

City of St. Ignace, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2020

CITY OF ST. IGNACE, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COMMISSION

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KAYLA PELTER

APPOINTED OFFICERS

INTERIM CITY MANAGER

DARCY LONG

CITY CLERK/TREASURER

ANDREA INSLEY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Commission
City of St. Ignace
St. Ignace, Michigan 49781

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of St. Ignace, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of St Ignace, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Honorable Mayor and Members
of the City Commission

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Ignace, Michigan, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 12, pages 53 through 55, and pages 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Ignace, Michigan's basic financial statements. The schedule of bond covenant cash reserves and combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of bond covenant cash reserves, combining nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of bond covenant cash reserves, combining nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Honorable Mayor and Members
of the City Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021 on our consideration of the City of St. Ignace'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 effectiveness of the City of St Ignace, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Ignace's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan**

July 27, 2021

Management's Discussion and Analysis

As management of the City of St. Ignace, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The net position of the City at the close of 2020 was \$18,458,845. Of this amount, \$(3,456,277) is unrestricted net position.
- The City's total net position increased \$469,482, which comprised of an increase of \$42,682 and \$265,000 related to a prior period adjustment for the correction of OPEB liability and long-term debt, respectively, and an increase of \$161,800 related to net current year activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,343,660. 33% of the ending fund balance or \$1,074,425 is unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, 4) required supplementary information, and 5) other information.

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between the two 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and accrued interest expense).

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 legislative, general government, public safety, public works including major and local street maintenance, community and economic development and recreation and culture activities. The business-type activities of the City include water, sewer, marina, garbage collection and golf course operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate component unit – the Downtown Development Authority ("DDA") - for which the City is financially accountable and as such, the DDA is accountable to the City for its activities.

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 evaluating 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous 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 balance for the General, Major Streets, Local Street, and Fire Hall Construction funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those 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. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various City functions. The City uses internal service funds to account for its office equipment pool and equipment activities.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and marina funds, which are all considered major funds of the City. Data from the other two enterprise funds, including the BFI Garbage Collection Fund and Golf Course Fund, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

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

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI). RSI includes this management discussion and analysis, along with the schedules of funding progress and employer contributions for the City's defined benefit pension plan, retiree health plan, and budgetary comparison schedules.

Other information. The combining fund financial statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

Net position may serve over time 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 by \$18,458,845 at the close of fiscal year 2020.

**City of St. Ignace
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 4,120,122	\$ 4,153,035	\$ 3,072,847	\$ 2,769,693	\$ 7,192,969	\$ 6,922,728
Capital Assets	10,182,784	8,369,860	21,586,007	21,890,118	31,768,791	30,259,978
Total Assets	14,302,906	12,522,895	24,658,854	24,659,811	38,961,760	37,182,706
Deferred Outflows of Resources	833,558	235,392	134,684	70,310	968,242	305,702
Current Liabilities	643,012	401,716	446,442	893,111	1,089,454	1,294,827
Noncurrent Liabilities	10,024,202	7,904,809	10,011,000	10,199,142	20,035,202	18,103,951
Total Liabilities	10,667,214	8,306,525	10,457,442	11,092,253	21,124,656	19,398,778
Deferred Inflows of Resources	287,345	100,267	59,156	-	346,501	100,267
Net Position						
Net Investment in Capital Assets	6,913,054	6,643,863	12,655,214	12,275,678	19,568,268	18,919,541
Restricted	1,774,907	1,985,630	571,947	515,055	2,346,854	2,500,685
Unrestricted	(4,506,056)	(4,277,998)	1,049,779	847,135	(3,456,277)	(3,430,863)
Total Net Position	\$ 4,181,905	\$ 4,351,495	\$ 14,276,940	\$ 13,637,868	\$ 18,458,845	\$ 17,989,363

Approximately 106% of the City's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and vehicles). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents approximately 13% of total net position. The remaining balance of unrestricted net position is \$(3,456,277) or (19) %.

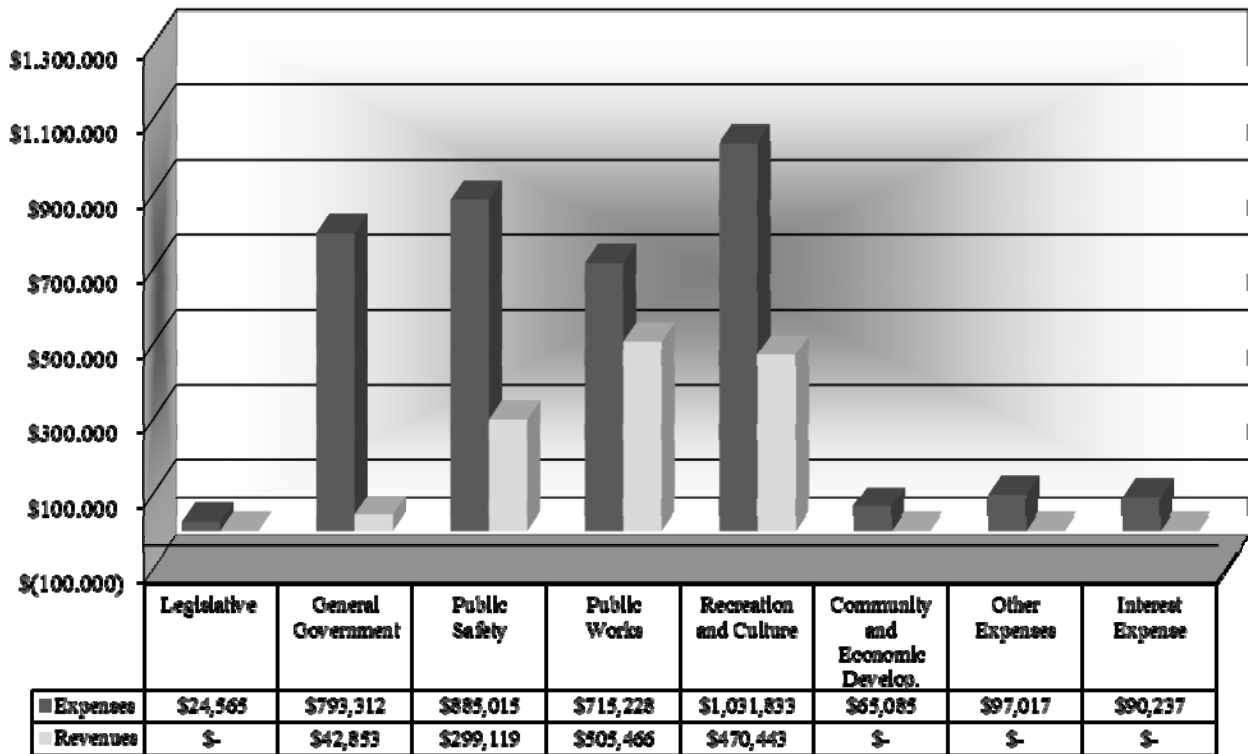
City of St. Ignace
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 210,274	\$ 330,822	\$ 2,953,773	\$ 3,112,803	\$ 3,164,047	\$ 3,443,625
Capital & Operating Grants and Contributions	1,107,607	1,146,200	493,395	18,769	1,601,002	1,164,969
General Revenues						
Taxes	1,496,674	1,437,340	-	-	1,496,674	1,437,340
State Shared Revenues	237,381	200,426	-	-	237,381	200,426
Federal, State, Local	-	-	-	6,000	-	6,000
Investment Income	14,635	16,684	7,785	7,517	22,420	24,201
Other Revenue	218,619	273,449	44,804	(26,804)	263,423	246,645
Total Revenues	3,285,190	3,404,921	3,499,757	3,118,285	6,784,947	6,523,206
Program Expenses						
Legislative	24,565	23,169	-	-	24,565	23,169
General Government	793,312	866,449	-	-	793,312	866,449
Public Safety	885,015	1,018,545	-	-	885,015	1,018,545
Public Works	715,228	769,378	-	-	715,228	769,378
Recreation and Culture	1,031,833	885,908	-	-	1,031,833	885,908
Community and Economic Development	65,085	-	-	-	65,085	-
Interest Expense	90,237	65,088	-	-	90,237	65,088
Other Expenses	97,017	128,790	-	-	97,017	128,790
Water	-	-	1,086,760	1,090,680	1,086,760	1,090,680
Sewer	-	-	1,160,057	1,231,857	1,160,057	1,231,857
Marina	-	-	436,135	503,026	436,135	503,026
BFI Garbage Collection	-	-	119,730	124,272	119,730	124,272
Golf Course	-	-	118,173	129,353	118,173	129,353
Total Expenses	3,702,292	3,757,327	2,920,855	3,079,188	6,623,147	6,836,515
Changes in Net Position Before Transfers	(417,102)	(352,406)	578,902	39,097	161,800	(313,309)
Transfers	204,830	119,600	(204,830)	(119,600)	-	-
Changes in Net Position	(212,272)	(232,806)	374,072	(80,503)	161,800	(313,309)
Net Position - Beginning, (As Restated)	4,394,177	4,584,301	13,902,868	13,718,371	18,297,045	18,302,672
Net Position - Ending	\$ 4,181,905	\$ 4,351,495	\$ 14,276,940	\$ 13,637,868	\$ 18,458,845	\$ 17,989,363

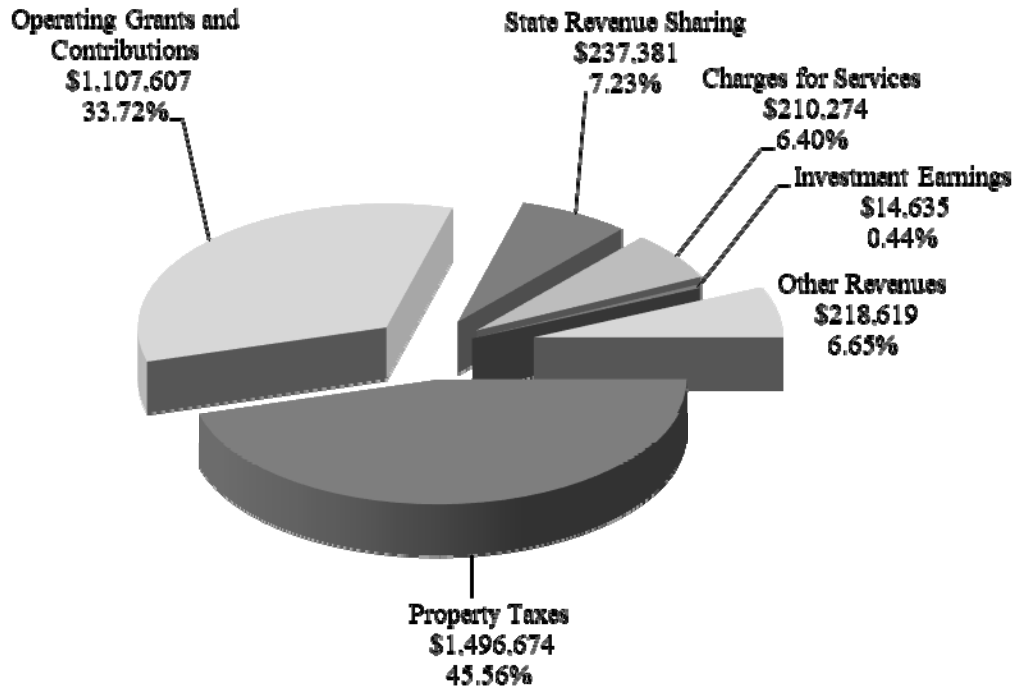
Governmental activities. Governmental activities decreased the City's net position by \$212,272, of which \$42,682 is a positive prior period adjustment for adjustments made to OPEB liability.

The remaining decrease in governmental activities is primarily caused from a decrease in operational grants, taxes, other revenues, as well as an overall increase in expenditures in 2020.

Expenses and Program Revenues – Governmental Activities

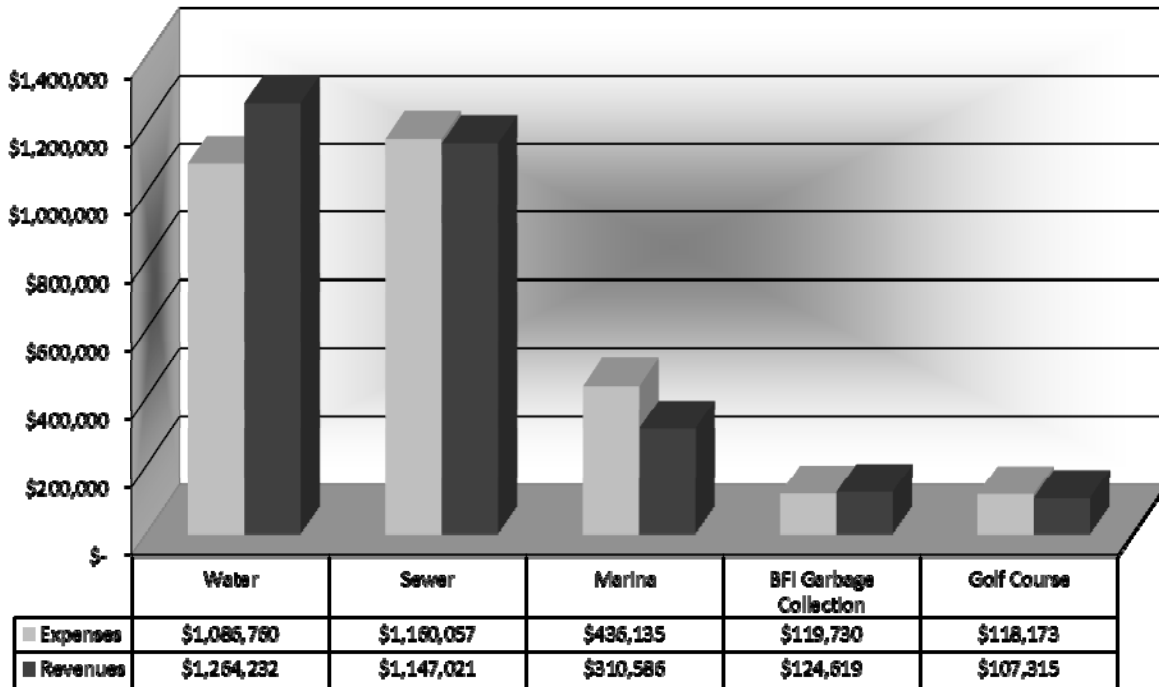


Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increase the City’s net position by \$639,072, of which \$265,000 is a positive prior period adjustment for adjustments made to long-term debt.

Expenses and Revenues – Business-type Activities



All revenues for the business-type activities resulted from charges for services and grants and contributions.

Financial Analysis of the Government’s 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 spending at the end of the fiscal year.

The General Fund is the primary operating fund of the City. The General Fund’s fund balance increased by \$77,338 from \$1,447,159 to \$1,524,497 during 2020. The increase was primarily related to increases in multiple revenue areas.

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

Unrestricted net position of the City’s Water, Sewer and Marina proprietary funds at the end of the year amounted to \$206,107, \$384,764 and \$328,280, respectively. The Water Fund had an increase in net position for the year of \$123,186. This increase in net position is mainly attributable to an increase in other revenue. The Sewer fund has an increase in net position for the year of \$427,629, which was the result of a decrease in contracted services caused by costs associated with the issuance of new debt in the prior year. The Marina Fund had a decrease in net position of \$213,853 primarily related to a decrease in charges for service.

General Fund Budgetary Highlights

The annual Budget Review highlights the proposed budget for each fiscal year and expounds upon the major budget issues. Management compares actual expenditures to budgeted amounts to determine whether amendments are required. The City did amend the 2020 budget; however, the City ended the year with excess of expenditures over appropriations in one function.

During the year, general fund budgetary estimates were exceeded by revenues by \$119,964 and expenditures were exceeded by budgetary estimates by \$14,839. The revenue variance is mainly the result of higher state and local source revenues than anticipated and lower other revenues than expected. The expense variance is primarily attributable to higher public safety and public works expenditures than originally budgeted for in 2020.

Capital Asset and Debt Administration

Capital assets. The City defines a capital asset as an asset with an original cost that exceeds \$5,000 and an estimated useful life greater than one year. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their estimated useful lives.

Major capital asset events during the current fiscal year included the following:

- Finished wastewater improvement project in current year and purchased a water truck for business-type. Continuation of fire hall construction and purchase of a work truck for governmental funds.

**City of St. Ignace
Capital Assets
(net of depreciation, where applicable)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land	\$ 1,757,928	\$ 1,757,928	\$ 197,653	\$ 197,653	\$ 1,955,581	\$ 1,955,581
Museum Artifacts	300,000	300,000	-	-	300,000	300,000
Construction in Progress	2,299,091	123,514	-	745,824	2,299,091	869,338
Buildings	4,597,478	4,824,915	2,977,460	3,144,881	7,574,938	7,969,796
Land Improvements	281,384	295,728	-	-	281,384	295,728
Infrastructure	223,144	246,300	-	-	223,144	246,300
Machinery, Equipment and Vehicles	723,759	821,475	101,959	68,970	825,718	890,445
Water	-	-	5,142,674	5,368,611	5,142,674	5,368,611
Sewer	-	-	8,490,285	7,501,862	8,490,285	7,501,862
Marina	-	-	4,675,976	4,862,317	4,675,976	4,862,317
Net Capital Assets	<u>\$ 10,182,784</u>	<u>\$ 8,369,860</u>	<u>\$ 21,586,007</u>	<u>\$ 21,890,118</u>	<u>\$ 31,768,791</u>	<u>\$ 30,259,978</u>

Additional information on the City’s capital assets can be found in the notes to financial statements.

Long-term debt. Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid through a debt service fund or proprietary fund. Debt classified as long-term if the debt matures in a period greater than one year. At the end of the current fiscal year, the City had total debt outstanding of \$12,925,301. Of this amount, \$3,269,730 was debt of governmental activities and \$9,404,793 was debt of business-type activities.

The City's total debt decreased by \$623,657 during the current fiscal year. The City also has an OPEB obligation in the amount of \$2,149,309 and a Pension obligation of \$5,907,612.

Additional information on the City's long-term debt can be found in the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

The City is working toward a number of core adjustments from 2020 and also to 2021, as follows:

Turnover within the City Administrative staff continued in 2020, with a new City Manager. Many departments experienced changes in processes due to the pandemic, and updates with a VOIP phone system, new internet provider, new emails and electronic processes implemented to conform to operating within the given Federal, State and Local Covid-19 parameters.

The Little Bear East Community and Conference Center experienced the most difficult period throughout pandemic, shutting down for a couple months, unable to meet revenue expectations. Adjustments in budgets are still being felt into 2021.

Building a new City website and is expected to launch in 2021, with goals to aid in making communication to the community more interactive and efficient.

Completing the construction of the new fire hall facility through the City's Building Authority funded by USDA bonds that are being paid for by the Straits Area Fire Authority through a millage. The Fire Agreement between the City, Moran Township and St. Ignace Township stays in tact to support the new facility and department operations.

Successfully completed the USDA funded South State St. sewer project. Plans being followed to apply for next water project in 2021.

Continue to make progress toward completion of the Little Bear East Park Project adjacent the LBE Facility. The occurrence of the pandemic throughout the year raised costs of services and materials dramatically over what was originally planned. Bids were not received for much of the excavating work, leaving City resources to be utilized when available.

The City registered with the Community Economic Development Association of Michigan (CEDAM) program to host a Community Development Fellow for 14 months assisting the City toward achieving certification as a Redevelopment Ready Community. The working period for the CEDAM's Fellow will end in September 2021.

The NAGPRA (Native American Grave Repatriation Act) is ongoing. There is continued progress with maintaining the City's collection and working with Michilimackinac Historical Society to manage the database information.

Street condition issues are ongoing. DPW has plans to use the AMZ process to repair some roads, while minimal paving was accomplished on First Street. A priority list is compiled to accomplish more comprehensive repair on other streets.

Updates to the Water Plant facility continue to be accomplished, prioritizing required systems and processes.

Updates to Marina pump-out equipment have been accomplished and plans continue for periodical updating of operating systems and other equipment.

The City is a member of the St. Ignace - Area Emergency Medical Service (SI Area EMS) Ambulance Council, along with five neighboring communities. Plans to purchase property and a new facility are currently being considered, as the current ambulance garage no longer houses new ambulance vehicles appropriately. The City is the largest contributor by current calculation at 44%.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Darcy Long, City Manager, 396 N. State Street, St. Ignace, Michigan, 49781.

Basic Financial Statements

Statement of Net Position
December 31, 2020

	Primary Government		Totals	Component
	Governmental Activities	Business-type Activities		Unit DDA
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 3,124,987	\$ 966,361	\$ 4,091,348	\$ 235,461
Cash and Equivalents - Restricted	491,048	1,508,889	1,999,937	-
Cash Held by Fiscal Agent	-	254,875	254,875	-
Accounts Receivable	106,736	283,674	390,410	-
Taxes Receivable	142,399	-	142,399	-
Special Assessments Receivable	-	3,603	3,603	-
Due from Governmental Units	106,627	-	106,627	-
Prepaid Items	24,810	26,723	51,533	3,102
Inventories	123,515	28,722	152,237	21,182
Capital Assets (Not Depreciated)	4,357,019	197,653	4,554,672	182,626
Capital Assets (Net of Accumulated Depreciation)	5,825,765	21,388,354	27,214,119	685,350
TOTAL ASSETS	14,302,906	24,658,854	38,961,760	1,127,721
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	450,905	134,684	585,589	-
OPEB Related Items	382,655	-	382,655	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	833,560	134,684	968,244	-
LIABILITIES:				
Accounts Payable	339,733	34,491	374,224	2,444
Accrued Liabilities	66,601	49,584	116,185	6,136
Accrued Interest Payable	22,205	83,820	106,025	-
Advances from Other Governmental Units	20,000	-	20,000	-
Installment Loans - due within one year	68,473	25,547	94,020	-
Installment Loans - due in more than one year	228,457	115,357	343,814	-
Bonds Payable - due within one year	146,000	448,000	594,000	-
Bonds Payable - due in more than one year	2,826,800	8,815,889	11,642,689	-
Net Pension Liability - due in more than one year	4,548,858	1,358,754	5,907,612	-
OPEB Obligation - due in more than one year	2,149,309	-	2,149,309	-
Vested Employee Benefits - due in more than one year	250,778	-	250,778	8,325
TOTAL LIABILITIES	10,667,214	10,931,442	21,598,656	16,905
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	198,051	59,156	257,207	-
OPEB Related Items	89,294	-	89,294	-
TOTAL DEFERRED INFLOWS OF RESOURCES	287,345	59,156	346,501	-
NET POSITION:				
Net Investment in Capital Assets	6,913,054	12,181,214	19,094,268	867,976
Restricted for Debt Covenants	-	571,947	571,947	-
Restricted for Special Revenue	1,558,081	-	1,558,081	-
Restricted for Capital Projects	313,900	-	313,900	-
Restricted for Trust Purposes	25,000	-	25,000	-
Unrestricted	(4,628,128)	1,049,779	(3,578,349)	242,840
TOTAL NET POSITION	\$ 4,181,907	\$ 13,802,940	\$ 17,984,847	\$ 1,110,816

See accompanying notes to financial statements.

**Statement of Activities
For the Year Ended December 31, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
Legislative	\$ 24,565	\$ -	\$ -	\$ -	\$ (24,565)	\$ -	\$ (24,565)	\$ -
General Government	793,310	700	42,153	-	(750,457)	-	(750,457)	-
Public Safety	885,015	70,671	228,448	-	(585,896)	-	(585,896)	-
Public Works	715,228	30,783	474,683	-	(209,762)	-	(209,762)	-
Recreation and Culture	1,031,833	108,120	362,323	-	(561,390)	-	(561,390)	-
Community and Economic Development	65,085	-	-	-	(65,085)	-	(65,085)	-
Other Expenses	97,017	-	-	-	(97,017)	-	(97,017)	-
Interest Expense	90,237	-	-	-	(90,237)	-	(90,237)	-
Total Governmental Activities	<u>3,702,290</u>	<u>210,274</u>	<u>1,107,607</u>	<u>-</u>	<u>(2,384,409)</u>	<u>-</u>	<u>(2,384,409)</u>	<u>-</u>
Business-type activities:								
Water	1,086,760	1,264,232	-	18,514	-	195,986	195,986	-
Sewer	1,160,057	1,147,021	-	881	-	(12,155)	(12,155)	-
Marina	436,135	310,586	-	-	-	(125,549)	(125,549)	-
BFI Garbage Collection	119,730	124,619	-	-	-	4,889	4,889	-
Golf Course	118,173	107,315	-	-	-	(10,858)	(10,858)	-
Total Business-type Activities	<u>2,920,855</u>	<u>2,953,773</u>	<u>-</u>	<u>19,395</u>	<u>-</u>	<u>52,313</u>	<u>52,313</u>	<u>-</u>
Total Primary Government	<u>\$ 6,623,145</u>	<u>\$ 3,164,047</u>	<u>\$ 1,107,607</u>	<u>\$ 19,395</u>	<u>(2,384,409)</u>	<u>52,313</u>	<u>(2,332,096)</u>	<u>-</u>
Component Units:								
DDA	<u>\$ 516,683</u>	<u>\$ 107,346</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(409,337)</u>
General Revenues and Transfers:								
Taxes - Property					1,496,674	-	1,496,674	206,013
State Revenue Sharing					237,381	-	237,381	-
Federal, State, Local					-	-	-	80,329
Other Revenues					218,619	44,804	263,423	27,616
Investment Earnings					14,635	7,785	22,420	1,043
Transfers					204,830	(204,830)	-	-
Total General Revenues and Transfers					<u>2,172,139</u>	<u>(152,241)</u>	<u>2,019,898</u>	<u>315,001</u>
Change in Net Position					(212,270)	(99,928)	(312,198)	(94,336)
Net Position - Beginning (as Restated, See Note 11)					<u>4,394,177</u>	<u>13,902,868</u>	<u>18,297,045</u>	<u>1,205,152</u>
Net Position - Ending					<u>\$ 4,181,907</u>	<u>\$ 13,802,940</u>	<u>\$ 17,984,847</u>	<u>\$ 1,110,816</u>

Balance Sheet
Governmental Funds
December 31, 2020

	General	Major Streets	Local Streets	Fire Hall Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 943,782	\$ 604,039	\$ 148,574	\$ 60,159	\$ 1,024,571	\$ 2,781,125
Cash and Equivalents - Restricted	313,480	-	-	-	177,568	491,048
Accounts Receivable	1,481	-	-	-	93,178	94,659
Taxes Receivable	122,590	4,442	4,190	-	11,177	142,399
Due from Other Funds	59,937	-	-	-	-	59,937
Due from Governmental Units	39,633	48,889	18,105	-	-	106,627
Prepaid Items	13,077	-	-	-	5,685	18,762
Inventories	123,515	-	-	-	-	123,515
TOTAL ASSETS	\$ 1,617,495	\$ 657,370	\$ 170,869	\$ 60,159	\$ 1,312,179	\$ 3,818,072
LIABILITIES:						
Accounts Payable	\$ 20,719	\$ -	\$ -	\$ 245,537	\$ 64,412	\$ 330,668
Accrued Liabilities	52,279	2,956	2,924	-	5,648	63,807
Due to Other Funds	-	-	-	-	59,937	59,937
Advances from Other Governmental Units	20,000	-	-	-	-	20,000
TOTAL LIABILITIES	92,998	2,956	2,924	245,537	129,997	474,412
FUND BALANCES:						
Nonspendable	136,592	-	-	-	1,292	137,884
Restricted	-	654,414	167,945	-	1,113,993	1,936,352
Assigned	313,480	-	-	-	66,897	380,377
Unassigned	1,074,425	-	-	(185,378)	-	889,047
TOTAL FUND BALANCES	1,524,497	654,414	167,945	(185,378)	1,182,182	3,343,660
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,617,495	\$ 657,370	\$ 170,869	\$ 60,159	\$ 1,312,179	
Reconciliation to amounts reported for governmental activities in the statement of net position:						
Capital assets used by governmental activities						9,865,286
OPEB obligation and related deferred inflows/outflows						(1,855,948)
Installment loans and bonds payable for governmental activities						(3,042,279)
Vested employee benefits						(250,778)
Internal service funds included in governmental activities						437,281
Net pension liability and related deferred inflows/outflows						(4,296,004)
Accrued interest payable						(19,311)
Net position of governmental activities						\$ 4,181,907

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2020**

	General	Major Streets	Local Streets	Fire Hall Construction	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:						
Taxes and Penalties	\$ 1,230,745	\$ 53,670	\$ 56,729	\$ -	\$ 155,530	\$ 1,496,674
Licenses and Permits	6,071	-	-	-	-	6,071
Federal Sources	6,553	-	-	-	60,070	66,623
State Sources	254,098	326,646	124,737	-	220,620	926,101
Local Sources	34,342	11,500	11,500	50,000	244,622	351,964
Charges for Services	77,564	-	-	-	126,639	204,203
Interest Earnings	6,270	3,326	767	-	4,272	14,635
Rentals	24,494	-	-	-	-	24,494
Other Revenue	142,576	-	3,758	-	47,791	194,125
TOTAL REVENUES	1,782,713	395,142	197,491	50,000	859,544	3,284,890
EXPENDITURES:						
Legislative	24,565	-	-	-	-	24,565
General Government	648,682	-	-	-	16,375	665,057
Public Safety	606,026	-	-	-	68,143	674,169
Public Works	207,124	174,929	216,207	-	742	599,002
Community and Economic Development	65,085	-	-	-	-	65,085
Recreation and Cultural	89,630	-	-	-	782,563	872,193
Capital Outlay	12,000	-	-	2,175,577	-	2,187,577
Debt Service	10,484	-	-	-	260,793	271,277
Other Expenditures	97,017	-	-	-	-	97,017
TOTAL EXPENDITURES	1,760,613	174,929	216,207	2,175,577	1,128,616	5,455,942
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)						
	22,100	220,213	(18,716)	(2,125,577)	(269,072)	(2,171,052)
OTHER FINANCING SOURCES (USES):						
Bond Proceeds	-	-	-	1,713,800	-	1,713,800
Transfers In	188,266	-	40,000	900	241,329	470,495
Transfers Out	(133,028)	(52,660)	(6,500)	-	(74,100)	(266,288)
TOTAL OTHER FINANCING SOURCES (USES)	55,238	(52,660)	33,500	1,714,700	167,229	1,918,007
NET CHANGE IN FUND BALANCES	77,338	167,553	14,784	(410,877)	(101,843)	(253,045)
FUND BALANCES BEGINNING OF YEAR	1,447,159	486,861	153,161	225,499	1,284,025	3,596,705
FUND BALANCES END OF YEAR	\$ 1,524,497	\$ 654,414	\$ 167,945	\$ (185,378)	\$ 1,182,182	\$ 3,343,660

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020**

Net changes in fund balances - total governmental funds \$ (253,045)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$2,187,577 exceeded depreciation expense (\$358,683). 1,828,894

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments 188,140

Note proceeds are recorded as income in the governmental funds but issuing notes increases the liabilities in the statement of net position

Bond Proceeds (1,713,800)

An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (7,721)

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

OPEB obligation and net pension liability (240,389)
Vested employee benefits (14,349)

Change in net position of governmental activities \$ (212,270)

Statement of Net Position
 Proprietary Funds
 December 31, 2020

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water	Sewer	Marina	Nonmajor Enterprise		Internal Service Funds
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 543,230	\$ -	\$ 300,671	\$ 122,460	\$ 966,361	\$ 343,862
Cash and Equivalents - Restricted	571,947	936,942	-	-	1,508,889	-
Cash held by Fiscal Agent	254,875	-	-	-	254,875	-
Accounts Receivable	133,237	133,025	800	16,612	283,674	12,077
Taxes Receivable	1,782	1,821	-	-	3,603	-
Prepaid Items	11,888	7,236	6,048	1,551	26,723	6,048
Inventories	-	-	28,722	-	28,722	-
Capital Assets (Not Depreciated)	61,116	93,498	-	43,039	197,653	-
Capital Assets (Net of Accumulated Depreciation)	5,238,713	11,462,785	4,675,976	10,880	21,388,354	317,498
Total Assets	6,816,788	12,635,307	5,012,217	194,542	24,658,854	679,485
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Experience and Assumptions	67,342	67,342	-	-	134,684	-
LIABILITIES:						
Accounts Payable	11,138	7,139	6,219	9,995	34,491	9,065
Accrued Liabilities	36,827	11,015	1,742	-	49,584	2,794
Accrued Interest Payable	49,327	34,493	-	-	83,820	2,894
Net Pension Liabilities	679,377	679,377	-	-	1,358,754	-
Installment Notes - due within one year	25,547	-	-	-	25,547	32,108
Installment Notes - due in more than one year	115,357	-	-	-	115,357	195,343
Bonds Payable - due within one year	60,000	388,000	-	-	448,000	-
Bonds Payable - due in more than one year	1,838,000	6,977,889	-	-	8,815,889	-
Total Liabilities	2,815,573	8,097,913	7,961	9,995	10,931,442	242,204
DEFERRED INFLOWS OF RESOURCES:						
Pension Investment Earnings	29,578	29,578	-	-	59,156	-
NET POSITION:						
Net Investment in Capital Assets	3,260,925	4,190,394	4,675,976	53,919	12,181,214	90,047
Restricted	571,947	-	-	-	571,947	-
Unrestricted	206,107	384,764	328,280	130,628	1,049,779	347,234
TOTAL NET POSITION	\$ 4,038,979	\$ 4,575,158	\$ 5,004,256	\$ 184,547	\$ 13,802,940	\$ 437,281

**Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2020**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sewer	Marina	Nonmajor Enterprise	Totals	Internal Service Funds
OPERATING REVENUES:						
Charges for Services	\$ 1,210,974	\$ 1,144,660	\$ 304,025	\$ 231,934	\$ 2,891,593	\$ 303,395
Other Revenue	53,258	2,361	6,561	-	62,180	-
Total Operating Revenues	<u>1,264,232</u>	<u>1,147,021</u>	<u>310,586</u>	<u>231,934</u>	<u>2,953,773</u>	<u>303,395</u>
OPERATING EXPENSES:						
Personnel Services	519,051	285,478	70,099	82,149	956,777	111,582
Supplies	77,456	40,298	99,029	7,182	223,965	30,788
Contracted Services	37,769	34,746	26,370	121,453	220,338	189
Insurance	23,989	14,602	5,253	850	44,694	12,203
Utilities	61,833	164,909	16,006	11,265	254,013	8,059
Repairs and Maintenance	12,015	12,526	1,727	10,048	36,316	77,637
Rental	20,554	13,513	64	-	34,131	-
Depreciation	237,506	400,647	210,443	1,810	850,406	53,350
Other Expenses	7,000	968	7,144	3,146	18,258	11,131
Total Operating Expenses	<u>997,173</u>	<u>967,687</u>	<u>436,135</u>	<u>237,903</u>	<u>2,638,898</u>	<u>304,939</u>
OPERATING INCOME (LOSS)	<u>267,059</u>	<u>179,334</u>	<u>(125,549)</u>	<u>(5,969)</u>	<u>314,875</u>	<u>(1,544)</u>
NON-OPERATING REVENUES (EXPENSES):						
State Grants	18,514	-	-	-	18,514	-
Local Grants	-	-	-	-	-	300
Interest Income	2,500	3,234	1,546	505	7,785	-
Interest Expense	(89,587)	(192,370)	-	-	(281,957)	(7,100)
Other	-	-	-	44,804	44,804	-
Capital Contribution	-	881	-	-	881	-
Total Non-operating Revenues (Expenses)	<u>(68,573)</u>	<u>(188,255)</u>	<u>1,546</u>	<u>45,309</u>	<u>(209,973)</u>	<u>(6,800)</u>
Income (Loss) Before Transfers	<u>198,486</u>	<u>(8,921)</u>	<u>(124,003)</u>	<u>39,340</u>	<u>104,902</u>	<u>(8,344)</u>
TRANSFERS:						
Transfers In	-	-	-	-	-	22,600
Transfers Out	(75,300)	(37,450)	(89,580)	(2,500)	(204,830)	(21,977)
Total Transfers	<u>(75,300)</u>	<u>(37,450)</u>	<u>(89,580)</u>	<u>(2,500)</u>	<u>(204,830)</u>	<u>623</u>
CHANGE IN NET POSITION	<u>123,186</u>	<u>(46,371)</u>	<u>(213,583)</u>	<u>36,840</u>	<u>(99,928)</u>	<u>(7,721)</u>
NET POSITION, BEGINNING OF YEAR (as Restated, See Note 11)	<u>3,915,793</u>	<u>4,621,529</u>	<u>5,217,839</u>	<u>147,707</u>	<u>13,902,868</u>	<u>445,002</u>
NET POSITION, END OF YEAR	<u>\$ 4,038,979</u>	<u>\$ 4,575,158</u>	<u>\$ 5,004,256</u>	<u>\$ 184,547</u>	<u>\$ 13,802,940</u>	<u>\$ 437,281</u>

**Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2020**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sewer	Marina	Nonmajor Funds	Totals	Internal Service Fund
Cash Flows From Operating Activities:						
Receipts from Customers or Users	\$ 1,248,116	\$ 1,132,445	\$ 311,085	\$ 230,613	\$ 2,922,259	\$ 303,647
Cash Payments to Vendors	(256,280)	(284,579)	(139,394)	(158,482)	(838,735)	(144,467)
Cash Paid to Employees	(480,912)	(259,380)	(70,119)	(82,149)	(892,560)	(111,942)
Internal Activity - Payments/Receipts with Other Funds	-	-	-	741	741	-
Net Cash Provided (Used) by Operating Activities	<u>510,924</u>	<u>588,486</u>	<u>101,572</u>	<u>(9,277)</u>	<u>1,191,705</u>	<u>47,238</u>
Cash Flows From Noncapital and Related Financing Activities:						
Federal, State, & Local Sources	18,514	-	-	-	18,514	300
Capital Contribution	-	881	-	-	881	-
Other Revenues	-	-	-	44,804	44,804	-
Operating Transfers In	-	-	-	-	-	22,600
Operating Transfers Out	(75,300)	(37,450)	(89,580)	(2,500)	(204,830)	(21,977)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(56,786)</u>	<u>(36,569)</u>	<u>(89,580)</u>	<u>42,304</u>	<u>(140,631)</u>	<u>923</u>
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(7,838)	(474,881)	(24,102)	-	(506,821)	-
Bond proceeds	-	644,000	-	-	644,000	-
Interest Payments	(89,587)	(192,370)	-	-	(281,957)	(7,100)
Principal Payments	(78,121)	(550,000)	-	-	(628,121)	(19,308)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(175,546)</u>	<u>(573,251)</u>	<u>(24,102)</u>	<u>-</u>	<u>(772,899)</u>	<u>(26,408)</u>
Cash Flows From Investing Activities:						
Interest Income	2,500	3,234	1,546	505	7,785	-
Net Cash Provided (Used) by Investing Activities	<u>2,500</u>	<u>3,234</u>	<u>1,546</u>	<u>505</u>	<u>7,785</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	281,092	(18,100)	(10,564)	33,532	285,960	21,753
Cash and Equivalents - Beginning of the Year	834,085	955,042	311,235	88,928	2,189,290	322,109
Cash and Equivalents - End of the Year	<u>\$ 1,115,177</u>	<u>\$ 936,942</u>	<u>\$ 300,671</u>	<u>\$ 122,460</u>	<u>\$ 2,475,250</u>	<u>\$ 343,862</u>

Reconciliation of Operating Income (Loss) to

Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ 267,059	\$ 179,334	\$ (125,549)	\$ (5,969)	\$ 314,875	\$ (1,544)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	237,506	400,647	210,443	1,810	850,406	53,350
Pension Expense	22,828	22,828	-	-	45,656	-
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Accounts Receivable	(15,679)	(19,348)	499	(1,321)	(35,849)	252
Taxes Receivable	(437)	4,772	-	-	4,335	-
Due from Other Funds	-	-	-	741	741	-
Prepaid Items	213	130	(2,891)	27	(2,521)	108
Inventories	-	-	16,100	-	16,100	-
Increase (Decrease) in Liabilities:						
Accounts Payable	(15,877)	(3,147)	2,990	(4,565)	(20,599)	(4,568)
Accrued Liabilities	15,311	3,270	(20)	-	18,561	(360)
Net Cash Provided (Used) by Operating Activities	<u>\$ 510,924</u>	<u>\$ 588,486</u>	<u>\$ 101,572</u>	<u>\$ (9,277)</u>	<u>\$ 1,191,705</u>	<u>\$ 47,238</u>

Noncash Investing, Capital and Financing Activities

In 2020, the City water fund had \$7,730 of bond premium amortized with interest expense. This amount is included within the principal paid.

In 2020, the City internal service fund purchased a truck through the issuance of debt. This amount is not included as debt proceeds.

Statement of Net Position
Fiduciary Funds
December 31, 2020

	Trust and Agency
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 312,164
Total Assets	<u>\$ 312,164</u>
LIABILITIES:	
Due to Governmental Units	\$ 240,469
Due to Others	<u>71,695</u>
Total Liabilites	<u>\$ 312,164</u>

**Statement of Changes in Net Position
Fiduciary Funds
December 31, 2020**

	Trust and Agency
ADDITIONS:	
Taxes Collected for Other Governments	\$ 3,759,738
Other Collections for Other Governments	480,971
Other Collections for Other Agencies	907,402
Total Additions	5,148,111
DEDUCTIONS:	
Payment of Taxes to Other Governments	3,746,891
Overpayment of Taxes to Taxpayers	28,556
Payment of Other Collections to Other Governments	480,720
Payment of Other Collections to Other Agencies	883,537
Total Deductions	5,139,704
Change in Cash Balance	8,407
Cash, Beginning of Year	303,757
Cash, End of Year	\$ 312,164

Component Units

Combining Balance Sheet
Component Unit - Downtown Development Authority
December 31, 2020

	General Downtown	Museum Operations	Debt Service	Museum Store	Gateway Project	Totals
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 121,010	\$ 25,307	\$ 5	\$ 58,306	\$ 30,833	\$ 235,461
Prepaid Items	1,551	1,551	-	-	-	3,102
Inventories	-	-	-	21,182	-	21,182
TOTAL ASSETS	\$ 122,561	\$ 26,858	\$ 5	\$ 79,488	\$ 30,833	\$ 259,745
LIABILITIES:						
Accounts Payable	\$ 792	\$ -	\$ -	\$ 1,652	\$ -	\$ 2,444
Accrued Liabilities	4,835	911	-	390	-	6,136
TOTAL LIABILITIES	5,627	911	-	2,042	-	8,580
FUND BALANCE:						
Unassigned	116,934	25,947	5	77,446	30,833	251,165
TOTAL LIABILITIES AND FUND BALANCE	\$ 122,561	\$ 26,858	\$ 5	\$ 79,488	\$ 30,833	251,165
Reconciliation to amounts reported for the statement of net position:						
Capital assets used by governmental activities						867,976
Vested Employees Benefits						(8,325)
Net position of governmental governemtnal activities						\$ 1,110,816

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Component Unit - Downtown Development Authority
For the Year Ended December 31, 2020**

	General Downtown	Museum Operations	Debt Service	Museum Store	Gateway Project	Total
REVENUES:						
Taxes	\$ 206,013	\$ -	\$ -	\$ -	\$ -	\$ 206,013
Charges for Services	-	-	-	107,346	-	107,346
Federal, State and Local		72,379	-	-	7,950	80,329
Interest Income	822	85	-	136	-	1,043
Other Income	7,432	20,907	-	(723)	-	27,616
TOTAL REVENUES	214,267	93,371	-	106,759	7,950	422,347
EXPENDITURES:						
Recreation & Culture	-	129,383	-	98,675	-	228,058
Economic Development	226,933	-	-	-	-	226,933
TOTAL EXPENDITURES	226,933	129,383	-	98,675	-	454,991
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(12,666)	(36,012)	-	8,084	7,950	(32,644)
OTHER FINANCING SOURCES (USES):						
Transfers In	-	31,300	-	-	-	31,300
Transfers Out	(20,000)	-	-	(11,300)	-	(31,300)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	31,300	-	(11,300)	-	-
NET CHANGE IN FUND BALANCES	(32,666)	(4,712)	-	(3,216)	7,950	(32,644)
FUND BALANCES BEGINNING OF YEAR	149,600	30,659	5	80,662	22,883	283,809
FUND BALANCES END OF YEAR	\$ 116,934	\$ 25,947	\$ 5	\$ 77,446	\$ 30,833	\$ 251,165

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Component Unit - Downtown Development Authority
For the Year Ended December 31, 2020**

Net changes in fund balances - total component units \$ (32,644)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$0 is exceeded by depreciation expense (\$55,921).

(55,921)

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

Vested employee benefits

(5,771)

Change in net position of governmental activities

\$ (94,336)

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of St. Ignace (the “City”) and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Blended Component Unit

St. Ignace Building Authority – The St. Ignace Building Authority is a blended component unit of the City. The St. Ignace Building Authority has a December 31 year end and a separate report is not prepared for the Building Authority. Its sole purpose is to account for the financing of certain building authority projects and related debt which is reported in the government-wide financial statements with the current year principal and interest expense recorded in a debt service fund.

Discretely Presented Component Unit

The St. Ignace Downtown Development Authority – The Downtown Development Authority (the “DDA”) is a discretely presented component unit of the City. The component unit column in the government-wide financial statements include the financial data of the DDA. This component unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing Board of the DDA are appointed by the City Council. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA.

Jointly Governed Organization

Straits Area Fire Authority - The Straits Area Fire Authority (the “Authority”) was created as a corporate instrumentality in 2018 under provisions of Act 57, Michigan Public Acts of 1988. The local governments comprising the Authority include the City of St. Ignace, Moran, and St. Ignace Townships. The Authority provides fire protection, equipment and services to these municipalities. The Authority is not included in any other governmental “reporting entity” as defined by GASB 61, since none of these governmental units appoint a majority of the Authority’s board, the board members have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B. 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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes 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 proprietary funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *Major Streets Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes which are restricted by State statute for local street and highway purposes.

The *Fire Call Construction Fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the construction of the Fire Hall.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operations, maintenance and development of water facilities.

The *Sewer Fund* accounts for the operations, maintenance and development of sewer facilities.

The *Marina Fund* accounts for the operations, maintenance and development of marina facilities.

Additionally, the City reports the following fund types:

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

Debt Service Funds. These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Project Funds. These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities or capital assets.

Permanent Fund. This fund accounts for the assets that are permanently restricted in the City's cemetery Perpetual Care Fund. The principal portion of these funds must stay intact, but the interest earnings are used to provide for maintenance of the City's cemetery.

Enterprise Funds. These funds account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds. These funds account for operations that provide machinery and equipment and office equipment services to other departments of the City on a cost-reimbursement basis.

Agency Funds. These funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the City holds for others in an agency capacity (such as taxes collected for other governments).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and other charges between the City's water and sewer function and various other functions of the City. 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 and 2) operating grants and contributions. 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 City's enterprise and internal service funds are charges to customers for sales and services. The City 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 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.

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

Cash and Equivalents

The City maintains a cash pool for certain City funds. Each fund's portion of the cash pool is displayed on the statement of net position/balance sheet as "Cash and Equivalents". The debt service and trust and agency funds cash resources are invested separately as required by law.

The City's cash and equivalents include cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reports as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1, of the succeeding year, unpaid real property taxes are sold to and collected by Mackinac County. Assessed values, as established annually by the City and subject to acceptance by the City, are equalized by the State at an estimated 50% of current market value.

Property taxes are recognized in the fiscal year in which they are levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Prepaids Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

Restricted Assets

Certain resources are set aside for repayment of the City’s Water and Sewer Enterprise Fund revenue bonds and are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include buildings, land improvements, infrastructure, marina, equipment, vehicles, and water and sewer system (e.g., roads, sidewalks, and similar items), reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets 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. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15-40 years
Land improvements	10-15 years
Infrastructure	20 years
Marina	5-40 years
Equipment	5-25 years
Vehicles	5-25 years
Water and Sewer System	10-50 years

Vested Employee Benefits

It is the City’s policy to permit employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance 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 of the Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension and OPEB items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has pension and OPEB items that qualify for reporting in this category.

Interfund Transfers

During the course of normal operations, the City has numerous transactions between funds, component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City funds as operating revenue. All City funds record payments to the internal service funds as operating expenditures/expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year in the amount of \$137,884.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has restricted \$654,414 for Major Streets, \$167,945 for Local Streets, \$735,722 for Nonmajor Special Revenue Funds, \$39,371 for Debt Service Funds, \$191,826 for Capital Project Funds and \$25,000 for the Permanent Fund.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has committed \$0 fund balance.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for Special Revenue Funds.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets and Budgetary Control – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each April, after receiving input from the individual departments, the City Manager prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the City Commission.
- d. Budgetary control is exercised at the functional level of the General Fund. Any revisions that alter the total expenditures of any function or fund (i.e., budget amendments) require approval by the City Commission. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The City does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General Fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level.

NOTE 3 - CASH AND EQUIVALENTS

At year end, the City’s cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents - Unrestricted	\$ 3,124,987	\$ 966,361	\$ 4,091,348	\$ 312,164	\$ 235,461
Cash and Equivalents – Restricted	<u>491,048</u>	<u>1,508,889</u>	<u>1,999,937</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,616,035</u>	<u>\$ 2,475,250</u>	<u>\$ 6,091,285</u>	<u>\$ 312,164</u>	<u>\$ 235,461</u>

NOTE 3 - CASH AND EQUIVALENTS (Continued)

The breakdown of cash and equivalents is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 6,088,186	\$ 312,164	\$ 235,461
Petty Cash and Cash on Hand	<u>3,099</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,091,285</u>	<u>\$ 312,164</u>	<u>\$ 235,461</u>

The City also holds cash at a fiscal agent as of December 31, 2020 in the amount of \$254,875 for the purpose of making debt payments.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$6,211,012 of the City's bank balance of \$6,768,977 was exposed to credit risk because it was uninsured and uncollateralized.

Fair value measurement. 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; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

NOTE 3 - CASH AND EQUIVALENTS (Continued)Statutory Authority:

Public Act 152, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The City’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the City and specific funds. They are recorded in City records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,757,928	\$ -	\$ -	\$ 1,757,928
Museum Artifacts	300,000	-	-	300,000
Construction in Progress	<u>123,514</u>	<u>2,175,577</u>	<u>-</u>	<u>2,299,091</u>
Subtotal	<u>2,181,442</u>	<u>2,175,577</u>	<u>-</u>	<u>4,357,019</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,483,195	-	-	8,483,195
Land improvements	561,657	-	-	561,657
Infrastructure	463,108	-	-	463,108
Equipment	2,472,363	-	-	2,472,363
Vehicles	<u>945,858</u>	<u>49,380</u>	<u>-</u>	<u>995,238</u>
Subtotal	<u>12,926,181</u>	<u>49,380</u>	<u>-</u>	<u>12,975,561</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(3,658,280)	(227,437)	-	(3,885,717)
Land improvements	(265,929)	(14,344)	-	(280,273)
Infrastructure	(216,808)	(23,156)	-	(239,964)
Equipment	(1,989,735)	(55,226)	-	(2,044,961)
Vehicles	<u>(607,011)</u>	<u>(91,870)</u>	<u>-</u>	<u>(698,881)</u>
Subtotal	<u>(6,737,763)</u>	<u>(412,033)</u>	<u>-</u>	<u>(7,149,796)</u>
Net Capital Assets Being Depreciated	<u>6,188,418</u>	<u>(362,653)</u>	<u>-</u>	<u>5,825,765</u>
Capital Assets – Net	<u>\$ 8,369,860</u>	<u>\$ 1,812,924</u>	<u>\$ -</u>	<u>\$ 10,182,784</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 54,875
Public Safety	92,072
Public Works	34,370
Recreation and Culture	177,366
Capital assets held by the City’s internal service funds are charged to the various functions based on their usage of the assets	<u>53,350</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 412,033</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 197,653	\$ -	\$ -	\$ 197,653
Construction in Progress	<u>745,824</u>	<u>-</u>	<u>(745,824)</u>	<u>-</u>
Subtotal	<u>943,477</u>	<u>-</u>	<u>(745,824)</u>	<u>197,653</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,352,884	-	-	8,352,884
Machinery and Equipment	395,555	47,312	-	442,867
Water	11,087,203	-	-	11,087,203
Sewer	9,575,161	1,220,705	-	10,795,866
Marina	<u>8,308,884</u>	<u>24,102</u>	<u>-</u>	<u>8,332,986</u>
Subtotal	<u>37,719,687</u>	<u>1,292,119</u>	<u>-</u>	<u>39,011,806</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(5,208,003)	(167,421)	-	(5,375,424)
Machinery and Equipment	(326,585)	(14,323)	-	(340,908)
Water	(5,718,592)	(225,937)	-	(5,944,529)
Sewer	(2,073,299)	(232,282)	-	(2,305,581)
Marina	<u>(3,446,567)</u>	<u>(210,443)</u>	<u>-</u>	<u>(3,657,010)</u>
Subtotal	<u>(16,773,046)</u>	<u>(850,406)</u>	<u>-</u>	<u>(17,623,452)</u>
Net Capital Assets Being Depreciated	<u>20,946,641</u>	<u>441,713</u>	<u>-</u>	<u>21,388,354</u>
Capital Assets - Net	<u>\$ 21,890,118</u>	<u>\$ 441,713</u>	<u>\$ (745,824)</u>	<u>\$ 21,586,007</u>
Business - type Activities				
Water			\$ 237,506	
Sewer			400,647	
Marina			210,443	
Golf Course			<u>1,810</u>	
Total Depreciation Expense – Business - type Activities			<u>\$ 850,406</u>	

NOTE 4 - CAPITAL ASSETS (Continued)

Capital asset activity of the Downtown Development Authority (“DDA”) for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 182,626	\$ -	\$ -	\$ 182,626
Subtotal	<u>182,626</u>	<u>-</u>	<u>-</u>	<u>182,626</u>
<i>Capital assets being depreciated:</i>				
Buildings	266,043	-	-	266,043
Equipment	202,093	-	-	202,093
Land Improvements	<u>1,796,171</u>	<u>-</u>	<u>-</u>	<u>1,796,171</u>
Subtotal	<u>2,264,307</u>	<u>-</u>	<u>-</u>	<u>2,264,307</u>
<i>Less accumulated depreciation:</i>				
Buildings	(52,751)	(9,384)	-	(62,135)
Equipment	(139,332)	(5,366)	34,543	(110,155)
Land Improvements	<u>(1,330,953)</u>	<u>(41,171)</u>	<u>(34,543)</u>	<u>(1,406,667)</u>
Subtotal	<u>(1,523,036)</u>	<u>(55,921)</u>	<u>-</u>	<u>(1,578,957)</u>
Net Capital Assets Being Depreciated	<u>741,271</u>	<u>(55,921)</u>	<u>-</u>	<u>685,350</u>
Capital assets – Net of depreciation	<u>\$ 923,897</u>	<u>\$ (55,921)</u>	<u>\$ -</u>	<u>\$ 867,976</u>

Depreciation expense was charged to the Downtown Development Authority in the amount of \$55,921.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE TO OTHER FUNDS		DUE FROM OTHER FUNDS
		Nonmajor <u>Governmental</u>
	General Fund	<u>\$ 59,937</u>

All balances resulted 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.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

		TRANSFERS IN					Total
		General	Local Street	Fire Hall Construction	Nonmajor Governmental	Internal Service	
TRANSFERS OUT	General	\$ 39,580	\$ -	\$ -	\$ 80,448	\$ 13,000	\$ 133,028
	Major Street	12,660	40,000	-	-	-	52,660
	Local Street	6,500	-	-	-	-	6,500
	Nonmajor Governmental	16,296	-	900	56,904	-	74,100
	Water	69,600	-	-	-	5,700	75,300
	Sewer	33,550	-	-	-	3,900	37,450
	Marina	7,580	-	-	82,000	-	89,580
	Nonmajor Enterprise	2,500	-	-	-	-	2,500
	Internal Service	-	-	-	21,977	-	21,977
	Total	<u>\$ 188,266</u>	<u>\$ 40,000</u>	<u>\$ 900</u>	<u>\$ 241,329</u>	<u>\$ 22,600</u>	<u>\$ 493,095</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. City contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance*	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance	Due Within One Year
Governmental Activities					
2011 General Obligation Building Authority Refunding of 2001 issue, due in annual installments of \$15,000 to \$80,000 through September 2026, plus interest at 3.50% to 4.75%, payable semi-annually.	\$ 480,000	\$ -	\$ 60,000	\$ 420,000	\$ 60,000
Installment Loan to First National Bank, payable in annual installments of \$6,398 through August 2036, plus interest at 3.25% annually, secured by equipment.	82,557	-	3,708	78,849	3,834
Installment Loan First National Bank, payable in annual installments of \$5,817 through August 2036, plus interest of 3.25%. Secured by equipment.	75,052	-	3,371	71,681	3,486

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance*</u>	<u>Increases/ Adjustments</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities (Continued)					
Installment Loan Agreement First National Bank, payable in annual installments of \$9,708 to \$10,221 through March 2020, plus interest of 2.610%. Secured by equipment.	10,220	-	10,220	-	-
Installment Loan Agreement Central Savings Bank, payable in annual installments of \$4,463 to \$5,701 through October 2026, plus interest of 2.625%. Secured by equipment.	43,588	-	5,204	38,384	5,271
2015 USDA Capital Improvement Bonds, payable in annual installments of \$8,000 to \$12,000 through October 2015, plus interest of 3.625% annually.	65,000	-	10,000	55,000	10,000
2014 USDA Capital Improvement Bonds, payable in annual installments of \$10,000 to \$80,000 through September 2026, plus interest from 3.5% to 4.75%, annually.	720,000	-	20,000	700,000	20,000
Installment Loan Agreement First National Bank, payable in annual installments of \$52,755 to \$56,243 through 2021, plus interest of 3.253% annually.	58,810	-	27,716	31,094	31,094
Installment Loan Agreement Central Savings Bank, payable in annual installments of \$14,192 through 2023, including plus interest of 3.790% annually.	51,770	-	12,228	39,542	12,694
2019 USDA Capital Improvement Bonds Series 2019A, payable in annual installments of \$49,000 to \$111,000 through 2049, plus interest of 3.00% annually.	124,000	1,713,800	49,000	1,788,800	50,000
2019 USDA Capital Improvement Bonds Series 2019B, payable in annual installments of \$6,000 to \$12,000 through 2048, plus interest of 3.00% annually.	15,000	-	6,000	9,000	6,000
Installment Loan Agreement First National Bank, payable in annual installment of \$13,190 through 2024, plus interest of 2.90% annually.	-	37,380	-	37,380	12,094
Vested Employee Benefits – (net)	<u>236,429</u>	<u>14,349</u>	<u>-</u>	<u>250,778</u>	<u>-</u>
Total Governmental Activities – Long-Term Debt	<u>1,962,426</u>	<u>1,765,529</u>	<u>207,447</u>	<u>3,520,508</u>	<u>214,473</u>

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
2015 Revolving Sewer Fund Loan, due in annual installments of \$61,561 to through 2041, plus interest at 2.50%, payable semi-annually.	1,420,108	-	65,000	1,355,108	65,000
2008 Revolving Sewer Fund Loan, due in annual installments of \$155,000 to \$240,000 through October 2029, plus interest at 2.50%, payable semi-annually.	2,140,000	-	190,000	1,950,000	195,000
2000 Water Supply System Revenue Bonds, due in annual installments of \$42,000 to \$142,000 through July 2040, plus interest at 4.50%, payable semi-annually.	1,956,000	-	58,000	1,898,000	60,000
2012 Water Supply System Revenue Refunding of the 2002 issue, due in annual installments of \$175,000 to \$265,000 through January 2020, plus interest at 2.00% to 3.00%, payable semi-annually. (*)	265,000	(265,000)	-	-	-
2010 USDA Rural Development Sewer Capital Improvement Project Bonds, due in annual installments of \$32,000 to \$101,000 through 2050, plus interest at 2.25%, payable semi-annually.	1,992,000	-	50,000	1,942,000	51,000
2009 Sewage Disposal System Junior Lien Revenue Bonds, maturing serially to 2030, in annual amounts ranging from \$30,000 to \$40,000, plus interest at 2.50%, payable semi-annually.	395,771	-	35,000	360,771	35,000
1999 A Series Sewage Disposal Revenue Bonds, due in annual installments of \$13,000 to \$38,000 through December 2038, plus interest at 4.50%, payable semi-annually.	507,000	-	17,000	490,000	18,000
1999 B Series Sewage Disposal Revenue Bonds, due in annual installments of \$2,000 to \$8,010 through December 2038, plus interest at 4.50%.	70,010	-	2,000	68,010	3,000
2018 State Infrastructure Loan, payable in annual installments of \$9,759 to \$13,819 through May 2032, plus interest of 2.5%.	96,647	-	6,426	90,221	6,583

NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance*	Increases/ Adjustments	Decreases	Ending Balance	Due Within One Year
Business-type Activities (Continued)					
Installment Loan Agreement, First National Bank, due in monthly installments of \$535, including interest of 2.60%, through October 2022.	17,174	-	5,965	11,209	6,193
2019 USDA Capital Improvement Bond, due in annual installments of \$20,000 to \$57,000 through 2058, plus interest of 4.50%.	747,000	644,000	191,000	1,200,000	21,000
Installment Loan Agreement, First National Bank, due in annual installments of \$13,928, including interest of 2.90%, through August 2024, secured by vehicle.	-	39,474	-	39,474	12,771
Premium on 2012 Water Supply System Revenue Refunding Bonds	7,730	-	7,730	-	-
Total Business – type Activities – Long-Term Debt	9,614,440	418,474	628,121	9,404,793	473,547
Total Long-Term Debt	\$ 11,576,866	\$ 2,184,003	\$ 835,568	\$ 12,925,301	\$ 688,020

* The following bond was paid off at the end of 2019 and adjusted to properly reflect the restatement at NOTE 11.

Vested employee benefits are generally liquidated by the General Fund for all governmental activities, business-type activities and the component unit.

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 214,473	\$ 107,197	\$ 473,547	\$ 282,984
2022	189,529	100,563	483,919	269,343
2023	193,705	93,834	496,452	255,409
2024	169,553	86,506	494,102	241,067
2025	176,874	80,011	505,266	226,744
2026-2030	571,164	319,332	2,525,920	902,963
2031-2035	555,792	234,056	1,647,469	578,954
2036-2040	595,840	141,829	1,532,118	293,473
2041-2045	602,800	42,958	656,000	118,529
2046-2050	-	-	349,000	50,247
2051-2055	-	-	241,000	15,868
Total	<u>\$ 3,269,730</u>	<u>\$ 1,206,286</u>	<u>\$ 9,404,793</u>	<u>\$ 3,235,581</u>

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 1.50% and 2.50% for officers times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2019.

General Information about the Pension Plan

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

01 – Gnr/ Union: Closed to new hires, linked to Division 12

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

02 – Pol/Fire: Closed to new hires, linked to Division 20

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	1.20%
Act 88:	Yes (Adopted 6/5/1972)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

10 – Gnrl NonUn: Closed to new hires, linked to Division 11

	<u>2019 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

11 – General non-union at 1/1/2012: Open Division, linked to Division 10

	<u>2019 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

12 – General Union after 1/1/2013: Open Division, linked to Division 01

	<u>2019 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

20 – Police/Fire after 01/01/2013: Open Division, linked to Division 02

	<u>2019 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>28</u>
	<u>69</u>

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate.

The monthly employer contribution rate at December 31, 2020 is as follows:

General Union	\$ 17,229
Police/Fire	7,588
General Non-Union	16,903
General Non-Union	1,168
General Union After	2,573
Police/Fire After	1,024

Net Pension Liability

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

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.00 %, in the long term
Investment rate of return	7.35 %, net of investment expense, including inflation

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Mortality rates used were based on the RP 2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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 of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.70%
Global Fixed Income	20.0%	0.30%
Private Investments	20.0%	1.30%

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

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 13,062,642	\$ 7,376,208	\$ 5,686,434
Service cost	126,614	-	126,614
Interest on total pension liability	963,766	-	963,766
Changes in benefits	-	-	-
Difference between expected and actual experience	91,048	-	91,048
Changes in assumptions	441,673	-	441,673
Employer contributions	-	551,312	(551,312)
Employee contributions	-	1,223	(1,223)
Net investment income	-	909,767	(909,767)
Benefit payments, including employee refunds	(889,642)	(889,642)	-
Administrative expense	-	(14,632)	14,632
Other changes	45,747	-	45,747
Net changes	779,206	558,028	221,178
Balances as of December 31, 2020	\$ 13,841,848	\$ 7,934,236	\$ 5,907,612

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City’s net pension liability	\$7,436,447	\$5,907,612	\$4,614,274

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended December 31, 2020, the City recognized pension expense of \$749,810. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 254,334	\$ -
Changes in assumptions	331,255	-
Net difference between projected and actual earnings on pension plan investments	-	257,207
Total	<u>\$ 585,589</u>	<u>\$ 257,207</u>

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

<u>Year Ended December 31:</u>	
2021	\$ 196,795
2022	226,637
2023	(18,941)
2024	(76,109)

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

Plan Description. The City administers a single-employer healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and employees. The Retiree Health Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

Funding Policy. Currently the city does not pre-fund retiree health benefits and instead provides for benefits on a pay-as-you-go basis.

Employees Covered by Benefit Terms

As of Actuarial date January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	23
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>14</u>
Total participants covered by OPEB Plan	<u><u>37</u></u>

The City’s OPEB Plan is closed to new entrants.

Total OPEB Liability and Net OPEB Liability

The City’s total OPEB liability of \$2,149,309 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial assumptions and other inputs

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	2.12%
Healthcare Cost Trend Rates:	
2020 Trend	5.23%
2021 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Salary Increases	2.00%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of December 31, 2020.

Mortality rates: SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006)

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 4.10% to 2.12%.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The City correct the eligibility provisions used in the previous valuation. The current eligibility provision require age 55 with 15 years of service' previously valued using age 55 with 25 years of service.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2019*	\$ 1,668,135	\$ -	\$ 1,668,135
Service cost	28,986	-	28,986
Interest	45,072	-	45,072
Assumption Changes	549,027	-	549,027
Difference between actual and expected experience	(40,356)	-	(40,356)
Contributions - Employer	-	101,555	(101,555)
Benefit payments	(101,555)	(101,555)	-
Net changes	<u>481,174</u>	<u>-</u>	<u>481,174</u>
Balances as December 31, 2020	<u>\$ 2,149,309</u>	<u>\$ -</u>	<u>\$ 2,149,309</u>

* This amount has been adjusted to reflect the restatement in NOTE 11.

Sensitivity of the total OPEB liability to changes in the discount rate.

The December 31, 2020 valuation was prepared using a discount rate of 2.12%, as well as what the net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Net OPEB liability	\$2,549,786	\$2,149,309	\$1,834,049

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.

The following presents the net OPEB Liability, calculated using the trend rate starting at 5.23%/(27.61%), as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Baseline	1% Increase
Net OPEB liability	\$1,825,890	\$2,149,309	\$2,566,030

For the year ended December 31, 2020, the City recognized an OPEB expense as follows:

Service Cost	\$ 28,986
Interest on total OPEB liability	45,072
Amortization of Deferred Charges	
Difference between expected and actual experience	(12,229)
Changes of assumptions or other inputs	122,367
Expected return on investments	<u>-</u>
Net OPEB Expense	<u>\$ 184,196</u>

Summary of Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

<u>Differences between expected and actual experience for Fiscal year Ending</u>	<u>Initial Amount</u>	<u>Initial Amortization Period</u>	<u>Annual Recognition</u>	<u>Unamortized Balance as of December 31, 2020</u>
December 31, 2017	N/A	N/A	N/A	N/A
December 31, 2018	N/A	N/A	N/A	N/A
December 31, 2019	N/A	N/A	N/A	N/A
December 31, 2020	\$ (40,356)	3.30	<u>\$ (12,229)</u>	<u>\$ (28,127)</u>
			<u>\$ (12,229)</u>	<u>\$ (28,127)</u>

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in assumptions for Fiscal year Ending	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of December 31, 2020
December 31, 2017	\$ (193,182)	\$ 4	\$ (44,005)	\$ (61,167)
December 31, 2018	N/A	N/A	N/A	N/A
December 31, 2019	N/A	N/A	N/A	N/A
December 31, 2020	\$ 549,027	3.30	\$ 166,372	\$ 382,655
			\$ 122,367	\$ 321,488

As of Fiscal Year Ending December 31, 2020	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 28,127
Changes in assumptions	382,655	61,167
Total	\$ 382,655	\$ 89,294

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

Annual Amortization of Deferred Outflows/(Inflows)	
December 31, 2021	\$ 110,138
December 31, 2022	136,981
December 31, 2023	46,242
Total	\$ 293,361

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its automobile, property, and general liability insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$25,000 for each insured event.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of any potential additional assessments.

The City continues to carry commercial insurance for all other risks and loss. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three years.

NOTE 10 - DEFICIT COMPONENT OF NET POSITION/FUND BALANCE

A deficit component of net position/fund balance existed in the following funds as indicated:

Fire Hall Construction Fund	\$	185,378
LBE Park Construction Fund		122,074

NOTE 11 - RESTATEMENT

		<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2020	\$	4,351,495
Restatement of Net Position – for adjustment of beginning net OPEB liability		<u>42,682</u>
Beginning net position as restated at January 1, 2020	\$	<u>4,394,177</u>
	<u>Water Net Position</u>	<u>Business-Type Net Position</u>
Beginning net position as previously stated at January 1, 2020	\$ 3,650,793	\$ 13,637,868
Restatement of Net Position – for adjustment of long-term debt	<u>265,000</u>	<u>265,000</u>
Beginning net position as restated at January 1, 2020	\$ <u>3,915,793</u>	\$ <u>13,902,868</u>

Required Supplementary Information

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 126,614	\$ 136,812	\$ 117,039	\$ 124,471	\$ 121,656	\$ 117,999
Interest	963,766	971,145	936,705	921,588	858,648	827,267
Difference between expected and actual experience	91,048	287,442	169,315	(106,275)	106,359	(15,708)
Changes in assumptions	441,673	-	-	-	640,117	-
Other Changes	45,747	25,811	29,490	(38,389)	(17,146)	-
Benefit payments, including refund of member contributions	(889,642)	(858,946)	(804,931)	(615,324)	(579,952)	(523,877)
Net change in total pension liability	779,206	562,264	447,618	286,071	1,129,682	405,681
Total pension liability - beginning	13,062,642	12,500,378	12,052,760	11,766,689	10,637,007	10,231,326
Total pension liability - ending	\$ 13,841,848	\$ 13,062,642	\$ 12,500,378	\$ 12,052,760	\$ 11,766,689	\$ 10,637,007
Plan fiduciary net position						
Contributions - employer	\$ 551,312	\$ 509,310	\$ 413,428	\$ 381,917	\$ 329,047	\$ 300,727
Contributions - employee	1,223	1,536	2,056	1,976	1,897	2,690
Net investment income	909,767	911,769	(283,500)	899,933	721,074	(99,000)
Benefit payments, including refunds of member contributions	(889,642)	(858,946)	(804,931)	(615,324)	(579,951)	(523,877)
Administrative expense	(14,632)	(15,703)	(14,327)	(14,257)	(14,242)	(14,652)
Other Changes	-	-	(2)	-	-	-
Net change in plan fiduciary net position	558,028	547,966	(687,276)	654,245	457,825	(334,112)
Plan fiduciary net position - beginning	7,376,208	6,828,242	7,515,518	6,861,273	6,403,448	6,737,560
Plan fiduciary net position - ending	\$ 7,934,236	\$ 7,376,208	\$ 6,828,242	\$ 7,515,518	\$ 6,861,273	\$ 6,403,448
City's net pension liability - ending	\$ 5,907,612	\$ 5,686,434	\$ 5,672,136	\$ 4,537,242	\$ 4,905,416	\$ 4,233,559
Plan fiduciary net position as a percentage of the total pension liability	57%	56%	55%	62%	58%	60%
Covered - employee payroll	\$ 1,266,291	\$ 1,364,159	\$ 1,122,251	\$ 1,135,338	\$ 1,114,150	\$ 1,054,102
City's net pension liability as a percentage of covered-employee payroll	467%	417%	505%	400%	440%	402%

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 474,311	\$ 451,944	\$ 410,796	\$ 329,048	\$ 300,728	\$ 324,396
Contributions in relation to the actuarially determined contribution	<u>551,312</u>	<u>509,310</u>	<u>413,428</u>	<u>381,917</u>	<u>329,047</u>	<u>300,727</u>
Contribution deficiency (excess)	<u>\$ (77,001)</u>	<u>\$ (57,366)</u>	<u>\$ (2,632)</u>	<u>\$ (52,869)</u>	<u>\$ (28,319)</u>	<u>\$ 23,669</u>
Covered - employee payroll	\$ 1,266,291	\$ 1,364,159	\$ 1,122,251	\$ 1,135,338	\$ 1,114,150	\$ 1,054,102
Contributions as a percentage of covered-employee payroll	44%	37%	37%	34%	30%	29%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.35%, net of investment expenses including inflation
Retirement age	In the 2016 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	Assumptions were based on the RP 2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2020**

	2020	2019	2018
Total OPEB Liability - Beginning of Year*	\$ 1,668,135	\$ 1,713,238	\$ 1,909,429
Service cost	28,986	18,142	21,751
Interest	45,072	68,419	64,214
Assumption changes and differences between actual and expected experience	508,671	-	(196,679)
Benefit payments	(101,555)	(88,982)	(85,477)
OPEB Liability - End of Year	\$ 2,149,309	\$ 1,710,817	\$ 1,713,238
Plan fiduciary net position			
Contributions - employer	\$ 101,555	\$ 88,982	\$ 85,477
Net investment income	-	-	-
Benefit payments	(101,555)	(88,982)	(85,477)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - Beginning of Year	-	-	-
Plan fiduciary net position - End of Year	\$ -	\$ -	\$ -
Net OPEB liability - End of Year	\$ 2,149,309	\$ 1,710,817	\$ 1,713,238
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered Payroll	\$ 719,870	\$ 784,905	\$ 769,515
Net OPEB liability as a percentage of covered payroll	298.57%	217.96%	222.64%
Schedule of Employer Contributions			
Service cost	\$ 28,986	\$ 18,142	\$ 21,750
30 year amortization of NOL	98,805	96,334	99,613
Actuarially determined contribution	127,791	114,476	121,363
Actual Contribution	101,555	88,982	85,477
Contribution deficiency/(excess)	\$ 26,236	\$ 25,494	\$ 35,886
Covered Payroll	\$ 719,870	\$ 784,905	\$ 769,515
ADC as a percentage of payroll	17.75%	14.58%	15.77%
Key Assumptions:			
Census Collection Date	January 1, 2020		
Discount rate	2.12%		
Year 1 inflation rate	5.23%		
Year 2 inflation rate	9.50%		
Ultimate inflation rate	5.00%		
Year Ultimate inflation rate is reached	2030		
Actuarial Cost Method	Entry age normal (percent of salary)		

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 1,199,966	\$ 1,143,549	\$ 1,230,745	\$ 87,196
Licenses and Permits	2,800	6,071	6,071	-
Federal Sources	2,000	6,553	6,553	-
State Sources	232,000	214,465	254,098	39,633
Local Sources	23,180	34,342	34,342	-
Charges for Services	74,568	76,895	77,564	669
Rentals	24,000	24,494	24,494	-
Interest Earnings	4,100	4,100	6,270	2,170
Other Revenue	151,050	152,280	142,576	(9,704)
TOTAL REVENUES	1,713,664	1,662,749	1,782,713	119,964
EXPENDITURES:				
Legislative:				
City Commission	24,860	23,763	24,565	(802)
General Government:				
City Manager	176,140	193,804	202,630	(8,826)
Board of Review	2,090	1,777	1,873	(96)
City Assessor	78,150	72,413	54,140	18,273
City Attorney	20,000	32,516	34,136	(1,620)
City Clerk/Treasurer	247,405	253,221	264,049	(10,828)
Elections	3,975	6,570	6,750	(180)
City Hall & Grounds	31,300	27,195	27,351	(156)
Non-Departmental	56,000	65,555	57,753	7,802
Total General Government	615,060	653,051	648,682	4,369
Public Safety:				
Police	440,815	473,274	494,638	(21,364)
Safety & Health	500	17,862	17,861	1
Planning & Zoning	5,650	5,063	5,062	1
Fire	82,825	93,355	88,465	4,890
Total Public Safety	529,790	589,554	606,026	(16,472)

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
DPW	125,595	159,572	168,138	(8,566)
Sidewalks	2,510	237	236	1
Engineering	2,000	-	-	-
Garbage Collection	2,000	1,040	1,039	1
Street Lighting	41,000	37,711	37,711	-
Total Public Works	173,105	198,560	207,124	(8,564)
Community and Economic Development	74,100	65,085	65,085	-
Recreation and Culture:				
Park Maintenance	49,000	87,425	87,422	3
Boat Launch	5,300	2,210	2,208	2
Total Recreation and Culture	54,300	89,635	89,630	5
Capital Outlay	42,000	12,000	12,000	-
Debt Service	10,750	10,483	10,484	(1)
Other Expenditures:				
Insurance and Bonds	26,500	20,279	13,559	6,720
Fringe Benefits	94,350	83,364	83,458	(94)
Total Other Expenditures	120,850	103,643	97,017	6,626
TOTAL EXPENDITURES	1,644,815	1,745,774	1,760,613	(14,839)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	68,849	(83,025)	22,100	105,125
OTHER FINANCING SOURCES (USES):				
Transfers In	171,720	188,266	188,266	-
Transfers Out	(188,913)	(133,028)	(133,028)	-
TOTAL OTHER FINANCING SOURCES (USES)	(17,193)	55,238	55,238	-
NET CHANGE IN FUND BALANCES	\$ 51,656	\$ (27,787)	77,338	\$ 105,125
FUND BALANCES BEGINNING OF YEAR			1,447,159	
FUND BALANCES END OF YEAR			\$ 1,524,497	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 57,880	\$ 49,838	\$ 53,670	\$ 3,832
State Sources	284,551	297,242	326,646	29,404
Local Sources	8,250	11,500	11,500	-
Interest Earnings	1,531	2,373	3,326	953
TOTAL REVENUES	352,212	360,953	395,142	34,189
EXPENDITURES:				
Public Works	339,498	177,696	174,929	2,767
TOTAL EXPENDITURES	339,498	177,696	174,929	2,767
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	12,714	183,257	220,213	36,956
OTHER FINANCING SOURCES (USES):				
Transfers Out	(12,660)	(12,660)	(52,660)	(40,000)
NET CHANGE IN FUND BALANCES	\$ 54	\$ 170,597	167,553	\$ (3,044)
FUND BALANCES BEGINNING OF YEAR			486,861	
FUND BALANCES END OF YEAR			\$ 654,414	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 57,427	\$ 52,817	\$ 56,729	\$ 3,912
State Sources	98,038	106,631	124,737	18,106
Local Sources	8,250	11,500	11,500	-
Charges for Service	300	-	-	-
Interest Earnings	370	572	767	195
Other Revenue	100	3,757	3,758	1
TOTAL REVENUES	164,485	175,277	197,491	22,214
EXPENDITURES:				
Public Works	157,788	213,635	216,207	(2,572)
TOTAL EXPENDITURES	157,788	213,635	216,207	(2,572)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	6,697	(38,358)	(18,716)	19,642
OTHER FINANCING SOURCES (USES):				
Transfers In	-	40,000	40,000	-
Transfers Out	(6,500)	(6,500)	(6,500)	-
NET CHANGE IN FUND BALANCES	\$ 197	\$ (4,858)	14,784	\$ 19,642
FUND BALANCES BEGINNING OF YEAR			153,161	
FUND BALANCES END OF YEAR			\$ 167,945	

Other Information

**Schedule of Bond Covenant Cash Reserves
Required and Actual Balances
December 31, 2020**

	Required Balance	Actual Balance
Water Fund - Restricted Cash		
Operation and Maintenance Funds	\$ 476,727	\$ 476,727
Bond and Interest Redemption		
2000 Series Water Supply System Revenue Bonds	102,030	102,030
Bond Reserves		
2000 Series Water Supply System Revenue Bonds	146,000	146,000
Repair, Replacement and Improvement Accounts		
2000 Series Water Supply System Revenue Bonds	102,065	102,065
	\$ 826,822	\$ 826,822
Sewer Fund Restricted Cash		
Operation and Maintenance Funds	\$ 73,041	\$ 73,041
Bond and Interest Redemption		
1999A / 1999B Series Sewage Disposal Revenue Bonds	23,055	23,055
2009 Sewage Disposal System Junior Lien Revenue Bond	3,632	3,632
2010 USDA Rural Development Sewer Capital Improvement Project Bonds - Net	8,296	8,296
2008 Revolving Sewer Fund Loan	60,938	60,938
2015 Revolving Sewer Fund Loan	57,016	57,016
Bond Reserves		
1999A / 1999B Series Sewage Disposal Revenue Bonds	46,500	46,500
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	113,100	113,100
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	8,700	8,700
Repair, Replacement and Improvement Accounts		
1999A / 1999B Series Sewage Disposal Revenue Bonds	221,146	221,146
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	229,477	229,477
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	92,041	92,041
	\$ 936,942	\$ 936,942

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Special Revenue Funds						
	Law Enforcement	Library	Cemetery	Recreation Program	Community Center	Building Inspector	Fire
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 130,525	\$ 397,704	\$ 42,076	\$ -	\$ 80,161	\$ 22,576	\$ -
Cash and Equivalents - Restricted	-	10,000	-	-	-	-	142,568
Accounts Receivable	-	7,043	4,050	-	80,343	-	-
Taxes Receivable	-	5,588	-	-	5,589	-	-
Prepaid Items	-	1,292	-	-	4,393	-	-
TOTAL ASSETS	\$ 130,525	\$ 421,627	\$ 46,126	\$ -	\$ 170,486	\$ 22,576	\$ 142,568
LIABILITIES:							
Accounts Payable	\$ -	\$ 1,151	\$ 43	\$ -	\$ 934	\$ 147	\$ -
Accrued Liabilities	-	2,638	-	-	2,979	31	-
Due to Other Fund	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	3,789	43	-	3,913	178	-
FUND BALANCES:							
Nonspendable	-	1,292	-	-	-	-	-
Restricted	130,525	416,546	46,083	-	-	-	142,568
Assigned	-	-	-	-	166,573	22,398	-
TOTAL FUND BALANCES	130,525	417,838	46,083	-	166,573	22,398	142,568
TOTAL LIABILITIES AND FUND BALANCES	\$ 130,525	\$ 421,627	\$ 46,126	\$ -	\$ 170,486	\$ 22,576	\$ 142,568

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Debt Service Funds				Capital Project Funds		
	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Fire Truck	Building Improvement	Dock No. 3 Improvements
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 7,035	\$ 546	\$ 30,046	\$ 2	\$ -	\$ 33,802	\$ 230,507
Cash and Equivalents - Restricted	-	-	-	-	-	-	-
Accounts Receivable	-	-	1,742	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 7,035</u>	<u>\$ 546</u>	<u>\$ 31,788</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 33,802</u>	<u>\$ 230,507</u>
LIABILITIES:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-
Due to Other Fund	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:							
Nonspendable	-	-	-	-	-	-	-
Restricted	7,035	546	31,788	2	-	33,802	230,507
Assigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>7,035</u>	<u>546</u>	<u>31,788</u>	<u>2</u>	<u>-</u>	<u>33,802</u>	<u>230,507</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,035</u>	<u>\$ 546</u>	<u>\$ 31,788</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 33,802</u>	<u>\$ 230,507</u>

	Capital Project Funds			Permanent	Total
	Capital			Fund	
	LBE Park Construction	Improvement Trust	Wastewater Improvements	Perpetual Care Cemetery	
ASSETS:					
Cash and Equivalents - Unrestricted	\$ -	\$ 49,591	\$ -	\$ -	\$ 1,024,571
Cash and Equivalents - Restricted	-	-	-	25,000	177,568
Accounts Receivable	-	-	-	-	93,178
Taxes Receivable	-	-	-	-	11,177
Prepaid Items	-	-	-	-	5,685
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 49,591</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 1,312,179</u>
LIABILITIES:					
Accounts Payable	\$ 62,137	\$ -	\$ -	\$ -	\$ 64,412
Accrued Liabilities	-	-	-	-	5,648
Due to Other Fund	59,937	-	-	-	59,937
TOTAL LIABILITIES	<u>122,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,997</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	1,292
Restricted	-	49,591	-	25,000	1,113,993
Assigned	(122,074)	-	-	-	66,897
TOTAL FUND BALANCES	<u>(122,074)</u>	<u>49,591</u>	<u>-</u>	<u>25,000</u>	<u>1,182,182</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 49,591</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 1,312,179</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Special Revenue Funds						
	Law Enforcement	Library	Cemetery	Recreation Program	Community Center	Building Inspector	Fire
REVENUES:							
Taxes	\$ -	\$ 81,866	\$ -	\$ -	\$ 73,664	\$ -	\$ -
Federal Sources	60,070	-	-	-	-	-	-
State Sources	7,468	72,827	-	-	-	-	-
Local Sources	-	52,914	-	-	55,921	-	9,709
Charges for Services	-	166	11,686	25	103,668	11,094	-
Interest Earnings	-	2,245	627	-	406	-	539
Other Revenue	-	4,862	-	-	22,428	-	-
TOTAL REVENUES	<u>67,538</u>	<u>214,880</u>	<u>12,313</u>	<u>25</u>	<u>256,087</u>	<u>11,094</u>	<u>10,248</u>
EXPENDITURES:							
General Government	-	-	9,990	-	-	-	-
Public Safety	64,259	-	-	-	-	3,753	131
Public Works	-	-	-	-	-	-	-
Recreation and Culture	-	144,732	-	-	240,803	-	-
Debt Service	-	-	-	-	6,346	-	-
TOTAL EXPENDITURES	<u>64,259</u>	<u>144,732</u>	<u>9,990</u>	<u>-</u>	<u>247,149</u>	<u>3,753</u>	<u>131</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>3,279</u>	<u>70,148</u>	<u>2,323</u>	<u>25</u>	<u>8,938</u>	<u>7,341</u>	<u>10,117</u>
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	66,904	-	7,343
Transfers Out	-	(2,000)	-	(56,904)	(14,250)	-	(900)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>(56,904)</u>	<u>52,654</u>	<u>-</u>	<u>6,443</u>
NET CHANGE IN FUND BALANCES	3,279	68,148	2,323	(56,879)	61,592	7,341	16,560
FUND BALANCES BEGINNING OF YEAR	<u>127,246</u>	<u>349,690</u>	<u>43,760</u>	<u>56,879</u>	<u>104,981</u>	<u>15,057</u>	<u>126,008</u>
FUND BALANCES END OF YEAR	<u>\$ 130,525</u>	<u>\$ 417,838</u>	<u>\$ 46,083</u>	<u>\$ -</u>	<u>\$ 166,573</u>	<u>\$ 22,398</u>	<u>\$ 142,568</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Debt Service Funds				Capital Project Funds		
	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Fire Truck	Building Improvement	Dock No. 3 Improvements
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-
Local Sources	-	-	-	85,742	-	-	-
Charges for Services	-	-	-	-	-	-	-
Interest Earnings	7	-	-	2	-	239	-
Other Revenue	-	-	-	-	-	-	20,501
TOTAL REVENUES	7	-	-	85,744	-	239	20,501
EXPENDITURES:							
General Government	-	-	-	-	-	6,385	-
Public Safety	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	23,100
Debt Service	56,963	82,125	29,617	85,742	-	-	-
TOTAL EXPENDITURES	56,963	82,125	29,617	85,742	-	6,385	23,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(56,956)	(82,125)	(29,617)	2	-	(6,146)	(2,599)
OTHER FINANCING SOURCES (USES):							
Transfers In	57,207	82,000	27,875	-	-	-	-
Transfers Out	-	-	-	-	(46)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	57,207	82,000	27,875	-	(46)	-	-
NET CHANGE IN FUND BALANCES	251	(125)	(1,742)	2	(46)	(6,146)	(2,599)
FUND BALANCES BEGINNING OF YEAR	6,784	671	33,530	-	46	39,948	233,106
FUND BALANCES END OF YEAR	\$ 7,035	\$ 546	\$ 31,788	\$ 2	\$ -	\$ 33,802	\$ 230,507

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020**

	Capital Project Funds			Permanent Fund	Totals
	LBE Park Construction	Capital Improvement		Perpetual Care Cemetery	
		Trust	Wastewater Improvements		
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 155,530
Federal Sources	-	-	-	-	60,070
State Sources	140,325	-	-	-	220,620
Local Sources	40,336	-	-	-	244,622
Charges for Services	-	-	-	-	126,639
Interest Earnings	-	207	-	-	4,272
Other Revenue	-	-	-	-	47,791
TOTAL REVENUES	180,661	207	-	-	859,544
EXPENDITURES:					
General Government	-	-	-	-	16,375
Public Safety	-	-	-	-	68,143
Public Works	-	-	742	-	742
Recreation and Culture	373,928	-	-	-	782,563
Debt Service	-	-	-	-	260,793
TOTAL EXPENDITURES	373,928	-	742	-	1,128,616
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(193,267)	207	(742)	-	(269,072)
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	241,329
Transfers Out	-	-	-	-	(74,100)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	167,229
NET CHANGE IN FUND BALANCES	(193,267)	207	(742)	-	(101,843)
FUND BALANCES BEGINNING OF YEAR	71,193	49,384	742	25,000	1,284,025
FUND BALANCES END OF YEAR	\$ (122,074)	\$ 49,591	\$ -	\$ 25,000	\$ 1,182,182

**Combining Statement of Net Position
Internal Service Funds
December 31, 2020**

	Equipment	Office Equipment Pool	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 296,966	\$ 46,896	\$ 343,862
Accounts Receivable	12,077	-	12,077
Prepaid Items	6,048	-	6,048
Capital Assets (Net of Accumulated Depreciation)	317,234	264	317,498
 TOTAL ASSETS	 \$ 632,325	 \$ 47,160	 \$ 679,485
 LIABILITIES:			
Accounts Payable	\$ 8,437	\$ 628	\$ 9,065
Accrued Liabilities	2,794	-	2,794
Accrued Interest Payable	2,894	-	2,894
Installment Loans - due within one year	32,108	-	32,108
Installment Loans - due in more than one year	195,343	-	195,343
 TOTAL LIABILITIES	 241,576	 628	 242,204
 NET POSITION:			
Net Investment in Capital Assets	89,783	264	90,047
Unrestricted	300,966	46,268	347,234
 TOTAL NET POSITION	 390,749	 46,532	 437,281
 TOTAL LIABILITIES AND NET POSITION	 \$ 632,325	 \$ 47,160	 \$ 679,485

**Combining Statement of Revenues, Expenses and
Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2020**

	<u>Equipment</u>	<u>Office Equipment Pool</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for Services	\$ 303,395	\$ -	\$ 303,395
OPERATING EXPENSES:			
Personnel Services	111,582	-	111,582
Contracted Services	189	-	189
Insurance	12,203	-	12,203
Utilities	8,059	-	8,059
Repair and Maintenance	64,371	13,266	77,637
Supplies	30,788	-	30,788
Depreciation	51,769	1,581	53,350
Other Expenses	129	11,002	11,131
Total Operating Expenses	<u>279,090</u>	<u>25,849</u>	<u>304,939</u>
OPERATING INCOME (LOSS)	24,305	(25,849)	(1,544)
NON-OPERATING REVENUES (EXPENSES):			
Local Grants	-	300	300
Interest Expense	<u>(7,100)</u>	<u>-</u>	<u>(7,100)</u>
Total Nonoperating Revenues (Expenses)	<u>(7,100)</u>	<u>300</u>	<u>(6,800)</u>
Income (Loss) Before Transfers	17,205	(25,549)	(8,344)
TRANSFERS:			
Transfers In	-	22,600	22,600
Transfers (Out)	<u>(21,977)</u>	<u>-</u>	<u>(21,977)</u>
Total Transfers	<u>(21,977)</u>	<u>22,600</u>	<u>623</u>
CHANGE IN NET POSITION	(4,772)	(2,949)	(7,721)
NET POSITION, BEGINNING OF YEAR	<u>395,521</u>	<u>49,481</u>	<u>445,002</u>
NET POSITION, END OF YEAR	<u><u>\$ 390,749</u></u>	<u><u>\$ 46,532</u></u>	<u><u>\$ 437,281</u></u>

**Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2020**

	<u>Equipment</u>	<u>Office Equipment Pool</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from Customers or Users	\$ 303,647	\$ -	\$ 303,647
Cash Paid to Vendors	(120,604)	(23,863)	(144,467)
Cash Paid to Employees Wages and Benefits	(111,942)	-	(111,942)
Net Cash Provided (Used) By Operating Activities	<u>71,101</u>	<u>(23,863)</u>	<u>47,238</u>
Cash Flows From Noncapital and Related Financing Activities:			
Local Sources	-	300	300
Transfers (Out) In	(21,977)	22,600	623
Net Cash Provided (Used) for Noncapital and Related Financing Activities	<u>(21,977)</u>	<u>22,900</u>	<u>923</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Payments	(19,308)	-	(19,308)
Interest Payments	(7,100)	-	(7,100)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(26,408)</u>	<u>-</u>	<u>(26,408)</u>
Net Increase (Decrease) in Cash	22,716	(963)	21,753
Cash and Equivalents at Beginning of Year	274,250	47,859	322,109
Cash and Equivalents at End of Year	<u>\$ 296,966</u>	<u>\$ 46,896</u>	<u>\$ 343,862</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 24,305	\$ (25,849)	\$ (1,544)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	51,769	1,581	53,350
Changes in Assets and Liabilities:			
Decrease (Increase) in Assets:			
Accounts Receivable	252	-	252
Prepaid Items	108	-	108
Increase (Decrease) in Liabilities:			
Accounts Payable	(4,973)	405	(4,568)
Accrued Liabilities	(360)	-	(360)
Net Cash Provided (Used) By Operating Activities	<u>\$ 71,101</u>	<u>\$ (23,863)</u>	<u>\$ 47,238</u>

**Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2020**

	BFI Garbage Collection	Golf Course	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 42,422	\$ 80,038	\$ 122,460
Account Receivable	16,612	-	16,612
Capital Assets (Not Depreciated)	-	43,039	43,039
Capital Assets (Net of Accumulated Depreciation)	-	10,880	10,880
Prepaid Items	-	1,551	1,551
TOTAL ASSETS	\$ 59,034	\$ 135,508	\$ 194,542
LIABILITIES:			
Accounts Payable	\$ 9,732	\$ 263	\$ 9,995
NET POSITION:			
Net Investment in Capital Assets	-	53,919	53,919
Unrestricted	49,302	81,326	130,628
TOTAL NET POSITION	49,302	135,245	184,547
TOTAL LIABILITIES AND NET POSITION	\$ 59,034	\$ 135,508	\$ 194,542

**Combining Statement of Revenues, Expenses and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2020**

	BFI Garbage Collection	Golf Course	Totals
OPERATING REVENUES:			
Charges for Services	\$ 124,619	\$ 107,315	\$ 231,934
Total Operating Revenues	124,619	107,315	231,934
OPERATING EXPENSES:			
Personnel Services	-	82,149	82,149
Contracted Services	119,730	1,723	121,453
Insurance	-	850	850
Repairs and Maintenance	-	10,048	10,048
Supplies	-	7,182	7,182
Utilities	-	11,265	11,265
Depreciation	-	1,810	1,810
Other Expenses	-	3,146	3,146
Total Operating Expenses	119,730	118,173	237,903
OPERATING INCOME (LOSS)	4,889	(10,858)	(5,969)
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	-	505	505
Other	-	44,804	44,804
Total Non-operating Revenues (Expenses)	-	45,309	45,309
Income (Loss) Before Transfers	4,889	34,451	39,340
TRANSFERS:			
Transfers Out	(2,500)	-	(2,500)
Total Transfers	(2,500)	-	(2,500)
CHANGE IN NET POSITION	2,389	34,451	36,840
NET POSITION, BEGINNING OF YEAR	46,913	100,794	147,707
NET POSITION, END OF YEAR	\$ 49,302	\$ 135,245	\$ 184,547

**Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2020**

	BFI Garbage Collection	Golf Course	Totals
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 123,298	\$ 107,315	\$ 230,613
Cash Paid to Employees Wages and Benefits	-	(82,149)	(82,149)
Cash Paid to Vendors	(120,451)	(38,031)	(158,482)
Internal Activity - Payments/Receipts with Other Funds	-	741	741
Net Cash Provided (Used) by Operating Activities	<u>2,847</u>	<u>(12,124)</u>	<u>(9,277)</u>
Cash Flows from Investing Activities:			
Interest Income	-	505	505
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>505</u>	<u>505</u>
Cash Flows From Noncapital and Related Financing Activities:			
Other Revenues	-	44,804	44,804
Transfers Out	(2,500)	-	(2,500)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(2,500)</u>	<u>44,804</u>	<u>42,304</u>
Net Increase (Decrease) in Cash	347	33,185	33,532
Cash and Equivalents, Beginning of Year	42,075	46,853	88,928
Cash and Equivalents, End of Year	<u>\$ 42,422</u>	<u>\$ 80,038</u>	<u>\$ 122,460</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 4,889	\$ (10,858)	\$ (5,969)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	1,810	1,810
Change in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable	(1,321)	-	(1,321)
Due from Other Funds	-	741	741
Prepaid Expenses	-	27	27
(Decrease) Increase in Liabilities:			
Accounts Payable	(721)	(3,844)	(4,565)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,847</u>	<u>\$ (12,124)</u>	<u>\$ (9,277)</u>

**Combining Statement of Net Position
Fiduciary Funds
December 31, 2020**

	Trust & Agency		
	Tax Collection	Payroll Clearing	Total
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 240,469	\$ 71,695	\$ 312,164
Total Assets	\$ 240,469	\$ 71,695	\$ 312,164
LIABILITIES:			
Due to Governmental Units	\$ 240,469	\$ -	\$ 240,469
Due to Others	-	71,695	71,695
Total Liabilites	\$ 240,469	\$ 71,695	\$ 312,164

**Combining Statement of Changes in Net Position
Fiduciary Funds
December 31, 2020**

	Trust & Agency		
	Tax Collection	Payroll Clearing	Total
ADDITIONS:			
Taxes Collected for Other Governments	\$ 3,759,738	\$ -	\$ 3,759,738
Other Collections for Other Governments	-	480,971	480,971
Other Collections for Other Agencies	-	907,402	907,402
Total Additions	3,759,738	1,388,373	5,148,111
DEDUCTIONS:			
Payment of Taxes to Other Governments	3,746,891	-	3,746,891
Overpayment of Taxes to Taxpayers	28,556	-	28,556
Payment of Other Collections to Other Governments	-	480,720	480,720
Payment of Other Collections to Other Agencies	-	883,537	883,537
Total Deductions	3,775,447	1,364,257	5,139,704
Change in Cash Balance	(15,709)	24,116	8,407
Cash, Beginning of Year	256,178	47,579	303,757
Cash, End of Year	\$ 240,469	\$ 71,695	\$ 312,164

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

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

Honorable Mayor and Members
of the City Commission
City of St. Ignace, Michigan

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Ignace, Michigan as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of St. Ignace, Michigan's basic financial statements and have issued our report thereon, dated July 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Ignace, Michigan'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 an opinion on the effectiveness of the City of St. Ignace, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Ignace, Michigan'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify 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 questioned costs as item 2020-004 to be a material weakness.

Honorable Mayor and Members
of the City Commission

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002 and 2020-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Ignace, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004.

City of St. Ignace, Michigan's Response to Findings

The City of St. Ignace, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of St. Ignace, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 27, 2021



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORMED GUIDANCE**

Honorable Mayor and Members
of the City Council
City of St. Ignace, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of St. Ignace, Michigan's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of St. Ignace, Michigan's major federal programs for the year ended December 31, 2020. City of St. Ignace, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Managements Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City of St. Ignace, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Ignace, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of St. Ignace, Michigan's compliance.

Honorable Mayor and Members
of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of St. Ignace, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City of St. Ignace, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of St. Ignace, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of St. Ignace, Michigan's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anderson, Tackman and Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 27, 2021

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Direct Award from the Department of Agriculture</i>			
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	N/A	\$ 1,713,800
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>644,000</u>
Total U.S. Department of Agriculture			<u>2,357,800</u>
U.S. DEPARTMENT OF INTERIOR:			
Direct Award from the Department of Interior National Park Service			
Native American Graves Protection and Repatriation Act	15.922	P19AP00247	<u>43,042</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass-through from the Michigan Department of State Police, Office of Highway Safety Planning:			
Highway Safety Cluster			
Child Safety and Booster Seats Grant	20.616	OP-20-01	<u>75,116</u>
NATIONAL ENDOWMENT FOR HUMANITIES:			
Pass-through from Michigan Humanities			
Promotion of the Humanities Federal/State Partnership	45.129	SO-268678-20	<u>10,000</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Pass-through from Michigan Department of State:			
2018 HAVA Election Security Grants	90.404	N/A	<u>200</u>
U.S. DEPARTMENT OF THE TREASURY:			
Pass-through from Michigan Department of Treasury:			
Coronavirus Relief Fund	21.019	N/A	<u>6,493</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,492,651</u></u>

See accompanying notes to schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of St. Ignace, Michigan under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of St. Ignace, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of St. Ignace, Michigan.

NOTE B - COGNIZANT AGENCY

The City has not been assigned a cognizant agency. Therefore, the City is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the City during 2020.

NOTE C - INDIRECT COST

For purposes of charging indirect costs to federal awards, the City has elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance, though in all federal grant received in the current fiscal year no indirect costs were charged to the grants.

NOTE D – LOAN AND LOAN GUARANTEE PROGRAMS

The City had outstanding federal loan balances as of December 31, 2020 of:

1999A/1999B USDA Sewage Disposal Revenue Bond	\$ 558,010
2000 USDA Series Water Supply System Revenue Bond	1,898,000
2010 USDA Sewer Capital Improvement Revenue Bond	1,942,000
2014 USDA Capital Improvement General Obligation Bond	700,000
2015 USDA Capital Improvement General Obligation Bond	55,000
2019A/2019B USDA Building Authority General Obligation Bond	1,797,800
2019 USDA Sewer Capital Improvement General Obligation Bond	<u>1,200,000</u>
Total	<u>\$ 8,150,810</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No

Identification of Major Programs
CFDA NUMBERS

Name of Federal Program or Cluster

10.766	Community Facilities Loans and Grants
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Internal Control Over Financial Reporting

Significant Deficiencies

Lack of Segregation of Duties

Finding 2020-001

Condition: As is the case with many organizations of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Criteria: Management is responsible for establishing effective internal controls to safeguard the City’s assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the City's unique circumstances.

Effect: As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Cause: This condition is a result of the City’s limited resources, and the small size of its accounting staff.

Recommendation: While there are no easy answers to the challenge of balancing the costs and benefits of internal control and segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation and approval of accounting functions by qualified members of management as possible.

Planned Corrective Action: The City Council is aware of the risks associated with this condition and has made the determination that given the City’s limited resources, full segregation of duties is not feasible at this time. Accordingly, the Finance Committee will continue to review monthly information to mitigate this risk and rely on the external audit to help identify and correct misstatements, as needed.

- Contact Person(s) Responsible for Correction:
Darcy Long – City Manager

Status: Unchanged.

Section II – Financial Statement Findings (Continued)

Internal Control Over Financial Reporting

Significant Deficiencies

Significant Audit Adjustments

Finding 2020-002

Condition: During our audit, we identified and proposed several significant adjustments (which were approved and posted by management) to adjust the City’s general ledger to the appropriate balances.

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Effect: As a result of this condition, the City’s accounting records were initially misstated by amounts material to the financial statements.

Cause: This condition was the result of dependence on external auditors, who by definition cannot be a part of the City’s internal control, to make adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

Recommendation: The City should record all journal entries necessary to arrive at a reasonably adjusted trial balance prior to generating trial balances to be used for preparation of year-end financial statements.

Planned Corrective Action: The City will continue its efforts to record all known adjustments in order to provide a reasonably adjusted trial balance for the purposes of the audit. Additionally, more frequent detail review of budget to actual amounts should assist management in identifying accounts that should be adjusted.

- Contact Person(s) Responsible for Correction:
Darcy Long – City Manager

Status: Unchanged

Section II – Financial Statement Findings (Continued)

Compliance and Other Matters

Significant Deficiencies

Deficit Component of Net Position/Fund Balance

Finding 2020-003

Condition: The City’s Fire Hall and LBE Construction funds have a deficit component of net position/fund balance.

Criteria: A deficit component of net position/fund balance is contrary to the provisions of Section 15(2) of Public Act 2 of 1968, as amended.

Effect: The City is in noncompliance with Public Act 2 of 1968, as amended.

Cause: The Fire Hall Construction fund has a negative fund balance of \$185,378 and the LBE Construction fund has a negative fund balance of \$122,074.

Recommendation: We recommend that the City develop a plan to eliminate the deficits as soon as possible.

Planned Corrective Action: The City contacted the State and was told at that time a deficit reduction plan should not be filed until the State contacted them, through a letter, to submit a deficit reduction plan.

- Contact Person(s) Responsible for Correction:
Darcy Long – City Manager

- Anticipated Completion Date:
As soon as possible.

Section II – Financial Statement Findings (Continued)

Compliance and Other Matters

Material Weakness

Bank Reconciliation Process

Finding 2020-004

Condition: The City is required to perform monthly reconciliations between the treasurer’s records, and bank records as prescribed by the Michigan Department of Treasury Uniform Accounting Procedures Manual for Local Governments.

Criteria: Reconciliation of the cash balances recorded by the clerk were incomplete and not prepared timely.

Effect: Noncompliance with applicable state requirements.

Cause: Oversight by management.

Recommendation: The City should reconcile between the treasurer’s records, and bank records on a timely monthly basis.

Planned Corrective Action Plan: The City will implement necessary reconciliation processes.

- Contact Person(s) Responsible for Correction:
Darcy Long – City Manager

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE A. BOHN, CPA
TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Mayor and Members
of the City Council
City of St. Ignace

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of St. Ignace, as of and for the year ended December 31, 2020, and have issued our report thereon dated July 27, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance

As stated in our engagement letter dated January 25, 2021 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the City of St. Ignace's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City of St. Ignace's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the City of St. Ignace's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City of St. Ignace's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the City of St. Ignace's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion, and analysis, employee retirement and benefit systems and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the bond covenant cash reserves, combining fund financial statements and scheduled of expenditures of federal awards which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on January 25, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of St. Ignace are described in Note 1 to the financial statements. The City changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, Fiduciary Activities in 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation time.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with *Government Auditing Standards* of the basic financial statement audit report.

Chart of Accounts (Prior Year)

During testing, it was noted that a transfer in was accounted for in a miscellaneous income account. Also, it was noted that some funds had improper fund numbers. We recommend that transfers be recorded in their own account and all funds have the correct fund numbers in accordance with the uniform chart of accounts.

Status: In process of being corrected waiting to finalize when state issues final chart.

Internal Control Reports (Prior Year)

Our firm issued several recommendations regarding accounting and internal control procedures which was issued during March 2018. Our review of the status of these recommendations, indicated several items remain outstanding regarding improvements to these systems. The Council should establish a management team or audit committee to review the recommendations and establish an implementation plan to assure these changes are implemented in accordance with City policy and reported to the Council or audit committee.

Status: In the process of being corrected

Cash Reconciliations (Prior Year)

During our audit of cash balances and reconciliations it was noted that several of the bank reconciliations for year end had unreconciled differences. Although these unreconciled differences were immaterial to the financial statements as a whole, the reconciliations should not be considered complete until there are effectively no unreconciled differences. Additionally, it was noted that the bank statements are not being reconciled on a timely basis. We recommend that all cash accounts are reconciled within 30 days of the month end to ensure compliance with state requirements.

Status: In the process of being corrected

Agency Funds (Prior Year)

It was noted in our review of agency funds that the city is currently coding revenues to their agency funds and we also noted that the agency funds had a few stale and negative items within the funds. We recommend that the city review the rules relating to Agency funds to ensure that all future coding to these funds is correct, and that a review of all outstanding balances be performed on all outstanding balances.

Status: Uncorrected. See comment regarding GASB 84 implementation.

Year End Accruals (Prior Year)

It was noted in our review of the balance sheet that the City did not book all of their year-end accruals for accounts payable, accounts receivable, or prepaid expenses. We recommend that the city perform at a minimum a year-end review of expenditures, and revenues from year end through sixty days post year end to ensure that items are recorded in the proper period.

Status: Uncorrected.

Bid Process (Prior Year)

It was noted during our review of the bidding process that the city did not follow its purchasing policy for some of the items tested. We recommend that the city continue with their effort to train all department heads on the proper purchasing procedures and bidding process.

Status: Corrected.

Inventory (Prior Year)

It was noted during our review of inventory that some general ledger accounts have not been updated to reflect year-end balances. We recommend that the City updates the inventory based on a physical count at year-end to reflect actual inventory levels.

Status: Uncorrected.

GASB 84 Implementation

Effective for year-ended December 31, 2020 GASB 84 established a new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Upon review of agency funds, it was noted that activity of the City was being recorded in such funds, which is not in compliance with GASB 84.

Status: The City is working towards implementing the changes of GASB 84.

Uniform Administrative Requirements

As a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls. The Uniform Guidance requires *written* policies and procedures regarding:

- Cash Management – Section 200.302(b)(6) payment procedures
- Allowability of Costs – Section 200.302(b)(7) in accordance with Subpart E – Cost Principals
- Conflict of Interest – Section 200.318(c) covering standards of conduct
- Procurement – Section 200.319(c) for purchasing
- Method of Conducting Technical Evaluations – Section 200.320(d)(3) regarding proposals
- Travel Reimbursement – Section 200.474(b) regarding travel expenses

Written policies should include provisions for training and consequences for violations of policies. The City should review its current written policies for compliance with the above requirements regarding federal awards and amend as necessary.

Upcoming Pronouncements:

Single Approach for Reporting Leases

Effective years beginning after 12/15/2021 (your FY 2022)

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payments to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

State Chart of Accounts

Effective fiscal years ending after 9/30/2021 (your FY 2021)

The Uniform Chart of Accounts for Local Units of Government (Counties, Cities, Villages and Townships; and Authorities and Commissions established by counties, cities, villages and townships) has been developed by the Local Government Fiscal Accountability Division of the Michigan Department of Treasury with the assistance of the Michigan Committee on Governmental Accounting and Auditing. All local units of government in Michigan must use the Uniform Chart of Accounts. The new Chart of Accounts must be implemented for fiscal years ending September 30, 2021, and thereafter. Early implementation, after the reviewed Chart of Accounts is issued on Dec. 31, 2019, will be allowed and encouraged.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary, schedule of funding progress, and comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Conclusion

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

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 27, 2021