

**City of Hillsdale**

**Financial Statements**

**June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## Independent Auditors' Report

City Council and Management  
City of Hillsdale  
Hillsdale, Michigan

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hillsdale (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hillsdale as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Michigan South Central Power Agency, which represent 15 percent, 18 percent, and 0 percent, respectively, of the assets and deferred outflows, net position, and revenues of the Electric Fund as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for Michigan South Central Power Agency, is based solely on the report of the other auditors.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hillsdale, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Responsibilities of Management for the Financial Statements

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

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

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hillsdale's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsdale's ability to continue as a going concern for a reasonable period of time.

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

## **Emphasis of Matter Regarding Correction of Error**

As described in Note 22 to the financial statements, during the year, management has determined a prior period adjustment was necessary to adjust the beginning fund balance of the General Fund and net position of the Governmental Activities. The result of this restatement increased beginning fund balance in the General Fund and the beginning net position in the governmental activities by \$190,638.

## **Required Supplementary Information**

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hillsdale's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The nonfinancial information schedule, included within the Dial-A-Ride Fund transit schedules, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on the nonfinancial information contained therein.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of the City of Hillsdale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hillsdale's internal control over financial

reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hillsdale's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Ann Arbor, MI  
November 14, 2023

**City of Hillsdale**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As management of the City of Hillsdale, Michigan (The "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$78,023,431 (*net position*). Of this amount, \$21,037,114 represents *unrestricted net position*.
- The City's revenues were \$29,496,452 and expenses were \$27,372,527 for an increase in net position of \$2,123,925.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$12,018,515, an increase of \$4,087,964 in comparison with the prior year. Approximately 37.2% of this amount, or \$4,475,206, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,475,206, or approximately 90.5% of total general fund expenditures and transfers out.

**Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., changes in the City's net pension liability and capital asset activity).



**City of Hillsdale**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety services, streets and highways, airport, community and economic development, and recreation and culture. The business-type activities of the City include electric, water, and sewer services as well as Dial-A-Ride transportation services.

The government-wide financial statements include not only the City of Hillsdale itself (known as the primary government), but also a legally separate Economic Development Corporation and Tax Increment Finance Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

**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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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 several individual governmental funds. 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 and capital improvement funds, which are considered to be major funds. Data from the other remaining funds are presented as a separate column as they are considered nonmajor funds.

The City adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

**Proprietary Funds.** The City maintains two 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 enterprises funds to account for its electric, water, sewer, and Dial-A-Ride operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

**City of Hillsdale**  
**Management's Discussion and Analysis**  
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The City uses several internal service funds to account for various costs by allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the 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 separate information for the water, sewer, and electric operations, of which are considered to be major funds of the City. Dial-A-Ride is considered to be a nonmajor proprietary fund and is noted in a separate column of the financial statements. The internal service funds data is presented in the proprietary fund financial statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported 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 City reports two types of fiduciary funds, which are custodial funds and private purpose trust funds.

*Custodial funds* report resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

*Private purpose trust funds* report resources earmarked for other services. In the City's case, the resources are earmarked for hospital care.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's budgetary comparison schedules and the City's pension schedules.

This report also presents other supplementary information which includes the combining and individual fund statements and the Dial-A-Ride transit schedules. The combining statements and transit schedules are presented immediately following the required supplementary information on pensions.

**City of Hillsdale**  
**Management's Discussion and Analysis**  
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**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$78,023,431 at the close of the most recent fiscal year.

**City of Hillsdale's Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Cash and investments	\$ 12,181,318	\$ 8,691,484	\$ 15,275,377	\$ 11,444,148	\$ 27,456,695	\$ 20,135,632
Receivables (net)	750,772	485,913	2,240,701	2,116,599	2,991,473	2,602,512
Due from other units of government	374,443	210,059	53,995	78,189	428,438	288,248
Inventories	146,741	160,857	522,850	572,122	669,591	732,979
Prepaid items	181,489	109,336	247,648	128,830	429,137	238,166
Restricted assets						
Cash and cash equivalents	-	-	1,202,488	766,139	1,202,488	766,139
Prepaid standard costs	-	-	-	32,239	-	32,239
Investment in joint venture	-	-	4,803,781	4,758,381	4,803,781	4,758,381
Advances to component unit	-	-	120,000	360,000	120,000	360,000
Right to use assets, net of amortization	20,607	322,575	114,236	53,868	134,843	376,443
Capital assets, net of accumulated depreciation	27,245,780	26,846,774	34,680,161	33,892,903	61,925,941	60,739,677
Total assets	<u>40,901,150</u>	<u>36,826,998</u>	<u>59,261,237</u>	<u>54,203,418</u>	<u>100,162,387</u>	<u>91,030,416</u>
<b>Deferred Outflows of Resources</b>						
Deferred amount relating to net pension liability	1,464,962	680,872	1,247,928	832,180	2,712,890	1,513,052
<b>Liabilities</b>						
Accounts payable	317,114	333,929	1,054,214	1,233,661	1,371,328	1,567,590
Accrued and other liabilities	172,357	117,603	284,884	117,668	457,241	235,271
Due to other units of government	-	-	27,690	17,363	27,690	17,363
Unearned revenue	90,696	440,361	-	111,730	90,696	552,091
Noncurrent liabilities						
Due to primary government	-	-	-	200,000	-	200,000
Debt due within one year	244,162	-	515,582	373,501	759,744	373,501
Debt due in more than one year	2,531,782	362,826	10,497,814	6,532,774	13,029,596	6,895,600
Net pension liability	4,849,281	2,240,296	3,935,863	2,734,792	8,785,144	4,975,088
Total liabilities	<u>8,205,392</u>	<u>3,495,015</u>	<u>16,316,047</u>	<u>11,321,489</u>	<u>24,521,439</u>	<u>14,816,504</u>
<b>Deferred inflows of resources</b>						
Deferred amount relating to leases receivable	307,525	325,404	-	-	307,525	325,404
Deferred amount relating to net pension liability	12,356	761,712	10,526	930,980	22,882	1,692,692
Total deferred inflows of resources	<u>319,881</u>	<u>1,087,116</u>	<u>10,526</u>	<u>930,980</u>	<u>330,407</u>	<u>2,018,096</u>
<b>Net position</b>						
Net investment in capital assets	24,799,739	27,371,827	24,060,230	27,254,315	48,859,969	54,626,142
Restricted	7,681,565	5,078,040	1,202,488	766,139	8,884,053	5,844,179
Unrestricted	1,359,535	475,872	18,919,874	14,762,675	20,279,409	15,238,547
Total net position	<u>\$ 33,840,839</u>	<u>\$ 32,925,739</u>	<u>\$ 44,182,592</u>	<u>\$ 42,783,129</u>	<u>\$ 78,023,431</u>	<u>\$ 75,708,868</u>

**City of Hillsdale**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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The largest portion of the City's net position of \$48,859,969 (63.4%) reflects its investment in capital assets (e.g., construction in progress, land, buildings and improvements, furniture and fixtures, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental Activities**

Cash and investments increased by \$3,489,834 during the year to \$12,181,318 as of year-end. The primary reason for this was the cash received from a bond sale but not yet spent. Receivables increased by \$264,859 due to timing of revenues received compared to prior year. Pension-related deferred outflows of resources increased by \$784,090 as the return on investments was less than expected while pension-related deferred inflows of resources decreased by \$749,356 for the same reason. With that, net pension liability increased by \$2,608,985.

**Business-type Activities**

Cash and investments, including restricted cash, increased by \$4,405,553 during the current year to \$15,849,701 as of year-end. The primary reason for this was the money received from the sale of bonds. The City's investment in M.S.C.P.A. increased by \$45,400 as the City's share increased slightly to 22.33%. Pension-related deferred outflows of resources increased by \$415,748 as the return on investments was less than expected while pension-related deferred inflows of resources decreased by \$920,454 as the for the same reason. With that, net pension liability increased by \$504,706.

The City's overall net position increased \$2,123,925 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**City of Hillsdale  
Management's Discussion and Analysis  
June 30, 2023**

**City of Hillsdale's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 767,007	\$ 2,488,064	\$ 18,527,880	\$ 17,567,816	\$ 19,294,887	\$ 20,055,880
Operating grants and contributions	3,026,766	1,426,423	605,645	404,123	3,632,411	1,830,546
Capital grants and contributions	336,970	574,145	140,071	1,250	477,041	575,395
<b>Total Program Revenues</b>	<u>4,130,743</u>	<u>4,488,632</u>	<u>19,273,596</u>	<u>17,973,189</u>	<u>23,404,339</u>	<u>22,461,821</u>
<b>General Revenues</b>						
Taxes	3,257,984	2,951,446	-	-	3,257,984	2,951,446
Unrestricted state sources	1,249,792	1,300,945	-	-	1,249,792	1,300,945
Unrestricted investment earnings	275,874	-	300,534	-	576,408	-
Payment in lieu of taxes	-	1,149,607	-	-	-	1,149,607
Investment income and net gain (loss)	-	(35,235)	-	(148,388)	-	(183,623)
Gain on sale of capital assets	435,884	-	-	-	435,884	-
Miscellaneous	273,997	-	298,048	-	572,045	-
Transfers (net)	39,582	48,315	(39,582)	(48,315)	-	-
<b>Total revenues</b>	<u>9,663,856</u>	<u>9,903,710</u>	<u>19,832,596</u>	<u>17,776,486</u>	<u>29,496,452</u>	<u>27,680,196</u>
<b>Expenses</b>						
General government	1,573,473	1,128,299	-	-	1,573,473	1,128,299
Public safety	3,258,044	1,936,535	-	-	3,258,044	1,936,535
Public works	3,153,514	3,319,790	-	-	3,153,514	3,319,790
Community and economic development	267,302	218,749	-	-	267,302	218,749
Recreation and culture	658,554	695,338	-	-	658,554	695,338
Interest on payables	28,507	-	-	-	28,507	-
Electric	-	-	13,975,125	13,777,696	13,975,125	13,777,696
Sewer	-	-	2,060,985	2,027,407	2,060,985	2,027,407
Water	-	-	2,047,477	1,639,451	2,047,477	1,639,451
Transportation	-	-	349,546	362,842	349,546	362,842
<b>Total expenses</b>	<u>8,939,394</u>	<u>7,298,711</u>	<u>18,433,133</u>	<u>17,807,396</u>	<u>27,372,527</u>	<u>25,106,107</u>
<b>Changes in Net Position</b>	724,462	2,604,999	1,399,463	(30,910)	2,123,925	2,574,089
<b>Net position - beginning (restated)</b>	<u>33,116,377</u>	<u>30,320,740</u>	<u>42,783,129</u>	<u>42,814,039</u>	<u>75,899,506</u>	<u>73,134,779</u>
<b>Net position - end of year</b>	<u>\$ 33,840,839</u>	<u>\$ 32,925,739</u>	<u>\$ 44,182,592</u>	<u>\$ 42,783,129</u>	<u>\$ 78,023,431</u>	<u>\$ 75,708,868</u>

**City of Hillsdale**  
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**Governmental Activities.** Governmental activities increased the City's net position by \$724,462. The total increase was the result of total revenues of \$9,663,856 less total expenses of \$8,939,394. Capital grants and contributions decreased from \$574,145 in the prior year to \$336,970 during the current year in large part due to decreased grant revenue for various grants. An increase in taxable value increased overall tax revenues by \$306,538. General government expense increased by \$445,174 as there was an increase in depreciation. An increase in pension expense was the primary contributor to the increase of \$1,321,509 in public safety expenses. Decreased depreciation as assets mature contributed to the \$166,276 decrease in public works expenses.

**Business-type Activities.**

Charges for services increased by \$960,064, primarily a result of overall increase in utility rates in the past year. Overall expenses increased by \$625,737 as there were increases in production, distribution, collection system, treatment, administrative and general, and depreciation costs.

**Financial Analysis of Governmental Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2023, the City's governmental funds reported combined fund balances of \$12,018,515, an increase of \$4,087,964 in comparison with the prior year. Approximately 37.2% of this amount, or \$4,475,206, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is: 1) not in spendable form, \$156,430, or 1.3%, for prepaid items, 2) restricted for particular purposes, \$7,386,879, or 61.5% for major and local streets, debt service, capital improvement projects, and various permanent sources, or 3) assigned for particular purposes, \$0, or 0.0%

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,475,206 while total fund balance increased to \$4,626,825. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 90.5% of total general fund expenditures and transfers out while total fund balance represents approximately 93.6% of that same amount.

The fund balance of the City's general fund increased by \$1,593,064 during the current fiscal year. This compares to an increase of \$1,278,397 in the prior year. The primary reason for the current year increase in general fund balance relates to increased property tax, payments in lieu of taxes, and sale of property. Expenditures remained relatively consistent with an increase in fire-related and police-related expenditures during the current year.

**City of Hillsdale  
Management's Discussion and Analysis  
June 30, 2023**

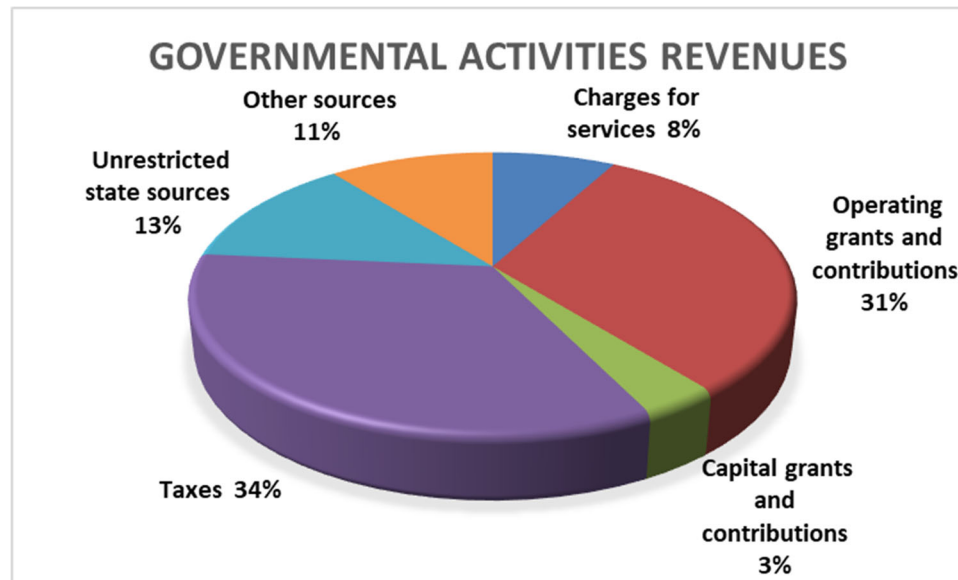
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**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the electric fund was \$12,110,613. The increase in net position was \$229,823. Unrestricted net position of the sewer fund was \$3,384,699. The sewer fund had \$1,202,488 as restricted net position for debt service and bond reserves. The increase in net position was \$938,106. Unrestricted net position of the water fund was \$3,262,779. The increase in net position was \$297,016. Unrestricted net position of the Dial-A-Ride, a nonmajor enterprise fund, was \$107,943. The decrease in net position was \$65,482. Detailed information regarding the change in net position for these funds can be found in an earlier section of this report.

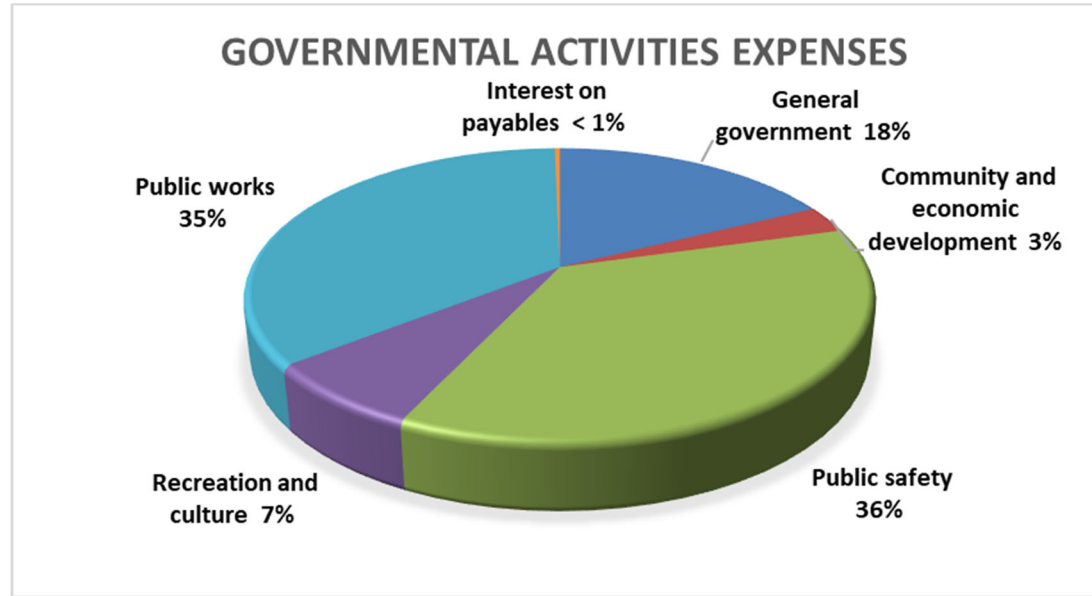
**Governmental Activities**

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end.



**City of Hillsdale  
Management's Discussion and Analysis  
June 30, 2023**

The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end.



**General Fund Budgetary Highlights**

*Original budget compared to final budget.* There were no significant increases or decreases to the original budgeted appropriations or estimated revenues during the year. Minor adjustments were made in various functions to better allocate costs.

*Final budget compared to actual results.* The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2023:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>General Fund</b>			
Recreation and culture	\$ 170,206	\$ 197,024	\$ 26,818
Debt service	-	1,145	1,145



**City of Hillsdale**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Capital Asset and Debt Administration**

***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$61,925,941 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture, equipment, vehicles, and utility, street, and airport infrastructure.

The following construction projects were completed during the year:

- Various street improvements on Morry, Lynwood, Howell and Uran Streets

As of June 30, 2023, the following major projects remain open at year-end:

- Various street, sewer and water improvements

More detailed information about the City's capital assets can be found in note 5.

***Long-term Debt***

As described in note 8 to the financial statements, the City had \$13,789,340 a \$6,520,239 increase from the prior year, in long-term debt outstanding at the end of the fiscal year. The City is well under its legal debt limit as of year-end.

**Economic Condition and Outlook**

Management estimates that approximately \$5.3 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2023. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2024, the City plans again to use current revenues to provide essential services, to maintain the City's financial reserves at similar levels, and to complete several construction projects as indicated above. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

**City of Hillsdale**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Contacting the City**

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Finance Department  
City of Hillsdale  
97 North Broad Street  
Hillsdale, MI 49242

or by contacting the finance department, 517.437.6446 or [finance@cityofhillsdale.org](mailto:finance@cityofhillsdale.org) or City Manager, David Mackie, 517.437.6444 or [dmackie@cityofhillsdale.org](mailto:dmackie@cityofhillsdale.org).

**City of Hillsdale**  
**Statement of Net Position**  
**June 30, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 12,181,318	\$ 15,275,377	\$ 27,456,695	\$ 298,242
Receivables				
Customers (net)	149,066	2,237,836	2,386,902	-
Special assessments	294,195	-	294,195	-
Accrued interest and other	-	2,865	2,865	-
Leases receivable	307,511	-	307,511	98,943
Due from other units of government	374,443	53,995	428,438	-
Inventories	146,741	522,850	669,591	-
Prepaid items	181,489	247,648	429,137	-
Restricted assets				
Cash and cash equivalents	-	1,202,488	1,202,488	-
Investment in joint venture	-	4,803,781	4,803,781	-
Advances to component unit	-	120,000	120,000	-
Right to use assets, net of amortization	20,607	114,236	134,843	-
Capital assets not being depreciated	8,959,115	868,015	9,827,130	158,727
Capital assets, net of accumulated depreciation	18,286,665	33,812,146	52,098,811	2,399,191
Total assets	<u>40,901,150</u>	<u>59,261,237</u>	<u>100,162,387</u>	<u>2,955,103</u>
<b>Deferred Outflows of Resources</b>				
Deferred amount relating to net pension liability	<u>1,464,962</u>	<u>1,247,928</u>	<u>2,712,890</u>	<u>-</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Statement of Net Position**  
**June 30, 2023**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable	\$ 317,114	\$ 1,054,214	\$ 1,371,328	\$ 600
Accrued and other liabilities	172,357	284,884	457,241	2,950
Due to other units of government	-	27,690	27,690	-
Unearned revenue	90,696	-	90,696	-
Noncurrent liabilities				
Due to primary government	-	-	-	120,000
Debt due within one year	244,162	515,582	759,744	40,000
Debt due in more than one year	2,531,782	10,497,814	13,029,596	260,000
Net pension liability	4,849,281	3,935,863	8,785,144	-
Total liabilities	<u>8,205,392</u>	<u>16,316,047</u>	<u>24,521,439</u>	<u>423,550</u>
<b>Deferred Inflows of Resources</b>				
Deferred amount relating to leases receivable	307,525	-	307,525	89,317
Deferred amount relating to net pension liability	12,356	10,526	22,882	-
Total deferred inflows of resources	<u>319,881</u>	<u>10,526</u>	<u>330,407</u>	<u>89,317</u>
<b>Net Position</b>				
Net investment in capital assets	24,799,739	24,060,230	48,859,969	2,257,918
Restricted for				
Debt service	-	1,202,488	1,202,488	-
Permanent funds	867,301	-	867,301	-
Capital projects	811,545	-	811,545	-
Streets	4,971,087	-	4,971,087	-
Public safety	6,709	-	6,709	-
Recreation and culture	414,056	-	414,056	-
Community and economic development	610,867	-	610,867	-
Unrestricted	<u>1,359,535</u>	<u>18,919,874</u>	<u>20,279,409</u>	<u>184,318</u>
Total net position	<u>\$ 33,840,839</u>	<u>\$ 44,182,592</u>	<u>\$ 78,023,431</u>	<u>\$ 2,442,236</u>

See Accompanying Notes to the Financial Statements

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs</b>								
<b>Primary government</b>								
Governmental activities								
General government	\$ 1,573,473	\$ 154,197	\$ 1,626,923	\$ -	\$ 207,647	\$ -	\$ 207,647	\$ -
Public safety	3,258,044	57,212	2,561	-	(3,198,271)	-	(3,198,271)	-
Public works	3,153,514	364,639	1,302,026	336,970	(1,149,879)	-	(1,149,879)	-
Community and economic development	267,302	11,500	-	-	(255,802)	-	(255,802)	-
Recreation and culture	658,554	179,459	95,256	-	(383,839)	-	(383,839)	-
Interest and fiscal charges on long-term debt	28,507	-	-	-	(28,507)	-	(28,507)	-
Total governmental activities	<u>8,939,394</u>	<u>767,007</u>	<u>3,026,766</u>	<u>336,970</u>	<u>(4,808,651)</u>	<u>-</u>	<u>(4,808,651)</u>	<u>-</u>
Business-type activities								
Dial-A-Ride	349,546	42,236	268,231	-	-	(39,079)	(39,079)	-
Electric	13,975,125	13,649,163	337,414	-	-	11,452	11,452	-
Sewer	2,060,985	2,749,963	-	-	-	688,978	688,978	-
Water	2,047,477	2,086,518	-	140,071	-	179,112	179,112	-
Total business-type activities	<u>18,433,133</u>	<u>18,527,880</u>	<u>605,645</u>	<u>140,071</u>	<u>-</u>	<u>840,463</u>	<u>840,463</u>	<u>-</u>
Total primary government	<u>\$ 27,372,527</u>	<u>\$ 19,294,887</u>	<u>\$ 3,632,411</u>	<u>\$ 477,041</u>	<u>(4,808,651)</u>	<u>840,463</u>	<u>(3,968,188)</u>	<u>-</u>
<b>Component units</b>								
Economic Development Authority	\$ 8,524	\$ 9,475	\$ -	\$ -				951
Tax Increment Finance Authority	57,203	-	-	-				(57,203)
Total Component Units	<u>\$ 65,727</u>	<u>\$ 9,475</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(56,252)</u>
General revenues								
Property taxes					3,257,984	-	3,257,984	130,073
Unrestricted state-shared revenue					1,249,792	-	1,249,792	-
Unrestricted investment earnings					275,874	300,534	576,408	7,432
Gain on sale of capital assets					435,884	-	435,884	85,658
Miscellaneous					273,997	298,048	572,045	-
Transfers					39,582	(39,582)	-	-
Total general revenues and transfers					<u>5,533,113</u>	<u>559,000</u>	<u>6,092,113</u>	<u>223,163</u>
Change in net position					<u>724,462</u>	<u>1,399,463</u>	<u>2,123,925</u>	<u>166,911</u>
Net position - beginning of year					32,925,739	42,783,129	75,708,868	2,275,325
Prior period adjustment					190,638	-	190,638	-
Net position - beginning of year, as restated					<u>33,116,377</u>	<u>42,783,129</u>	<u>75,899,506</u>	<u>2,275,325</u>
Net position - end of year					<u>\$ 33,840,839</u>	<u>\$ 44,182,592</u>	<u>\$ 78,023,431</u>	<u>\$ 2,442,236</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale  
Governmental Funds  
Balance Sheet  
June 30, 2023**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street		
<b>Assets</b>					
Cash and investments	\$ 4,683,494	\$ 934,227	\$ 3,239,859	\$ 3,018,468	\$ 11,876,048
Receivables					
Customers	106,252	814	-	41,842	148,908
Special assessments	-	-	294,195	-	294,195
Leases receivable	276,085	-	-	31,426	307,511
Due from other units of government	175,169	151,779	-	47,495	374,443
Due from other funds	-	-	-	193,851	193,851
Prepaid items	151,619	661	-	4,150	156,430
<b>Total assets</b>	<b>\$ 5,392,619</b>	<b>\$ 1,087,481</b>	<b>\$ 3,534,054</b>	<b>\$ 3,337,232</b>	<b>\$ 13,351,386</b>

See Accompanying Notes to the Financial Statements

**City of Hillsdale  
Governmental Funds  
Balance Sheet  
June 30, 2023**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street		
<b>Liabilities</b>					
Accounts payable	\$ 177,936	\$ 22,383	\$ -	\$ 103,062	\$ 303,381
Accrued and other liabilities	117,922	10,405	-	14,791	143,118
Due to other funds	193,851	-	-	105	193,956
Unearned revenue	-	-	-	90,696	90,696
<b>Total liabilities</b>	<b>489,709</b>	<b>32,788</b>	<b>-</b>	<b>208,654</b>	<b>731,151</b>
<b>Deferred Inflows of Resources</b>					
Special assessments	-	-	294,195	-	294,195
Leases	276,085	-	-	31,440	307,525
<b>Total deferred inflows of resources</b>	<b>276,085</b>	<b>-</b>	<b>294,195</b>	<b>31,440</b>	<b>601,720</b>
<b>Fund Balances</b>					
Non-spendable					
Prepaid items	151,619	661	-	4,150	156,430
Restricted for					
Streets	-	1,054,032	3,239,859	381,826	4,675,717
Other special revenue funds	-	-	-	1,027,996	1,027,996
Capital projects	-	-	-	811,545	811,545
Permanent fund	-	-	-	867,301	867,301
Assigned	-	-	-	4,320	4,320
Unassigned	4,475,206	-	-	-	4,475,206
<b>Total fund balances</b>	<b>4,626,825</b>	<b>1,054,693</b>	<b>3,239,859</b>	<b>3,097,138</b>	<b>12,018,515</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,392,619</b>	<b>\$ 1,087,481</b>	<b>\$ 3,534,054</b>	<b>\$ 3,337,232</b>	<b>\$ 13,351,386</b>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Position of Governmental Activities**  
**June 30, 2023**

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<b>Total fund balances for governmental funds</b>	<b>\$ 12,018,515</b>
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets, net of amortization	20,607
Capital assets not being depreciated	8,959,115
Capital assets, net of accumulated depreciation	17,791,903
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	294,195
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(28,279)
Compensated absences	(280,578)
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from net pension liability	1,464,962
Deferred inflows of resources resulting from net pension liability	(12,356)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Bonds payable	(2,466,648)
Net pension liability	(4,849,281)
Internal service funds are included as part of governmental activities.	928,684
<b>Net position of governmental activities</b>	<b>\$ 33,840,839</b>



**City of Hillsdale**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street		
<b>Revenues</b>					
Taxes	\$ 3,082,840	\$ -	\$ 906,191	\$ 282,391	\$ 4,271,422
Special assessments	2,665	-	163,180	-	165,845
Licenses and permits	104,771	-	-	-	104,771
Federal grants	31,435	127,555	-	601,831	760,821
State-shared revenue	1,097,517	-	152,275	-	1,249,792
Other state grants	223,778	955,776	-	340,413	1,519,967
Local contributions	100	-	-	63,656	63,756
Charges for services	21,559	-	-	93,066	114,625
Fines and forfeitures	1,019	-	-	32,320	33,339
Interest income	123,343	14,547	90,926	54,653	283,469
Rental income	14,186	-	-	100,326	114,512
Other revenue	305,940	14,552	14,584	326,242	661,318
<b>Total revenues</b>	<b>5,009,153</b>	<b>1,112,430</b>	<b>1,327,156</b>	<b>1,894,898</b>	<b>9,343,637</b>
<b>Expenditures</b>					
Current					
General government	1,236,999	-	-	553	1,237,552
Public safety	2,330,422	-	-	4,147	2,334,569
Public works	828,615	552,309	200,487	618,414	2,199,825
Community and economic development	229,559	-	-	-	229,559
Recreation and culture	197,024	-	-	417,982	615,006
Capital outlay	-	504,590	-	1,697,619	2,202,209
Debt service					
Principal retirement	1,032	-	-	839	1,871
Interest and fiscal charges	113	-	-	115	228
<b>Total expenditures</b>	<b>4,823,764</b>	<b>1,056,899</b>	<b>200,487</b>	<b>2,739,669</b>	<b>8,820,819</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>185,389</b>	<b>55,531</b>	<b>1,126,669</b>	<b>(844,771)</b>	<b>522,818</b>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2023**

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street		
<b>Other financing sources (uses)</b>					
Transfers in	\$ 183,184	\$ 280,437	\$ 10,520	\$ 824,240	\$ 1,298,381
Transfers out	(118,593)	(393,614)	(672,429)	(74,163)	(1,258,799)
Issuance of debt	16,039	-	2,300,000	5,965	2,322,004
Premium on issuance of debt	-	-	146,515	-	146,515
Sale of capital assets	866,407	-	-	-	866,407
 Total other financing sources and uses	 947,037	 (113,177)	 1,784,606	 756,042	 3,374,508
 Net change in fund balance	 1,132,426	 (57,646)	 2,911,275	 (88,729)	 3,897,326
 Fund balance - beginning of year	 3,303,761	 1,112,339	 328,584	 3,185,867	 7,930,551
 Prior period adjustment	 190,638	 -	 -	 -	 190,638
 Fund balance - beginning of year (restated)	 3,494,399	 1,112,339	 328,584	 3,185,867	 8,121,189
 Fund balance - end of year	 <u>\$ 4,626,825</u>	 <u>\$ 1,054,693</u>	 <u>\$ 3,239,859</u>	 <u>\$ 3,097,138</u>	 <u>\$ 12,018,515</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 3,897,326</b>
 Total change in net position reported for governmental activities in the statement of activities is different because:	
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Depreciation and amortization expense	(1,397,132)
Capital outlay	2,293,144
Sale of capital assets (net book value)	(446,108)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(159,644)
 Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(28,279)
Compensated absences	13,405
 The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(2,608,985)
Net change in the deferred inflow of resources related to the net pension liability	749,356
Net change in the deferred outflow of resources related to the net pension liability	784,090
 Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Debt issued	(2,468,519)
Repayments of long-term debt	1,871
Internal service funds are also included as governmental activities	93,937
<b>Change in net position of governmental activities</b>	<b>\$ 724,462</b>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2023**

	Enterprise Funds					Internal Service Funds
	Dial-A-Ride (Nonmajor)	Electric	Sewer	Water	Total	
<b>Assets</b>						
Current assets						
Cash and investments	\$ 97,989	\$ 8,194,023	\$ 3,664,359	\$ 3,319,006	\$ 15,275,377	\$ 305,270
Receivables						
Customers (net)	5,513	1,591,665	343,597	297,061	2,237,836	158
Accrued interest and other	-	2,865	-	-	2,865	-
Due from other units of government	53,995	-	-	-	53,995	-
Due from other funds	-	-	-	-	-	105
Inventories	-	403,877	3,436	115,537	522,850	146,741
Prepaid items	4,912	169,552	36,394	36,790	247,648	25,059
	<u>162,409</u>	<u>10,361,982</u>	<u>4,047,786</u>	<u>3,768,394</u>	<u>18,340,571</u>	<u>477,333</u>
Total current assets						
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	-	-	1,202,488	-	1,202,488	-
Investment in joint venture	-	4,803,781	-	-	4,803,781	-
Advances to other funds	-	175,000	-	-	175,000	-
Advances to component unit	-	120,000	-	-	120,000	-
Right to use assets, net of amortization	-	101,724	6,256	6,256	114,236	-
Capital assets not being depreciated	7,419	513,399	197,521	149,676	868,015	-
Capital assets, net of accumulated depreciation	589,957	13,967,697	13,186,293	6,068,199	33,812,146	494,762
	<u>597,376</u>	<u>19,681,601</u>	<u>14,592,558</u>	<u>6,224,131</u>	<u>41,095,666</u>	<u>494,762</u>
Total noncurrent assets	<u>597,376</u>	<u>19,681,601</u>	<u>14,592,558</u>	<u>6,224,131</u>	<u>41,095,666</u>	<u>494,762</u>
Total assets	<u>759,785</u>	<u>30,043,583</u>	<u>18,640,344</u>	<u>9,992,525</u>	<u>59,436,237</u>	<u>972,095</u>
<b>Deferred Outflows of Resources</b>						
Deferred amount relating to net pension liability	-	976,640	135,644	135,644	1,247,928	-

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2023**

	Enterprise Funds					Internal Service Funds
	Dial-A-Ride (Nonmajor)	Electric	Sewer	Water	Total	
<b>Liabilities</b>						
Current liabilities						
Accounts payable	\$ 4,406	\$ 867,061	\$ 44,617	\$ 138,130	\$ 1,054,214	\$ 13,733
Accrued and other liabilities	6,320	138,937	83,826	55,801	284,884	960
Due to other units of government	27,690	-	-	-	27,690	-
Current portion of noncurrent liabilities	-	2,790	439,075	73,717	515,582	-
Total current liabilities	<u>38,416</u>	<u>1,008,788</u>	<u>567,518</u>	<u>267,648</u>	<u>1,882,370</u>	<u>14,693</u>
Noncurrent liabilities						
Advances from other funds	-	-	175,000	-	175,000	-
Net pension liability	-	3,126,699	404,582	404,582	3,935,863	-
Long-term debt net of current portion	16,050	195,085	7,923,430	2,363,249	10,497,814	28,718
Total noncurrent liabilities	<u>16,050</u>	<u>3,321,784</u>	<u>8,503,012</u>	<u>2,767,831</u>	<u>14,608,677</u>	<u>28,718</u>
Total liabilities	<u>54,466</u>	<u>4,330,572</u>	<u>9,070,530</u>	<u>3,035,479</u>	<u>16,491,047</u>	<u>43,411</u>
<b>Deferred Inflows of Resources</b>						
Deferred amount relating to net pension liability	-	8,238	1,144	1,144	10,526	-
<b>Net Position</b>						
Net investment in capital assets	597,376	14,570,800	5,063,287	3,828,767	24,060,230	494,762
Restricted for						
Debt	-	-	1,202,488	-	1,202,488	-
Unrestricted	107,943	12,110,613	3,438,539	3,262,779	18,919,874	433,922
Total net position	<u>\$ 705,319</u>	<u>\$ 26,681,413</u>	<u>\$ 9,704,314</u>	<u>\$ 7,091,546</u>	<u>\$ 44,182,592</u>	<u>\$ 928,684</u>

See Accompanying Notes to the Financial Statements

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

	Enterprise Funds					Internal Service Funds
	Dial-A-Ride (Nonmajor)	Electric	Sewer	Water	Total	
<b>Operating revenue</b>						
Customer fees	\$ 42,236	\$ 13,411,935	\$ 2,742,941	\$ 2,074,608	\$ 18,271,720	\$ -
Billings to other funds	-	237,228	7,022	11,910	256,160	305,058
Other revenue	9,902	110,768	135,930	40,848	297,448	93,212
<b>Total operating revenue</b>	<b>52,138</b>	<b>13,759,931</b>	<b>2,885,893</b>	<b>2,127,366</b>	<b>18,825,328</b>	<b>398,270</b>
<b>Operating expenses</b>						
Personnel services	233,575	1,519,834	667,606	646,316	3,067,331	102,889
Supplies	34,504	9,897,333	88,801	109,335	10,129,973	63,551
Contractual services	30,237	1,160,940	439,799	348,548	1,979,524	52,414
Utilities	6,074	33,675	45,605	9,149	94,503	9,951
Repairs and maintenance	2,303	476,007	70,302	292,034	840,646	-
Other expenses	1,557	109,354	340,856	319,386	771,153	-
Depreciation and amortization	41,296	777,982	408,016	322,709	1,550,003	95,510
<b>Total operating expenses</b>	<b>349,546</b>	<b>13,975,125</b>	<b>2,060,985</b>	<b>2,047,477</b>	<b>18,433,133</b>	<b>324,315</b>
<b>Operating income (loss)</b>	<b>(297,408)</b>	<b>(215,194)</b>	<b>824,908</b>	<b>79,889</b>	<b>392,195</b>	<b>73,955</b>
<b>Nonoperating revenue (expenses)</b>						
Federal grant	127,508	-	-	-	127,508	-
State grant	140,723	337,414	-	140,071	618,208	-
Interest income	3,277	81,382	112,898	76,756	274,313	4,397
Change in investment in joint venture	-	26,221	-	-	26,221	-
Gain on sale of assets	-	-	300	300	600	15,585
<b>Total nonoperating revenues (expenses)</b>	<b>271,508</b>	<b>445,017</b>	<b>113,198</b>	<b>217,127</b>	<b>1,046,850</b>	<b>19,982</b>
<b>Income (loss) before transfers out</b>	<b>(25,900)</b>	<b>229,823</b>	<b>938,106</b>	<b>297,016</b>	<b>1,439,045</b>	<b>93,937</b>
Transfers out	(39,582)	-	-	-	(39,582)	-
<b>Change in net position</b>	<b>(65,482)</b>	<b>229,823</b>	<b>938,106</b>	<b>297,016</b>	<b>1,399,463</b>	<b>93,937</b>
Net position - beginning of year	770,801	26,451,590	8,766,208	6,794,530	42,783,129	834,747
<b>Net position - end of year</b>	<b>\$ 705,319</b>	<b>\$ 26,681,413</b>	<b>\$ 9,704,314</b>	<b>\$ 7,091,546</b>	<b>\$ 44,182,592</b>	<b>\$ 928,684</b>

See Accompanying Notes to the Financial Statements

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

	Enterprise Funds					Internal Service Funds
	Dial-A-Ride (Nonmajor)	Electric	Sewer	Water	Total	
<b>Cash flows from operating activities</b>						
Receipts from customers	\$ 73,104	\$ 13,472,344	\$ 2,844,235	\$ 2,079,576	\$ 18,469,259	\$ 93,294
Receipts from interfund users	-	-	-	-	-	304,953
Receipts from other funds	-	237,228	7,022	11,910	256,160	-
Payments to suppliers	(67,584)	(11,927,040)	(956,883)	(1,006,765)	(13,958,272)	(117,707)
Payments to employees	(237,439)	(1,695,273)	(648,065)	(610,143)	(3,190,920)	(143,014)
Net cash provided (used) by operating activities	(231,919)	87,259	1,246,309	474,578	1,576,227	137,526
<b>Cash flows from noncapital financing activities</b>						
Transfers to other funds	(39,582)	-	-	-	(39,582)	-
Federal grant	127,508	-	-	-	127,508	-
State grant	140,723	337,414	-	140,071	618,208	-
Net cash provided (used) by noncapital financing activities	228,649	337,414	-	140,071	706,134	-
<b>Cash flows from capital and related financing activities</b>						
Proceeds from capital debt	-	-	2,070,773	2,389,354	4,460,127	-
Interdepartmental loans paid (back) and received	-	65,000	(25,000)	-	40,000	-
Purchases/construction of capital assets	-	(1,890,944)	(270,282)	(284,818)	(2,446,044)	(65,219)
Principal and interest paid on long-term debt	-	-	(370,000)	-	(370,000)	-
Proceeds from sale of capital assets	-	-	300	300	600	15,585
Net cash provided (used) by capital and related financing activities	-	(1,825,944)	1,405,791	2,104,836	1,684,683	(49,634)
<b>Cash flows from investing activities</b>						
Interest received	3,277	107,603	112,898	76,756	300,534	4,397
Net increase (decrease) in cash and investments	7	(1,293,668)	2,764,998	2,796,241	4,267,578	92,289
Cash and investments - beginning of year	97,982	9,487,691	2,101,849	522,765	12,210,287	212,981
Cash and investments - end of year	\$ 97,989	\$ 8,194,023	\$ 4,866,847	\$ 3,319,006	\$ 16,477,865	\$ 305,270
<b>Reconciliation to the statement of net position</b>						
Cash and investments	\$ 97,989	\$ 8,194,023	\$ 3,664,359	\$ 3,319,006	\$ 15,275,377	\$ 305,270
Cash and cash equivalents - restricted	-	-	1,202,488	-	1,202,488	-
Cash and investments - end of year	\$ 97,989	\$ 8,194,023	\$ 4,866,847	\$ 3,319,006	\$ 16,477,865	\$ 305,270

See Accompanying Notes to the Financial Statements

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

	Enterprise Funds					Internal Service Funds
	Dial-A-Ride (Nonmajor)	Electric	Sewer	Water	Total	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>						
Operating income (loss)	\$ (297,408)	\$ (215,194)	\$ 824,908	\$ 79,889	\$ 392,195	\$ 73,955
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation and amortization expense	41,296	777,982	408,016	322,709	1,550,003	95,510
Changes in assets and liabilities						
Receivables (net)	19,099	(50,359)	(34,636)	(35,880)	(101,776)	82
Due from other units of government	1,867	-	-	-	1,867	-
Due from other funds	-	-	-	-	-	(105)
Inventories	-	37,837	3,493	7,942	49,272	14,116
Prepaid items	(3,432)	(5,861)	(11,467)	(11,951)	(32,711)	(8,776)
Energy optimization program	-	(45,400)	-	-	(45,400)	-
Accounts payable	(98)	(239,205)	17,683	42,173	(179,447)	3,574
Accrued and other liabilities	294	2,898	18,771	33,523	55,486	(705)
Due to other units of government	10,327	-	-	-	10,327	-
Net pension liability and related deferrals	-	(186,015)	25,442	25,442	(135,131)	(40,125)
Compensated absences	(3,864)	10,576	(5,901)	10,731	11,542	-
Net cash provided (used) by operating activities	<u>\$ (231,919)</u>	<u>\$ 87,259</u>	<u>\$ 1,246,309</u>	<u>\$ 474,578</u>	<u>\$ 1,576,227</u>	<u>\$ 137,526</u>

See Accompanying Notes to the Financial Statements



**City of Hillsdale**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**

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	Private-Purpose Trust Funds	Custodial Funds
<b>Assets</b>		
Cash and investments	\$ -	\$ 2,384
<b>Liabilities</b>		
Due to other units of government	-	2,384
<b>Net Position</b>		
Total net position	\$ -	\$ -

**City of Hillsdale**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2023**

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	Private-Purpose Trust Funds	Custodial Funds
<b>Additions</b>		
Property tax collections for other governments	\$ -	\$ 4,320,801
<b>Deductions</b>		
General government	8,000	-
Payments of property tax to other governments	-	4,320,801
Total deductions	8,000	4,320,801
Change in net position	(8,000)	-
Net position - beginning of year	8,000	-
Net position - end of year	\$ -	\$ -

**City of Hillsdale  
Component Units  
Combining Statement of Net Position  
June 30, 2023**

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	<u>Economic Development Corporation</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 236,453	\$ 61,789	\$ 298,242
Noncurrent assets			
Leases receivable	-	98,943	98,943
Capital assets not being depreciated	93,727	65,000	158,727
Capital assets, net of accumulated depreciation	<u>-</u>	<u>2,399,191</u>	<u>2,399,191</u>
Total noncurrent assets	<u>93,727</u>	<u>2,563,134</u>	<u>2,656,861</u>
Total assets	<u>330,180</u>	<u>2,624,923</u>	<u>2,955,103</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale  
Component Units  
Combining Statement of Net Position  
June 30, 2023**

	Economic Development Corporation	Tax Increment Finance Authority	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 600	\$ -	\$ 600
Accrued and other liabilities	-	2,950	2,950
Current portion of noncurrent liabilities	-	40,000	40,000
Total current liabilities	<u>600</u>	<u>42,950</u>	<u>43,550</u>
Noncurrent liabilities			
Due to primary government	-	120,000	120,000
Long-term debt net of current portion	-	260,000	260,000
Total noncurrent liabilities	<u>-</u>	<u>380,000</u>	<u>380,000</u>
Total liabilities	<u>600</u>	<u>422,950</u>	<u>423,550</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount relating to leases receivable	<u>-</u>	<u>89,317</u>	<u>89,317</u>
<b>Net Position</b>			
Net investment in capital assets	93,727	2,164,191	2,257,918
Unrestricted (deficit)	<u>235,853</u>	<u>(51,535)</u>	<u>184,318</u>
Total net position	<u>\$ 329,580</u>	<u>\$ 2,112,656</u>	<u>\$ 2,442,236</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale  
Component Units  
Combining Statement of Activities  
For the Year Ended June 30, 2023**

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	<u>Economic Development Corporation</u>	<u>Tax Increment Finance Authority</u>	<u>Total</u>
<b>Program revenue</b>			
Charges for services	\$ -	\$ 9,475	\$ 9,475
 <b>Expenses</b>			
Community and economic development	<u>8,524</u>	<u>57,203</u>	<u>65,727</u>
 <b>General revenues</b>			
Property taxes	-	130,073	130,073
Interest income	2,876	4,556	7,432
Gain on sale of assets	<u>85,658</u>	<u>-</u>	<u>85,658</u>
 Total general revenues	<u>88,534</u>	<u>134,629</u>	<u>223,163</u>
 Change in net position	80,010	86,901	166,911
 Net position - beginning of year	<u>249,570</u>	<u>2,025,755</u>	<u>2,275,325</u>
 Net position - end of year	<u>\$ 329,580</u>	<u>\$ 2,112,656</u>	<u>\$ 2,442,236</u>

See Accompanying Notes to the Financial Statements

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The City of Hillsdale was organized in 1847 and covers an area of approximately 5.5 square miles in Hillsdale County. In 1957, the City adopted the Home Rule Charter. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter to its more than 8,036 residents (2020 census): public safety (police and fire), highways and streets, sanitation, health, housing, recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Discretely Presented Component Units**

The Tax Increment Finance Authority (the "Authority") is reported in a separate column to emphasize that it is legally separate from the City. The Authority is responsible for directing improvements to a district in the City using funds derived from the capturing of real and personal property taxes within the district. The members of the governing board of the Authority are appointed by the City Council. The budgets and expenditures of the Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Authority. Complete financial statements for this component unit are not prepared.

The Economic Development Corporation (the "EDC") is reported in a separate column to emphasize that it is legally separate from the City. The EDC is responsible for granting loans to businesses operating within the City. The members of the governing board of the EDC are

appointed by the City Council. The budgets and expenditures of the EDC must be approved by the City Council. The City also has the ability to significantly influence operations of the EDC. Complete financial statements for this component unit are not prepared.

**Related Organization**

The Hillsdale Housing Commission (the "Commission") was established by the City to provide qualifying senior and low-income family housing. Commission includes a 60-unit low-income housing program and receives subsidies and annual contributions from the U.S. Department of Housing and Urban Development. The members of the governing board of the Commission are appointed by the City Manager. Members of the governing board may be removed by the City only for cause. The Commission determines its own budget (subject to federal approval), sets rental rates, and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Commission; however, the Commission makes annual payments "in lieu of taxes" to the City. Accordingly, the City has elected to exclude the Commission and all related note disclosures in these financial statements. The Commission is audited separately from the City and complete financial statements may be obtained from the Commission's executive director at 45 North West Street, Hillsdale, Michigan 49242.

**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 nonfiduciary activities of the primary government and its component units. *Government 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 certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

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specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**Measurement focus, basis of accounting, and financial statement presentation**

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as

expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government'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 maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Municipal Street Fund accounts for maintenance and improvement activities for streets in addition to "local" and "major" within the City. Funding is primarily through a millage.

The government reports the following major proprietary funds:

The Electric Fund accounts for the activities of the City's electric generation and distribution systems.

The Sewer Fund accounts for the activities of the City's sewage collection and treatment systems.

The Water Fund accounts for the activities of the City's water production, purification, and distribution systems.

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

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Additionally, the government reports the following:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those being financed by proprietary or nonexpendable trust funds).

Nonmajor enterprise fund to account for Dial-A-Ride activity. This fund accounts for the expenses and related revenues to provide public transportation.

Internal service funds account for shared services and equipment usage provided to the City departments and funds on a cost reimbursement basis. The City's internal service funds account for leave and benefits, inventory purchasing, equipment rental, and unemployment insurance.

The custodial fund is custodial in nature and does not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

Permanent funds account for monies held in trust to be used for specific activities as specified in related trust agreements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and

other charges between the government's water, sewer, and electric function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Assets, liabilities, and net position or fund balance**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other



**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

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funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The balance of the allowance for doubtful accounts at year-end within the Electric Fund, Sewer Fund, and Water Fund were \$13,919, \$2,000, and \$1,423, respectively. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on September 15<sup>th</sup>, at which time penalties and interest are assessed by the City. As of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Hillsdale County.

The 2022 taxable valuation of the government totaled \$145,608,104, on which ad valorem taxes consisted of 12.1479 mills for operating purposes, 2.4296 mills for street maintenance, 0.9718 mills for the library, 0.9770 mills for public safety equipment, and 3.9388 mills for street and leaf collections. This resulted in \$1,768,833 for operating expenses, \$353,769 for street maintenance, \$141,502 for the library, \$142,259 for public safety and fire equipment, and \$573,521 for additional street and leaf maintenance exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Property taxes for the Tax Increment Finance Authority (TIFA) are derived from a tax increment financing agreement between the TIFA and other related taxing districts. Under this arrangement, the TIFA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Hillsdale, which are within downtown Hillsdale.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of

prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories – Inventories are stated at cost (purchase price), whereas inventories held for resale are stated at lower of cost or market. Inventories of the Hillsdale Board of Public Utilities (reported as business type activities, major proprietary funds) are valued at cost, which approximates market, using the average cost method. Cost is determined by the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash and cash equivalents.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated acquisition value of the item at the date of its donation.

**City of Hillsdale**  
**Notes to the Financial Statements**  
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Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

	Years
Vehicles and equipment	5 - 20
Books	7
Land improvements	20
Infrastructure	15 - 50
Buildings and improvements	50
Plant and systems	10 - 65

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

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the governmentwide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

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

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Deferred inflow for leases is related to leases receivable and is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense.

**City of Hillsdale**  
**Notes to the Financial Statements**  
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Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

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

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government’s highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the Council. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government’s policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the government’s policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The government has adopted a minimum fund balance policy for several funds, as follows:

General Fund – Fund balance to meet 15% of operating expenditures.

Major and Local Street Fund – Fund balance to meet 15% of operating expenditures, to account for the State-Shared gasoline and weight tax collections to provide for certain maintenance, repair costs and capital improvements of the City’s Roads.

Municipal Street Fund – Fund balance to meet 15% of operating expenditures to account for the dedicated millage collections, and special assessments related to the construction and improvement of streets, and leaf collection.

Electric, Water, and Sewer Fund - Fund balance reserves are determined by the Board of Public Utilities and the decision to increase or decrease target unrestricted net position will be supported by the report of cost-of-service study or review provided by the City’s consultant and approval of the Board of Public Utilities.

Internal Service Funds – Fund balance to meet 15% of operating expenditures plus 1.2 debt service ratio if applicable.

**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, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**City of Hillsdale**  
**Notes to the Financial Statements**  
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**Adoption of New Accounting Standards**

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

**Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

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

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to July 1, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The adopted budgets of the City for these budgetary funds were adopted on a functional basis for the General Fund and a fund basis for the special revenue funds. Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**Excess of expenditures over appropriations**

	Appropriations	Actual	Budget Variance
General Fund			
Recreation and culture	\$ 170,206	\$ 197,024	\$ 26,818
Debt service	-	1,145	1,145

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 3 - Deposits and Investments**

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Governmental activities	\$ 12,181,318	\$ -	\$ 12,181,318
Business-type activities	15,275,377	1,202,488	16,477,865
Total	<u>27,456,695</u>	<u>1,202,488</u>	<u>28,659,183</u>
Fiduciary funds	2,384	-	2,384
Component unit	298,242	-	298,242
Total	<u>\$ 27,757,321</u>	<u>\$ 1,202,488</u>	<u>\$ 28,959,809</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 6,636,450	\$ 1,984	\$ 148,181	\$ 6,786,615
Investments in securities, mutual funds and similar vehicles	22,021,383	-	150,061	22,171,444
Petty cash and cash on hand	1,350	400	-	1,750
	<u>\$ 28,659,183</u>	<u>\$ 2,384</u>	<u>\$ 298,242</u>	<u>\$ 28,959,809</u>

*Interest rate risk* – Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates. Maturity dates for investments held at year-end are summarized as follows:

Investment	Carrying Value
No maturity	\$ 37,260
Less than 1 year	13,676,346
1-5 years	<u>8,457,838</u>
	<u>\$ 22,171,444</u>

*Credit risk* – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

Credit risk ratings, where applicable, are summarized as follows:

<u>Rating Organization and Rating</u>	<u>Carrying Value</u>
Standards & Poor's AAAm	\$ 11,260,627
Standards & Poor's AA+	10,283,367
Standards & Poor's A-1+	116,615
Standards & Poor's AA	363,261
Not Rated	147,574
	<u>\$ 22,171,444</u>

*Concentration of credit risk* – The government has no policy that would limit the amount that may be issued in any one issuer.

*Custodial credit risk - deposits* – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$6,256,015 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The following investment securities were uninsured and unregistered and held in the following manner:

<u>Investment Type</u>	<u>Carrying Value</u>
Cash & Cash Equivalents	\$ 37,262
Commercial paper	116,123
Fixed rate bonds - Municipal Bonds	364,780
U.S. Government agency securities	3,222,394
U.S. Government Treasuries	7,207,518
Michigan Class	11,223,367
	<u>\$ 22,171,444</u>

**Note 4 - Fair Value Measurements**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

**City of Hillsdale**  
**Notes to the Financial Statements**  
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The City has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Level 1	Level 2	Level 3	Total
Cash & Cash Equivalents	\$ 37,262	\$ -	\$ -	\$ 37,262
Commercial paper	116,123	-	-	116,123
Fixed rate bonds - Municipal Bonds	-	364,780	-	364,780
U.S. Government agency securities	-	3,222,394	-	3,222,394
U.S. Government Treasuries	-	7,207,517	-	7,207,517
	<u>\$ 153,385</u>	<u>\$ 10,794,691</u>	<u>\$ -</u>	<u>10,948,076</u>

**Investments carried at net asset value**

Michigan CLASS government investment pool	<u>11,223,368</u>
Total investments	<u>\$ 22,171,444</u>

**Investments in Entities that Calculate Net Asset Value per Share**

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

At year end, the net asset value of the City's investment in Michigan CLASS was \$11,223,368. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies. It has a rating of AAA from Standard and Poor's with a weighted average maturity of 54 days.

**Note 5 - Capital Assets**

Capital assets activity of the primary government for the current year is as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 8,505,386	\$ -	\$ 105,419	\$ 8,399,967
Construction-in-progress	97,867	716,537	255,256	559,148
Total capital assets not being depreciated	<u>8,603,253</u>	<u>716,537</u>	<u>360,675</u>	<u>8,959,115</u>
Capital assets being depreciated				
Land improvements	773,631	-	-	773,631
Infrastructure	31,626,275	1,014,639	-	32,640,914
Buildings, additions and improvements	5,589,071	48,372	352,141	5,285,302
Books	285,416	16,381	27,279	274,518
Vehicles	4,593,834	795,686	212,901	5,176,619
Right to use asset - intangible assets	-	22,004	-	22,004
Total capital assets being depreciated	<u>42,868,227</u>	<u>1,897,082</u>	<u>592,321</u>	<u>44,172,988</u>
Less accumulated depreciation for				
Land improvements	464,845	22,206	-	487,051
Infrastructure	18,719,984	1,082,341	-	19,802,325
Buildings, additions and improvements	2,517,922	114,913	11,453	2,621,382
Books	86,171	18,245	27,278	77,138
Vehicles	2,835,784	253,540	212,901	2,876,423
Right to use asset - intangible assets	-	1,397	-	1,397
Total accumulated depreciation	<u>24,624,706</u>	<u>1,492,642</u>	<u>251,632</u>	<u>25,865,716</u>
Net capital assets being depreciated	<u>18,243,521</u>	<u>404,440</u>	<u>340,689</u>	<u>18,307,272</u>
Governmental activities net capital assets	<u>\$ 26,846,774</u>	<u>\$ 1,120,977</u>	<u>\$ 701,364</u>	<u>\$ 27,266,387</u>
Right to use leased assets				
Right to use assets, net of amortization	\$ -	\$ 20,607	\$ -	\$ 20,607
Capital assets				
Capital assets not being depreciated	8,603,253	716,537	360,675	8,959,115
Capital assets, net of depreciation	<u>18,243,521</u>	<u>383,833</u>	<u>340,689</u>	<u>18,286,665</u>
Net capital assets	<u>\$ 26,846,774</u>	<u>\$ 1,120,977</u>	<u>\$ 701,364</u>	<u>\$ 27,266,387</u>

**City of Hillsdale**  
**Notes to the Financial Statements**  
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	Beginning Balance	Increases	Decreases / Reclassifications	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 361,042	\$ -	\$ -	\$ 361,042
Construction-in-progress	408,082	409,113	310,222	506,973
Total capital assets not being depreciated	769,124	409,113	310,222	868,015
Capital assets being depreciated				
Infrastructure	77,311,510	2,342,423	-	79,653,933
Vehicles	1,107,520	-	-	1,107,520
Right to use asset - intangible assets	116,239	10,180	(8,721)	135,140
Total capital assets being depreciated	78,535,269	2,352,603	(8,721)	80,896,593
Less accumulated depreciation for				
Infrastructure	44,935,223	1,496,524	-	46,431,747
Vehicles	476,267	41,296	-	517,563
Right to use asset - intangible assets	-	12,183	(8,721)	20,904
Total accumulated depreciation	45,411,490	1,550,003	(8,721)	46,970,214
Net capital assets being depreciated	33,123,779	802,600	-	33,926,379
Business-type capital assets, net	\$ 33,892,903	\$ 1,211,713	\$ 310,222	\$ 34,794,394
Right to use leased assets				
Right to use assets, net of amortization	\$ 116,239	\$ (2,003)	\$ -	\$ 114,236
Capital assets				
Capital assets not being depreciated	769,124	409,113	310,222	868,015
Capital assets, net of depreciation	33,007,540	804,603	-	33,812,143
Net capital assets	\$ 33,892,903	\$ 1,211,713	\$ 310,222	\$ 34,794,394

Capital assets activity of the component unit for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component Unit</b>				
Capital assets not being depreciated				
Land	\$ 213,067	\$ -	\$ 54,340	\$ 158,727
Capital assets being depreciated				
Infrastructure	381,672	-	-	381,672
Buildings, additions and improvements	2,468,124	-	-	2,468,124
Total capital assets being depreciated	2,849,796	-	-	2,849,796
Less accumulated depreciation for				
Infrastructure	381,672	-	-	381,672
Buildings, additions and improvements	19,571	49,362	-	68,933
Total accumulated depreciation	401,243	49,362	-	450,605
Net capital assets being depreciated	2,448,553	(49,362)	-	2,399,191
Component unit capital assets, net	\$ 2,661,620	\$ (49,362)	\$ 54,340	\$ 2,557,918

Depreciation and amortization of right to use assets expenses were charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 331,175
Public safety	105,883
Public works	935,141
Recreation and culture	24,933
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>95,510</u>
Total governmental activities	<u>1,492,642</u>

**Business-type activities**

Electric Fund	\$ 777,982
Sewer Fund	408,016
Water Fund	322,709
Dial-A-Ride	<u>41,296</u>
Total business-type activities	<u>1,550,003</u>
Total primary government	<u>\$ 3,042,645</u>

**Construction Commitments**

At June 30, 2023, the City had several uncompleted construction contracts. The remaining commitment on these construction contracts was approximately \$5,577,487.



**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 6 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General Fund	\$ 193,851
Internal service funds	Nonmajor governmental funds	105
		<u>\$ 193,956</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 108,073
General Fund	Municipal Street	10,520
Major Street Fund	General Fund	93,614
Major Street Fund	Nonmajor governmental funds	300,000
Municipal Street Fund	Major Street Fund	280,437
Municipal Street Fund	Nonmajor governmental funds	391,992
Nonmajor governmental funds	General Fund	49,988
Nonmajor governmental funds	Nonmajor governmental funds	24,175
Nonmajor enterprise fund	General Fund	39,582
		<u>\$ 1,298,381</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Advances at year end are as follows:

On June 17, 2019 Council approved a loan from the Electric Fund to the Sewer Fund up to \$900,000 for capital expenditures occurring in the Sewer Fund. The loan commenced on June 20, 2019 with an initial

draw of \$90,000. The Sewer Fund paid back the \$90,000 of the loan and drew an additional \$250,000 during the June 30, 2020 fiscal year. Annual principal payments of \$25,000 are due annually along with interest at 2.5%. The final payment is scheduled to be paid by June 1, 2030. During the current year, the Sewer Fund paid back \$25,000. The balance as of June 30, 2023 was \$175,000.

During the June 30, 2021 fiscal year, the Electric Fund loaned the Tax Increment Finance Authority, a discretely presented component unit of the City, \$200,000. The total amount was approved in an amount not to exceed \$400,000 and will be repaid through November 1, 2030. \$40,000 was paid off during the 2022 fiscal year leaving a balance of \$120,000 at June 30, 2023.

**Note 7 - Leases**

**Lease Receivable**

The City is engaged as lessor in three separate lease agreements. The lease agreements are described as follows:

Lease	Lease inception	Payment Terms	Maturity	Description
Airport Farmland	1/1/2022	3 years	1/1/2025	Leasing land at the airport for farmland.
Industrial Park Parcel 53	11/20/2000	30 years	11/20/2030	Cell tower lease.
Dawn Theater (Keefer House Hotel)	3/2/2022	10 years	3/2/2032	Leasing the renovated Dawn Theater.

Lease	Fund	Lease Receivable	Lease Receivable Principal Paid	Lease Interest Revenue
Airport Farmland	Airport fund	\$ 31,426	\$ 30,659	\$ 1,552
Industrial Park Parcel 53	General fund	276,085	7,295	8,403
Dawn Theater (Keefer House Hotel)	TIFA fund	98,943	3,307	2,526
		<u>\$ 406,454</u>	<u>\$ 41,261</u>	<u>\$ 12,481</u>

**City of Hillsdale**  
**Notes to the Financial Statements**  
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**Note 8 - Long-Term Debt**

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the City. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Electric Fund, Sewer Fund, Water Fund, DART Fund, and internal service funds.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Bonds and notes payable									
General obligation bonds									
2022 General Obligation Capital Improvement Bonds - Street	\$ 2,300,000	4/1/2031	5.00%	\$240,000 - \$340,000	\$ -	\$ 2,300,000	\$ -	\$ 2,300,000	\$ 240,000
Issuance premiums					-	146,515	-	146,515	-
Total					-	2,446,515	-	2,446,515	240,000
Leases					-	22,004	1,871	20,133	4,162
Compensated absences					362,826	-	53,530	309,296	-
Total governmental activities					<u>\$ 362,826</u>	<u>\$ 2,468,519</u>	<u>\$ 55,401</u>	<u>\$ 2,775,944</u>	<u>\$ 244,162</u>

**City of Hillsdale**  
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities</b>									
Bonds and notes payable									
General obligation bonds									
2015 Sewage Disposal System Revenue Bonds	\$ 6,435,000	4/1/2037	2.500%	\$290,000 - \$405,000	\$ 5,110,000	\$ -	\$ 285,000	\$ 4,825,000	\$ 290,000
2016 Sewage Disposal System Revenue Bonds	\$ 1,900,000	4/1/2037	2.500%	\$85,000 - \$120,000	1,510,000	-	85,000	1,425,000	85,000
2022 General Obligation Capital Improvement Bonds - Water	\$ 2,250,000	4/1/2042	5.000%	\$72,321 - \$176,786	-	2,250,000	-	2,250,000	72,321
2022 General Obligation Capital Improvement Bonds - Sewer	\$ 1,950,000	4/1/2042	5.000%	\$62,679 - \$153,214	-	1,950,000	-	1,950,000	62,679
Total general obligation bonds					<u>6,620,000</u>	<u>4,200,000</u>	<u>370,000</u>	<u>10,450,000</u>	<u>510,000</u>
Issuance premiums					-	260,127	-	260,127	-
Total					<u>6,620,000</u>	<u>4,460,127</u>	<u>370,000</u>	<u>10,710,127</u>	<u>510,000</u>
Leases					18,588	10,184	4,732	24,040	5,582
Compensated absences					<u>267,687</u>	<u>21,307</u>	<u>9,765</u>	<u>279,229</u>	<u>-</u>
Total business-type activities					<u>\$ 6,906,275</u>	<u>\$ 4,491,618</u>	<u>\$ 384,497</u>	<u>\$ 11,013,396</u>	<u>\$ 515,582</u>
<b>Component units</b>									
General obligation bonds									
TIFA - 2021 Installment note	\$ 400,000	11/1/2030	0.9%	\$20,000 - \$40,000	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 300,000</u>	<u>\$ 40,000</u>

**City of Hillsdale**  
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Bonds		Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 240,000	\$ 115,000	\$ 510,000	\$ 366,252
2025	250,000	103,000	535,000	350,126
2026	265,000	90,500	545,000	333,126
2027	280,000	77,250	570,000	315,750
2028	295,000	63,250	580,000	297,502
2029-2033	970,000	98,500	3,220,000	1,192,632
2034-2038	-	-	3,260,000	627,627
2039-2042	-	-	1,230,000	157,500
	<u>\$ 2,300,000</u>	<u>\$ 547,500</u>	<u>\$ 10,450,000</u>	<u>\$ 3,640,515</u>

Year Ending June 30,	Component Unit	
	Bonds	
	Principal	Interest
2024	\$ 40,000	\$ 2,610
2025	40,000	2,250
2026	40,000	1,890
2027	40,000	1,530
2028	40,000	1,170
2029-2031	100,000	1,350
	<u>\$ 300,000</u>	<u>\$ 10,800</u>

**Note 9 - Restricted Assets**

The balances of the restricted assets accounts in the enterprise funds are as follows:

**Restricted Cash**

**Sewer Fund** - The ordinance authorizing issuance of the 2015 Sewage Disposal System Revenue Bond, and 2016 Sewage Disposal System Revenue Bond – Sewer required that specific accounts be established, and monies deposited as follows:

**Bond and Interest Redemption Fund** - At least one-half of the amount of interest due on the next ensuing interest payment plus not less than one quarter of the principal maturing on the next principal payment. At June 30, 2023, the City was required to have \$132,813 in this account.

**Bond Reserve Account** - The lesser of 10% of the principal balance of the bonds, an amount equal to the maximum annual principal and interest requirements on the bonds, or 125% of the average annual principal and interest requirements. At June 30, 2023, the City was required to have \$539,375 in this account. The total restricted cash for the City's sewer fund was \$1,202,488.

**Note 10 - Dial-A-Ride**

The following disclosures are required by the Michigan Department of Transportation (MDOT) relative to the City's Dial-A-Ride program which is funded by and through MDOT:

**Cost Allocation Plans** - The Hillsdale Dial-A-Ride Enterprise Fund has three cost allocation plans where the methodology has been approved by the Office of Passenger Transportation (OPT). Currently, only the administrative cost allocation plan is needed and used. The cost

**City of Hillsdale**  
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allocation plan was adhered to in the preparation of the financial statements.

**Nonfinancial Data** - The methodology used for compiling mileage on OAR Schedule 4N (Nonurban) is an adequate and reliable method for recording vehicle mileage.

**Depreciation** - The depreciation charges do not include any eligible depreciation. Therefore, all depreciation charges are ineligible for reimbursement and have been excluded from the computation of eligible costs to be reimbursed with State Formula Funds.

**Capital Money** - No capital money was used to pay for operating expenses, and none are included in total expenses to be reimbursed with State Formula Funds.

**Ineligible Expenses** - Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense manual. Audit costs are the only cost in which eligibility differs from the State R&E Manual and the federal Uniform Guidance. The Hillsdale Dial-A-Ride Enterprise Fund does not have any local revenues with associated expenses that would be required to be subtracted out as ineligible.

**Fringe Benefits** - During the fiscal year July 1, 2022 through June 30, 2023, Dial-A-Ride paid \$66,426 in 50200 fringe benefits for health insurance, retirement, and other insurance benefits. The entire amount of \$96,669 was expensed on the books and is included in Dial-A-Ride's total eligible expenses for the fiscal year ending September 30, 2022.

**Note 11 - Investment in Joint Venture**

**Michigan South Central Power Agency**

The City is a member of the Michigan South Central Power Agency (MSCPA), which provided electric services to the residents of its member communities. The participating communities provide annual funding for its operations. During the current year, the City paid \$9,702,740 for purchased power. The City is unaware of any other circumstances that would cause any additional benefit or burden to participating governments in the near future. Complete financial statements for the Michigan South Central Power Agency can be obtained from the administrative offices at 168 Division St., Coldwater, Michigan 49036. The City owns an approximate 22.33% interest in the Michigan South Central Power Agency (MSCPA). The City records the investment using the equity method and calculates 22.33% of the MSCPA's equity at year end. The MSCPA also holds assets of the City, which have been included in the MSCPA's equity over the years. The calculation of the investment includes 100% of the City's assets held at the MSCPA plus 22.33% of the equity net of the City's assets. At June 30, 2023, the City's investment in MSCPA was \$4,803,781, consisting of a \$4,305,374 equity share and \$498,407 of assets held at the MSCPA.

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**Note 12 - Net Investment in Capital Assets**

The composition of net investment in capital assets as of June 30, 2023, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	\$ 8,959,115	\$ 868,015	\$ 158,727
Capital assets, net of accumulated depreciation	<u>18,307,272</u>	<u>33,926,382</u>	<u>2,399,191</u>
Total capital assets	<u>27,266,387</u>	<u>34,794,397</u>	<u>2,557,918</u>
Related debt			
General obligation bonds	2,300,000	10,450,000	300,000
Leases	20,133	24,040	-
Unamortized bond premiums	<u>146,515</u>	<u>260,127</u>	<u>-</u>
Total related debt	<u>2,466,648</u>	<u>10,734,167</u>	<u>300,000</u>
Net investment in capital assets	<u>\$ 24,799,739</u>	<u>\$ 24,060,230</u>	<u>\$ 2,257,918</u>

**Note 13 - Risk Management**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 14 - Employee Retirement and Benefit Systems**

**Defined benefit pension plan**

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

information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with multipliers ranging from 2.00% to 2.50%. Vesting period is 10 years of service. Normal retirement age is 60 with early retirement at 55 with 20 years of service for police and fire unions and 25 years of service for BPU union. Final average compensation is calculated based on 3 years. Member contributions range from 5.00% to 9.16%.

Employees covered by benefit terms – At the December 31, 2022 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to, but not yet receiving benefits	44
Active employees	<u>44</u>
	<u>168</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

**City of Hillsdale**  
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For the year ended June 30, 2023, the City had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
DPS EEs - Closed	5.00%	\$0 / month
Police - Open	5.00%	39.28%
Fire - Open	5.00%	29.77%
BPU Union - Closed	9.16%	\$15,556 / month
General Nonunion - Closed	5.00%	\$10,621 / month
BPU Nonunion - Closed	5.00%	\$10,031 / month
City Manager - Open	5.00%	21.76%
City Treasurer - Open	5.00%	\$171 / month

Net pension liability – The employer’s net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the June 30, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.5%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the 2014 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate Of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Hillsdale**  
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**Changes in Net Pension Liability**

**Total Pension Liability**

Service cost	\$ 370,256
Interest on the total pension liability	1,997,631
Experience differences	(45,764)
Benefit payments and refunds	<u>(1,788,727)</u>
Net change in total pension liability	533,396
Total pension liability - beginning	<u>28,262,768</u>
Total pension liability - ending (a)	<u>\$ 28,796,164</u>

**Plan Fiduciary Net Position**

Employer contributions	\$ 178,600
Employee contributions	781,697
Pension plan net investment income (loss)	(2,405,838)
Benefit payments and refunds	(1,788,727)
Pension plan administrative expense	<u>(42,392)</u>
Net change in plan fiduciary net position	(3,276,660)
Plan fiduciary net position - beginning	<u>23,287,680</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,011,020</u>

Net pension liability (a-b) \$ 8,785,144

Plan fiduciary net position as a percentage of total pension liability	69.49%
Covered employee payroll	\$ 2,928,288
Net pension liability as a percentage of covered employee payroll	300.01%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 11,978,050</u>	<u>\$ 8,785,144</u>	<u>\$ 6,095,486</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2023 the employer recognized pension expense of \$1,784,149. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 124,548	\$ (22,882)	\$ 101,666
Differences in assumptions	325,939	-	325,939
Net difference between projected and actual earning on plan investments	1,834,288	-	1,834,288
Contributions subsequent to the measurement date*	<u>428,115</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,712,890</u>	<u>\$ (22,882)</u>	<u>\$ 2,261,893</u>

\*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 2024.



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

For

**Note 15 - Promissory Note**

On May 15, 2018, the City's Tax Increment Finance Authority ("TIFA") entered into an agreement to sell property known as the Keefer House Hotel for \$275,000. The agreement called for a \$10,000 deposit and the remaining \$265,000 in a promissory note from Keefer House Hotel, LLC. The note calls for the entire principal of \$265,000 including interest at 0% to be paid on or before May 25, 2021. On July 20, 2021, the City entered an addendum to the agreement in which extended the due date to on or before May 25, 2023.

Pursuant to the terms set forth in the Purchase Agreement, and subsequent addendums, if borrower completes construction and renovation of the Keefer House Hotel property on or before May 25, 2023, the borrower will be entitled to forgiveness of any remaining principal, and the note shall be considered paid in full. In the event that the borrower fails to complete construction and renovation on or before May 25, 2023, all outstanding principal shall be due and payable.

As of June 30, 2023, construction on the Keefer House Hotel is underway and is still in progress. The City has elected to include the full \$265,000 as a loan receivable on its financial statements, with an allowance of \$265,000.

**Note 16 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be

determined at this time, although the government expects such amounts, if any, to be immaterial.

**Note 17 - Prepaid Operating Costs**

In 2014, the City entered a 20-year agreement with KEPS Technologies, Inc. d/b/a ACD.net, for 48 strands of dark fiber to support its business operations. The agreement for total upfront costs of \$240,304 will be amortized over the 20-year life of the agreement. As of June 30, 2023, the balance of the long-term prepaid is \$42,470.

**Note 18 - Prepaid Stranded Costs**

**American Municipal Power – Generating Station Project**

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 12,000 kilowatts of a total 771,281 kilowatts, giving the City a 1.56 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The City's estimated share at March 31, 2014 of the impaired costs is \$2,076,796. The City received a credit of \$775,876 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$542,698 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$758,222. Because

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payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the City has made payments of \$817,344 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$25,960 and interest expense incurred on AMP's line-of-credit of \$(346), resulting in a net credit balance for impaired cost estimate at June 30, 2023 of \$33,508. The City does have a potential PHFU (plant held for future use costs) liability of \$650,379 resulting in a net total potential liability of \$616,871, assuming the credit balance earns zero interest and the assets making up the PHFU (principally the land comprising the Meigs County site) have no value. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The City has opted to not record the potential PHFU liability given the uncertainty regarding the outcome of the project; however, prepaid stranded costs have been recorded as \$32,239 for the year-ended June 30, 2023.

#### **Note 19 - Purchased Power Contracts**

##### **AFEC**

AFEC AMP Fremont Energy Center (87 Members). On July 28, 2011, AMP acquired from FirstEnergy Generation Corporation ("FirstEnergy") the Fremont Energy Center ("AFEC"), a combined cycle, natural gas fueled electric generating plant, then nearing completion of construction and located in Fremont, Sandusky County, Ohio. Following completion of the commissioning and testing, AMP declared AFEC to be in commercial operation as of January 20, 2012. AFEC has a capacity of 512 MW (unfired)/675 MW (fired) and consists of two combustion turbines, two heat recovery steam generators and one steam turbine and condenser.

AMP subsequently sold a 5.16% undivided ownership interest in AFEC to Michigan Public Power Agency and entered into a power sales contract with the Central Virginia Electric Cooperative for the output associated with a 4.15% undivided ownership interest in AFEC. The output of AFEC associated with the remaining 90.69% undivided ownership interest (the "90.69% Interest") is sold to AMP Members pursuant to a take-or-pay power sales contract with 87 of its Members (the "AFEC Power Sales Contract").

In 2012, to provide permanent financing for the 90.69% Interest, AMP issued, in two series, \$546,085,000 of its AMP Fremont Energy Center Project Revenue Bonds (the "2012 AFEC Bonds"), consisting of taxable and tax-exempt obligations. The AFEC Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under the AFEC Power Sales Contract. In 2017 and 2021, AMP issued bonds (the "AFEC Refunding Bonds" and, together with the 2012 AFEC Bonds, the "AFEC Bonds") to refund all of the callable a portion of the 2012 AFEC Bonds. As of January 1, 2023, \$393,905,000 aggregate principal amount of AFEC Bonds was outstanding.

The City has executed a take-or-pay power sales contract with AMP as

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a participant of the AFEC of 7,220 kW or 1.55% of capacity and associated energy from the AFEC.

In each of April 2021 and December 2022, AMP executed a Gas Supply Contract (each, a “Gas Supply Contract”) with Tennergy Corporation (“Tennergy”) under the terms of which Tennergy will provide a portion of the natural gas made available to Tennergy under the terms of a Prepaid Natural Gas Sales Agreement (each, a “Prepaid Natural Gas Sales Agreement”) between Tennergy and a subsidiary of Morgan Stanley. In December 2021, AMP executed a Gas Supply Contract with The Black Belt Energy District (“Black Belt”) under the terms of which Black Belt will provide a portion of the natural gas made available to Black Belt under the terms of a Prepaid Natural Gas Sales Agreement between Black Belt and a subsidiary of J. Aron & Company LLC. Under each Gas Supply Contract, AMP receives the benefit of a discount from market index gas price.

**Combined Hydroelectric Projects**

Combined Hydroelectric Projects Combined Hydroelectric Projects (79 Members). AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Projects”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-of-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects Revenue Bonds (the “Combined Hydroelectric Bonds”), in an original aggregate principal amount of \$2,483,845,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The

Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of January 1, 2023, \$2,095,038,235 aggregate principal amount of the Combined Hydroelectric Bonds were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The City has executed a take-or-pay power sales contract with AMP as a participant of the Combine Hydroelectric Projects of 3,398 kW or 1.63% of capacity and associated energy from the Combined Hydroelectric Projects.

In August 2017, AMP filed a lawsuit against Voith Hydro, Inc. (“Voith”), the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project (as hereinafter defined). On February 1, 2023, AMP and Voith executed a Settlement Agreement and Mutual Release resolving all claims between the parties, and the Court dismissed the case with prejudice. Pursuant to the terms of the Settlement Agreement and Mutual Release: Voith will provide to AMP, at Voith’s cost, certain equipment, parts, and services; AMP will make payments to Voith totaling \$25 million; and the future purchase and sale of goods and services for the Combined Hydroelectric Projects will be governed by agreed-upon terms and conditions. Resolution of the claims pursuant to the Settlement Agreement and Mutual Release will not have a material impact on the financial condition of AMP, the Combined Hydroelectric Projects, the Meldahl Project, or the Participants in either project.

**Meldahl Hydroelectric Project**

Meldahl Hydroelectric Project Meldahl Hydroelectric Project (48 Members). AMP owns and, together with the City of Hamilton, Ohio, an AMP Member, developed and constructed a 108.8 MW, three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing Army Corps dam on the Ohio River, and related equipment and associated transmission facilities (the “Meldahl

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Project"). The Meldahl Project is operated by the City of Hamilton.

In order to finance the construction of the Meldahl Project and related costs, AMP issued seven series of its Meldahl Hydroelectric Project Revenue Bonds ("Meldahl Bonds") in an original aggregate principal amount of \$820,185,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. As of January 1, 2023, \$643,965,000 aggregate principal amount of the Meldahl Bonds.

The City has executed a take-or-pay power sales contract with AMP as a participant of the Meldahl Project of 731 kW or .70% of capacity and associated energy from the Meldahl Hydroelectric Projects.

**Greenup Hydroelectric Project**

Greenup Hydroelectric Project Greenup Hydroelectric Project (47 Members). In connection with the development of the Meldahl Project, Hamilton agreed to sell and AMP agreed to purchase a 48.6% undivided ownership interest (the "AMP Interest") in the Greenup Hydroelectric Facility. On May 11, 2016, AMP issued \$125,630,000 aggregate principal amount of its Greenup Hydroelectric Project Revenue Bonds, Series 2016A (the "2016 Greenup Bonds") and, with a portion of the proceeds thereof, acquired the AMP Interest. The 2016 Greenup Bonds are secured by a separate power sales contract that has been executed by the same Members (with the exception of Hamilton, which retained title to a 51.4% ownership interest in the Greenup Hydroelectric Facility) that executed the Meldahl Power Sales Contract. As of January 1, 2023, \$118,760,000 aggregate principal amount of the 2016 Greenup Bonds.

The City has executed a take-or-pay power sales contract with AMP as a participant of the Greenup Hydroelectric Facility of 479 kW or 1.40%

of capacity and associated energy from the Greenup Hydroelectric Facility.

**Note 20 - Tax Abatements**

The Government enters into property tax abatement agreements with local businesses under several programs as authorized under Public Act 328 of 1998 (PA 328) and Public Act 198 of 1974, as amended (PA 198).

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project and must be accompanied by a written agreement between the taxpayer and the City. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2023, the City's property taxes were reduced by \$27,887 under this program.

Neighborhood enterprise zone tax abatements are granted in the State of Michigan under Public Act 147, as amended, to encourage investment in the construction or rehabilitation of multiple types of housing for both homeownership and rental. The project must be located in a Neighborhood Enterprise Zone (NEZ) as established by the City Council. A qualifying project involves the construction of new housing for either homeownership or rental. A rehabilitation project involves the rehabilitation of existing housing, and requires a minimum investment in the rehabilitation. A new construction project must include rental apartments, contain retail space on the first floor, and be located in a Downtown Revitalization District. For new facilities, the rate of taxation of a new facility is equal to 50% of the average rate of taxation

**City of Hillsdale**  
**Notes to the Financial Statements**  
**June 30, 2023**

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levied on commercial, industrial, and utility property in the State in the immediately preceding calendar year. The amount of the abatement is equal to the taxable value of the qualifying property applied to the millage rate that is the difference between the NEZ millage rate and the ad valorem millage rate. For rehabilitation facilities, the taxable value is set ("frozen") at that value established in the year immediately preceding the effective date of the NEZ exemption for a property. The amount of the abatement is the difference between the taxes that would be levied on the current taxable value and the NEZ taxes levied on the value of the qualifying property in the year immediately preceding the effective date of the exemption certificate. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2023, the City's property taxes were reduced by \$24,644 under this program.

Obsolete property rehabilitation abatements are granted in the State of Michigan under Public Act 146 of 2000, as amended, to encourage investment in the significant renovation and/or rehabilitation of obsolete buildings for commercial use. The obsolete property rehabilitation (OPR) exemption must be approved by both the City (after a public hearing is held) and the State of Michigan. OPR exemptions can cover real property. Property must be functionally obsolete as determined by the City Assessor as defined in the legislation. Project must be for a project that will have a commercial or commercial housing use. The taxable value of the qualifying property is set ("frozen") at the taxable value assigned in the year immediately preceding the effective date of the exemption certificate. New taxable value in excess of the frozen taxable value is exempted from certain millages levied on real property for a period of 1-12 years. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the City. The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June

30, 2023, the City's property taxes were reduced by \$19,749 under this program.

The Commercial Rehabilitation Act, PA 210 of 2005, as amended, affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. Applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2023, the City's property taxes were reduced by \$16,465 under this program.

**Note 21 - Federal Revenues**

The City's federal revenues exceeded \$750,000 in fiscal year 2023, however a single audit was not required as the City elected to have the Alternative Compliance Examination performed as the federal ARPA funds received were less than \$10 million.

**Note 22 - Prior Period Restatement**

The City has restated its General Fund's beginning of year fund balance and beginning net position in the governmental activities by \$190,638, increasing General Fund beginning fund balance from \$3,303,761 to \$3,494,399 in order to appropriately account for state shared revenue accruals. The net effect of this adjustment restated the beginning net position of the governmental activities by \$190,638, increasing it from \$32,925,739 to \$33,116,377.

**City of Hillsdale**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 1,909,856	\$ 1,909,856	\$ 1,862,648	\$ (47,208)
Other taxes	1,102,400	1,102,400	1,220,192	117,792
Special assessments	10,000	10,000	2,665	(7,335)
Licenses and permits	99,700	99,700	104,771	5,071
Federal grants	-	4,179	31,435	27,256
State-shared revenue	1,000,000	1,000,000	1,097,517	97,517
State grants	150,000	150,000	223,778	73,778
Local contributions	-	-	100	100
Charges for services	21,900	21,900	21,559	(341)
Fines and forfeitures	1,000	1,000	1,019	19
Interest income	20,000	20,000	123,343	103,343
Rental income	107,600	107,600	14,186	(93,414)
Other revenue	234,542	248,564	305,940	57,376
Transfers in	348,500	348,500	183,184	(165,316)
Issuance of debt	-	-	16,039	16,039
Sale of capital assets	-	-	866,407	866,407
Total revenues	<u>5,005,498</u>	<u>5,023,699</u>	<u>6,074,783</u>	<u>1,051,084</u>

**City of Hillsdale**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures</b>				
General government				
Council	\$ 23,660	\$ 23,660	\$ 20,433	\$ (3,227)
City manager	111,796	111,796	110,528	(1,268)
Human resources	102,909	102,909	51,597	(51,312)
Administrative services	342,200	342,200	263,162	(79,038)
Accounting	159,732	159,732	106,456	(53,276)
Clerk	102,398	102,398	109,424	7,026
Treasurer	165,329	165,329	169,566	4,237
Assessor	202,964	202,964	189,967	(12,997)
Elections	18,130	25,831	25,610	(221)
Buildings and grounds	257,479	257,479	190,256	(67,223)
Total general government	<u>1,486,597</u>	<u>1,494,298</u>	<u>1,236,999</u>	<u>(257,299)</u>
Public safety				
Police	1,651,713	1,751,713	1,754,197	2,484
Fire department	557,007	595,507	576,225	(19,282)
Total public safety	<u>2,208,720</u>	<u>2,347,220</u>	<u>2,330,422</u>	<u>(16,798)</u>
Public works				
Department of public works	423,339	438,339	437,211	(1,128)
Engineering services	41,231	47,231	28,426	(18,805)
Street lighting	53,750	55,650	54,835	(815)
Cemeteries	129,076	169,076	139,708	(29,368)
Parking lots	25,076	25,076	18,491	(6,585)
Airports	132,741	148,741	149,944	1,203
Total public works	<u>805,213</u>	<u>884,113</u>	<u>828,615</u>	<u>(55,498)</u>

**City of Hillsdale**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Community and economic development				
Planning	\$ 156,207	\$ 156,207	\$ 154,898	\$ (1,309)
Economic development	64,566	75,066	74,661	(405)
Total community and economic development	<u>220,773</u>	<u>231,273</u>	<u>229,559</u>	<u>(1,714)</u>
Recreation and culture				
Parks and recreation	<u>170,206</u>	<u>170,206</u>	<u>197,024</u>	<u>26,818</u>
Debt service				
Principal retirement	-	-	1,032	1,032
Interest and fiscal charges	-	-	113	113
Total debt service	<u>-</u>	<u>-</u>	<u>1,145</u>	<u>1,145</u>
Transfers out	<u>226,347</u>	<u>241,347</u>	<u>118,593</u>	<u>(122,754)</u>
Total expenditures	<u>5,117,856</u>	<u>5,368,457</u>	<u>4,942,357</u>	<u>(426,100)</u>
Excess (deficiency) of revenues over expenditures	<u>(112,358)</u>	<u>(344,758)</u>	<u>1,132,426</u>	<u>1,477,184</u>
Fund balance - beginning of year	3,494,399	3,494,399	3,303,761	(190,638)
Prior period adjustment	-	-	190,638	190,638
Fund balance - beginning of year (restated)	<u>3,494,399</u>	<u>3,494,399</u>	<u>3,494,399</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,382,041</u>	<u>\$ 3,149,641</u>	<u>\$ 4,626,825</u>	<u>\$ 1,477,184</u>



**City of Hillsdale**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
<b>Revenues</b>				
Federal grants	\$ -	\$ 127,194	\$ 127,555	\$ 361
Other state grants	963,312	963,312	955,776	(7,536)
Interest income	3,000	3,000	14,547	11,547
Other revenue	2,500	2,500	14,552	12,052
Transfers in	<u>325,000</u>	<u>325,000</u>	<u>280,437</u>	<u>(44,563)</u>
Total revenues	<u>1,293,812</u>	<u>1,421,006</u>	<u>1,392,867</u>	<u>(28,139)</u>
<b>Expenditures</b>				
Current				
Public works	565,799	606,401	552,309	(54,092)
Capital outlay	855,000	941,592	504,590	(437,002)
Transfers out	<u>188,000</u>	<u>388,000</u>	<u>393,614</u>	<u>5,614</u>
Total expenditures	<u>1,608,799</u>	<u>1,935,993</u>	<u>1,450,513</u>	<u>(485,480)</u>
Excess of revenues (deficiency) over expenditures	(314,987)	(514,987)	(57,646)	457,341
Fund balance - beginning of year	<u>1,112,339</u>	<u>1,112,339</u>	<u>1,112,339</u>	<u>-</u>
Fund balance - end of year	<u>\$ 797,352</u>	<u>\$ 597,352</u>	<u>\$ 1,054,693</u>	<u>\$ 457,341</u>

**City of Hillsdale**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Municipal Street Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
<b>Revenues</b>				
Taxes	\$ 937,908	\$ 937,908	\$ 906,191	\$ (31,717)
Special assessments	100,000	100,000	163,180	63,180
State-shared revenue	-	-	152,275	152,275
Interest income	1,000	1,000	90,926	89,926
Other revenue	-	-	14,584	14,584
Transfers in	-	-	10,520	10,520
Issuance of debt	-	2,300,000	2,300,000	-
Premium on issuance of debt	-	146,515	146,515	-
	<u>1,038,908</u>	<u>3,485,423</u>	<u>3,784,191</u>	<u>298,768</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Current				
Public works	59,658	136,246	200,487	64,241
Transfers out	935,000	935,000	672,429	(262,571)
	<u>994,658</u>	<u>1,071,246</u>	<u>872,916</u>	<u>(198,330)</u>
<b>Total expenditures</b>				
Excess of revenues (deficiency) over expenditures	44,250	2,414,177	2,911,275	497,098
Fund balance - beginning of year	<u>328,584</u>	<u>328,584</u>	<u>328,584</u>	<u>-</u>
Fund balance - end of year	<u>\$ 372,834</u>	<u>\$ 2,742,761</u>	<u>\$ 3,239,859</u>	<u>\$ 497,098</u>

**City of Hillsdale**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**June 30, 2023**

Fiscal year ended June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 370,256	\$ 358,007	\$ 369,758	\$ 382,857	\$ 363,207	\$ 368,215	\$ 363,158	\$ 355,050	\$ 364,196
Interest on the total pension liability	1,997,631	1,949,863	1,869,001	1,887,904	1,849,895	1,796,683	1,765,765	1,677,362	1,621,606
Other changes	-	-	(4,615)	-	7,156	(7,990)	(9,325)	-	-
Experience differences	(45,764)	373,646	(188,126)	(317,723)	(194,427)	42,169	(249,508)	110,760	-
Changes in assumptions	-	977,817	738,016	671,798	-	-	-	1,013,079	-
Benefit payments and refunds	<u>(1,788,727)</u>	<u>(1,747,339)</u>	<u>(1,681,028)</u>	<u>(1,568,899)</u>	<u>(1,552,182)</u>	<u>(1,510,668)</u>	<u>(1,461,617)</u>	<u>(1,378,158)</u>	<u>(1,232,671)</u>
Net change in total pension liability	533,396	1,911,994	1,103,006	1,055,937	473,649	688,409	408,473	1,778,093	753,131
Total pension liability - beginning	<u>28,262,768</u>	<u>26,350,774</u>	<u>25,247,768</u>	<u>24,191,831</u>	<u>23,718,182</u>	<u>23,029,773</u>	<u>22,621,300</u>	<u>20,843,207</u>	<u>20,090,076</u>
Total pension liability - ending (a)	<u>\$ 28,796,164</u>	<u>\$ 28,262,768</u>	<u>\$ 26,350,774</u>	<u>\$ 25,247,768</u>	<u>\$ 24,191,831</u>	<u>\$ 23,718,182</u>	<u>\$ 23,029,773</u>	<u>\$ 22,621,300</u>	<u>\$ 20,843,207</u>
<b>Plan Fiduciary Net Position</b>									
Employer contributions	\$ 781,697	\$ 688,204	\$ 569,786	\$ 525,911	\$ 510,189	\$ 421,866	\$ 336,160	\$ 346,141	\$ 332,464
Employee contributions	178,600	207,510	201,567	303,901	203,833	190,637	164,437	156,571	137,790
Pension plan net investment income (loss)	(2,405,838)	2,950,674	2,436,559	2,434,545	(751,004)	2,370,564	1,932,425	(270,721)	1,138,603
Benefit payments and refunds	(1,788,727)	(1,747,339)	(1,681,028)	(1,568,899)	(1,552,182)	(1,510,668)	(1,461,617)	(1,378,158)	(1,232,671)
Pension plan administrative expense	<u>(42,392)</u>	<u>(33,864)</u>	<u>(39,152)</u>	<u>(41,924)</u>	<u>(37,665)</u>	<u>(37,600)</u>	<u>(38,185)</u>	<u>(39,960)</u>	<u>(41,683)</u>
Net change in plan fiduciary net position	(3,276,660)	2,065,185	1,487,732	1,653,534	(1,626,829)	1,434,799	933,220	(1,186,127)	334,503
Plan fiduciary net position - beginning	<u>23,287,680</u>	<u>21,222,495</u>	<u>19,734,763</u>	<u>18,081,229</u>	<u>19,708,058</u>	<u>18,273,259</u>	<u>17,340,039</u>	<u>18,526,166</u>	<u>18,191,663</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,011,020</u>	<u>\$ 23,287,680</u>	<u>\$ 21,222,495</u>	<u>\$ 19,734,763</u>	<u>\$ 18,081,229</u>	<u>\$ 19,708,058</u>	<u>\$ 18,273,259</u>	<u>\$ 17,340,039</u>	<u>\$ 18,526,166</u>
Net pension liability (a-b)	<u>\$ 8,785,144</u>	<u>\$ 4,975,088</u>	<u>\$ 5,128,279</u>	<u>\$ 5,513,005</u>	<u>\$ 6,110,602</u>	<u>\$ 4,010,124</u>	<u>\$ 4,756,514</u>	<u>\$ 5,281,261</u>	<u>\$ 2,317,041</u>
Plan fiduciary net position as a percentage of total pension liability	69.49%	82.40%	80.54%	78.16%	74.74%	83.09%	79.35%	76.65%	88.88%
Covered payroll	\$ 2,928,288	\$ 3,075,998	\$ 3,387,546	\$ 3,500,819	\$ 3,769,509	\$ 3,436,078	\$ 3,440,133	\$ 3,426,822	\$ 3,531,325
Net pension liability as a percentage of covered employee payroll	300.01%	161.74%	151.39%	157.48%	162.11%	116.71%	138.27%	154.12%	65.61%

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

**City of Hillsdale**  
**Required Supplementary Information**  
**Municipal Employees Retirement System of Michigan**  
**Schedule of Employer Contributions**  
**June 30, 2023**

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 330,003	\$ 330,003	\$ -	\$ 3,531,325	9.35%
2016	348,500	348,500	-	3,955,056	8.81%
2017	353,776	353,776	-	3,714,246	9.52%
2018	490,020	490,020	-	3,899,437	12.57%
2019	523,811	523,811	-	3,713,486	14.11%
2020	529,357	529,357	-	3,631,756	14.58%
2021	622,163	622,163	-	3,460,882	17.98%
2022	739,819	739,819	-	3,075,998	24.05%
2023	842,934	842,934	-	1,804,614	46.71%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported. The actuarially determined contribution (ADC) included in this schedule is calculated as the normal cost payment plus the amortized portion of the unfunded actuarial accrued liability.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	16
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%, Net of Investment Expense, including Inflation
Retirement age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Pub-2010 and Fully Generational MP-2019

**City of Hillsdale**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

Special Revenue Funds

	Field of Dreams	Stock Park	Airport	Local Street	Library	Police	Drug Forfeitures	Recreation Commission
<b>Assets</b>								
Cash and investments	\$ 6,156	\$ 64,415	\$ 670,799	\$ 348,077	\$ 317,185	\$ 1,661	\$ 5,048	\$ 24,126
Receivables								
Customers	-	-	2,979	1,977	35,886	-	-	1,000
Leases receivable	-	-	31,426	-	-	-	-	-
Due from other units of government	-	-	-	47,495	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	-	400	-	514	783	-	-	2,453
<b>Total assets</b>	<b>\$ 6,156</b>	<b>\$ 64,815</b>	<b>\$ 705,204</b>	<b>\$ 398,063</b>	<b>\$ 353,854</b>	<b>\$ 1,661</b>	<b>\$ 5,048</b>	<b>\$ 27,579</b>
<b>Liabilities</b>								
Accounts payable	\$ 552	\$ 552	\$ 62,897	\$ 10,976	\$ 7,066	\$ -	\$ -	\$ 20,029
Accrued and other liabilities	-	-	-	4,642	5,052	-	-	5,097
Due to other funds	-	-	-	105	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>552</b>	<b>552</b>	<b>62,897</b>	<b>15,723</b>	<b>12,118</b>	<b>-</b>	<b>-</b>	<b>25,126</b>
<b>Deferred inflows of resources</b>								
Leases	-	-	31,440	-	-	-	-	-
<b>Fund Balances</b>								
Non-spendable								
Prepaid items	-	400	-	514	783	-	-	2,453
Restricted								
Special Revenue	5,604	63,863	610,867	381,826	340,953	1,661	5,048	-
Capital projects	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>5,604</b>	<b>64,263</b>	<b>610,867</b>	<b>382,340</b>	<b>341,736</b>	<b>1,661</b>	<b>5,048</b>	<b>2,453</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,156</b>	<b>\$ 64,815</b>	<b>\$ 705,204</b>	<b>\$ 398,063</b>	<b>\$ 353,854</b>	<b>\$ 1,661</b>	<b>\$ 5,048</b>	<b>\$ 27,579</b>

**City of Hillsdale**  
**Other Supplementary Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds		Capital Projects Funds		Permanent Funds			Total Nonmajor Governmental Funds
	ARPA Grant	Contributions and Donations	Capital Improvement	Fire Equipment	R. L. Owen Memorial	Cemetery Perpetual Care	Stock Park Maintenance	
<b>Assets</b>								
Cash and investments	\$ 96,006	\$ -	\$ 718,978	\$ 92,567	\$ 36,720	\$ 548,905	\$ 87,825	\$ 3,018,468
Receivables								
Customers	-	-	-	-	-	-	-	41,842
Leases receivable	-	-	-	-	-	-	-	31,426
Due from other units of government	-	-	-	-	-	-	-	47,495
Due from other funds	-	-	-	-	-	193,851	-	193,851
Prepaid items	-	-	-	-	-	-	-	4,150
<b>Total assets</b>	<b>\$ 96,006</b>	<b>\$ -</b>	<b>\$ 718,978</b>	<b>\$ 92,567</b>	<b>\$ 36,720</b>	<b>\$ 742,756</b>	<b>\$ 87,825</b>	<b>\$ 3,337,232</b>
<b>Liabilities</b>								
Accounts payable	\$ 990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,062
Accrued and other liabilities	-	-	-	-	-	-	-	14,791
Due to other funds	-	-	-	-	-	-	-	105
Unearned revenue	90,696	-	-	-	-	-	-	90,696
<b>Total liabilities</b>	<b>91,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208,654</b>
<b>Deferred inflows of resources</b>								
Leases	-	-	-	-	-	-	-	31,440
<b>Fund Balances</b>								
Non-spendable								
Prepaid items	-	-	-	-	-	-	-	4,150
Restricted								
Special Revenue	-	-	-	-	-	-	-	1,409,822
Capital projects	-	-	718,978	92,567	-	-	-	811,545
Perpetual care	-	-	-	-	36,720	742,756	87,825	867,301
Assigned	4,320	-	-	-	-	-	-	4,320
<b>Total fund balances</b>	<b>4,320</b>	<b>-</b>	<b>718,978</b>	<b>92,567</b>	<b>36,720</b>	<b>742,756</b>	<b>87,825</b>	<b>3,097,138</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 96,006</b>	<b>\$ -</b>	<b>\$ 718,978</b>	<b>\$ 92,567</b>	<b>\$ 36,720</b>	<b>\$ 742,756</b>	<b>\$ 87,825</b>	<b>\$ 3,337,232</b>

**City of Hillsdale**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

	Special Revenue Funds							
	Field of Dreams	Stock Park	Airport	Local Street	Library	Police	Drug Forfeitures	Recreation Commission
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 142,527	\$ -	\$ -	\$ -
Federal grants	-	-	250,017	-	2,149	-	-	-
Other state grants	-	-	5,953	299,515	34,945	-	-	-
Local contributions	5,621	12,778	180	-	19,366	-	-	19,844
Charges for services	835	-	-	-	6,724	-	-	67,937
Fines and forfeitures	-	-	-	-	32,320	-	-	-
Interest income	117	998	10,325	2,165	8,960	30	121	42
Rental income	-	-	60,878	-	6,238	-	-	33,210
Other revenue	536	-	267,895	8,318	39,347	75	100	7,102
<b>Total revenues</b>	<u>7,109</u>	<u>13,776</u>	<u>595,248</u>	<u>309,998</u>	<u>292,576</u>	<u>105</u>	<u>221</u>	<u>128,135</u>
<b>Expenditures</b>								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	4,068	-
Public works	-	-	215,378	385,897	-	-	-	-
Recreation and culture	6,633	5,935	-	-	211,514	-	-	171,888
Capital outlay	-	-	306,234	616,469	5,965	-	-	43,349
Debt service								
Principal retirement	-	-	-	-	839	-	-	-
Interest and fiscal charges	-	-	-	-	115	-	-	-
<b>Total expenditures</b>	<u>6,633</u>	<u>5,935</u>	<u>521,612</u>	<u>1,002,366</u>	<u>218,433</u>	<u>-</u>	<u>4,068</u>	<u>215,237</u>
Excess (deficiency) of revenues over expenditures	<u>476</u>	<u>7,841</u>	<u>73,636</u>	<u>(692,368)</u>	<u>74,143</u>	<u>105</u>	<u>(3,847)</u>	<u>(87,102)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	691,992	-	-	-	82,248
Transfers out	-	(24,175)	-	(27,988)	(2,000)	-	-	-
Issuance of debt	-	-	-	-	5,965	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>(24,175)</u>	<u>-</u>	<u>664,004</u>	<u>3,965</u>	<u>-</u>	<u>-</u>	<u>82,248</u>
<b>Net change in fund balances</b>	<u>476</u>	<u>(16,334)</u>	<u>73,636</u>	<u>(28,364)</u>	<u>78,108</u>	<u>105</u>	<u>(3,847)</u>	<u>(4,854)</u>
Fund balances - beginning of year	<u>5,128</u>	<u>80,597</u>	<u>537,231</u>	<u>410,704</u>	<u>263,628</u>	<u>1,556</u>	<u>8,895</u>	<u>7,307</u>
Fund balances - end of year	<u>\$ 5,604</u>	<u>\$ 64,263</u>	<u>\$ 610,867</u>	<u>\$ 382,340</u>	<u>\$ 341,736</u>	<u>\$ 1,661</u>	<u>\$ 5,048</u>	<u>\$ 2,453</u>

**City of Hillsdale**  
**Other Supplementary Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2023**

	Special Revenue Funds		Capital Projects Funds		Permanent Funds			Total Nonmajor Governmental Funds
	ARPA Grant	Contributions and Donations	Capital Improvement	Fire Equipment	R. L. Owen Memorial	Cemetery Perpetual Care	Stock Park Maintenance	
<b>Revenues</b>								
Taxes	\$ -	\$ -	\$ -	\$ 139,864	\$ -	\$ -	\$ -	\$ 282,391
Federal grants	349,665	-	-	-	-	-	-	601,831
Other state grants	-	-	-	-	-	-	-	340,413
Local contributions	-	553	-	2,561	-	-	2,753	63,656
Charges for services	-	-	-	-	-	17,570	-	93,066
Fines and forfeitures	-	-	-	-	-	-	-	32,320
Interest income	3,463	-	5,389	5,684	4,388	11,288	1,683	54,653
Rental income	-	-	-	-	-	-	-	100,326
Other revenue	-	-	-	2,869	-	-	-	326,242
<b>Total revenues</b>	<b>353,128</b>	<b>553</b>	<b>5,389</b>	<b>150,978</b>	<b>4,388</b>	<b>28,858</b>	<b>4,436</b>	<b>1,894,898</b>
<b>Expenditures</b>								
Current								
General government	-	553	-	-	-	-	-	553
Public safety	-	-	-	79	-	-	-	4,147
Public works	16,780	-	-	-	-	359	-	618,414
Recreation and culture	-	-	-	-	21,408	-	604	417,982
Capital outlay	332,885	-	551	387,142	5,024	-	-	1,697,619
Debt service								
Principal retirement	-	-	-	-	-	-	-	839
Interest and fiscal charges	-	-	-	-	-	-	-	115
<b>Total expenditures</b>	<b>349,665</b>	<b>553</b>	<b>551</b>	<b>387,221</b>	<b>26,432</b>	<b>359</b>	<b>604</b>	<b>2,739,669</b>
Excess (deficiency) of revenues over expenditures	3,463	-	4,838	(236,243)	(22,044)	28,499	3,832	(844,771)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	50,000	-	-	-	-	824,240
Transfers out	-	-	-	-	-	(20,000)	-	(74,163)
Issuance of debt	-	-	-	-	-	-	-	5,965
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>756,042</b>
Net change in fund balances	3,463	-	54,838	(236,243)	(22,044)	8,499	3,832	(88,729)
Fund balances - beginning of year	857	-	664,140	328,810	58,764	734,257	83,993	3,185,867
Fund balances - end of year	\$ 4,320	\$ -	\$ 718,978	\$ 92,567	\$ 36,720	\$ 742,756	\$ 87,825	\$ 3,097,138



**City of Hillsdale**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2023**

	Department of Public Service Leave and Benefits	Unemployment Insurance	Revolving Mobile Equipment	Public Service Inventory	Total
<b>Assets</b>					
Current assets					
Cash and investments	\$ 46,211	\$ 61,857	\$ 181,497	\$ 15,705	\$ 305,270
Receivables					
Customers	-	-	-	158	158
Due from other funds	-	-	-	105	105
Inventories	-	-	-	146,741	146,741
Prepaid items	15,952	-	9,107	-	25,059
	<u>62,163</u>	<u>61,857</u>	<u>190,604</u>	<u>162,709</u>	<u>477,333</u>
Total current assets					
	62,163	61,857	190,604	162,709	477,333
Noncurrent assets					
Capital assets, net of accumulated depreciation	-	-	494,762	-	494,762
	<u>-</u>	<u>-</u>	<u>494,762</u>	<u>-</u>	<u>494,762</u>
Total assets					
	<u>62,163</u>	<u>61,857</u>	<u>685,366</u>	<u>162,709</u>	<u>972,095</u>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	-	-	12,447	1,286	13,733
Accrued and other liabilities	-	-	960	-	960
	<u>-</u>	<u>-</u>	<u>13,407</u>	<u>1,286</u>	<u>14,693</u>
Total current liabilities					
	-	-	13,407	1,286	14,693
Noncurrent liabilities					
Long-term debt net of current portion	28,718	-	-	-	28,718
	<u>28,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,718</u>
Total liabilities					
	<u>28,718</u>	<u>-</u>	<u>13,407</u>	<u>1,286</u>	<u>43,411</u>
<b>Net Position</b>					
Net investment in capital assets	-	-	494,762	-	494,762
Unrestricted	33,445	61,857	177,197	161,423	433,922
	<u>33,445</u>	<u>61,857</u>	<u>177,197</u>	<u>161,423</u>	<u>433,922</u>
Total net position					
	<u>\$ 33,445</u>	<u>\$ 61,857</u>	<u>\$ 671,959</u>	<u>\$ 161,423</u>	<u>\$ 928,684</u>

**City of Hillsdale**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**

	Department of Public Service Leave and Benefits	Unemployment Insurance	Revolving Mobile Equipment	Public Service Inventory	Total
<b>Operating revenue</b>					
Charges for services	\$ -	\$ -	\$ 282,793	\$ 22,265	\$ 305,058
Other revenue	81,066	-	12,146	-	93,212
<b>Total operating revenue</b>	<u>81,066</u>	<u>-</u>	<u>294,939</u>	<u>22,265</u>	<u>398,270</u>
<b>Operating expenses</b>					
Personnel services	48,816	-	54,073	-	102,889
Supplies	-	-	72,739	(9,188)	63,551
Contractual services	-	6,170	46,244	-	52,414
Utilities	-	-	9,951	-	9,951
Depreciation	-	-	95,510	-	95,510
<b>Total operating expenses</b>	<u>48,816</u>	<u>6,170</u>	<u>278,517</u>	<u>(9,188)</u>	<u>324,315</u>
<b>Operating income (loss)</b>	<u>32,250</u>	<u>(6,170)</u>	<u>16,422</u>	<u>31,453</u>	<u>73,955</u>
<b>Nonoperating revenue (expenses)</b>					
Interest income	1,020	413	2,915	49	4,397
Gain on sale of assets	-	-	15,585	-	15,585
<b>Total nonoperating revenues (expenses)</b>	<u>1,020</u>	<u>413</u>	<u>18,500</u>	<u>49</u>	<u>19,982</u>
<b>Change in net position</b>	33,270	(5,757)	34,922	31,502	93,937
Net position - beginning of year	175	67,614	637,037	129,921	834,747
<b>Net position - end of year</b>	<u>\$ 33,445</u>	<u>\$ 61,857</u>	<u>\$ 671,959</u>	<u>\$ 161,423</u>	<u>\$ 928,684</u>

**City of Hillsdale**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

	Department of Public Service Leave and Benefits	Unemployment Insurance	Revolving Mobile Equipment	Public Service Inventory	Total
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 81,066	\$ -	\$ 12,146	\$ 82	\$ 93,294
Receipts from interfund users	-	-	282,793	22,160	304,953
Payments to suppliers	(9,647)	(6,170)	(126,480)	24,590	(117,707)
Payments to employees	(81,065)	-	(61,949)	-	(143,014)
Net cash provided (used) by operating activities	(9,646)	(6,170)	106,510	46,832	137,526
<b>Cash flows from capital and related financing activities</b>					
Purchases/construction of capital assets	-	-	(65,219)	-	(65,219)
Proceeds from sale of capital assets	-	-	15,585	-	15,585
Net cash provided (used) by capital and related financing activities	-	-	(49,634)	-	(49,634)
<b>Cash flows from investing activities</b>					
Interest received	1,020	413	2,915	49	4,397
Net increase (decrease) in cash and cash equivalents	(8,626)	(5,757)	59,791	46,881	92,289
Cash and cash equivalents - beginning of year	54,837	67,614	121,706	(31,176)	212,981
Cash and cash equivalents - end of year	\$ 46,211	\$ 61,857	\$ 181,497	\$ 15,705	\$ 305,270

**City of Hillsdale**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

	Department of Public Service Leave and Benefits	Unemployment Insurance	Revolving Mobile Equipment	Public Service Inventory	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 32,250	\$ (6,170)	\$ 16,422	\$ 31,453	\$ 73,955
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	-	-	95,510	-	95,510
Changes in assets and liabilities					
Receivables (net)	-	-	-	82	82
Due from other funds	-	-	-	(105)	(105)
Inventories	-	-	-	14,116	14,116
Prepaid items	(9,018)	-	242	-	(8,776)
Accounts payable	(629)	-	2,917	1,286	3,574
Accrued and other liabilities	-	-	(705)	-	(705)
Compensated absences	(32,249)	-	(7,876)	-	(40,125)
Net cash provided (used) by operating activities	<u>\$ (9,646)</u>	<u>\$ (6,170)</u>	<u>\$ 106,510</u>	<u>\$ 46,832</u>	<u>\$ 137,526</u>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 1 - Schedule of Local Revenues  
For the Year Ended June 30, 2023**

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	Jul. 1, 2022 to Sep. 30, 2022	Oct. 1, 2022 to Jun. 30, 2023	Final
<b>Local Revenues</b>			
Demand Response (Farebox)			
Regular Service	\$ 10,521	\$ 31,715	\$ 42,236
<b>Total Local Revenues</b>	\$ 10,521	\$ 31,715	\$ 42,236

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 1A - Schedule of Local Revenues  
For the Year Ended September 30, 2022**

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	Oct. 1, 2021 to Jun. 30, 2022	Jul. 1, 2022 to Sep. 30, 2022	Total
<b>Local Revenues</b>			
Demand Response (Farebox)			
Regular Service	\$ 31,380	\$ 10,521	\$ 41,901
<b>Total Local Revenues</b>	\$ 31,380	\$ 10,521	\$ 41,901

**City of Hillsdale**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2023**

Federal Grantor / Pass Through Grantor Program Title	Federal CFDA Number	State Grantor Number	Program or Award Amount	Current Year Expenditures		
				Total	Federal	State
<b>Michigan Department of Transportation (MDOT)</b>						
Local Bus Operating Assistance (Act 51)-Prior Years			\$ 9,021	\$ 9,021	\$ -	\$ 9,021
2022 Local Bus Operating Assistance (Act 51)-Redistribution			1,062	1,062	-	1,062
2022 Local Bus Operating Assistance (Act 51)			34,385	34,385	-	34,385
2023 Local Bus Operating Assistance (Act 51)			96,004	96,004	-	96,004
<b>Total State Assistance</b>				<u>140,473</u>	<u>-</u>	<u>140,473</u>
<b>U.S. Department of Transportation</b>						
Passed Through MDOT						
Operating Assistance (FY 22)	20.509	2017-0063 - P12	27,875	27,875	27,875	-
Operating Assistance (FY 23)	20.509	2022-0066-P1	99,633	99,633	99,633	-
<b>Total Federal Assistance</b>				<u>127,508</u>	<u>127,508</u>	<u>-</u>
<b>Total State and Federal Assistance</b>				<u>\$ 267,981</u>	<u>\$ 127,508</u>	<u>\$ 140,473</u>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 2A - Schedule of Federal and State Awards  
For the Year Ended June 30, 2023**

	<u>Jul. 1, 2022 to Sep. 30, 2022</u>	<u>Oct. 1, 2022 to Jun. 30, 2023</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 34,385	\$ 96,004	\$ 130,389
Prior Year Settlement	-	10,083	10,083
<b>Federal Transit Administration</b>			
Section 5311 - Operating	<u>27,875</u>	<u>99,633</u>	<u>127,508</u>
<b>Total</b>	<u>\$ 62,260</u>	<u>\$ 205,720</u>	<u>\$ 267,980</u>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 2B - Schedule of Federal and State Awards  
For the Year Ended September 30, 2022**

	<u>Oct. 1, 2021 to Jun. 30, 2022</u>	<u>Jul. 1, 2022 to Sep. 30, 2022</u>	<u>Total</u>
<b>Michigan Department of Transportation</b>			
Local Bus Operating (Act 51)	\$ 98,342	\$ 34,385	\$ 132,727
Prior Year Settlement	21,406	-	21,406
<b>Federal Transit Administration</b>			
Section 5311 - Operating	<u>111,775</u>	<u>27,875</u>	<u>139,650</u>
<b>Total</b>	<u>\$ 231,523</u>	<u>\$ 62,260</u>	<u>\$ 293,783</u>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 3 - Operating and Contract Expenses  
For the Year Ended June 30, 2023**

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	<u>Nonurban</u>
<b>Expenses</b>	
Labor	\$ 190,840
Fringe Benefits	66,426
Services	25,361
Materials and Supplies	34,790
Utilities	12,428
Insurance	16,713
Operating Lease and Rentals	525
Miscellaneous	749
Depreciation	41,296
<b>Total Expenses</b>	<u>\$ 389,128</u>



**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 3A - Operating Expenses By Program  
For the Year Ended June 30, 2023**

	Nonurban		Total
	July 1, 2022 to Sept. 30, 2022	Oct. 1, 2022 to June 30, 2023	
<b>Expenses</b>			
Labor	\$ 39,479	\$ 151,361	\$ 190,840
Fringe Benefits	15,133	51,293	66,426
Services	1,929	23,432	25,361
Materials and Supplies	10,315	24,475	34,790
Utilities	1,026	11,402	12,428
Insurance	2,139	14,574	16,713
Operating Lease and Rentals	221	304	525
Miscellaneous	-	749	749
Depreciation	-	41,296	41,296
<b>Total Expenses</b>	<b>\$ 70,242</b>	<b>\$ 318,886</b>	<b>\$ 389,128</b>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 3B - Operating Expenses by Program  
For the Year Ended September 30, 2022**

	Nonurban		Total
	Oct. 1, 2021 to June 30, 2022	July 1, 2022 to Sept. 30, 2022	
<b>Expenses</b>			
Labor	\$ 130,765	\$ 39,479	\$ 170,244
Fringe Benefits	81,536	15,133	96,669
Services	17,767	1,929	19,696
Materials and Supplies	30,680	10,315	40,995
Utilities	7,316	1,026	8,342
Insurance	11,512	2,139	13,651
Operating Lease and Rentals	515	221	736
Miscellaneous	1,002	-	1,002
Depreciation	53,753	-	53,753
<b>Total Expenses</b>	<b>\$ 334,846</b>	<b>\$ 70,242</b>	<b>\$ 405,088</b>

**City of Hillsdale**  
**Dial-A-Ride Fund**  
**Schedule 4R - Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2022**

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<u>Code</u>	<u>Description</u>	<u>Amount</u>
<b>401</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 41,901
<b>411</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	132,734
<b>413</b>	<b>Federal Contracts</b>	
41301	Federal Section 5311 (operating funds only)	<u>139,650</u>
	<b>Total Regular Service Revenues</b>	<u>\$ 314,286</u>

City of Hillsdale  
Dial-A-Ride Fund  
Schedule 4E - Regular Service Operating and Contract Expenses  
For the Year Ended September 30, 2022

	Total System
<b>Operating Expenses</b>	
<b>501 Labor</b>	
50101 Operators Salaries and Wages	\$ 99,572
50102 Other Salaries and Wages	24,813
50103 Dispatchers' Salaries and Wages	45,859
<b>502 Fringe Benefits</b>	
50200 Fringe Benefits	96,669
<b>503 Services</b>	
50305 Audit Costs	2,209
50399 Other Services	17,487
<b>504 Materials and Supplies</b>	
50401 Fuel and Lubricants	30,430
50402 Tires and Tubes	2,636
50499 Other Materials and Supplies	7,929
<b>505 Utilities</b>	
50500 Utilities	8,342
<b>506 Insurance</b>	
50603 Liability Insurance	13,651
<b>509 Miscellaneous Expenses</b>	
50999 Other Miscellaneous Expenses	1,002
<b>512 Operating Leases and Rentals</b>	
51200 Operating Leases and Rentals	736
<b>513 Depreciation</b>	
51300 Depreciation	53,753
<b>Total Operating Expenses</b>	405,088
<b>550 Ineligible Expense</b>	
55007 Ineligible Depreciation	53,753
<b>Total Ineligible Expenses</b>	53,753
<b>Total Eligible Expenses</b>	\$ 351,335

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 5 - Operating Assistance Calculation  
For the Year Ended September 30, 2022**

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	Nonurban
Total Expenses	\$ <u>405,088</u>
Less Ineligible Expenses	
Depreciation	53,753
Total Ineligible Expenses per R&E Manual	<u>53,753</u>
Total State Eligible Expenses	<u>351,335</u>
Eligible Expenses for State Reimbursement	351,335
Reimbursement Rate	<u>37.78 %</u>
State Operating Assistance	<u>\$ 132,734</u>
Total Federal Eligible Expenses	
State Eligible Expense (per above)	<u>\$ 351,335</u>
Less: Additional Federal Ineligible Expenses - Audit Costs	<u>2,209</u>
Eligible Expenses for Federal Reimbursement	349,126
Reimbursement Rate	<u>40.00 %</u>
Federal Operating Assistance	<u>\$ 139,650</u>

**City of Hillsdale  
Dial-A-Ride Fund  
Schedule 4N of Nonfinancial Information (Unaudited)  
For the Year Ended September 30, 2022**

	<u>Weekday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>Total</u>
Vehicle Hours	5,043	-	-	5,043
Vehicle Miles	<u>49,795</u>	<u>-</u>	<u>-</u>	<u>49,795</u>
Passengers, Regular	10,666	-	-	10,666
Passengers, Elderly	5,874	-	-	5,874
Passengers, Persons w/Disabilities	5,509	-	-	5,509
Passengers, Elderly Persons w/Disabilities	<u>2,821</u>	<u>-</u>	<u>-</u>	<u>2,821</u>
<b>Total Demand Response</b>	<u><u>24,870</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>24,870</u></u>
Days Operated	<u><u>248</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>248</u></u>
		<u>Quantity</u>		
Total Demand Response Vehicles		4		
Demand Response Vehicles with Lifts		4		
Diesel/Gasoline Gallons Consumed		9,691		
Total Transit (full-time equivalent) Employees		4		
Total Revenue Vehicles (full-time equivalent) Operators		3		



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

**Independent Auditors' Report**

City Council and Management  
City of Hillsdale  
Hillsdale, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hillsdale (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2023. Our report includes a reference to other auditors who audited the financial statements of Michigan South Central Power Agency, which represents 15 percent, 18 percent, and 0 percent, respectively, of the assets and deferred outflows of resources, net position, and revenue of the Electric Fund, as described in our report on the City of Hillsdale's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of Michigan South Central Power Agency were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2023-001 to be a material weakness.

### **Report on Compliance and Other Matters**

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

### **City of Hillsdale's Response to Findings and Corrective Action Plans**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Ann Arbor, Michigan  
November 14, 2023

**City of Hillsdale**  
**Schedule of Findings and Responses**  
**June 30, 2023**

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**2023-001 - Material Weakness – Audit Entries / Prior Period Adjustments**

<b>Specific Requirement:</b>	Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.
<b>Condition:</b>	The City has restated its General Fund's beginning of year fund balance and the governmental activities beginning net position by \$190,638 in order to appropriately account for state revenue sharing accruals.
<b>Cause:</b>	Past practice was to record state shared revenue on the cash basis of accounting, and under the modified accrual basis of accounting, a restatement was necessary to appropriately report revenues and receivables.
<b>Effect:</b>	Had the journal entries not been recorded, the financial statements would have been materially misstated.
<b>Recommendation:</b>	We recommend the City take steps to ensure that state shared revenues are reconciled to the state website. This will help to improve the City Council's decisions by basing their decisions on accurate financial information.
<b>Views of responsible officials:</b>	Management is in agreement with the finding.
<b>Corrective action plan:</b>	See attached.





CITY OF  
HILLSDALE

97 N. BROAD STREET  
HILLSDALE, MI 49242-1695

Yeo & Yeo, CPAs  
1450 Eisenhower Place  
Ann Arbor, Michigan 48108

RE: Audit June 30, 2023

Please note the following corrective action plan relating to the material weakness in the City's audit as of June 30, 2023

2023-001 – Material Weakness – Audit Entries / Prior Period Adjustments  
Corrective Action Plan: Management agrees to the finding and has already corrected the recording approach for the state shared revenue.

Thank you for your attention to this matter.

Very Truly Yours,

  
David Mackie, City Manager  
City of Hillsdale