted to EGLE and we are currently awaiting their approval to move forward with the testing.



# City of Ithaca, Michigan

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## Management's Discussion and Analysis

### *Infrastructure*

To go along with the LCR commencement, the city also completed two water main projects in 2021. The first being on Elm Street out by McNabb Park that was completed in the Spring. Later in the summer the DPW crew replaced the main along Union Street across from the High School.

### *Public Safety and Transportation*

The city's contract with the Gratiot County Sheriff's Department for law enforcement services is in the process of being renewed for another two years. This contract with the County will afford the residents of Ithaca 24 hour/7 days a week police service. This contract still provides a cost savings to the city in lieu of funding its own department.

### *Authority Update*

GESA (Gratiot Emergency Services Authority) and SLIPR (St. Louis, Ithaca, Pine River) Transportation Authority are in their first year of inception.

GESA is initially running off the same funding formula as in the past on a cost share between the City of Ithaca and the townships of Arcada, Emerson, Lafayette, North Star, Newark, and New Haven that the Ithaca Fire/Rescue Department serves. On July 1, 2021, the transfer of all assets, including personnel from the City of Ithaca to Gratiot Emergency Services Authority occurred. The Ithaca Fire/Rescue Department has retained its' namesake and will have their sesquicentennial in 2023.

SLIPR went full service to Ithaca residents on October 1, 2021 and is operating on revenue generated from the resident approved tax millage of one mill passed last year. Residents from Ithaca, St. Louis, Pine River Township, and Alma are able to use Alma Transit to travel to any destination in this area.

### *City Employment*

This past year the city has seen changes in some of our departments. Our long time DPW Director retired and was replaced by two crew members forming a DPW Superintendent, and a Water & Sewer Services Superintendent. This development will save the city tens of thousands of dollars in salary and benefits. In addition, we have a new City Clerk, Deputy Clerk, Assessor and Code Enforcement/Rental Inspection Officer.

### *City Election*

The November 2021 General Election concluded with a new member to the City Council in Allison Jerome. She, along with incumbents Rick Koppleberger and Clark Hubbard will serve a four-year term. Mayor Alice Schafer was on the ballot unopposed and will serve another two-year term.

Also on the ballot was a sidewalk repair and replacement millage renewal. Our previous sidewalk millage completed its' sixth and final year with about twenty five percent of the city sidewalks being



## City of Ithaca, Michigan

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### Management's Discussion and Analysis

replaced. The voters overwhelmingly passed the renewal and next year we will begin another six years of the project.

#### Contacting the City's Financial Management Team

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

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

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

*Jamey Conn*

Jamey Conn  
City Manager  
[manager@ithacami.com](mailto:manager@ithacami.com)

*Barbara Fandell*

Barbara Fandell, ACPFA MiCPT  
City Clerk-Treasurer  
[bfandell@ithacami.com](mailto:bfandell@ithacami.com)

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



City of Ithaca  
Statement of Net Position  
June 30, 2021

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 2,217,420	\$ 1,080,842	\$ 3,298,262	\$ 10,546
Investments	1,540,418	523,008	2,063,426	21,305
Accounts receivable	134,414	207,098	341,512	-
Property taxes receivable	1,085,487	233,188	1,318,675	-
Due from other governments	177,961	-	177,961	-
Due from agency fund	1,000	-	1,000	-
Inventories	-	40,300	40,300	-
Total current assets	5,156,700	2,084,436	7,241,136	31,851
Noncurrent assets				
Long term notes receivable	52,002	-	52,002	-
Capital assets not being depreciated	181,681	57,976	239,657	-
Capital assets being depreciated, net	1,998,422	6,855,880	8,854,302	-
Total noncurrent assets	2,232,105	6,913,856	9,145,961	-
Total assets	7,388,805	8,998,292	16,387,097	31,851
<b>Deferred Outflows of Resources</b>				
Deferred outflow - related to pension	139,430	92,953	232,383	-
<b>Liabilities</b>				
Current liabilities				
Accounts payable	373,786	39,480	413,266	503
Accrued liabilities	30,678	13,248	43,926	-
Accrued interest	-	29,613	29,613	-
Due to other governments	9,362	-	9,362	-
Compensated absences, due within one year	7,857	2,537	10,394	-
General obligation bonds payable, due within one year	-	120,000	120,000	-
Total current liabilities	421,683	204,878	626,561	503
Noncurrent liabilities				
Customer deposits	-	3,900	3,900	-
Bond premium, net of amortization	-	186,585	186,585	-
Compensated absences, due beyond one year	44,522	14,377	58,899	-
General obligation bonds payable, due beyond one year	-	2,970,000	2,970,000	-
Net pension liability	1,024,997	683,332	1,708,329	-
Total noncurrent liabilities	1,069,519	3,858,194	4,927,713	-
Total liabilities	1,491,202	4,063,072	5,554,274	503
<b>Deferred Inflows of Resources</b>				
Deferred inflow - related to pension	59,476	39,651	99,127	-
<b>Net position</b>				
Net investment in capital assets	2,180,103	3,637,271	5,817,374	-
Restricted	2,215,139	-	2,215,139	-
Unrestricted	1,582,315	1,351,251	2,933,566	31,348
Total net position	\$ 5,977,557	\$ 4,988,522	\$ 10,966,079	\$ 31,348

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

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

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-Type Activities	Total	
<b>Governmental activities</b>							
General government	\$ 657,835	\$ 72,731	\$ -	\$ (585,104)	\$ -	\$ (585,104)	\$ -
Public safety	979,093	170,996	50,221	(757,876)	-	(757,876)	-
Public works	714,860	-	510,281	(204,579)	-	(204,579)	-
Community and economic development	39,257	-	-	(39,257)	-	(39,257)	-
Recreation and cultural	280,724	2,008	60,750	(217,966)	-	(217,966)	-
Total governmental activities	2,671,769	245,735	621,252	(1,804,782)	-	(1,804,782)	-
<b>Business-type activities</b>							
Water and Sewer	1,064,055	785,621	2,272	-	(276,162)	(276,162)	-
Total primary government	\$ 3,735,824	\$ 1,031,356	\$ 623,524	(1,804,782)	(276,162)	(2,080,944)	-
<b>Component units</b>							
Downtown Development Authority	\$ 5,781	\$ -	\$ -	-	-	-	(5,781)
<b>General revenues</b>							
Property taxes				1,283,600	239,947	1,523,547	-
State grants				392,482	-	392,482	-
Unrestricted investment earnings				66,141	5,856	71,997	35
Gain on disposal of capital assets				22,394	-	22,394	-
Transfers				2,377	-	2,377	(2,377)
Other revenues				226,919	16,276	243,195	6,486
Total general revenues				1,993,913	262,079	2,255,992	4,144
<b>Change in net position</b>				189,131	(14,083)	175,048	(1,637)
<b>Net position, beginning of year</b>				5,788,426	5,002,605	10,791,031	32,985
<b>Net position, end of year</b>				\$ 5,977,557	\$ 4,988,522	\$ 10,966,079	\$ 31,348

## FUND FINANCIAL STATEMENTS



City of Ithaca  
Balance Sheet - Governmental Funds  
June 30, 2021

	MAJOR FUNDS						Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Major Street	Local Street	Economic Development	Library	Fire Operating		
<b>Assets</b>								
Cash and cash equivalents	\$ 635,307	\$ 246,289	\$ 183,845	\$ 47,216	\$ 281,689	\$ 100,936	\$ 546,057	\$ 2,041,339
Investments	700,790	309,328	204,676	-	188,859	-	136,765	1,540,418
Accounts receivable	13,557	-	-	-	-	109,294	-	122,851
Notes receivable	-	-	-	52,002	-	-	-	52,002
Due from agency fund	1,000	-	-	-	-	-	-	1,000
Due from other governments	74,280	85,594	18,087	-	-	-	-	177,961
Total assets	<u>\$ 1,424,934</u>	<u>\$ 641,211</u>	<u>\$ 406,608</u>	<u>\$ 99,218</u>	<u>\$ 470,548</u>	<u>\$ 210,230</u>	<u>\$ 682,822</u>	<u>\$ 3,935,571</u>
<b>Liabilities</b>								
Accounts payable	\$ 138,186	\$ 1,796	\$ 3,183	\$ -	\$ 5,441	\$ 116,895	\$ 104,202	\$ 369,703
Accrued liabilities	17,990	2,292	1,557	-	5,099	2,118	913	29,969
Due to other governments	9,362	-	-	-	-	-	-	9,362
Total liabilities	<u>165,538</u>	<u>4,088</u>	<u>4,740</u>	<u>-</u>	<u>10,540</u>	<u>119,013</u>	<u>105,115</u>	<u>409,034</u>
<b>Deferred inflows of resources</b>								
Unavailable revenue	-	-	-	52,002	-	-	-	52,002
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,002</u>
<b>Fund balances</b>								
Restricted	-	637,123	401,868	47,216	460,008	91,217	577,707	2,215,139
Unassigned	1,259,396	-	-	-	-	-	-	1,259,396
Total fund balances	<u>1,259,396</u>	<u>637,123</u>	<u>401,868</u>	<u>47,216</u>	<u>460,008</u>	<u>91,217</u>	<u>577,707</u>	<u>3,474,535</u>
Total liabilities and fund balance	<u>\$ 1,424,934</u>	<u>\$ 641,211</u>	<u>\$ 406,608</u>	<u>\$ 99,218</u>	<u>\$ 470,548</u>	<u>\$ 210,230</u>	<u>\$ 682,822</u>	<u>\$ 3,935,571</u>



City of Ithaca  
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
 to Net Position of Governmental Activities on the Statement of Net Position  
 June 30, 2021

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Total fund balance - governmental funds \$ 3,474,535

Amounts reported for governmental activities in the statement of net position are different because:

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

Add:	Capital assets	5,446,658
Deduct:	Accumulated depreciation	(3,791,498)

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

Add:	Net position of governmental activities accounted for in the internal service fund	707,795
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Add:	Property tax receivable	1,085,487
Add:	Balance of long-term loans receivable	52,002

Some liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Add:	Deferred outflow - related to pension	139,430
Deduct:	Deferred inflow - related to pension	(59,476)
Deduct:	Net pension liability	(1,024,997)
Deduct:	Compensated absences	(52,379)

Total net position - governmental activities	<u><u>\$ 5,977,557</u></u>
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City of Ithaca  
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2021

	MAJOR FUNDS						Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Major Street	Local Street	Economic Development	Library	Fire Operating		
<b>Revenues</b>								
Taxes and penalties	\$ 1,134,298	\$ -	\$ -	\$ -	\$ 157,723	\$ -	\$ -	\$ 1,292,021
Licenses and permits	14,004	-	-	-	-	-	-	14,004
State grants	392,482	384,382	125,899	-	6,792	-	-	909,555
Federal grants	50,221	-	-	-	492	-	-	50,713
Charges for services	53,527	-	-	-	2,008	129,894	46,302	231,731
Fines and forfeits	228	-	-	-	53,466	-	-	53,694
Interest and rentals	62,401	655	343	50	1,585	126	760	65,920
Other revenues	134,758	1,256	-	8,139	3,624	29,101	57,951	234,829
<b>Total revenues</b>	<b>1,841,919</b>	<b>386,293</b>	<b>126,242</b>	<b>8,189</b>	<b>225,690</b>	<b>159,121</b>	<b>105,013</b>	<b>2,852,467</b>
<b>Expenditures</b>								
General government	475,801	-	-	-	-	-	-	475,801
Public safety	472,643	-	-	-	-	368,566	88,641	929,850
Public works	188,873	266,360	259,627	-	-	-	-	714,860
Community and economic development	4,831	-	-	-	-	-	-	4,831
Recreation and cultural	91,647	-	-	-	163,965	-	-	255,612
Other expenditures	281,558	-	-	-	-	-	-	281,558
<b>Total expenditures</b>	<b>1,515,353</b>	<b>266,360</b>	<b>259,627</b>	<b>-</b>	<b>163,965</b>	<b>368,566</b>	<b>88,641</b>	<b>2,662,512</b>
<b>Revenues over (under) expenditures</b>	<b>326,566</b>	<b>119,933</b>	<b>(133,385)</b>	<b>8,189</b>	<b>61,725</b>	<b>(209,445)</b>	<b>16,372</b>	<b>189,955</b>
<b>Other financing sources (uses)</b>								
Transfers in	54,870	36,960	112,000	-	-	223,786	68,551	496,167
Transfers in - component unit	12,377	-	-	-	-	-	-	12,377
Transfers out - component unit	(10,000)	-	-	-	-	-	-	(10,000)
Transfers out	(236,873)	(85,000)	-	-	-	(15,000)	(159,294)	(496,167)
<b>Total other financing sources (uses)</b>	<b>(179,626)</b>	<b>(48,040)</b>	<b>112,000</b>	<b>-</b>	<b>-</b>	<b>208,786</b>	<b>(90,743)</b>	<b>2,377</b>
<b>Net change in fund balances</b>	<b>146,940</b>	<b>71,893</b>	<b>(21,385)</b>	<b>8,189</b>	<b>61,725</b>	<b>(659)</b>	<b>(74,371)</b>	<b>192,332</b>
<b>Fund balance, beginning of year</b>	<b>1,112,456</b>	<b>565,230</b>	<b>423,253</b>	<b>39,027</b>	<b>398,283</b>	<b>91,876</b>	<b>652,078</b>	<b>3,282,203</b>
<b>Fund balance, end of year</b>	<b>\$ 1,259,396</b>	<b>\$ 637,123</b>	<b>\$ 401,868</b>	<b>\$ 47,216</b>	<b>\$ 460,008</b>	<b>\$ 91,217</b>	<b>\$ 577,707</b>	<b>\$ 3,474,535</b>

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

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

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Net change in fund balances - total governmental funds \$ 192,332

Amounts reported for governmental activities in the statement of activities are different because:

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

Add:	Capital outlay	147,035
Deduct:	Depreciation expense	(159,225)

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

Add:	Net income of internal service fund	6,684
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Governmental funds do not report revenues until collected or collectible within 60 days of year-end. However, in the statement of activities, revenues are recorded when earned, regardless of the timing of cash flows.

Deduct:	Change in property tax accrual	(8,421)
Deduct:	Payments of long-term loan receivable	(8,138)

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

Add:	Change in deferred outflow - related to pension	66,695
Deduct:	Change in deferred inflow - related to pension	(59,476)
Add:	Change in net pension liability	14,855
Deduct:	Change in accrual for compensated absences	(3,210)

Change in net position - governmental activities	\$ 189,131
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City of Ithaca  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

	<b>Enterprise Funds</b>	<b>Governmental Activities</b>
	Water and Sewer	Internal Service
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,080,842	\$ 176,081
Investments	523,008	-
Accounts receivable	207,098	11,563
Property taxes receivable	233,188	-
Inventories	40,300	-
Total current assets	<u>2,084,436</u>	<u>187,644</u>
Noncurrent assets		
Capital assets not being depreciated	57,976	-
Capital assets being depreciated, net	6,855,880	524,943
Total noncurrent assets	<u>6,913,856</u>	<u>524,943</u>
Total assets	8,998,292	712,587
<b>Deferred Outflows of Resources</b>		
Deferred outflow - related to pension	92,953	-
<b>Liabilities</b>		
Current liabilities		
Accounts payable	39,480	4,083
Accrued liabilities	13,248	709
Accrued interest	29,613	-
Compensated absences, due within one year	2,537	-
General obligation payable, due within one year	120,000	-
Total current liabilities	<u>204,878</u>	<u>4,792</u>
Noncurrent liabilities		
Customer deposits	3,900	-
Compensated absences, due beyond one year	14,377	-
General obligation payable, due beyond one year	2,970,000	-
Bond premium, net of amortization	186,585	-
Net pension liability	683,332	-
Total noncurrent liabilities	<u>3,858,194</u>	<u>-</u>
Total liabilities	<u>4,063,072</u>	<u>4,792</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflow - related to pension	39,651	-
<b>Net position</b>		
Net investment in capital assets	3,637,271	524,943
Unrestricted	1,351,251	182,852
Total net position	<u>\$ 4,988,522</u>	<u>\$ 707,795</u>

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

	<b>Enterprise Funds</b>	<b>Governmental Activities</b>
	Water and Sewer	Internal Service
<b>Operating revenues</b>		
Water and sewer sales	\$ 773,773	\$ -
Penalties and interest charges	11,848	-
Service charges	-	167,545
Property taxes	239,947	-
State grant	2,272	-
Miscellaneous revenues	16,276	3,254
Total operating revenues	<u>1,044,116</u>	<u>170,799</u>
<b>Operating expenses</b>		
Water		
Personnel services	194,498	-
Contractual services	107,889	-
Supplies	17,963	-
Depreciation	164,980	-
Other expenses	92,378	-
Sewer		
Personnel services	180,122	-
Contractual services	51,173	-
Supplies	2,381	-
Depreciation	85,569	-
Other expenses	57,283	-
Other		
Personnel services	-	37,297
Contractual services	-	1,774
Supplies	-	2,449
Depreciation	-	95,096
Other expenses	-	50,114
Total operating expenses	<u>954,236</u>	<u>186,730</u>
Operating income (loss)	89,880	(15,931)
<b>Nonoperating revenues (expenses)</b>		
Interest revenue	5,856	221
Gain on disposal of capital assets	-	22,394
Transfer out	-	-
Interest expense	(109,263)	-
Other expenses	(556)	-
Total nonoperating revenues (expenses)	(103,963)	22,615
<b>Change in net position</b>	(14,083)	6,684
<b>Net position, beginning of year</b>	<u>5,002,605</u>	<u>701,111</u>
<b>Net position, end of year</b>	<u>\$ 4,988,522</u>	<u>\$ 707,795</u>

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

	<b>Enterprise Funds</b>	<b>Governmental Activities</b>
	Water and Sewer	Internal Service
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 809,157	\$ -
Receipts from State	2,272	-
Receipts from interfund charges	-	194,186
Payments to suppliers / outsiders	(368,694)	(53,038)
Payments to employees	(395,028)	(36,879)
Other receipts	257,387	-
Net cash provided by (used in) operating activities	<u>305,094</u>	<u>104,269</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(209,267)	(168,909)
Proceeds from sale of assets	-	22,394
Principal paid on debt	(110,000)	-
Interest and fees paid on debt	(110,644)	-
Net cash provided by (used in) capital and related financing activities	<u>(429,911)</u>	<u>(146,515)</u>
<b>Cash flows from investing activities</b>		
(Purchase)/sale of investments	9,366	4,405
Interest revenue	5,856	221
Net cash provided by (used in) investing activities	<u>15,222</u>	<u>4,626</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(109,595)	(37,620)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,190,437</u>	<u>213,701</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,080,842</u></u>	<u><u>\$ 176,081</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 89,880	\$ (15,931)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	250,549	95,096
Change in assets and liabilities		
Accounts receivable - net	23,536	23,387
Property taxes receivable	1,164	-
Inventories	(13,397)	-
Deferred outflows of resources related to pensions	(44,464)	-
Accounts payable	(13,969)	1,299
Accrued liabilities	4,178	418
Bond premium, net of amortization	(11,661)	-
Customer deposits	(600)	-
Compensated absences	(9,871)	-
Net pension liability	(9,902)	-
Deferred inflows of resources related to pensions	39,651	-
Net cash provided by operating activities	<u><u>\$ 305,094</u></u>	<u><u>\$ 104,269</u></u>

City of Ithaca  
Statement of Net Position - Fiduciary Funds  
June 30, 2021

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	<u>Custodial Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 44,803
Total assets	<u>44,803</u>
<b>Liabilities</b>	
Due to other funds	1,000
Total liabilities	<u>1,000</u>
<b>Net position</b>	
Unrestricted	43,803
Total net position	<u><u>\$ 43,803</u></u>

City of Ithaca  
Statement of Changes in Net Position - Fiduciary Funds  
June 30, 2021

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	<u>Custodial Fund</u>
<b>Additions</b>	
Tax collections for other governments	\$ 5,766,585
Total additions	<u>5,766,585</u>
<b>Deductions</b>	
Payments of taxes to other governments	<u>5,766,976</u>
Total deductions	<u>5,766,976</u>
<b>Change in fiduciary net position</b>	(391)
<b>Net position, beginning of year as restated</b>	<u>44,194</u>
<b>Net position, end of year</b>	<u><u>\$ 43,803</u></u>



City of Ithaca  
Statement of Net Position - Component Unit  
June 30, 2021

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	<u>Downtown Development Authority</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 10,546
Investments	21,305
Total current assets	<u>31,851</u>
<b>Liabilities</b>	
Accounts payable	<u>503</u>
Total liabilities	503
<b>Net position</b>	
Unrestricted	<u>31,348</u>
Total net position	<u><u>\$ 31,348</u></u>

City of Ithaca  
Statement of Activities - Component Unit  
For the Year Ended June 30, 2021

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>Downtown Development Authority</b>				
General government	\$ 5,781	\$ -	\$ -	\$ (5,781)
<b>General Revenues</b>				
Unrestricted investment earnings				35
Transfers in				10,000
Transfers out				(12,377)
Other revenues				6,486
Total general revenues				<u>4,144</u>
<b>Change in net position</b>				(1,637)
<b>Net position, beginning of year</b>				<u>32,985</u>
<b>Net position, end of year</b>				<u>\$ 31,348</u>

## NOTES TO THE FINANCIAL STATEMENTS



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

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

**Discretely Presented Component Unit**

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

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

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a function 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 consumers who purchase, use or directly benefit from services 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. Other items, including taxes and intergovernmental payments, not properly included among program revenues, are reported instead as general revenues.

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Proprietary Fund Financial Statements – The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition on reported as nonoperating revenue and expenses.

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and, therefore, are not available to support City operations. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the City available to support the City's operations. The City currently maintains a fiduciary fund to account for the monies collected and paid to various governmental entities for property tax collections.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the resources of State revenue sharing of trunkline maintenance revenues, gas and weight tax revenues and local road program revenues that are restricted for use on major streets.
- The Local Street Fund accounts for the resources of State revenue sharing of gas and weight tax revenues and local road program revenues that are restricted for use on local streets.
- The Economic Development Fund accounts for resources used to promote economic development of the City.
- The Library Fund accounts for the resources of library revenues that are restricted for the operations of the City's library.
- The Fire Operating Fund accounts for resources used to provide fire services to residents of the City and surrounding townships.

The City reports the following major proprietary funds:

- The Water and Sewer Fund (an Enterprise Fund) accounts for the activities of the water distribution system and sewage collection system.

The City reports the following non-major governmental funds:

- The Caldwell & Gibbs Memorial Funds account for resources to fund special projects.
- The Cemetery and Fire & Rescue Sinking Funds account for funds that are placed in reserve for future operations and equipment purchases.
- The First Responder Fund accounts for resources used to provide first responder services to residents of the City and surrounding townships.
- The Grant Projects Fund accounts for resources to fund special projects as awarded through local, state and federal grants.
- The Cemetery Perpetual Care Fund accounts for resources designated for the future ongoing care of the cemetery.

Additionally, the City reports the following fund type:

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

### **Budgetary Basis of Accounting**

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

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

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

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

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

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

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

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

#### Cash and Cash Equivalents

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

#### Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity.

State statutes authorize the City to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Due from/to other funds

In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

City of Ithaca  
Notes to the Financial Statements  
June 30, 2021

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Inventory

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the City as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

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

Land and construction in process are not depreciated. Other property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in Process	Not Depreciated
Land Improvements	5 – 15
Buildings and Improvements	3 – 50
Furniture and Equipment	2 – 40
Infrastructure	10 - 20
Vehicles	5 – 30
Sewer System	4 – 50
Water System	5 – 50

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

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category which relates to pension items reported in the government-wide statement of net position. The amounts are amortized over a period determined by the actuary.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which relates to pension items reported in the government-wide statement of net position. The amounts are amortized over a period determined by the actuary.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These compensated absences are accrued in the government-wide financial statements.

### Long-Term Obligations

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

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

### Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Net Position and Fund Balances

Restricted net position shown in the government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental funds financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

### Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

### Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- The City would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

### Property Tax Revenue

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



City of Ithaca  
Notes to the Financial Statements  
June 30, 2021

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

The 2021 taxable valuation of property located in the City for operating purposes totaled \$66.8 million and \$77.8 million for water/sewer debt purposes, on which ad valorem taxes levied consisted of 13.9468 mills for operating, 1.4976 mills for emergency service, 0.9984 for sidewalk repairs and 3.0000 mills for water/sewer debt service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30<sup>th</sup>, the carrying amount of the City's cash, deposits and investments was as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
Cash and cash equivalents	2,217,420	1,080,842	3,298,262	10,546
Investments	1,540,418	523,008	2,063,426	21,305
Totals	3,757,838	1,603,922	5,361,688	31,851

The bank balance of the primary government's deposits is \$3,403,222 of which \$1,050,883 is covered by federal depository insurance. The remaining amount is uninsured and uncollateralized. The component units' deposits had a bank balance of \$10,631 of which all is covered by federal depository insurance. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. In addition, independent bank rating agencies are also utilized on a quarterly basis for ongoing monitoring of each depository's financial stability.

As of year-end, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	%
Total Primary Government				
Michigan Cooperative Liquid Assets Securities System (Michigan CLASS)	2,063,426	0.216	AAAm	99%
Total Component Unit				
Michigan Cooperative Liquid Assets Securities System (Michigan CLASS)	21,305	0.216	AAAm	1%
1 day maturity equals 0.0027, one year equals 1.00				

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. See above for amount of deposits held by the City that are exposed to custodial credit risk because it is uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, it is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

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

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

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

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

Michigan Class investments are subject to the fair value measurement and are level 2.

City of Ithaca  
Notes to the Financial Statements  
June 30, 2021

**NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS**

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

Fund and Description	Amount
General Fund – State of Michigan Revenue Sharing	67,471
General Fund – St. Louis Pine River Transit Authority	6,809
Major Street Fund – State of Michigan Act 51	85,594
Local Street Fund – State of Michigan Act 51	18,087
<b>Total</b>	<b>177,961</b>

**NOTE 4 - CAPITAL ASSETS**

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

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	181,681	-	-	-	181,681
<b>Total capital assets not being depreciated</b>	<b>181,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181,681</b>
Capital assets being depreciated					
Land Improvements	379,913	-	-	-	379,913
Buildings and Improvements	2,346,207	15,295	-	-	2,361,502
Furniture and Equipment	1,788,021	143,274	(19,395)	-	1,911,900
Infrastructure	453,153	-	-	-	453,153
Vehicles	1,753,231	163,721	(177,154)	-	1,739,798
<b>Total capital assets being depreciated</b>	<b>6,720,525</b>	<b>322,290</b>	<b>(196,549)</b>	<b>-</b>	<b>6,846,266</b>
Accumulated depreciation	(4,783,726)	(254,323)	190,205	-	(4,847,844)
Capital assets being depreciated, net	1,936,799	67,967	(6,344)	-	1,998,422
<b>Net capital assets</b>	<b>2,118,480</b>	<b>67,967</b>	<b>(6,344)</b>	<b>-</b>	<b>2,180,103</b>

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

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	37,621	-	-	-	37,621
Construction in Process	58,209	20,355	(58,209)	-	20,355
<b>Total capital assets not being depreciated</b>	<b>95,830</b>	<b>20,355</b>	<b>(58,209)</b>	<b>-</b>	<b>57,976</b>
Capital assets being depreciated					
Furniture and Equipment	6,775	-	-	-	6,775
Water System	8,019,160	116,181	-	-	8,135,341
Sewer System	4,066,525	130,940	-	-	4,197,465
<b>Total capital assets being depreciated</b>	<b>12,092,460</b>	<b>247,121</b>	<b>-</b>	<b>-</b>	<b>12,339,581</b>
Accumulated Depreciation	(5,233,152)	(250,549)	-	-	(5,483,701)
Capital assets being depreciated, net	6,859,308	(3,428)	-	-	6,855,880
<b>Net capital assets</b>	<b>6,955,138</b>	<b>16,927</b>	<b>(58,209)</b>	<b>-</b>	<b>6,913,856</b>

City of Ithaca  
Notes to the Financial Statements  
June 30, 2021

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

Governmental Activities	Amount
General Government	50,446
Public Safety	49,243
Recreation and Cultural	25,112
Community and Economic Development	34,426
Internal Service Fund	95,096
<b>Total Governmental Activities</b>	<b>254,323</b>

Business-Type Activities	Amount
Water	164,980
Sewer	85,569
<b>Total Business-Type Activities</b>	<b>250,549</b>

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

**NOTE 5 - LONG-TERM DEBT**

Premiums and Discounts

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

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

	Beginning Balance	Additions	(Deletions)	Ending Balance
Premium on long-term debt	198,246	-	(11,661)	186,585

Long-term debt

The City's long-term debt as of year-end is as follows:

General obligation bonds:	Amount
2016 general obligation refunding bonds due in annual installments of \$100,000 to \$275,000 through April, 2037 with an interest rate from 2.00% to 3.50%.	3,090,000
<b>Total general obligation bonds:</b>	<b>3,090,000</b>

Compensated Absences - City policy allows employees to accumulate vacation at the rate of ½ day per month for the first 4 years of service and 1 day per month thereafter. Additional days of vacation are awarded on the employee's anniversary date after 4, 8, 15 and 20 years of service. Amounts accumulated up to a maximum of 25 days for city employees are to be paid to the employee and recognized as an expense either when vacations are taken or upon termination of employment. Vacation pay liability at year-end was \$42,266. City policy also allows employees to accumulate one sick leave day per month with a maximum accumulation of 60 days or 75 days, depending on employee hire date. Sick leave expenses are recognized at the time the days are used, or upon termination of employment. Upon termination of employment, with the exception of gross misconduct, 100% or 50% of accumulated sick pay, up to a maximum of 60 days, will be paid to the employee, depending on their date of hire. Sick leave pay liability at year-end was \$27,027. Total compensated absences as of year-end equals \$69,293.

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Enterprise Fund Bonds - During 2016 the City issued \$3,600,000 of general obligation refunding bonds to provide for the current refunding of the general obligation bonds issued in 2007. These bonds are due in annual installments ranging from \$100,000 to \$275,000 through April 2037, with interest ranging from 2.0% to 3.50% per annum.

As a result, the 2007 bonds refunded are considered to be defeased and the liability has been removed from the enterprise fund. The net carrying amount of the old debt exceeded the reacquisition price by \$125,000. This current refunding was undertaken to reduce total debt service payments over the next 21 years by \$449,540 and resulted in an economic gain of \$313,633.

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Government-Wide					
Compensated Absences	49,169	10,585	(7,375)	52,379	7,857
Business-Type					
Compensated Absences	26,784	-	(9,870)	16,914	2,537
General Obligation Bonds	3,200,000	-	(110,000)	3,090,000	120,000
Total Business-Type	3,226,784	-	(119,870)	3,106,914	122,537

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

Year Ended June 30	General Obligation Bonds	
	Principal	Interest
2022	120,000	118,450
2023	125,000	114,850
2024	135,000	111,100
2025	145,000	105,700
2026	155,000	99,900
2027-2031	940,000	397,900
2032-2036	1,195,000	189,500
2037-2041	275,000	9,626
Total long-term debt	3,090,000	1,147,026

**NOTE 6 – PENSION PLAN – AGENT MULTIPLE-EMPLOYER PLAN**

Summary of Significant Accounting Policies

*Pensions:* For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

*Plan Description:* The City of Ithaca's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945. It is administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Benefits Provided

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

*01 – General Division: Closed to new hires*

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 6 years

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

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

Final Average Compensation: 5 years

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

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

Employee Contributions: 4.70%

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

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

*02 – Police Division: Closed to new hires*

Benefit Multiplier: 2.25% Multiplier (80% max)

Normal Retirement Age: 60

Vesting: 10 years

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

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

Final Average Compensation: 5 years

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

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

Employee Contributions: 4.70%

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

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

*10 - DPW Union: Closed to new hires*

Benefit Multiplier: 2.00% Multiplier (no max)

Normal Retirement Age: 60

Vesting: 10 years

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

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

Final Average Compensation: 5 years

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

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

Employee Contributions: 4.70%

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Defined Contribution Plan for New Hires: Effective 9/1/2005  
Act 88: Yes (Adopted 1/1/2006)

Employees Covered By Benefit Terms

As of the December 31, 2020 Valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>2</u>
Total	24

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

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may, and has, established contribution rates to be paid by its covered employees. Due to the plan divisions being closed to new employees, the City's contribution rates are based on a flat rate valuation of annual payroll and not a percentage of the annual payroll. The minimum combined annual contribution amount for all divisions in the plan was \$258,708. The City made contributions in the amount of \$364,168 with the additional being applied to its unfunded accrued liability.

Net Pension Liability

The City's Net Pension Liability was measured as of December 31, 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:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 7.35%, net of investment and administrative expense, including inflation

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

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

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study conducted of 2011-2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of 7.35% by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
	100.00%		7.35%		4.85%

The assets are invested with a strategic, long-term perspective and a high degree of prudence to reduce risk by identifying investments that meet or beat the annual actuarial investment assumption of 7.35% on a long-term basis, maintaining adequate liquidity to pay promised benefits, adopting a strategic asset allocation plan that reflects current and future liabilities, minimizes volatility and seeks to exceed the annual actuarial investment assumption, minimizes the costs associated with the implementation of the asset allocation through the efficient use of internal and external resources, maintaining above median peer rankings for the 10-year time period and meets or exceeds the return of the portfolio's policy benchmark.

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in net pension liability	Total pension liability (a)	Increase (decrease) plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at 01/01/2020	4,608,866	2,875,780	1,733,086
Changes for the year			
Service cost	18,409	-	18,409
Interest on total pension liability	335,614	-	335,614
Changes in benefits	-	-	-
Difference between expected and actual experience	99,806	-	99,806
Changes in assumptions	123,367	-	123,367
Employer contributions	-	249,858	(249,858)
Employee contributions	-	5,730	(5,730)
Net investment income	-	352,047	(352,047)
Benefit payments, including employee refunds	(404,191)	(404,191)	-
Administrative expense	-	(5,682)	5,682
Other changes	-	-	-
Net changes	173,005	197,762	(24,757)
Balances as of 12/31/2020	4,781,871	3,073,542	1,708,329

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.60%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net Pension Liability at 12/31/2020	1,708,329	1,708,329	1,708,329
Change in Net Pension Liability (NPL)	454,036	-	(387,836)
Calculated Net Pension Liability	2,162,365	1,708,329	1,320,493
Note: the current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.			

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

For the year ended June 30, 2021, the City recognized pension expense of \$327,978. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Excess) Deficit Investment Returns	-	99,127
Contributions Subsequent to 12/31/2020*	232,383	-
Totals	232,383	99,127

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2022.

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

Plan year ended	Amount
2021	(20,030)
2022	5,686
2023	(56,913)
2024	(27,870)
Total	(99,127)

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

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

MERS Defined Contribution Plan

Plan Description

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

Eligibility

All new-hired full-time employees of the City are eligible to participate in the plan. As of year-end, the plan's current membership was 11 active and 5 terminated members.

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

Contributions

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

During the year, the actual contributions to the plan (reduced by forfeitures of \$0.18) amounted to \$61,629, which includes \$35,252 of employer contributions, and \$29,377 of employee contributions. The outstanding liability to the plan at year-end was \$0.

**NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS**

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

Net investment in capital assets	Amount
Capital assets not being depreciated	181,681
Capital asset being depreciated, net	1,998,422
Net investment in capital assets	2,180,103

City of Ithaca  
Notes to the Financial Statements  
June 30, 2021

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

Net investment in capital assets	Amount
Capital assets not being depreciated	57,976
Capital asset being depreciated, net	6,855,880
Capital related general obligation bonds	(3,090,000)
Unamortized premium/discount on bond refunding	(186,585)
Net investment in capital assets	3,637,271

**NOTE 8 - RISK MANAGEMENT**

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

**NOTE 9 – TRANSFERS**

Transfers between funds during the year were as follows:

Fund	Transfers In	Transfers Out
General	67,247	(246,873)
Major Street	36,960	(85,000)
Local Street	112,000	-
Caldwell Memorial	-	(15,000)
Fire and Rescue Sinking	17,000	(142,294)
First Responder	51,551	(2,000)
Fire Operating	223,786	(15,000)
Downtown Development Authority	10,000	(12,377)
Total Interfund Transfers	518,544	(518,544)

Transfers are used to provide resources from unrestricted general fund revenues to finance various programs accounted for in other funds, in accordance with budgetary authorizations. In addition, the Major Street Fund is allowed under Act 51 to share a portion of its Gas and Weight Tax revenues with the Local Street Fund if the municipality has a Street Asset Management Program in place.

The General Fund transfers were budgeted transfers to the Fire Operating, First Responder (Rescue) Operating, Cemetery Operating and from the Component Unit (Downtown Development Authority) for the purpose of general operations. The General Fund also transferred millage funds collected for sidewalk repairs as voted on by the electors of the City, to the Major and Local Street funds.

The Fire Operating and the First Responder Funds transferred funds to the Fire and Rescue Sinking Fund. These transfers are budgeted to set aside funds for future equipment purchases. In addition, funds from the Fire and Rescue Sinking fund were transferred to the Fire Fund for the purchase of air packs and radios through memorial donations made to the City and designated for department use and reserves. These purchases had the support of the City Council and were supported with a budget amendment.

A transfer was made from the Caldwell Fund to the General Fund for repairs and upgrades to the community center doors.

**NOTE 10 - TAX ABATEMENTS**

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

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

In 2019, the City of Ithaca had seven companies receiving IFT abatements and one company receiving a Renaissance Zone abatement. The combined values of the lost revenue from these abated properties are disclosed below, with total loss of revenue due to the abatements being equal to \$177,195.75. Information on individual abatements is available from the City's Treasurer.

City of Ithaca  
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June 30, 2021

CITY OF ITHACA ASSESSORS WARRANT - SUMMER 2020 - IFT'S - POST 1994						
TAXING UNIT	TOTAL TAXABLE VALUE	TAXABLE VALUE w/o Abatement	MILLAGE RATE	TAXES LEVIED 2020 TAX ROLL	TAXES IF NOT ABATED	AMOUNT OF LOSS DUE TO ABATEMENT
<b>Post 1994</b>						
CITY OPERATING	\$1,853,862		6.98460	\$12,948.41	\$25,896.82	(\$12,948.41)
WATER/SEWER DEBT	\$1,853,862		1.50000	\$2,780.78	\$5,561.56	(\$2,780.78)
EMERGENCY SERVICES	\$1,853,862		0.75000	\$1,390.35	\$2,780.70	(\$1,390.35)
CITY SIDEWALKS	\$1,853,862		0.50000	\$926.91	\$1,853.82	(\$926.91)
ADMIN FEE				\$281.23	\$562.46	(\$281.23)
<b>TOTAL 2020 SUMMER TAX COLLECTION FOR IFT'S - POST 1994</b>				<b>\$18,327.68</b>	<b>\$36,655.36</b>	<b>(\$18,327.68)</b>
<b>IFT Rehab</b>						
CITY OPERATING	\$43,500	\$187,200	13.96920	\$607.66	\$2,615.03	(\$2,007.37)
WATER/SEWER DEBT	\$43,500	\$187,200	3.00000	\$130.50	\$561.60	(\$431.10)
EMERGENCY SERVICES	\$43,500	\$187,200	1.50000	\$65.25	\$280.80	(\$215.55)
CITY SIDEWALKS	\$43,500	\$187,200	1.00000	\$43.50	\$187.20	(\$143.70)
ADMIN FEE				\$13.48	\$58.03	(\$44.55)
<b>Total 2020 SUMMER TAX COLLECTION FOR IFT REHAB</b>				<b>\$860.39</b>	<b>\$3,702.66</b>	<b>(\$2,842.27)</b>
<b>OPRA Rehab</b>						
CITY OPERATING	\$96,270	\$126,400	13.96920	\$1,344.80	\$1,765.71	(\$420.90)
WATER/SEWER DEBT	\$96,270	\$126,400	3.00000	\$288.81	\$379.20	(\$90.39)
EMERGENCY SERVICES	\$96,270	\$126,400	1.50000	\$144.40	\$189.60	(\$45.21)
CITY SIDEWALKS	\$96,270	\$126,400	1.00000	\$96.27	\$126.40	(\$30.13)
ADMIN FEE				\$29.84	\$39.18	(\$9.34)
<b>Total 2020 SUMMER TAX COLLECTION FOR IFT REHAB</b>				<b>\$1,904.12</b>	<b>\$2,500.09</b>	<b>(\$595.97)</b>
<b>Renaissance Zone</b>						
CITY OPERATING	\$0	\$10,997,865	13.96920	\$0.00	\$153,631.38	(\$153,631.38)
WATER/SEWER DEBT	\$10,997,865	\$10,997,865	3.00000	\$32,993.58	\$32,993.58	\$0.00
EMERGENCY SERVICES	\$0	\$10,997,865	1.50000	\$0.00	\$16,496.80	(\$16,496.80)
CITY SIDEWALKS	\$0	\$10,997,865	1.00000	\$0.00	\$10,997.87	(\$10,997.87)
ADMIN FEE				\$329.91	\$3,409.32	(\$3,079.41)
<b>TOTAL 2020 SUMMER TAX COLLECTION FOR REN ZONE</b>				<b>\$33,323.49</b>	<b>\$217,528.95</b>	<b>(\$184,205.46)</b>
<b>TOTAL 2020 SPECIAL ACTS SUMMER TAX COLLECTION</b>				<b>\$54,415.68</b>	<b>\$260,387.06</b>	<b>(\$205,971.38)</b>

**NOTE 11 – RESTATEMENT OF NET POSITION**

For the year ended June 30, 2021, the City implemented *GASB Statement No. 84, Fiduciary Activities*.

*GASB Statement No. 84, Fiduciary Activities*, was issued by the GASB in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

As of June 30, 2021, the beginning net position was restated as follows:

	Beginning Balance Previously Reported	Restatement	Beginning Balance as Restated
Net position – Custodial Fund	-	-	44,194

**NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

*GASB Statement No. 87, Leases*, was issued by the GASB in June 2017 and will be effective for the City's 2021-2022 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**



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

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes and penalties	\$ 1,132,221	\$ 1,135,467	\$ 1,134,298	\$ (1,169)
Licenses and permits	13,900	13,900	14,004	104
State grants	328,905	341,905	392,482	50,577
Federal grants	-	55,000	50,221	(4,779)
Charges for services	21,750	56,000	53,527	(2,473)
Fines and forfeits	100	100	228	128
Interest and rentals	81,125	64,625	62,401	(2,224)
Other revenues	109,060	135,560	134,758	(802)
<b>Total revenues</b>	<b>1,687,061</b>	<b>1,802,557</b>	<b>1,841,919</b>	<b>39,362</b>
<b>Expenditures</b>				
General government	673,926	606,276	475,801	130,475
Public safety	485,194	485,194	472,643	12,551
Public works	322,216	211,585	188,873	22,712
Community and economic development	4,700	5,700	4,831	869
Recreation and cultural	110,216	110,216	91,647	18,569
Other expenditures	262,865	281,565	281,558	7
<b>Total expenditures</b>	<b>1,859,117</b>	<b>1,700,536</b>	<b>1,515,353</b>	<b>185,183</b>
Excess of revenues over (under) expenditures	(172,056)	102,021	326,566	224,545
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital asset	29,000	3,000	-	(3,000)
Transfers in	190,020	90,020	54,870	(35,150)
Transfers in - component unit	12,377	12,377	12,377	-
Transfers out - component unit	(10,000)	(10,000)	(10,000)	-
Transfers out	(220,913)	(238,913)	(236,873)	2,040
<b>Total other financing sources (uses)</b>	<b>484</b>	<b>(143,516)</b>	<b>(179,626)</b>	<b>(36,110)</b>
<b>Net change in fund balance</b>	<b>(171,572)</b>	<b>(41,495)</b>	<b>146,940</b>	<b>188,435</b>
<b>Fund balance, beginning of year</b>	<b>1,112,456</b>	<b>1,112,456</b>	<b>1,112,456</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 940,884</b>	<b>\$ 1,070,961</b>	<b>\$ 1,259,396</b>	<b>\$ 188,435</b>



City of Ithaca  
 Budgetary Comparison Schedule - Major Street Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State grants	\$ 369,525	\$ 369,525	\$ 384,382	\$ 14,857
Interest and rentals	5,000	5,000	655	(4,345)
Other revenues	1,000	1,000	1,256	256
Total revenues	375,525	375,525	386,293	10,768
<b>Expenditures</b>				
Public works	323,525	328,525	266,360	62,165
Excess of revenues over (under) expenditures	52,000	47,000	119,933	72,933
<b>Other financing sources (uses)</b>				
Transfers in	33,000	33,000	36,960	3,960
Transfers out	(85,000)	(85,000)	(85,000)	-
Total other financing sources (uses)	(52,000)	(52,000)	(48,040)	3,960
<b>Net change in fund balance</b>	-	(5,000)	71,893	76,893
<b>Fund balance, beginning of year</b>	565,230	565,230	565,230	-
<b>Fund balance, end of year</b>	\$ 565,230	\$ 560,230	\$ 637,123	\$ 76,893

City of Ithaca  
 Budgetary Comparison Schedule - Local Street Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
State grants	\$ 120,040	\$ 120,040	\$ 125,899	\$ 5,859
Interest and rentals	3,000	3,000	343	(2,657)
Other revenues	500	500	-	(500)
Total revenues	123,540	123,540	126,242	2,702
<b>Expenditures</b>				
Public works	338,805	338,805	259,627	79,178
Excess of revenues over (under) expenditures	(215,265)	(215,265)	(133,385)	81,880
<b>Other financing sources (uses)</b>				
Transfers in	118,000	118,000	112,000	(6,000)
<b>Net change in fund balance</b>	(97,265)	(97,265)	(21,385)	75,880
<b>Fund balance, beginning of year</b>	423,253	423,253	423,253	-
<b>Fund balance, end of year</b>	\$ 325,988	\$ 325,988	\$ 401,868	\$ 75,880

City of Ithaca  
 Budgetary Comparison Schedule - Economic Development Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Interest and rentals	\$ 200	\$ 200	\$ 50	\$ (150)
Other revenues	8,139	8,139	8,139	-
Total revenues	8,339	8,339	8,189	(150)
<b>Expenditures</b>				
Community and economic development	-	-	-	-
<b>Net change in fund balance</b>	8,339	8,339	8,189	(150)
<b>Fund balance, beginning of year</b>	39,027	39,027	39,027	-
<b>Fund balance, end of year</b>	\$ 47,366	\$ 47,366	\$ 47,216	\$ (150)

City of Ithaca  
 Budgetary Comparison Schedule - Library Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes and penalties	\$ 131,500	\$ 131,500	\$ 157,723	\$ 26,223
State grants	6,000	6,000	6,792	792
Federal grants	-	-	492	492
Charges for services	3,500	3,500	2,008	(1,492)
Fines and forfeits	61,125	61,125	53,466	(7,659)
Interest and rentals	6,500	6,500	1,585	(4,915)
Other revenues	4,050	4,050	3,624	(426)
Total revenues	212,675	212,675	225,690	13,015
<b>Expenditures</b>				
Recreation and cultural	190,120	190,120	163,965	26,155
<b>Excess of revenues over (under) expenditures</b>	22,555	22,555	61,725	39,170
<b>Fund balance, beginning of year</b>	398,283	398,283	398,283	-
<b>Fund balance, end of year</b>	\$ 420,838	\$ 420,838	\$ 460,008	\$ 39,170

City of Ithaca  
 Budgetary Comparison Schedule - Fire Operating Fund  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 129,894	\$ 129,894	\$ 129,894	\$ -
Interest and rentals	700	700	126	(574)
Other revenues	4,000	21,604	29,101	7,497
Total revenues	134,594	152,198	159,121	6,923
<b>Expenditures</b>				
Public safety	195,386	367,780	368,566	(786)
<b>Excess of revenues over (under) expenditures</b>	(60,792)	(215,582)	(209,445)	6,137
<b>Other financing sources (uses)</b>				
Transfers in	76,492	223,786	223,786	-
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	61,492	208,786	208,786	-
<b>Net change in fund balance</b>	700	(6,796)	(659)	6,137
<b>Fund balance, beginning of year</b>	91,876	91,876	91,876	-
<b>Fund balance, end of year</b>	\$ 92,576	\$ 85,080	\$ 91,217	\$ 6,137

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

	Plan years ending						
	2014	2015	2016	2017	2018	2019	2020
<b>Total Pension Liability</b>							
Service Cost	22,097	22,158	23,731	19,110	20,002	17,228	18,409
Interest	334,991	335,619	348,062	351,659	346,137	348,127	335,614
Changes of Benefit Terms	-	-	-	-	-	-	-
Difference between expected & actual experience	-	56,022	45,090	(45,573)	63,500	(45,828)	99,806
Changes of assumptions	-	225,895	-	-	-	143,955	123,367
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)	(395,198)	(404,191)
Other	-	-	(2)	(2)	(1)	-	-
<b>Net Change in Total Pension Liability</b>	12,268	285,482	55,465	(52,607)	18,111	68,284	173,005
<b>Total Pension Liability beginning</b>	4,221,863	4,234,131	4,519,613	4,575,078	4,522,471	4,540,582	4,608,866
<b>Total Pension Liability ending</b>	4,234,131	4,519,613	4,575,078	4,522,471	4,540,582	4,608,866	4,781,871
<b>Plan Fiduciary Net Position</b>							
Contributions-employer	125,664	139,944	169,269	194,700	383,952	395,913	249,858
Contributions-employee	9,220	8,557	8,896	8,141	7,113	6,661	5,730
Net Investment income	168,684	(38,107)	269,761	322,962	(100,992)	338,019	352,047
Benefit payments including employee refunds	(344,820)	(354,212)	(361,416)	(377,801)	(411,527)	(395,198)	(404,191)
Administrative expense	(6,147)	(5,702)	(5,331)	(5,129)	(5,048)	(5,817)	(5,682)
<b>Net Change in Plan Fiduciary Net Position</b>	(47,399)	(249,520)	81,179	142,873	(126,502)	339,578	197,762
<b>Plan Fiduciary Net Position beginning</b>	2,735,571	2,688,172	2,438,652	2,519,831	2,662,704	2,536,202	2,875,780
<b>Plan Fiduciary Net Position ending</b>	2,688,172	2,438,652	2,519,831	2,662,704	2,536,202	2,875,780	3,073,542
<b>Employer Net Pension Liability</b>	1,545,959	2,080,961	2,055,247	1,859,767	2,004,380	1,733,086	1,708,329
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	63%	54%	55%	59%	56%	62%	64%
<b>Covered Employee Payroll (from GASB 68 actuarial page)</b>	181,796	182,060	189,274	144,643	151,337	117,518	121,916
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	850%	1143%	1086%	1286%	1324%	1475%	1401%

**Notes to Schedule:**

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

GASB 68 was implemented in fiscal year 6-30-2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

*Changes in the actuarial assumptions and methods based on the 2015 Experience Study are phased-in over a 5-year period. This valuation reflects the fifth year of the phase in. (This information can be found in the actuarial valuation appendix link of the actuarial valuation).*

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

	Fiscal years ending									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial Determined Contributions	81,672	87,930	97,398	112,824	132,972	149,790	184,356	222,828	236,580	258,708
Contributions in relation to the actuarially determined contribution	89,424	97,626	117,045	135,276	144,612	154,968	194,700	383,472	396,651	364,168
Contribution deficiency (excess)	(7,752)	(9,696)	(19,647)	(22,452)	(11,640)	(5,178)	(10,344)	(160,644)	(160,071)	(105,460)
Covered Employee Payroll	395,101	357,005	223,500	181,796	182,060	189,274	144,643	151,337	117,518	113,057
Contributions as a Percentage of Covered Employee Payroll	23%	27%	52%	74%	79%	82%	135%	253%	338%	322%

**Notes to Schedule of Contributions**

Valuation Date  
Notes

December 31, 2020

Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Age 60 or Age 55 with 25 years of service
Mortality	A version of Pub-2010 annual mortality tables

**Previous actuarial methods and assumptions:**

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

Above dates are based on fiscal year, not necessarily the measurement date.

Note that these are employer contributions not employee contributions.

**OTHER SUPPLEMENTARY INFORMATION**





City of Ithaca  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2021

	SPECIAL REVENUE FUNDS						Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Fire & Rescue Sinking	First Responder	Grant Projects	Cemetery Perpetual	
<b>Assets</b>								
Cash and cash equivalents	\$ 93,064	\$ 114,163	\$ 12,071	\$ 167,773	\$ 127,244	\$ 260	\$ 31,482	\$ 546,057
Investments	-	136,765	-	-	-	-	-	136,765
<b>Total assets</b>	<b>\$ 93,064</b>	<b>\$ 250,928</b>	<b>\$ 12,071</b>	<b>\$ 167,773</b>	<b>\$ 127,244</b>	<b>\$ 260</b>	<b>\$ 31,482</b>	<b>\$ 682,822</b>
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ 103,294	\$ 908	\$ -	\$ -	\$ 104,202
Accrued liabilities	-	-	-	-	913	-	-	913
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,294</b>	<b>1,821</b>	<b>-</b>	<b>-</b>	<b>105,115</b>
<b>Fund balance</b>								
Restricted	93,064	250,928	12,071	64,479	125,423	260	31,482	577,707
<b>Total fund balance</b>	<b>93,064</b>	<b>250,928</b>	<b>12,071</b>	<b>64,479</b>	<b>125,423</b>	<b>260</b>	<b>31,482</b>	<b>577,707</b>
<b>Total liabilities and fund balance</b>	<b>\$ 93,064</b>	<b>\$ 250,928</b>	<b>\$ 12,071</b>	<b>\$ 167,773</b>	<b>\$ 127,244</b>	<b>\$ 260</b>	<b>\$ 31,482</b>	<b>\$ 682,822</b>

City of Ithaca  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS						Permanent Fund	Totals
	Caldwell Memorial	Gibbs Memorial	Cemetery Sinking	Fire & Rescue Sinking	First Responder	Grant Projects	Cemetery Perpetual	
<b>Revenues</b>								
Charges for services	\$ -	\$ -	\$ 4,920	\$ -	\$ 41,102	\$ -	\$ 280	\$ 46,302
Interest and rentals	105	235	12	177	122	2	107	760
Other revenues	-	-	-	57,270	681	-	-	57,951
<b>Total revenues</b>	<b>105</b>	<b>235</b>	<b>4,932</b>	<b>57,447</b>	<b>41,905</b>	<b>2</b>	<b>387</b>	<b>105,013</b>
<b>Expenditures</b>								
Public safety	-	-	-	-	88,641	-	-	88,641
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,641</b>	<b>-</b>	<b>-</b>	<b>88,641</b>
Excess of revenues over (under) expenditures	105	235	4,932	57,447	(46,736)	2	387	16,372
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	17,000	51,551	-	-	68,551
Transfers out	(15,000)	-	-	(142,294)	(2,000)	-	-	(159,294)
<b>Total other financing sources (uses)</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>(125,294)</b>	<b>49,551</b>	<b>-</b>	<b>-</b>	<b>(90,743)</b>
<b>Net change in fund balances</b>	<b>(14,895)</b>	<b>235</b>	<b>4,932</b>	<b>(67,847)</b>	<b>2,815</b>	<b>2</b>	<b>387</b>	<b>(74,371)</b>
<b>Fund balance, beginning of year</b>	<b>107,959</b>	<b>250,693</b>	<b>7,139</b>	<b>132,326</b>	<b>122,608</b>	<b>258</b>	<b>31,095</b>	<b>652,078</b>
<b>Fund balance, end of year</b>	<b>\$ 93,064</b>	<b>\$ 250,928</b>	<b>\$ 12,071</b>	<b>\$ 64,479</b>	<b>\$ 125,423</b>	<b>\$ 260</b>	<b>\$ 31,482</b>	<b>\$ 577,707</b>



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

To the City Council  
City of Ithaca

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ithaca (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**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.

A handwritten signature in dark blue ink that reads "Roslund, Prestage &amp; Company, P.C." in a cursive script.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants  
October 29, 2021