

**City of St. Ignace, Michigan**

---

**BASIC FINANCIAL STATEMENTS**

**December 31, 2021**

**CITY OF ST. IGNACE, MICHIGAN**

ORGANIZATION

MEMBERS OF THE CITY COMMISSION

MAYOR

WILLIAM LALONDE

COUNCIL MEMBER/MAYOR PRO TEM

ROBERT ST. LOUIS

COUNCIL MEMBER

KAYLA PELTER

COUNCIL MEMBER

MICHAEL WILLIFORD

COUNCIL MEMBER

PAUL FULLERTON

COUNCIL MEMBER

THOMAS CRONAN

APPOINTED OFFICERS

CITY MANAGER

DARCY LONG

CITY CLERK/TREASURER

ANDREA INSLEY

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	16
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	17
Proprietary Funds:	
Statement of Net Position .....	18
Statement of Revenues, Expenses, and Changes in Net Position .....	19
Statement of Cash Flows .....	20
Fiduciary Funds:	
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
<b>COMPONENT UNITS:</b>	
Combining Balance Sheet .....	23
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	24
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balance to the Statement of Activities .....	25
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	26
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Employee Retirement and Benefit Systems:	
Pension:	
Schedule of Changes in Pension Liability .....	54
Schedule of Employer Contributions .....	55
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the OPEB Liability and Related Ratios .....	56
Major Funds:	
Budgetary Comparison Schedule – General Fund .....	57
Budgetary Comparison Schedule – Major Streets Fund .....	59
Budgetary Comparison Schedule – Local Streets Fund .....	60

**TABLE OF CONTENTS (Continued)**

**Page**

**SUPPLEMENTARY INFORMATION:**

Schedule of Bond Covenant Cash Reserves.....	61
Combining Balance Sheet – General Funds .....	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Funds.....	63
Combining Balance Sheet – Nonmajor Governmental Funds.....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	67
Combining Statement of Net Position – Internal Service Funds.....	70
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds .....	71
Combining Statement of Cash Flows – Internal Service Funds.....	72
Combining Statement of Net Position – Nonmajor Enterprise Funds .....	73
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds.....	74
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	75

**REPORT ON COMPLIANCE**

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 <i>Government Auditing Standards</i> .....	76
Schedule of Findings and Responses.....	78



**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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2021, 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.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of St Ignace, Michigan's ability to continue

Honorable Mayor and Members  
of the City Commission

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 12, pages 54 through 56 and pages 57 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Honorable Mayor and Members  
of the City Commission

***Supplementary 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 accompanying schedule of bond covenant cash reserves and combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the schedule of bond covenant cash reserves and combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, 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**

June 28, 2022

## **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, 2021. 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 2021 was \$18,023,683. Of this amount, \$(3,100,825) is unrestricted net position.
- The City's total net position increased \$38,836, which comprised of a decrease of \$22,147 related to net current year governmental activities and an increase of \$60,983 related to net current year business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,947,001. Of the ending fund balance 24.8% or \$978,447 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, and Local Street, 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.

**Supplementary information.** The schedule of bond covenant cash reserves and 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 \$18,023,683 at the close of fiscal year 2021.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 4,594,390	\$ 4,120,122	\$ 3,708,203	\$ 3,072,847	\$ 8,302,593	\$ 7,192,969
Capital Assets	10,136,873	10,182,784	20,775,781	21,586,007	30,912,654	31,768,791
<b>Total Assets</b>	<b>14,731,263</b>	<b>14,302,906</b>	<b>24,483,984</b>	<b>24,658,854</b>	<b>39,215,247</b>	<b>38,961,760</b>
Deferred Outflows of Resources	808,021	833,560	176,752	134,684	984,773	968,244
Current Liabilities	520,301	643,012	804,364	641,442	1,324,665	1,284,454
Noncurrent Liabilities	10,338,619	10,024,202	9,846,823	10,290,000	20,185,442	20,314,202
<b>Total Liabilities</b>	<b>10,858,920</b>	<b>10,667,214</b>	<b>10,651,187</b>	<b>10,931,442</b>	<b>21,510,107</b>	<b>21,598,656</b>
Deferred Inflows of Resources	520,604	287,345	145,626	59,156	666,230	346,501
<b>Net Position</b>						
Net Investment in						
Capital Assets	6,484,425	6,913,054	11,791,319	12,181,214	18,275,744	19,094,268
Restricted	2,247,234	1,896,981	601,530	571,947	2,848,764	2,468,928
Unrestricted	(4,571,899)	(4,628,128)	1,471,074	1,049,779	(3,100,825)	(3,578,349)
<b>Total Net Position</b>	<b>\$ 4,159,760</b>	<b>\$ 4,181,907</b>	<b>\$ 13,863,923</b>	<b>\$ 13,802,940</b>	<b>\$ 18,023,683</b>	<b>\$ 17,984,847</b>

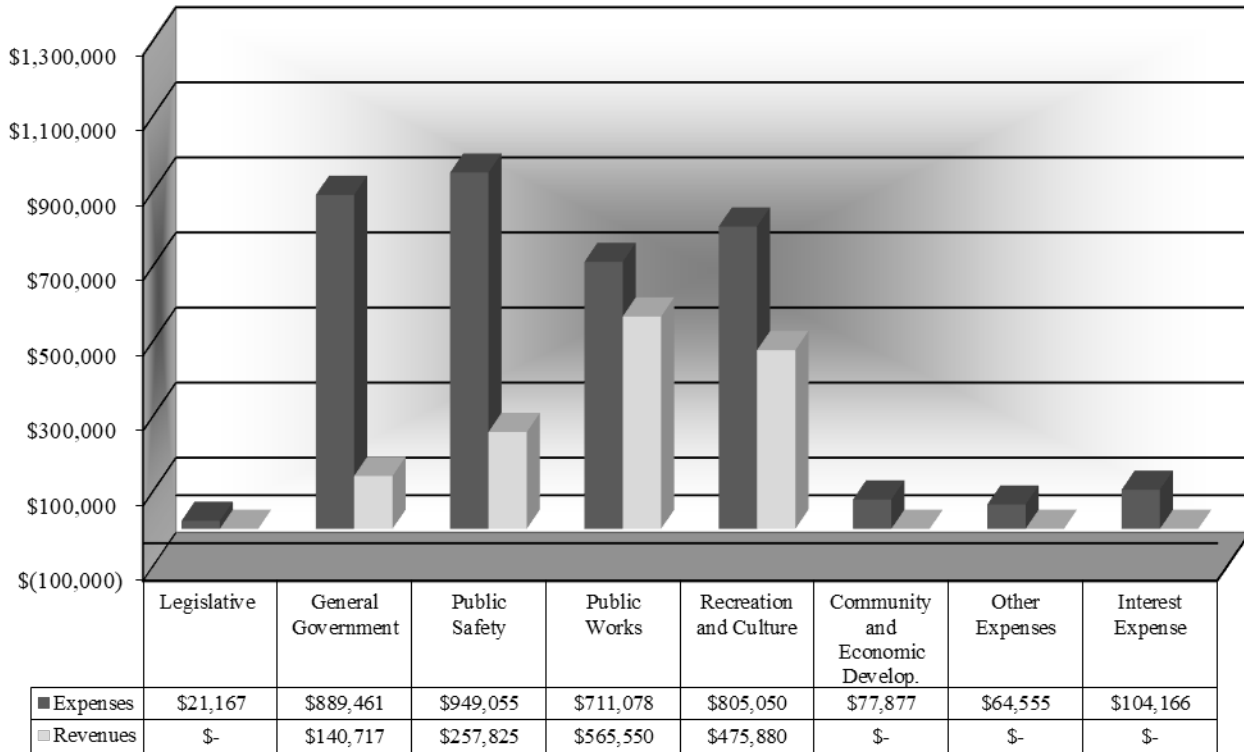
Approximately 101% of the City's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and vehicles). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment 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 15.8% of total net position. The remaining balance of unrestricted net position is \$(3,100,825) or (17.2) %.

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

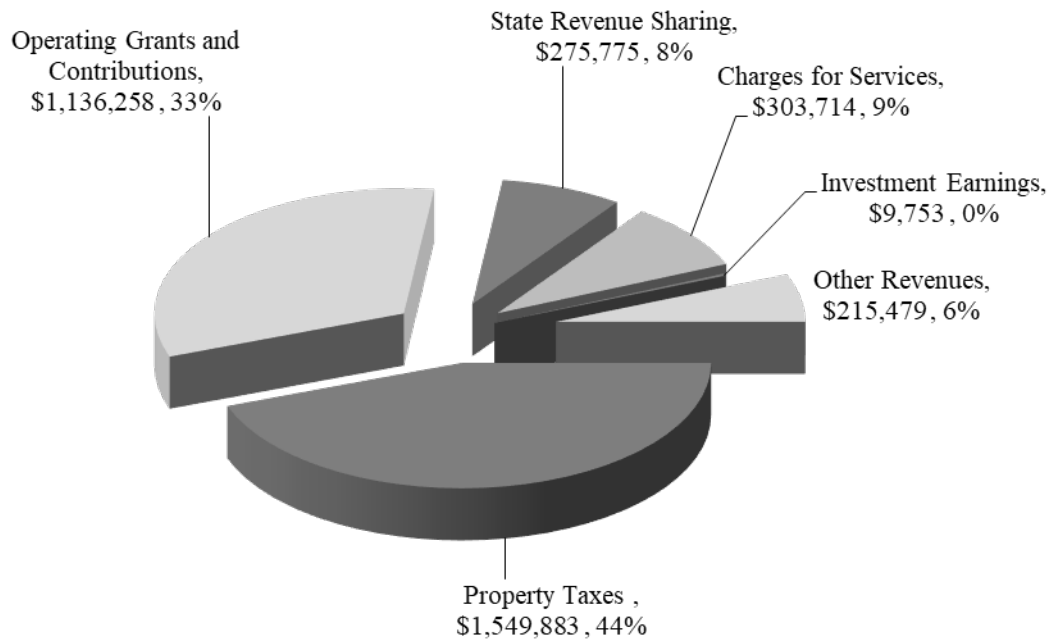
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services	\$ 303,714	\$ 210,274	\$ 3,301,896	\$ 2,953,773	\$ 3,605,610	\$ 3,164,047
Capital & Operating Grants and Contributions	1,136,258	1,107,607	-	19,395	1,136,258	1,127,002
General Revenues						
Taxes	1,549,883	1,496,674	-	-	1,549,883	1,496,674
State Shared Revenues	275,775	237,381	-	-	275,775	237,381
Investment Income	9,753	14,635	4,989	7,785	14,742	22,420
Other Revenue	215,479	218,619	6,049	44,804	221,528	263,423
Total Revenues	<u>3,490,862</u>	<u>3,285,190</u>	<u>3,312,934</u>	<u>3,025,757</u>	<u>6,803,796</u>	<u>6,310,947</u>
Program Expenses						
Legislative	21,167	24,565	-	-	21,167	24,565
General Government	889,461	793,310	-	-	889,461	793,310
Public Safety	949,055	885,015	-	-	949,055	885,015
Public Works	711,078	715,228	-	-	711,078	715,228
Recreation and Culture	805,050	1,031,833	-	-	805,050	1,031,833
Community and Economic Development	77,877	65,085	-	-	77,877	65,085
Interest Expense	104,166	90,237	-	-	104,166	90,237
Other Expenses	64,555	97,017	-	-	64,555	97,017
Water	-	-	1,154,051	1,086,760	1,154,051	1,086,760
Sewer	-	-	1,197,557	1,160,057	1,197,557	1,160,057
Marina	-	-	512,233	436,135	512,233	436,135
BFI Garbage Collection	-	-	119,466	119,730	119,466	119,730
Golf Course	-	-	159,244	118,173	159,244	118,173
Total Expenses	<u>3,622,409</u>	<u>3,702,290</u>	<u>3,142,551</u>	<u>2,920,855</u>	<u>6,764,960</u>	<u>6,623,145</u>
Changes in Net Position Before Transfers	(131,547)	(417,100)	170,383	104,902	38,836	(312,198)
Transfers	109,400	204,830	(109,400)	(204,830)	-	-
Changes in Net Position	(22,147)	(212,270)	60,983	(99,928)	38,836	(312,198)
Net Position - Beginning	<u>4,181,907</u>	<u>4,394,177</u>	<u>13,802,940</u>	<u>13,902,868</u>	<u>17,984,847</u>	<u>18,297,045</u>
Net Position - Ending	<u>\$ 4,159,760</u>	<u>\$ 4,181,907</u>	<u>\$ 13,863,923</u>	<u>\$ 13,802,940</u>	<u>\$ 18,023,683</u>	<u>\$ 17,984,847</u>

**Governmental activities.** Governmental activities decreased the City's net position by \$22,147. This is an increase of \$190,123 in change in net position for governmental fund from the prior year. This increase is related to growth various expense categories being overtaken by revenues growth in 2021.

Expenses and Program Revenues – Governmental Activities

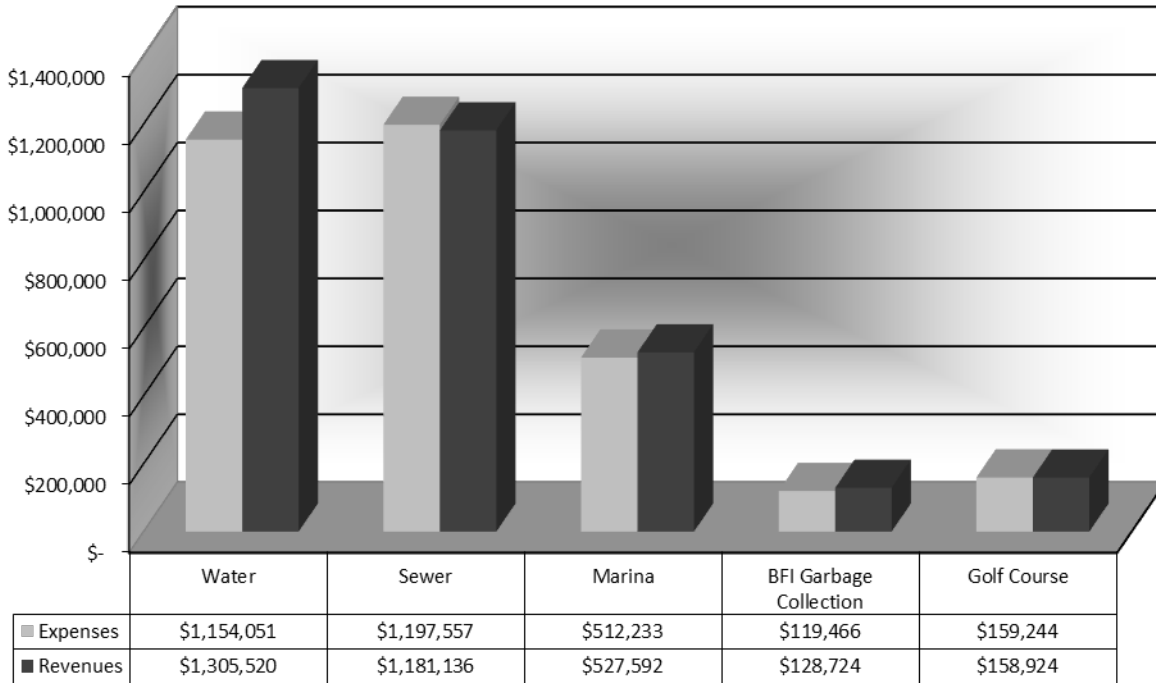


Revenues by Source – Governmental Activities



**Business-type activities.** Business-type activities increase the City’s net position by \$60,983..

**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 decreased by \$87,036 from \$1,524,497 to \$1,437,461 during 2021. The decrease was primarily related to increases in multiple expenditure areas with the largest increases related general government and public safety.

**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 \$397,151, \$366,057, and \$548,196, respectively. The Water Fund had an increase in net position for the year of \$83,082. This increase in net position is mainly attributable to an increase in other revenue and charges for services. The Sewer fund had a decrease in net position for the year of \$55,613, which was the result of an increase in personnel services in current year. The Marina Fund had an increase in net position of \$8,174 primarily related to increases in charges for service revenues.

**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 2021 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 \$104,935 and expenditures exceeded by budgetary estimates by \$107,390 excluding transfers. The revenue variance is mainly the result of higher state source and tax revenues than anticipated. The expense variance is primarily attributable to higher public safety and public works expenditures than originally budgeted for in 2021.

**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 fire hall construction and purchase of a new tractor for the golf course.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
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	-	-	-	2,299,091
Buildings	7,022,936	4,597,478	2,810,040	2,977,460	9,832,976	7,574,938
Land Improvements	267,039	281,384	-	-	267,039	281,384
Infrastructure	199,989	223,144	-	-	199,989	223,144
Machinery, Equipment and Vehicles	588,981	723,759	148,669	101,959	737,650	825,718
Water	-	-	4,921,442	5,142,674	4,921,442	5,142,674
Sewer	-	-	8,233,743	8,490,285	8,233,743	8,490,285
Marina	-	-	4,464,234	4,675,976	4,464,234	4,675,976
<b>Net Capital Assets</b>	<b>\$ 10,136,873</b>	<b>\$ 10,182,784</b>	<b>\$ 20,775,781</b>	<b>\$ 21,586,007</b>	<b>\$ 30,912,654</b>	<b>\$ 31,768,791</b>

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 \$12,636,910. Of this amount, \$3,652,448 was debt of governmental activities and \$8,984,462 was debt of business-type activities.

The City's total debt decreased by \$122,704 during the current fiscal year. The City also has an OPEB obligation in the amount of \$2,119,667 and a Pension obligation of \$5,896,278.

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 2021 and also to 2022, as follows:

In 2021 the City updated police vehicle through a lease program at a cost savings to the organization replacing three vehicles for the cost off one vehicle.

Implementation of capital improvement plan was a highlight in the 2021 budget and is one requirement of for MEDC RRC Certification.

Street deterioration is of great concern, but funds from Act 51 and the road millage are only sufficient to perform maintenance on them.

In 2022 development proposals are being considered by the City with the rezoning of property for apartments, a site plan approved for a new 100 room hotel and interest in other commercial development.

For the 2022 budget the City Council approved its first fee schedule of all City Fees.

Council approved rules of procedure for guiding the efficient running of meetings.

2022 budget saw an increase in the readiness to serve for wastewater to meet USADA Rural Development requirements for repayment of bonds.

The downtown boardwalk condition and deterioration is a concern for the DDA, Council, Resident's and Tourists alike. There will be work to upgrade this asset to the community the DDA will be investing about \$50,000 in grant funding secured from various sources to replace a large portion of the boardwalk with concrete.

Ferry preliminary work has started to help with the process to secure funding from the State of Michigan to rebuild this into a Class A street after providing service to the City after almost 70 years since it was built.

Final completion of the Little Bear Ball Fields will take place in 2022.

Work continues on the 2023 Water, Sewer and Water Plant project and the process to be awarded funding from the State of Michigan for loans to bring the project to a reality.

Employee Pension liability is a continued burden on the City and valuable resources from the General Fund each year. The City is moving toward meeting the obligations but it is a slow process.



**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, 2021**

	Primary Government		Totals	Component
	Governmental Activities	Business-type Activities		Unit DDA
<b>ASSETS:</b>				
Cash and Equivalents - Unrestricted	\$ 4,112,921	\$ 1,337,398	\$ 5,450,319	\$ 217,617
Cash and Equivalents - Restricted	25,007	1,718,442	1,743,449	-
Cash Held by Fiscal Agent - Restricted	-	254,875	254,875	-
Accounts Receivable	39,469	249,622	289,091	-
Taxes Receivable	125,530	-	125,530	17,298
Special Assessments Receivable	-	2,870	2,870	-
Due from Governmental Units	132,414	-	132,414	-
Prepaid Items	24,810	128,131	152,941	3,102
Inventories	134,239	16,865	151,104	10,946
Capital Assets (Not Depreciated)	2,057,928	197,653	2,255,581	182,626
Capital Assets (Net of Accumulated Depreciation)	8,078,945	20,578,128	28,657,073	641,140
<b>TOTAL ASSETS</b>	<b>14,731,263</b>	<b>24,483,984</b>	<b>39,215,247</b>	<b>1,072,729</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Items	591,738	176,752	768,490	-
OPEB Related Items	216,283	-	216,283	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>808,021</b>	<b>176,752</b>	<b>984,773</b>	<b>-</b>
<b>LIABILITIES:</b>				
Accounts Payable	230,223	21,759	251,982	10,409
Accrued Liabilities	164,082	50,584	214,666	3,756
Accrued Interest Payable	28,875	83,820	112,695	-
Internal Balances	(154,414)	154,414	-	-
Unearned Revenue	59,007	-	59,007	-
Lease Payable - due within one year	-	9,867	9,867	-
Lease Payable - due in more than one year	-	43,350	43,350	-
Instalment Loans - due within one year	38,528	18,172	56,700	-
Instalment Loans - due in more than one year	189,920	13,547	203,467	-
Bonds Payable - due within one year	154,000	465,747	619,747	-
Bonds Payable - due in more than one year	3,270,000	8,433,779	11,703,779	-
Net Pension Liability - due in more than one year	4,540,130	1,356,148	5,896,278	-
OPEB Obligation - due in more than one year	2,119,667	-	2,119,667	-
Vested Employee Benefits - due in more than one year	218,902	-	218,902	6,931
<b>TOTAL LIABILITIES</b>	<b>10,858,920</b>	<b>10,651,187</b>	<b>21,510,107</b>	<b>21,096</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Related Items	487,544	145,626	633,170	-
OPEB Related Items	33,060	-	33,060	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>520,604</b>	<b>145,626</b>	<b>666,230</b>	<b>-</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	6,484,425	11,791,319	18,275,744	823,766
Restricted for Debt Covenants	-	601,530	601,530	-
Restricted for Special Revenue	1,878,953	-	1,878,953	-
Restricted for Capital Projects	343,281	-	343,281	-
Restricted for Trust Purposes	25,000	-	25,000	-
Unrestricted	(4,571,899)	1,471,074	(3,100,825)	227,867
<b>TOTAL NET POSITION</b>	<b>\$ 4,159,760</b>	<b>\$ 13,863,923</b>	<b>\$ 18,023,683</b>	<b>\$ 1,051,633</b>

Statement of Activities  
For the Year Ended December 31, 2021

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	Governmental Activities	Primary Government Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 21,167	\$ -	\$ -	\$ -	\$ (21,167)	\$ -	\$ (21,167)	\$ -
General Government	889,461	53,915	86,802	-	(748,744)	-	(748,744)	-
Public Safety	949,055	66,848	140,977	50,000	(691,230)	-	(691,230)	-
Public Works	711,078	7,756	557,794	-	(145,528)	-	(145,528)	-
Recreation and Culture	805,050	175,195	146,020	154,665	(329,170)	-	(329,170)	-
Community and Economic Development	77,877	-	-	-	(77,877)	-	(77,877)	-
Other Expenses	64,555	-	-	-	(64,555)	-	(64,555)	-
Interest Expense	104,166	-	-	-	(104,166)	-	(104,166)	-
Total Governmental Activities	3,622,409	303,714	931,593	204,665	(2,182,437)	-	(2,182,437)	-
<b>Business-type activities:</b>								
Water	1,154,051	1,305,520	-	-	-	151,469	151,469	-
Sewer	1,197,557	1,181,136	-	-	-	(16,421)	(16,421)	-
Marina	512,233	527,592	-	-	-	15,359	15,359	-
BFI Garbage Collection	119,466	128,724	-	-	-	9,258	9,258	-
Golf Course	159,244	158,924	-	-	-	(320)	(320)	-
Total Business-type Activities	3,142,551	3,301,896	-	-	-	159,345	159,345	-
Total Primary Government	\$ 6,764,960	\$ 3,605,610	\$ 931,593	\$ 204,665	(2,182,437)	159,345	(2,023,092)	-
<b>Component Units:</b>								
DDA	\$ 584,357	\$ 155,244	\$ -	\$ -				(429,113)
<b>General Revenues and Transfers:</b>								
Taxes - Property					1,549,883	-	1,549,883	212,278
State Revenue Sharing					275,775	-	275,775	-
Federal, State, Local					-	-	-	105,145
Gain on Sale of Fixed Assets					1,575	-	1,575	-
Other Revenues					213,904	6,049	219,953	52,014
Investment Earnings					9,753	4,989	14,742	493
Transfers					109,400	(109,400)	-	-
Total General Revenues and Transfers					2,160,290	(98,362)	2,061,928	369,930
Change in Net Position					(22,147)	60,983	38,836	(59,183)
Net Position - Beginning					4,181,907	13,802,940	17,984,847	1,110,816
Net Position - Ending					\$ 4,159,760	\$ 13,863,923	\$ 18,023,683	\$ 1,051,633

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Equivalents - Unrestricted	\$ 1,260,027	\$ 827,105	\$ 182,817	\$ 1,498,950	\$ 3,768,899
Cash and Equivalents - Restricted	-	-	-	25,007	25,007
Accounts Receivable	5,152	-	-	22,835	27,987
Taxes Receivable	103,149	4,806	4,806	12,769	125,530
Due from Other Funds	154,414	-	-	17,070	171,484
Due from Governmental Units	46,373	64,522	21,519	-	132,414
Prepaid Items	13,077	-	-	5,685	18,762
Inventories	134,239	-	-	-	134,239
<b>TOTAL ASSETS</b>	<b>\$ 1,716,431</b>	<b>\$ 896,433</b>	<b>\$ 209,142</b>	<b>\$ 1,582,316</b>	<b>\$ 4,404,322</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 136,791	\$ -	\$ -	\$ 85,921	\$ 222,712
Accrued Liabilities	142,179	4,968	3,204	8,181	158,532
Due to Other Funds	-	-	-	17,070	17,070
Unearned Revenue	-	-	-	59,007	59,007
<b>TOTAL LIABILITIES</b>	<b>278,970</b>	<b>4,968</b>	<b>3,204</b>	<b>170,179</b>	<b>457,321</b>
<b>FUND BALANCES:</b>					
Nonspendable	147,316	-	-	26,292	173,608
Restricted	-	891,465	205,938	1,162,873	2,260,276
Committed	311,904	-	-	-	311,904
Assigned	-	-	-	222,972	222,972
Unassigned	978,241	-	-	-	978,241
<b>TOTAL FUND BALANCES</b>	<b>1,437,461</b>	<b>891,465</b>	<b>205,938</b>	<b>1,412,137</b>	<b>3,947,001</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,716,431</b>	<b>\$ 896,433</b>	<b>\$ 209,142</b>	<b>\$ 1,582,316</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net position:</b>					
Capital assets used by governmental activities					9,867,536
OPEB obligation and related deferred inflows/outflows					(1,936,444)
Installment loans and bonds payable for governmental activities					(3,457,112)
Vested employee benefits					(218,902)
Internal service funds included in governmental activities					419,598
Net pension liability and related deferred inflows/outflows					(4,435,936)
Accrued interest payable					(25,981)
<b>Net position of governmental activities</b>					<b>\$ 4,159,760</b>

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Governmental Funds  
For the Year Ended December 31, 2021**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Taxes and Penalties	\$ 1,274,192	\$ 57,199	\$ 57,199	\$ 161,293	\$ 1,549,883
Licenses and Permits	6,287	-	-	24,365	30,652
Federal Sources	-	-	-	62,566	62,566
State Sources	289,869	385,419	149,375	158,774	983,437
Local Sources	41,605	11,500	11,500	325,847	390,452
Charges for Services	86,970	-	-	152,658	239,628
Interest Earnings	694	4,071	2,252	2,736	9,753
Rentals	28,324	-	-	-	28,324
Other Revenue	141,393	-	-	52,899	194,292
<b>TOTAL REVENUES</b>	<b>1,869,334</b>	<b>458,189</b>	<b>220,326</b>	<b>941,138</b>	<b>3,488,987</b>
<b>EXPENDITURES:</b>					
Legislative	21,167	-	-	-	21,167
General Government	707,689	-	-	64,308	771,997
Public Safety	753,130	-	-	37,876	791,006
Public Works	208,451	164,769	221,202	11,413	605,835
Community and Economic Development	77,877	-	-	-	77,877
Recreation and Cultural	106,425	-	-	510,753	617,178
Capital Outlay	-	-	-	382,285	382,285
Debt Service	-	-	-	272,381	272,381
Other Expenditures	64,555	-	-	-	64,555
<b>TOTAL EXPENDITURES</b>	<b>1,939,294</b>	<b>164,769</b>	<b>221,202</b>	<b>1,279,016</b>	<b>3,604,281</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>					
	<b>(69,960)</b>	<b>293,420</b>	<b>(876)</b>	<b>(337,878)</b>	<b>(115,294)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Bond Proceeds	-	-	-	597,200	597,200
Transfers In	233,345	-	45,369	202,056	480,770
Transfers Out	(250,421)	(56,369)	(6,500)	(46,045)	(359,335)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(17,076)</b>	<b>(56,369)</b>	<b>38,869</b>	<b>753,211</b>	<b>718,635</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(87,036)</b>	<b>237,051</b>	<b>37,993</b>	<b>415,333</b>	<b>603,341</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>1,524,497</b>	<b>654,414</b>	<b>167,945</b>	<b>996,804</b>	<b>3,343,660</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 1,437,461</b>	<b>\$ 891,465</b>	<b>\$ 205,938</b>	<b>\$ 1,412,137</b>	<b>\$ 3,947,001</b>

**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, 2021**

Net changes in fund balances - total governmental funds	\$ 603,341
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 \$382,285 exceeded depreciation expense (\$380,035).	
	2,250
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	182,366
Note proceeds are recorded as an other financing source in the governmental funds but issuing notes increases the liabilities in the statement of net position	
Bond Proceeds	(597,200)
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.	
	(17,683)
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	(220,427)
Vested employee benefits	31,876
Accrued interest expense	(6,670)
	(22,221)
Change in net position of governmental activities	\$ (22,147)

Statement of Net Position  
Proprietary Funds  
December 31, 2021

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Sewer	Marina	Nonmajor	Totals	Internal Service Funds
				Enterprise		
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 667,020	\$ -	\$ 516,607	\$ 153,771	\$ 1,337,398	\$ 344,022
Cash and Equivalents - Restricted	601,530	1,116,912	-	-	1,718,442	-
Cash held by Fiscal Agent - Restricted	254,875	-	-	-	254,875	-
Accounts Receivable	106,512	116,156	12,886	14,068	249,622	11,482
Taxes Receivable	2,374	156	-	340	2,870	-
Prepaid Items	116,243	7,236	3,101	1,551	128,131	6,048
Inventories	-	-	16,865	-	16,865	-
Capital Assets (Not Depreciated)	61,116	93,498	-	43,039	197,653	-
Capital Assets (Net of Accumulated Depreciation)	5,015,620	11,037,879	4,464,234	60,395	20,578,128	269,337
Total Assets	6,825,290	12,371,837	5,013,693	273,164	24,483,984	630,889
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Pension Related Items	88,376	88,376	-	-	176,752	-
<b>LIABILITIES:</b>						
Accounts Payable	3,187	8,484	28	10,060	21,759	7,511
Accrued Liabilities	34,848	14,501	1,235	-	50,584	5,550
Accrued Interest Payable	49,327	34,493	-	-	83,820	2,894
Due to Other Funds	-	154,414	-	-	154,414	-
Net Pension Liabilities	678,074	678,074	-	-	1,356,148	-
Lease Payable - due within one year	-	-	-	9,867	9,867	-
Lease Payable - due in more than one year	-	-	-	43,350	43,350	-
Installment Notes - due within one year	18,172	-	-	-	18,172	33,188
Installment Notes - due in more than one year	13,547	-	-	-	13,547	162,148
Bonds Payable - due within one year	69,747	396,000	-	-	465,747	-
Bonds Payable - due in more than one year	1,851,890	6,581,889	-	-	8,433,779	-
Total Liabilities	2,718,792	7,867,855	1,263	63,277	10,651,187	211,291
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Pension Related Items	72,813	72,813	-	-	145,626	-
<b>NET POSITION:</b>						
Net Investment in Capital Assets	3,123,380	4,153,488	4,464,234	50,217	11,791,319	74,001
Restricted	601,530	-	-	-	601,530	-
Unrestricted	397,151	366,057	548,196	159,670	1,471,074	345,597
TOTAL NET POSITION	\$ 4,122,061	\$ 4,519,545	\$ 5,012,430	\$ 209,887	\$ 13,863,923	\$ 419,598



**Statement of Revenues, Expenses and  
Changes in Net Position - Proprietary Funds  
For the Year Ended December 31, 2021**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sewer	Marina	Nonmajor Enterprise	Totals	Internal Service Funds
<b>OPERATING REVENUES:</b>						
Charges for Services	\$ 1,279,580	\$ 1,181,136	\$ 527,220	\$ 287,899	\$ 3,275,835	\$ 280,777
Other Revenue	25,940	-	372	-	26,312	-
Total Operating Revenues	<u>1,305,520</u>	<u>1,181,136</u>	<u>527,592</u>	<u>287,899</u>	<u>3,302,147</u>	<u>280,777</u>
<b>OPERATING EXPENSES:</b>						
Personnel Services	560,561	320,855	64,239	85,940	1,031,595	115,556
Supplies	64,002	50,599	178,340	2,088	295,029	75,803
Contracted Services	73,329	35,235	1,438	122,105	232,107	480
Insurance	12,491	7,604	11,335	2,856	34,286	5,973
Utilities	63,727	149,247	14,047	21,270	248,291	7,392
Repairs and Maintenance	-	3,537	6,392	19,534	29,463	14,738
Rent	19,202	6,324	2,180	8,892	36,598	-
Depreciation and Amortization	237,593	424,906	211,742	5,799	880,040	48,161
Other Expenses	35,442	8,550	22,520	10,226	76,738	12,716
Total Operating Expenses	<u>1,066,347</u>	<u>1,006,857</u>	<u>512,233</u>	<u>278,710</u>	<u>2,864,147</u>	<u>280,819</u>
<b>OPERATING INCOME (LOSS)</b>	<u>239,173</u>	<u>174,279</u>	<u>15,359</u>	<u>9,189</u>	<u>438,000</u>	<u>(42)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Local Grants	-	-	-	-	-	300
Interest Income	1,813	2,008	815	353	4,989	-
Interest Expense	(87,704)	(190,700)	-	(251)	(278,655)	(7,481)
Other	-	-	-	6,049	6,049	-
Gain on Sale of Fixed Assets	-	-	-	-	-	1,575
Total Non-operating Revenues (Expenses)	<u>(85,891)</u>	<u>(188,692)</u>	<u>815</u>	<u>6,151</u>	<u>(267,617)</u>	<u>(5,606)</u>
Income (Loss) Before Transfers	<u>153,282</u>	<u>(14,413)</u>	<u>16,174</u>	<u>15,340</u>	<u>170,383</u>	<u>(5,648)</u>
<b>TRANSFERS:</b>						
Transfers In	-	-	-	10,000	10,000	9,600
Transfers Out	(70,200)	(41,200)	(8,000)	-	(119,400)	(21,635)
Total Transfers	<u>(70,200)</u>	<u>(41,200)</u>	<u>(8,000)</u>	<u>10,000</u>	<u>(109,400)</u>	<u>(12,035)</u>
<b>CHANGE IN NET POSITION</b>	83,082	(55,613)	8,174	25,340	60,983	(17,683)
<b>NET POSITION, BEGINNING OF YEAR</b>	<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>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,122,061</u>	<u>\$ 4,519,545</u>	<u>\$ 5,012,430</u>	<u>\$ 209,887</u>	<u>\$ 13,863,923</u>	<u>\$ 419,598</u>

**Statement of Cash Flows**  
**Proprietary Fund Types**  
**For the Year Ended December 31, 2021**

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Sewer	Marina	Nonmajor Funds	Totals	Internal Service Fund
<b>Cash Flows From Operating Activities:</b>						
Receipts from Customers or Users	\$ 1,331,652	\$ 1,199,670	\$ 515,506	\$ 290,103	\$ 3,336,931	\$ 281,372
Cash Payments to Vendors	(380,499)	(259,751)	(227,639)	(186,906)	(1,054,795)	(118,656)
Cash Paid to Employees	(541,642)	(296,471)	(64,746)	(85,940)	(988,799)	(112,800)
Internal Activity - Payments/Receipts with Other Funds	-	154,414	-	-	154,414	-
Net Cash Provided (Used) by Operating Activities	<u>409,511</u>	<u>797,862</u>	<u>223,121</u>	<u>17,257</u>	<u>1,447,751</u>	<u>49,916</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>						
Federal, State, & Local Sources	-	-	-	-	-	300
Other Revenues	-	-	-	6,049	6,049	-
Operating Transfers In	-	-	-	10,000	10,000	9,600
Operating Transfers Out	(70,200)	(41,200)	(8,000)	-	(119,400)	(21,635)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(70,200)</u>	<u>(41,200)</u>	<u>(8,000)</u>	<u>16,049</u>	<u>(103,351)</u>	<u>(11,735)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of Capital Assets	(14,500)	-	-	(55,314)	(69,814)	-
Debt proceeds	-	-	-	55,064	55,064	-
Gain on Sale of Assets	-	-	-	-	-	1,575
Interest Payments	(87,704)	(190,700)	-	(251)	(278,655)	(7,481)
Principal Payments	(85,547)	(388,000)	-	(1,847)	(475,394)	(32,115)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(187,751)</u>	<u>(578,700)</u>	<u>-</u>	<u>(2,348)</u>	<u>(768,799)</u>	<u>(38,021)</u>
<b>Cash Flows From Investing Activities:</b>						
Interest Income	1,813	2,008	815	353	4,989	-
Net Cash Provided (Used) by Investing Activities	<u>1,813</u>	<u>2,008</u>	<u>815</u>	<u>353</u>	<u>4,989</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	153,373	179,970	215,936	31,311	580,590	160
Cash and Equivalents - Beginning of the Year	1,115,177	936,942	300,671	122,460	2,475,250	343,862
Cash and Equivalents - End of the Year	<u>\$ 1,268,550</u>	<u>\$ 1,116,912</u>	<u>\$ 516,607</u>	<u>\$ 153,771</u>	<u>\$ 3,055,840</u>	<u>\$ 344,022</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating Income (Loss)	\$ 239,173	\$ 174,279	\$ 15,359	\$ 9,189	\$ 438,000	\$ (42)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	237,593	424,906	211,742	5,799	880,040	48,161
Pension Expense	20,898	20,898	-	-	41,796	-
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Accounts Receivable	26,724	16,869	(12,086)	2,544	34,051	595
Taxes Receivable	(592)	1,665	-	(340)	733	-
Prepaid Items	(104,355)	-	2,947	-	(101,408)	-
Inventories	-	-	11,857	-	11,857	-
Increase (Decrease) in Liabilities:						
Accounts Payable	(7,951)	1,345	(6,191)	65	(12,732)	(1,554)
Accrued Liabilities	(1,979)	3,486	(507)	-	1,000	2,756
Due to Other Funds	-	154,414	-	-	154,414	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 409,511</u>	<u>\$ 797,862</u>	<u>\$ 223,121</u>	<u>\$ 17,257</u>	<u>\$ 1,447,751</u>	<u>\$ 49,916</u>

**Noncash Investing, Capital and Financing Activities**

In 2021, the City water fund had \$7,730 of bond premium amortized with interest expense. This amount is included within the principal paid.

In 202, the Golf Course fund purchased a tractor through the issuance of debt. This amount is included as debt proceeds and purchase of capital assets.

**Statement of Net Position  
Fiduciary Funds  
December 31, 2021**

	<u>Tax Collection Fund</u>
<b>ASSETS:</b>	
Cash and Equivalents - Unrestricted	<u>\$          429,825</u>
Total Assets	<u><u>\$          429,825</u></u>
<b>LIABILITIES:</b>	
Due to Governmental Units	<u>\$          429,825</u>
Total Liabilities	<u><u>\$          429,825</u></u>

Statement of Changes in Net Position  
Fiduciary Funds  
December 31, 2021

	Tax Collection Fund
<b>ADDITIONS:</b>	
Taxes Collected for Other Governments	\$ 2,076,049
Total Additions	<u>2,076,049</u>
<b>DEDUCTIONS:</b>	
Payment of Taxes to Other Governments	1,863,882
Overpayment of Taxes to Taxpayers	22,811
Total Deductions	<u>1,886,693</u>
Change in Cash Balance	189,356
Cash, Beginning of Year	<u>240,469</u>
Cash, End of Year	<u><u>\$ 429,825</u></u>

# **Component Units**

---

**Combining Balance Sheet**  
**Component Unit - Downtown Development Authority**  
**December 31, 2021**

	General Downtown	Museum Operations	Debt Service	Museum Store	Gateway Project	Totals
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 81,032	\$ 28,064	\$ 5	\$ 85,953	\$ 22,563	\$ 217,617
Taxes Receivable	17,298	-	-	-	-	17,298
Prepaid Items	1,551	1,551	-	-	-	3,102
Inventories	-	-	-	10,946	-	10,946
<b>TOTAL ASSETS</b>	<b>\$ 99,881</b>	<b>\$ 29,615</b>	<b>\$ 5</b>	<b>\$ 96,899</b>	<b>\$ 22,563</b>	<b>\$ 248,963</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 10,063	\$ -	\$ -	\$ 346	\$ -	\$ 10,409
Accrued Liabilities	1,166	1,358	-	1,232	-	3,756
<b>TOTAL LIABILITIES</b>	<b>11,229</b>	<b>1,358</b>	<b>-</b>	<b>1,578</b>	<b>-</b>	<b>14,165</b>
<b>FUND BALANCE:</b>						
Unassigned	88,652	28,257	5	95,321	22,563	234,798
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 99,881</b>	<b>\$ 29,615</b>	<b>\$ 5</b>	<b>\$ 96,899</b>	<b>\$ 22,563</b>	<b>234,798</b>
<b>Reconciliation to amounts reported for the statement of net position:</b>						
Capital assets used by governmental activities						823,766
Vested Employees Benefits						(6,931)
<b>Net position of governmental activities</b>						<b>\$ 1,051,633</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Component Unit - Downtown Development Authority  
For the Year Ended December 31, 2021**

	General Downtown	Museum Operations	Debt Service	Museum Store	Gateway Project	Total
<b>REVENUES:</b>						
Taxes	\$ 212,278	\$ -	\$ -	\$ -	\$ -	\$ 212,278
Charges for Services	-	-	-	155,244	-	155,244
Federal, State and Local	4,000	97,495	-	-	3,650	105,145
Interest Income	290	100	-	103	-	493
Other Income	11,196	38,366	-	2,452	-	52,014
<b>TOTAL REVENUES</b>	<u>227,764</u>	<u>135,961</u>	<u>-</u>	<u>157,799</u>	<u>3,650</u>	<u>525,174</u>
<b>EXPENDITURES:</b>						
Recreation & Culture	-	153,651	-	139,924	-	293,575
Economic Development	236,046	-	-	-	-	236,046
Capital Outlay	-	-	-	-	11,920	11,920
<b>TOTAL EXPENDITURES</b>	<u>236,046</u>	<u>153,651</u>	<u>-</u>	<u>139,924</u>	<u>11,920</u>	<u>541,541</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(8,282)</u>	<u>(17,690)</u>	<u>-</u>	<u>17,875</u>	<u>(8,270)</u>	<u>(16,367)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	-	20,000	-	-	-	20,000
Transfers Out	(20,000)	-	-	-	-	(20,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(28,282)	2,310	-	17,875	(8,270)	(16,367)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>116,934</u>	<u>25,947</u>	<u>5</u>	<u>77,446</u>	<u>30,833</u>	<u>251,165</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 88,652</u>	<u>\$ 28,257</u>	<u>\$ 5</u>	<u>\$ 95,321</u>	<u>\$ 22,563</u>	<u>\$ 234,798</u>

**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, 2021**

Net changes in fund balances - total component units \$ (16,367)

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 \$11,920 is exceeded by depreciation expense (\$56,130).

(44,210)

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

1,394

Change in net position of governmental activities

\$ (59,183)



## **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 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.

*Custodial Fund.* This fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the City holds for others as a custodian (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 custodial 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.

***Prepays 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. Amounts within the City’s General fund are restricted for employee benefits, and in the Cemetery fund for perpetual care funding.

***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, non-spendable portion of the perpetual care trust, 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 \$173,608.
- 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 \$891,465 for Major Streets, \$205,938 for Local Streets, \$781,550 for Nonmajor Special Revenue Funds, \$38,042 for Debt Service Funds, and \$343,281 for Capital Project Funds.
- 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 \$311,904 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	\$ 4,112,921	\$ 1,337,398	\$ 5,450,319	\$ 429,825	\$ 217,617
Cash and Equivalents – Restricted	<u>25,007</u>	<u>1,973,317</u>	<u>1,998,324</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,137,928</u>	<u>\$ 3,310,715</u>	<u>\$ 7,448,643</u>	<u>\$ 429,825</u>	<u>\$ 217,617</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)*	\$ 7,445,544	\$ 429,825	\$ 217,617
Petty Cash and Cash on Hand	<u>3,099</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,448,643</u>	<u>\$ 429,825</u>	<u>\$ 217,617</u>

\*The City also holds cash at a fiscal agent as of December 31, 2021 in the amount of \$254,875 for the purpose of making debt payments this amount is included in the above bank deposit and cash totals.

*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, \$7,308,853 of the City's bank balance of \$7,867,029 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>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,757,928	\$ -	\$ -	\$ 1,757,928
Museum Artifacts	300,000	-	-	300,000
Construction in Progress	<u>2,299,091</u>	<u>382,285</u>	<u>(2,681,376)</u>	<u>-</u>
Subtotal	<u>4,357,019</u>	<u>382,285</u>	<u>(2,681,376)</u>	<u>2,057,928</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,483,195	-	2,681,376	11,164,571
Land improvements	561,657	-	-	561,657
Infrastructure	463,108	-	-	463,108
Equipment	2,472,363	-	-	2,472,363
Vehicles	<u>995,238</u>	<u>-</u>	<u>(25,625)</u>	<u>969,613</u>
Subtotal	<u>12,975,561</u>	<u>-</u>	<u>2,655,751</u>	<u>15,631,312</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(3,885,717)	(255,918)	-	(4,141,635)
Land improvements	(280,273)	(14,345)	-	(294,618)
Infrastructure	(239,964)	(23,155)	-	(263,119)
Equipment	(2,044,961)	(52,385)	-	(2,097,346)
Vehicles	<u>(698,881)</u>	<u>(82,393)</u>	<u>25,625</u>	<u>(755,649)</u>
Subtotal	<u>(7,149,796)</u>	<u>(428,196)</u>	<u>25,625</u>	<u>(7,552,367)</u>
Net Capital Assets Being Depreciated	<u>5,825,765</u>	<u>(428,196)</u>	<u>2,681,376</u>	<u>8,078,945</u>
Capital Assets – Net	<u>\$ 10,182,784</u>	<u>\$ (45,911)</u>	<u>\$ -</u>	<u>\$ 10,136,873</u>

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

<b>Governmental Activities</b>	
General Government	\$ 54,874
Public Safety	114,736
Public Works	34,368
Recreation and Culture	176,057
Capital assets held by the City’s internal service funds are charged to the various functions based on their usage of the assets	<u>48,161</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 428,196</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 197,653	\$ -	\$ -	\$ 197,653
<i>Capital assets being depreciated:</i>				
Buildings	8,352,884	-	-	8,352,884
Machinery and Equipment	442,867	69,814	(5,000)	507,681
Water	11,087,203	-	-	11,087,203
Sewer	10,795,866	-	-	10,795,866
Marina	<u>8,332,986</u>	<u>-</u>	<u>-</u>	<u>8,332,986</u>
Subtotal	<u>39,011,806</u>	<u>69,814</u>	<u>(5,000)</u>	<u>39,076,620</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(5,375,424)	(167,420)	-	(5,542,844)
Machinery and Equipment	(340,908)	(23,104)	5,000	(359,012)
Water	(5,944,529)	(221,232)	-	(6,165,761)
Sewer	(2,305,581)	(256,542)	-	(2,562,123)
Marina	<u>(3,657,010)</u>	<u>(211,742)</u>	<u>-</u>	<u>(3,868,752)</u>
Subtotal	<u>(17,623,452)</u>	<u>(880,040)</u>	<u>5,000</u>	<u>(18,498,492)</u>
Net Capital Assets Being Depreciated	<u>21,388,354</u>	<u>(810,226)</u>	<u>-</u>	<u>20,578,128</u>
Capital Assets - Net	<u>\$ 21,586,007</u>	<u>\$ (810,226)</u>	<u>\$ -</u>	<u>\$ 20,775,781</u>
<b>Business - type Activities</b>				
Water			\$ 237,593	
Sewer			424,906	
Marina			211,742	
Golf Course			<u>5,799</u>	
<b>Total Depreciation Expense – Business - type Activities</b>			<u>\$ 880,040</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>11,920</u>	<u>-</u>	<u>1,808,091</u>
Subtotal	<u>2,264,307</u>	<u>11,920</u>	<u>-</u>	<u>2,276,227</u>
<i>Less accumulated depreciation:</i>				
Buildings	(62,135)	(9,385)	-	(71,520)
Equipment	(110,155)	(5,365)	-	(115,520)
Land Improvements	<u>(1,406,667)</u>	<u>(41,380)</u>	<u>-</u>	<u>(1,448,047)</u>
Subtotal	<u>(1,578,957)</u>	<u>(56,130)</u>	<u>-</u>	<u>(1,635,087)</u>
Net Capital Assets Being Depreciated	<u>685,350</u>	<u>(44,210)</u>	<u>-</u>	<u>641,140</u>
Capital assets – Net of depreciation	<u>\$ 867,976</u>	<u>\$ (44,210)</u>	<u>\$ -</u>	<u>\$ 823,766</u>

Depreciation expense was charged to the Downtown Development Authority in the amount of \$56,130.

**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:

		<b>DUE FROM OTHER FUNDS</b>		
		<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>DUE TO OTHER FUNDS</b>	Nonmajor Governmental	\$ -	\$ 17,070	\$ 17,070
	Sewer Fund	<u>154,414</u>	<u>-</u>	<u>154,414</u>
	Total	<u>\$ 154,414</u>	<u>\$ 17,070</u>	<u>\$ 171,484</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					
		General	Local Street	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
<b>TRANSFERS OUT</b>	General	\$ 60,000	\$ -	\$ 180,421	\$ 10,000	\$ -	\$ 250,421
	Major Street	11,000	45,369	-	-	-	56,369
	Local Street	6,500	-	-	-	-	6,500
	Nonmajor Governmental	46,045	-	-	-	-	46,045
	Water	64,500	-	-	-	5,700	70,200
	Sewer	37,300	-	-	-	3,900	41,200
	Marina	8,000	-	-	-	-	8,000
	Internal Service	-	-	21,635	-	-	21,635
	Total	<u>\$ 233,345</u>	<u>\$ 45,369</u>	<u>\$ 202,056</u>	<u>\$ 10,000</u>	<u>\$ 9,600</u>	<u>\$ 500,370</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. The City also has capital leases that amounted to \$53,217 at the end of the fiscal year.

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
<b>Bonds:</b>					
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.	\$ 420,000	\$ -	\$ 60,000	\$ 360,000	\$ 65,000
2015 USDA Capital Improvement Bonds, payable in annual installments of \$8,000 to \$12,000 through October 2015, plus interest of 3.625% annually.	55,000	-	10,000	45,000	11,000
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.	700,000	-	20,000	680,000	20,000

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>
<b>Governmental Activities (Continued)</b>					
<b>Bonds:</b>					
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.	1,788,800	362,200	50,000	2,101,000	52,000
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.	9,000	235,000	6,000	238,000	6,000
<b>Installment Loans:</b>					
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.	38,384	-	5,272	33,112	5,340
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.	78,849	-	3,838	75,011	3,959
Installment Loan First National Bank, payable in annual installments of \$5,817 through August 2036, plus interest of 3.25%. Secured by equipment.	71,681	-	3,489	68,192	3,599
Installment Loan Agreement First National Bank, payable in annual installments of \$52,755 to \$56,243 through 2021, plus interest of 3.253% annually.	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.	39,542	-	12,694	26,848	13,174
Installment Loan Agreement First National Bank, payable in annual installment of \$13,190 through 2024, plus interest of 2.90% annually.	37,380	-	12,094	25,286	12,456
Vested Employee Benefits – (net)	<u>250,778</u>	<u>-</u>	<u>31,876</u>	<u>218,902</u>	<u>-</u>
Total Governmental Activities – Long-Term Debt	<u>3,520,508</u>	<u>597,200</u>	<u>246,357</u>	<u>3,871,351</u>	<u>192,528</u>



NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance	Increases/ Adjustments	Decreases	Ending Balance	Due Within One Year
<b><u>Business-type Activities</u></b>					
<b>Bonds:</b>					
2015 Revolving Sewer Fund Loan, due in annual installments of \$61,561 to through 2041, plus interest at 2.50%, payable semi-annually.	1,355,108	-	65,000	1,290,108	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.	1,950,000	-	195,000	1,755,000	200,000
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.	1,898,000	-	60,000	1,838,000	63,000
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.	1,942,000	-	51,000	1,891,000	53,000
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.	360,771	-	35,000	325,771	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.	490,000	-	18,000	472,000	19,000
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%.	68,010	-	3,000	65,010	2,000
2019 USDA Capital Improvement Bond, due in annual installments of \$20,000 to \$57,000 through 2058, plus interest of 4.50%.	1,200,000	-	21,000	1,179,000	22,000
2018 State Infrastructure Loan, payable in annual installments of \$9,759 to \$13,819 through May 2032, plus interest of 2.5%.	90,221	-	6,583	83,638	6,748

NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance	Increases/ Adjustments	Decreases	Ending Balance	Due Within One Year
<b><u>Business-type Activities (Continued)</u></b>					
<b>Installment:</b>					
Installment Loan Agreement, First National Bank, due in monthly installments of \$535, including interest of 2.60%, through October 2022.	11,209	-	6,193	5,016	5,017
Installment Loan Agreement, First National Bank, due in annual installments of \$13,928, including interest of 2.90%, through August 2024, secured by vehicle.	<u>39,474</u>	<u>-</u>	<u>12,772</u>	<u>26,702</u>	<u>13,154</u>
Total Business – type Activities – Long-Term Debt	<u>9,404,793</u>	<u>-</u>	<u>473,548</u>	<u>8,931,245</u>	<u>483,919</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 12,925,301</u></b>	<b><u>\$ 597,200</u></b>	<b><u>\$ 719,905</u></b>	<b><u>\$ 12,802,596</u></b>	<b><u>\$ 676,447</u></b>

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:

<u>Year End December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 192,529	\$ 118,434	\$ 483,919	\$ 282,984
2023	199,705	111,570	496,452	269,343
2024	175,553	104,062	494,102	255,409
2025	182,874	97,387	505,266	241,067
2026	184,217	90,280	521,448	226,744
2027-2031	532,026	382,704	2,318,899	902,963
2032-2036	615,545	293,009	1,693,042	578,954
2037-2041	655,000	192,875	1,296,117	293,473
2042-2046	672,000	85,140	674,000	118,529
2047-2051	243,000	7,335	254,000	50,247
2052-2056	-	-	<u>194,000</u>	<u>15,868</u>
Total	<u>\$ 3,652,449</u>	<u>\$ 1,482,796</u>	<u>\$ 8,931,245</u>	<u>\$ 3,235,581</u>

**NOTE 7 - LEASES**

The City entered into a capital lease for a lawnmower. The capital lease will be paid out of the golf course fund. Capital assets were capitalized at the present value of the minimum lease payments at the time the lease was entered into.

The assets acquired through capital leases are as follows:

	<u>Business-type Activities</u>
Assets:	
Equipment	\$ 55,314
Less: accumulated depreciation	<u>(4,609)</u>
Total	<u>\$ 50,705</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2021:

2022	9,867
2023	10,432
2024	11,030
2025	11,661
2026	<u>10,227</u>
Present value of minimum lease payments	<u>\$ 53,217</u>

**NOTE 8 - 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, 2020.

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](http://www.mersofmich.com).

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

**01 – Gnrl Union: Closed to new hires, linked to Division 12**

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>COLA for Future Retirees:</b>	2.50% (Non-Compound)
<b>COLA for Current Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

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

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	25 and Out
<b>Early Retirement (Reduced):</b>	55/15
<b>Final Average Compensation:</b>	3 years
<b>COLA for Future Retirees:</b>	2.50% (Non-Compound)
<b>COLA for Current Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	1.20%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

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

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/15
<b>Early Retirement (Reduced):</b>	50/25
<b>Final Average Compensation:</b>	5 years
<b>COLA for Future Retirees:</b>	2.50% (Non-Compound)
<b>COLA for Current Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

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

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	1.50% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>COLA for Future Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

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

	<u>2020 Valuation</u>
<b>Benefit Multiplier:</b>	1.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25 55/15
<b>Final Average Compensation:</b>	5 years
<b>COLA for Future Retirees:</b>	2.50% (Non-Compound)
<b>Employee Contributions:</b>	0%
<b>Act 88:</b>	Yes (Adopted 6/5/1972)

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>29</u>
	<u>73</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, 2021 is as follows:

General Union	\$ 20,716
Police/Fire	9,125
General Non-Union	19,054
General Non-Union	994
General Union After	2,755
Police/Fire After	763

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2021, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.00 %
Investment rate of return	7.35 %

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3 - 4%.

Mortality rates used were based on the Pub-2010 Annual Mortality Table.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study covering the period from December 31, 2014 through December 31, 2018.

*Significant Changes from the Previous Actuarial Valuation:*

- Mortality assumption changed from RP-2014 Group Annuity Mortality Tables to the Pub-2010 Annual Mortality Tables.

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

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%	3.15%
Global Fixed Income	20.0%	0.25%
Private Investments	20.0%	1.45%

*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
<b>Balances at December 31, 2020</b>	\$ 13,841,848	\$ 7,934,236	\$ 5,907,612
Service cost	131,146	-	131,146
Interest on total pension liability	1,020,588	-	1,020,588
Difference between expected and actual experience	125,265	-	125,265
Changes in assumptions	448,427	-	448,427
Employer contributions	-	656,767	(656,767)
Employee contributions	-	822	(822)
Net investment income	-	1,104,858	(1,104,858)
Benefit payments, including employee refunds	(957,260)	(957,260)	-
Administrative expense	-	(12,676)	12,676
Other changes	13,011	-	13,011
<b>Net changes</b>	<b>781,177</b>	<b>792,511</b>	<b>(11,334)</b>
<b>Balances as of December 31, 2021</b>	<b>\$ 14,623,025</b>	<b>\$ 8,726,747</b>	<b>\$ 5,896,278</b>

**NOTE 8 - 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:

	<b>1% Decrease</b> <b>(6.60%)</b>	<b>Current Discount Rate</b> <b>(7.60%)</b>	<b>1% Increase</b> <b>(8.60%)</b>
City's net pension liability	\$7,557,334	\$5,896,278	\$4,500,000

*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, 2021, the City recognized pension expense of \$838,495. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 211,333	\$ -
Changes in assumptions	557,157	-
Net difference between projected and actual earnings on pension plan investments	-	633,170
Total	<u>\$ 768,490</u>	<u>\$ 633,170</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>	
2022	\$ 263,426
2023	17,848
2024	(39,320)
2025	(106,634)



**NOTE 9 - 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 \$2,119,667 was measured as of December 31, 2021, 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:	
2021 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, 2021.

Mortality rates: SOA RP-2014 Total Dataset Mortality with Scale MP-2021 (Base Year 2006)

**NOTE 9 - 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-2021 (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>
<b>Balances at December 31, 2020</b>	\$ 2,149,309	\$ -	\$ 2,149,309
Service cost	29,600	-	29,600
Interest	44,466	-	44,466
Assumption Changes	-	-	-
Difference between actual and expected experience	-	-	-
Contributions - Employer	-	103,708	(103,708)
Benefit payments	(103,708)	(103,708)	-
<b>Net changes</b>	<u>(29,642)</u>	<u>-</u>	<u>(29,642)</u>
<b>Balances as December 31, 2021</b>	<u>\$ 2,119,667</u>	<u>\$ -</u>	<u>\$ 2,119,667</u>

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

The December 31, 2021 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	\$2,515,024	\$2,119,667	\$1,807,103

**NOTE 9 - 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	\$1,783,624	\$2,119,667	\$2,553,172

For the year ended December 31, 2021, the City recognized an OPEB expense as follows:

Service Cost	\$ 29,600
Interest on total OPEB liability	44,466
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>\$ 184,204</u>

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

Differences between expected and actual experience for Fiscal year Ending	Initial Amount	Initial Amortization Period	Annual Recognition	Unamortized Balance as of December 31, 2021
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	\$ (12,229)	\$ (15,898)
December 31, 2021	N/A	N/A	N/A	N/A
			<u>\$ (12,229)</u>	<u>\$ (15,898)</u>

**NOTE 9 - 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, 2021
December 31, 2017	\$ (193,182)	4.39	\$ (44,005)	\$ (17,162)
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	216,283
December 31, 2021	N/A	N/A	N/A	N/A
			\$ 122,367	\$ 199,121

As of Fiscal Year Ending December 31, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$ 15,898
Changes in assumptions	216,283	17,162
Total	\$ 216,283	\$ 33,060

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, 2022	\$ 136,981
December 31, 2023	46,242
Total	\$ 183,223

**NOTE 10 - 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 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public Safety	\$ 708,937	\$ 753,130	\$ (44,193)
Public Works	166,899	208,451	(41,552)
Transfers Out	170,056	250,421	(80,365)

## **Required Supplementary Information**

---

**Required Supplementary Information  
Employee Retirement and Benefit Systems  
Schedule of Changes in Pension Liability  
For the Year Ended December 31, 2021**

	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>							
Service cost	\$ 131,146	\$ 126,614	\$ 136,812	\$ 117,039	\$ 124,471	\$ 121,656	\$ 117,999
Interest	1,020,588	963,766	971,145	936,705	921,588	858,648	827,267
Difference between expected and actual experience	125,265	91,048	287,442	169,315	(106,275)	106,359	(15,708)
Changes in assumptions	448,427	441,673	-	-	-	640,117	-
Other Changes	13,011	45,747	25,811	29,490	(38,389)	(17,146)	-
Benefit payments, including refund of member contributions	(957,260)	(889,642)	(858,946)	(804,931)	(615,324)	(579,952)	(523,877)
<b>Net change in total pension liability</b>	781,177	779,206	562,264	447,618	286,071	1,129,682	405,681
<b>Total pension liability - beginning</b>	13,841,848	13,062,642	12,500,378	12,052,760	11,766,689	10,637,007	10,231,326
<b>Total pension liability - ending</b>	<u>\$ 14,623,025</u>	<u>\$ 13,841,848</u>	<u>\$ 13,062,642</u>	<u>\$ 12,500,378</u>	<u>\$ 12,052,760</u>	<u>\$ 11,766,689</u>	<u>\$ 10,637,007</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 656,767	\$ 551,312	\$ 509,310	\$ 413,428	\$ 381,917	\$ 329,047	\$ 300,727
Contributions - employee	822	1,223	1,536	2,056	1,976	1,897	2,690
Net investment income	1,104,858	909,767	911,769	(283,500)	899,933	721,074	(99,000)
Benefit payments, including refunds of member contributions	(957,260)	(889,642)	(858,946)	(804,931)	(615,324)	(579,951)	(523,877)
Administrative expense	(12,676)	(14,632)	(15,703)	(14,327)	(14,257)	(14,242)	(14,652)
Other Changes	-	-	-	(2)	-	-	-
<b>Net change in plan fiduciary net position</b>	792,511	558,028	547,966	(687,276)	654,245	457,825	(334,112)
<b>Plan fiduciary net position - beginning</b>	7,934,236	7,376,208	6,828,242	7,515,518	6,861,273	6,403,448	6,737,560
<b>Plan fiduciary net position - ending</b>	<u>\$ 8,726,747</u>	<u>\$ 7,934,236</u>	<u>\$ 7,376,208</u>	<u>\$ 6,828,242</u>	<u>\$ 7,515,518</u>	<u>\$ 6,861,273</u>	<u>\$ 6,403,448</u>
<b>City's net pension liability - ending</b>	<u>\$ 5,896,278</u>	<u>\$ 5,907,612</u>	<u>\$ 5,686,434</u>	<u>\$ 5,672,136</u>	<u>\$ 4,537,242</u>	<u>\$ 4,905,416</u>	<u>\$ 4,233,559</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	60%	57%	56%	55%	62%	58%	60%
<b>Covered - employee payroll</b>	\$ 1,341,175	\$ 1,266,291	\$ 1,364,159	\$ 1,122,251	\$ 1,135,338	\$ 1,114,150	\$ 1,054,102
<b>City's net pension liability as a percentage of covered-employee payroll</b>	440%	467%	417%	505%	400%	440%	402%

**Required Supplementary Information  
Employee Retirement and Benefit Systems  
Schedule of Employer Contributions  
For the Year Ended December 31, 2021**

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 644,768	\$ 474,311	\$ 451,944	\$ 410,796	\$ 329,048	\$ 300,728	\$ 324,396
Contributions in relation to the actuarially determined contribution	<u>656,767</u>	<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>\$ (11,999)</u>	<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	\$ 1,341,175	\$ 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	49%	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	18 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	In the 2019, actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Assumptions were based on the Pub-2010 annual mortality tables.

*Significant Changes from the Previous Actuarial Valuation:*

Mortality assumption changed from RP-2014 Group Annuity Mortality Tables to the Pub-2010 Annual Mortality Tables.



**Required Supplementary Information**  
**Employee Retirement and Benefit Systems**  
**Schedule of Changes in the OPEB Liability and Related Ratios**  
**Year Ended December 31, 2021**

	2021	2020	2019	2018
<b>Total OPEB Liability - Beginning of Year</b>	\$ 2,149,309	\$ 1,668,135	\$ 1,713,238	\$ 1,909,429
Service cost	29,600	28,986	18,142	21,751
Interest	44,466	45,072	68,419	64,214
Assumption changes and differences between actual and expected experience	-	508,671	-	(196,679)
Benefit payments	(103,708)	(101,555)	(88,982)	(85,477)
<b>OPEB Liability - End of Year</b>	<u>\$ 2,119,667</u>	<u>\$ 2,149,309</u>	<u>\$ 1,710,817</u>	<u>\$ 1,713,238</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 103,708	\$ 101,555	\$ 88,982	\$ 85,477
Net investment income	-	-	-	-
Benefit payments	(103,708)	(101,555)	(88,982)	(85,477)
Administrative expense	-	-	-	-
<b>Net change in plan fiduciary net position</b>	-	-	-	-
<b>Plan fiduciary net position - Beginning of Year</b>	-	-	-	-
<b>Plan fiduciary net position - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net OPEB liability - End of Year</b>	<u>\$ 2,119,667</u>	<u>\$ 2,149,309</u>	<u>\$ 1,710,817</u>	<u>\$ 1,713,238</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0%	0%	0%	0%
<b>Covered Payroll</b>	\$ 734,267	\$ 719,870	\$ 784,905	\$ 769,515
<b>Net OPEB liability as a percentage of covered payroll</b>	288.68%	298.57%	217.96%	222.64%
<b>Schedule of Employer Contributions</b>				
Service cost	\$ 29,600	\$ 28,986	\$ 18,142	\$ 21,750
30 year amortization of NOL	97,557	98,805	96,334	99,613
Actuarially determined contribution	127,157	127,791	114,476	121,363
Actual Contribution	103,708	101,555	88,982	85,477
Contribution deficiency/(excess)	<u>\$ 23,449</u>	<u>\$ 26,236</u>	<u>\$ 25,494</u>	<u>\$ 35,886</u>
<b>Covered Payroll</b>	\$ 734,267	\$ 719,870	\$ 784,905	\$ 769,515
<b>ADC as a percentage of payroll</b>	17.32%	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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 1,202,530	\$ 1,212,355	\$ 1,274,192	\$ 61,837
Licenses and Permits	6,170	6,288	6,287	(1)
Federal Sources	2,000	-	-	-
State Sources	241,630	241,630	289,869	48,239
Local Sources	11,320	44,235	41,605	(2,630)
Charges for Services	72,830	86,523	86,970	447
Interest & Rental	27,500	27,500	28,324	824
Fines & Forfeitures	800	1,045	694	(351)
Other Revenue	208,411	144,823	141,393	(3,430)
<b>TOTAL REVENUES</b>	<b>1,773,191</b>	<b>1,764,399</b>	<b>1,869,334</b>	<b>104,935</b>
<b>EXPENDITURES:</b>				
Legislative:				
City Commission	25,960	22,805	21,167	1,638
General Government:				
City Manager	190,770	186,361	182,867	3,494
Board of Review	2,090	2,090	1,791	299
City Assessor	79,794	65,480	42,433	23,047
City Attorney	27,000	49,000	55,813	(6,813)
City Clerk/Treasurer	260,900	260,900	293,864	(32,964)
Elections	4,000	4,000	3,888	112
City Hall & Grounds	31,250	29,677	27,778	1,899
Non-Departmental	56,940	94,714	99,255	(4,541)
<b>Total General Government</b>	<b>652,744</b>	<b>692,222</b>	<b>707,689</b>	<b>(15,467)</b>
Public Safety:				
Police	533,989	569,124	571,557	(2,433)
Safety & Health	16,950	22,372	53,657	(31,285)
Planning & Zoning	3,650	1,253	1,779	(526)
Fire	104,575	116,188	126,137	(9,949)
<b>Total Public Safety</b>	<b>659,164</b>	<b>708,937</b>	<b>753,130</b>	<b>(44,193)</b>

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
DPW	120,860	126,260	171,161	(44,901)
Sidewalks	-	304	337	(33)
Garbage Collection	1,100	335	-	335
Street Lighting	40,000	40,000	36,953	3,047
Total Public Works	161,960	166,899	208,451	(41,552)
Community and Economic Development	97,314	77,926	77,877	49
Recreation and Culture:				
Park Maintenance	54,260	84,285	102,432	(18,147)
Boat Launch	4,195	4,195	3,993	202
Total Recreation and Culture	58,455	88,480	106,425	(17,945)
Other Expenditures:				
Insurance and Bonds	26,300	13,780	7,577	6,203
Fringe Benefits	96,000	60,855	56,978	3,877
Total Other Expenditures	122,300	74,635	64,555	10,080
<b>TOTAL EXPENDITURES</b>	<b>1,777,897</b>	<b>1,831,904</b>	<b>1,939,294</b>	<b>(107,390)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>(4,706)</b>	<b>(67,505)</b>	<b>(69,960)</b>	<b>(2,455)</b>
OTHER FINANCING SOURCES (USES):				
Transfers In	207,420	235,400	233,345	(2,055)
Transfers Out	(140,050)	(170,056)	(250,421)	(80,365)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>67,370</b>	<b>65,344</b>	<b>(17,076)</b>	<b>(82,420)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 62,664</b>	<b>\$ (2,161)</b>	<b>(87,036)</b>	<b>\$ (84,875)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>			<b>1,524,497</b>	
<b>FUND BALANCES END OF YEAR</b>			<b>\$ 1,437,461</b>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Major Streets Fund  
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
<b>REVENUES:</b>				
Taxes	\$ 55,200	\$ 55,200	\$ 57,199	\$ 1,999
State Sources	289,800	378,265	385,419	7,154
Local Sources	8,250	11,500	11,500	-
Interest Earnings	2,300	2,300	4,071	1,771
<b>TOTAL REVENUES</b>	<u>355,550</u>	<u>447,265</u>	<u>458,189</u>	<u>10,924</u>
<b>EXPENDITURES:</b>				
Public Works	<u>337,728</u>	<u>337,728</u>	<u>164,769</u>	<u>172,959</u>
<b>TOTAL EXPENDITURES</b>	<u>337,728</u>	<u>337,728</u>	<u>164,769</u>	<u>172,959</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>17,822</u>	<u>109,537</u>	<u>293,420</u>	<u>183,883</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers Out	<u>(56,369)</u>	<u>(56,369)</u>	<u>(56,369)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (38,547)</u>	<u>\$ 53,168</u>	237,051	<u>\$ 183,883</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>			<u>654,414</u>	
<b>FUND BALANCES END OF YEAR</b>			<u>\$ 891,465</u>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Local Streets Fund  
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 50,200	\$ 54,279	\$ 57,199	\$ 2,920
State Sources	129,269	129,207	149,375	20,168
Local Sources	8,250	11,500	11,500	-
Charges for Service	300	300	-	(300)
Interest Earnings	550	550	2,252	1,702
Other Revenue	100	100	-	(100)
	<u>188,669</u>	<u>195,936</u>	<u>220,326</u>	<u>24,390</u>
<b>EXPENDITURES:</b>				
Public Works	<u>227,538</u>	<u>227,538</u>	<u>221,202</u>	<u>6,336</u>
	<u>227,538</u>	<u>227,538</u>	<u>221,202</u>	<u>6,336</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>(38,869)</u>	<u>(31,602)</u>	<u>(876)</u>	<u>30,726</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	45,369	45,369	45,369	-
Transfers Out	<u>(6,500)</u>	<u>(6,500)</u>	<u>(6,500)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 7,267</u>	<u>37,993</u>	<u>\$ 30,726</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>			<u>167,945</u>	
<b>FUND BALANCES END OF YEAR</b>			<u>\$ 205,938</u>	

## **Supplementary Information**

---

**Schedule of Bond Covenant Cash Reserves  
Required and Actual Balances  
December 31, 2021**

	<b>Required Balance</b>	<b>Actual Balance</b>
<b>Water Fund - Restricted Cash</b>		
<b>Operation and Maintenance Funds</b>	\$ 488,188	\$ 488,188
<b>Bond and Interest Redemption</b>		
2000 Series Water Supply System Revenue Bonds	103,647	103,647
<b>Bond Reserves</b>		
2000 Series Water Supply System Revenue Bonds	146,000	146,000
<b>Repair, Replacement and Improvement Accounts</b>		
2000 Series Water Supply System Revenue Bonds	118,570	118,570
	\$ 856,405	\$ 856,405
<b>Sewer Fund Restricted Cash</b>		
<b>Operation and Maintenance Funds</b>	\$ 106,017	\$ 106,017
<b>Bond and Interest Redemption</b>		
1999A / 1999B Series Sewage Disposal Revenue Bonds	22,583	22,583
2009 Sewage Disposal System Junior Lien Revenue Bond	3,559	3,559
2010 USDA Rural Development Sewer Capital Improvement Project Bonds - Net	8,356	8,356
2008 Revolving Sewer Fund Loan	60,969	60,969
2015 Revolving Sewer Fund Loan	56,610	56,610
<b>Bond Reserves</b>		
1999A / 1999B Series Sewage Disposal Revenue Bonds	46,500	46,500
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	124,700	124,700
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	14,500	14,500
<b>Repair, Replacement and Improvement Accounts</b>		
1999A / 1999B Series Sewage Disposal Revenue Bonds	260,046	260,046
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	255,804	255,804
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	157,268	157,268
	\$ 1,116,912	\$ 1,116,912

**Combining Balance Sheet  
General Funds  
December 31, 2021**

	General	Employee Benefit Fund	Payroll Clearing Fund	Totals
<b>ASSETS:</b>				
Cash and Investments - Unrestricted	\$ 863,802	\$ 311,904	\$ 84,321	\$ 1,260,027
Receivables:				
Accounts	5,152	-	-	5,152
Taxes	103,149	-	-	103,149
Due from Other Funds	154,414	-	-	154,414
Due from Governmental Units	46,373	-	-	46,373
Prepaid Expense	13,077	-	-	13,077
Inventory	134,239	-	-	134,239
<b>TOTAL ASSETS</b>	<b>\$ 1,320,206</b>	<b>\$ 311,904</b>	<b>\$ 84,321</b>	<b>\$ 1,716,431</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 136,791	\$ -	\$ -	\$ 136,791
Accrued Liabilities	57,858	-	84,321	142,179
<b>TOTAL LIABILITIES</b>	<b>194,649</b>	<b>-</b>	<b>84,321</b>	<b>278,970</b>
<b>FUND BALANCES:</b>				
Nonspendable	147,316	-	-	147,316
Committed	-	311,904	-	311,904
Unassigned	978,241	-	-	978,241
<b>TOTAL FUND BALANCES</b>	<b>1,125,557</b>	<b>311,904</b>	<b>-</b>	<b>1,437,461</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,320,206</b>	<b>\$ 311,904</b>	<b>\$ 84,321</b>	<b>\$ 1,716,431</b>



**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance - General Funds  
For the Year Ended December 31, 2021**

	General	Employee Benefit Fund	Payroll Clearing Fund	Totals
<b>REVENUES:</b>				
Taxes	\$ 1,274,192	\$ -	\$ -	\$ 1,274,192
Licenses and Permits	6,287	-	-	6,287
State Sources	289,869	-	-	289,869
Local Sources	38,605	3,000	-	41,605
Charges for Services	86,970	-	-	86,970
Interest and Rentals	27,637	687	-	28,324
Fines and Forfeitures	694	-	-	694
Other Revenue	141,393	-	-	141,393
<b>TOTAL REVENUES</b>	<b>1,865,647</b>	<b>3,687</b>	<b>-</b>	<b>1,869,334</b>
<b>EXPENDITURES:</b>				
Legislative	21,167	-	-	21,167
General Government	680,126	27,563	-	707,689
Public Safety	753,130	-	-	753,130
Public Works	208,451	-	-	208,451
Community and Economic Development	77,877	-	-	77,877
Recreation and Culture	106,425	-	-	106,425
Other Expenditures	64,555	-	-	64,555
<b>TOTAL EXPENDITURES</b>	<b>1,911,731</b>	<b>27,563</b>	<b>-</b>	<b>1,939,294</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	(46,084)	(23,876)	-	(69,960)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	174,045	59,300	-	233,345
Operating Transfers Out	(213,421)	(37,000)	-	(250,421)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(39,376)</b>	<b>22,300</b>	<b>-</b>	<b>(17,076)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(85,460)</b>	<b>(1,576)</b>	<b>-</b>	<b>(87,036)</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>1,211,017</b>	<b>313,480</b>	<b>-</b>	<b>1,524,497</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 1,125,557</b>	<b>\$ 311,904</b>	<b>\$ -</b>	<b>\$ 1,437,461</b>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2021**

	Special Revenue Funds					
	Law Enforcement	Library	Cemetery	Community Center	Building Inspector	Fire
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 130,525	\$ 463,953	\$ 46,181	\$ 170,550	\$ 27,383	\$ 168,926
Cash and Equivalents - Restricted	-	-	-	-	-	-
Accounts Receivable	-	-	3,050	19,785	-	-
Taxes Receivable	-	6,370	-	6,399	-	-
Due from Other Funds	-	-	-	-	-	-
Prepaid Items	-	1,292	-	4,393	-	-
<b>TOTAL ASSETS</b>	<b>\$ 130,525</b>	<b>\$ 471,615</b>	<b>\$ 49,231</b>	<b>\$ 201,127</b>	<b>\$ 27,383</b>	<b>\$ 168,926</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ 17,325	\$ -	\$ 623	\$ -	\$ -
Accrued Liabilities	-	3,060	-	5,121	-	-
Due to Other Funds	-	-	-	-	-	17,070
Unearned Revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>20,385</b>	<b>-</b>	<b>5,744</b>	<b>-</b>	<b>17,070</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	1,292	-	-	-	-
Restricted	130,525	449,938	49,231	-	-	151,856
Assigned	-	-	-	195,383	27,383	-
<b>TOTAL FUND BALANCES</b>	<b>130,525</b>	<b>451,230</b>	<b>49,231</b>	<b>195,383</b>	<b>27,383</b>	<b>151,856</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 130,525</b>	<b>\$ 471,615</b>	<b>\$ 49,231</b>	<b>\$ 201,127</b>	<b>\$ 27,383</b>	<b>\$ 168,926</b>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2021**

	Special Revenue Funds	Debt Service Funds				
	American Rescue Plan	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Building Improvement
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 121,573	\$ 7,989	\$ -	\$ 30,046	\$ -	\$ -
Cash and Equivalents - Restricted	-	-	-	-	7	-
Accounts Receivable	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 121,573</b>	<b>\$ 7,989</b>	<b>\$ -</b>	<b>\$ 30,046</b>	<b>\$ 7</b>	<b>\$ -</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 62,566	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Unearned Revenue	59,007	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>121,573</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	7,989	-	30,046	7	-
Assigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>7,989</b>	<b>-</b>	<b>30,046</b>	<b>7</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 121,573</b>	<b>\$ 7,989</b>	<b>\$ -</b>	<b>\$ 30,046</b>	<b>\$ 7</b>	<b>\$ -</b>

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2021**

	Capital Project Funds				Permanent Fund	Total
	Dock No. 3 Improvements	LBE Park Construction	Fire Hall Construction	Capital Improvement Trust	Perpetual Care Cemetery	
<b>ASSETS:</b>						
Cash and Equivalents - Unrestricted	\$ 247,687	\$ 1,206	\$ 33,233	\$ 49,698	\$ -	\$ 1,498,950
Cash and Equivalents - Restricted	-	-	-	-	25,000	25,007
Accounts Receivable	-	-	-	-	-	22,835
Taxes Receivable	-	-	-	-	-	12,769
Due from Other Funds	-	-	17,070	-	-	17,070
Prepaid Items	-	-	-	-	-	5,685
<b>TOTAL ASSETS</b>	<b>\$ 247,687</b>	<b>\$ 1,206</b>	<b>\$ 50,303</b>	<b>\$ 49,698</b>	<b>\$ 25,000</b>	<b>\$ 1,582,316</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ 1,000	\$ 4,407	\$ -	\$ -	\$ 85,921
Accrued Liabilities	-	-	-	-	-	8,181
Due to Other Funds	-	-	-	-	-	17,070
Unearned Revenue	-	-	-	-	-	59,007
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,000</b>	<b>4,407</b>	<b>-</b>	<b>-</b>	<b>170,179</b>
<b>FUND BALANCES:</b>						
Nonspendable	-	-	-	-	25,000	26,292
Restricted	247,687	-	45,896	49,698	-	1,162,873
Assigned	-	206	-	-	-	222,972
<b>TOTAL FUND BALANCES</b>	<b>247,687</b>	<b>206</b>	<b>45,896</b>	<b>49,698</b>	<b>25,000</b>	<b>1,412,137</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 247,687</b>	<b>\$ 1,206</b>	<b>\$ 50,303</b>	<b>\$ 49,698</b>	<b>\$ 25,000</b>	<b>\$ 1,582,316</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2021**

	Special Revenue Funds					
	Law Enforcement	Library	Cemetery	Community Center	Building Inspector	Fire
<b>REVENUES:</b>						
Taxes	\$ -	\$ 84,665	\$ -	\$ 76,628	\$ -	\$ -
Licenses and Permits	-	-	-	24,365	-	-
Federal Sources	-	-	-	-	-	-
State Sources	-	53,852	-	-	-	-
Local Sources	-	52,872	-	64,018	-	9,724
Charges for Services	-	226	7,606	135,606	9,220	-
Interest Earnings	-	1,242	625	307	-	347
Other Revenue	-	6,040	150	2,522	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>198,897</b>	<b>8,381</b>	<b>303,446</b>	<b>9,220</b>	<b>10,071</b>
<b>EXPENDITURES:</b>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	4,235	-
Public Works	-	-	11,413	-	-	-
Recreation and Culture	-	163,505	-	287,856	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	6,280	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>163,505</b>	<b>11,413</b>	<b>294,136</b>	<b>4,235</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>35,392</b>	<b>(3,032)</b>	<b>9,310</b>	<b>4,985</b>	<b>10,071</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond Proceeds	-	-	-	-	-	-
Transfers In	-	-	6,180	20,000	-	7,532
Transfers Out	-	(2,000)	-	(500)	-	(8,315)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(2,000)</b>	<b>6,180</b>	<b>19,500</b>	<b>-</b>	<b>(783)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>33,392</b>	<b>3,148</b>	<b>28,810</b>	<b>4,985</b>	<b>9,288</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>130,525</b>	<b>417,838</b>	<b>46,083</b>	<b>166,573</b>	<b>22,398</b>	<b>142,568</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 130,525</b>	<b>\$ 451,230</b>	<b>\$ 49,231</b>	<b>\$ 195,383</b>	<b>\$ 27,383</b>	<b>\$ 151,856</b>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2021**

	Special Revenue Funds	Debt Service Funds				
	American Rescue Plan	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Building Improvement
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Federal Sources	62,566	-	-	-	-	-
State Sources	-	-	-	-	-	-
Local Sources	-	-	-	-	99,490	-
Charges for Services	-	-	-	-	-	-
Interest Earnings	-	7	-	-	9	92
Other Revenue	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>62,566</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>99,499</u>	<u>92</u>
<b>EXPENDITURES:</b>						
General Government	62,566	-	-	1,742	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	55,938	79,575	31,094	99,494	-
<b>TOTAL EXPENDITURES</b>	<u>62,566</u>	<u>55,938</u>	<u>79,575</u>	<u>32,836</u>	<u>99,494</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(55,931)</u>	<u>(79,575)</u>	<u>(32,836)</u>	<u>5</u>	<u>92</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond Proceeds	-	-	-	-	-	-
Transfers In	-	56,885	79,029	31,094	-	1,336
Transfers Out	-	-	-	-	-	(35,230)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>56,885</u>	<u>79,029</u>	<u>31,094</u>	<u>-</u>	<u>(33,894)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>954</u>	<u>(546)</u>	<u>(1,742)</u>	<u>5</u>	<u>(33,802)</u>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>-</u>	<u>7,035</u>	<u>546</u>	<u>31,788</u>	<u>2</u>	<u>33,802</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ -</u>	<u>\$ 7,989</u>	<u>\$ -</u>	<u>\$ 30,046</u>	<u>\$ 7</u>	<u>\$ -</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2021**

	Capital Project Funds				Permanent Fund	Totals
	Dock No. 3 Improvements	LBE Park Construction	Fire Hall Construction	Capital Improvement Trust	Perpetual Care Cemetery	
<b>REVENUES:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,293
Licenses and Permits	-	-	-	-	-	24,365
Federal Sources	-	-	-	-	-	62,566
State Sources	-	104,922	-	-	-	158,774
Local Sources	-	49,743	50,000	-	-	325,847
Charges for Services	-	-	-	-	-	152,658
Interest Earnings	-	-	-	107	-	2,736
Other Revenue	44,187	-	-	-	-	52,899
<b>TOTAL REVENUES</b>	<b>44,187</b>	<b>154,665</b>	<b>50,000</b>	<b>107</b>	<b>-</b>	<b>941,138</b>
<b>EXPENDITURES:</b>						
General Government	-	-	-	-	-	64,308
Public Safety	-	-	33,641	-	-	37,876
Public Works	-	-	-	-	-	11,413
Recreation and Culture	27,007	32,385	-	-	-	510,753
Capital Outlay	-	-	382,285	-	-	382,285
Debt Service	-	-	-	-	-	272,381
<b>TOTAL EXPENDITURES</b>	<b>27,007</b>	<b>32,385</b>	<b>415,926</b>	<b>-</b>	<b>-</b>	<b>1,279,016</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>17,180</b>	<b>122,280</b>	<b>(365,926)</b>	<b>107</b>	<b>-</b>	<b>(337,878)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond Proceeds	-	-	597,200	-	-	597,200
Transfers In	-	-	-	-	-	202,056
Transfers Out	-	-	-	-	-	(46,045)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>597,200</b>	<b>-</b>	<b>-</b>	<b>753,211</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,180</b>	<b>122,280</b>	<b>231,274</b>	<b>107</b>	<b>-</b>	<b>415,333</b>
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>230,507</b>	<b>(122,074)</b>	<b>(185,378)</b>	<b>49,591</b>	<b>25,000</b>	<b>996,804</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 247,687</b>	<b>\$ 206</b>	<b>\$ 45,896</b>	<b>\$ 49,698</b>	<b>\$ 25,000</b>	<b>\$ 1,412,137</b>

**Combining Statement of Net Position  
Internal Service Funds  
December 31, 2021**

	Equipment	Office Equipment Pool	Totals
<b>ASSETS:</b>			
Cash and Equivalents - Unrestricted	\$ 311,166	\$ 32,856	\$ 344,022
Accounts Receivable	11,286	196	11,482
Prepaid Items	6,048	-	6,048
Capital Assets (Net of Accumulated Depreciation)	269,337	-	269,337
 TOTAL ASSETS	 \$ 597,837	 \$ 33,052	 \$ 630,889
 <b>LIABILITIES:</b>			
Accounts Payable	\$ 7,511	\$ -	\$ 7,511
Accrued Liabilities	5,550	-	5,550
Accrued Interest Payable	2,894	-	2,894
Installment Loans - due within one year	33,188	-	33,188
Installment Loans - due in more than one year	162,148	-	162,148
 TOTAL LIABILITIES	 211,291	 -	 211,291
 <b>NET POSITION:</b>			
Net Investment in Capital Assets	74,001	-	74,001
Unrestricted	312,545	33,052	345,597
 TOTAL NET POSITION	 386,546	 33,052	 419,598
 TOTAL LIABILITIES AND NET POSITION	 \$ 597,837	 \$ 33,052	 \$ 630,889



**Combining Statement of Revenues, Expenses and  
Changes in Net Position - Internal Service Funds  
For the Year Ended December 31, 2021**

	<u>Equipment</u>	<u>Office Equipment Pool</u>	<u>Totals</u>
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 280,777	\$ -	\$ 280,777
<b>OPERATING EXPENSES:</b>			
Personnel Services	115,556	-	115,556
Contracted Services	480	-	480
Insurance	5,973	-	5,973
Utilities	7,392	-	7,392
Repair and Maintenance	6,356	8,382	14,738
Supplies	73,785	2,018	75,803
Depreciation	47,897	264	48,161
Other Expenses	-	12,716	12,716
Total Operating Expenses	<u>257,439</u>	<u>23,380</u>	<u>280,819</u>
<b>OPERATING INCOME (LOSS)</b>	23,338	(23,380)	(42)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Local Grants	-	300	300
Gain on Sale of Fixed Assets	1,575	-	1,575
Interest Expense	<u>(7,481)</u>	<u>-</u>	<u>(7,481)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,906)</u>	<u>300</u>	<u>(5,606)</u>
Income (Loss) Before Transfers	17,432	(23,080)	(5,648)
<b>TRANSFERS:</b>			
Transfers In	-	9,600	9,600
Transfers (Out)	<u>(21,635)</u>	<u>-</u>	<u>(21,635)</u>
Total Transfers	<u>(21,635)</u>	<u>9,600</u>	<u>(12,035)</u>
<b>CHANGE IN NET POSITION</b>	(4,203)	(13,480)	(17,683)
NET POSITION, BEGINNING OF YEAR	<u>390,749</u>	<u>46,532</u>	<u>437,281</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 386,546</u>	<u>\$ 33,052</u>	<u>\$ 419,598</u>

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

	Equipment	Office Equipment Pool	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers or Users	\$ 281,568	\$ (196)	\$ 281,372
Cash Paid to Vendors	(94,912)	(23,744)	(118,656)
Cash Paid to Employees Wages and Benefits	(112,800)	-	(112,800)
Net Cash Provided (Used) By Operating Activities	73,856	(23,940)	49,916
<b>Cash Flows From Noncapital and Related Financing Activities:</b>			
Local Sources	-	300	300
Transfers (Out) In	(21,635)	9,600	(12,035)
Net Cash Provided (Used) for Noncapital and Related Financing Activities	(21,635)	9,900	(11,735)
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Gain on Sales of Assets	1,575	-	1,575
Principal Payments	(32,115)	-	(32,115)
Interest Payments	(7,481)	-	(7,481)
Net Cash Provided (Used) by Capital and Related Financing Activities	(38,021)	-	(38,021)
Net Increase (Decrease) in Cash	14,200	(14,040)	160
Cash and Equivalents at Beginning of Year	296,966	46,896	343,862
Cash and Equivalents at End of Year	\$ 311,166	\$ 32,856	\$ 344,022
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 23,338	\$ (23,380)	\$ (42)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	47,897	264	48,161
Changes in Assets and Liabilities:			
Decrease (Increase) in Assets:			
Accounts Receivable	791	(196)	595
Increase (Decrease) in Liabilities:			
Accounts Payable	(926)	(628)	(1,554)
Accrued Liabilities	2,756	-	2,756
Net Cash Provided (Used) By Operating Activities	\$ 73,856	\$ (23,940)	\$ 49,916

**Combining Statement of Net Position  
Nonmajor Enterprise Funds  
December 31, 2021**

	BFI Garbage Collection	Golf Course	Totals
<b>ASSETS:</b>			
Cash and Equivalents - Unrestricted	\$ 54,182	\$ 99,589	\$ 153,771
Account Receivable	14,068	-	14,068
Taxes Receivable	340	-	340
Prepaid Items	-	1,551	1,551
Capital Assets (Not Depreciated)	-	43,039	43,039
Capital Assets (Net of Accumulated Depreciation)	-	60,395	60,395
	<b>TOTAL ASSETS</b>	<b>\$ 204,574</b>	<b>\$ 273,164</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 10,030	\$ 30	\$ 10,060
Lease Payable - due within one year	-	9,867	9,867
Lease Payable - due in more than one year	-	43,350	43,350
	<b>TOTAL LIABILITIES</b>	<b>\$ 53,247</b>	<b>\$ 63,277</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	-	50,217	50,217
Unrestricted	58,560	101,110	159,670
	<b>TOTAL NET POSITION</b>	<b>151,327</b>	<b>209,887</b>
	<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 204,574</b>	<b>\$ 273,164</b>

**Combining Statement of Revenues, Expenses and  
Changes in Net Position - Nonmajor Enterprise Funds  
For the Year Ended December 31, 2021**

	BFI Garbage Collection	Golf Course	Totals
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 128,724	\$ 159,175	\$ 287,899
Total Operating Revenues	<u>128,724</u>	<u>159,175</u>	<u>287,899</u>
<b>OPERATING EXPENSES:</b>			
Personnel Services	-	85,940	85,940
Supplies	-	2,088	2,088
Contracted Services	119,466	2,639	122,105
Insurance	-	2,856	2,856
Utilities	-	21,270	21,270
Repairs and Maintenance	-	19,534	19,534
Rent	-	8,892	8,892
Depreciation and Amortization	-	5,799	5,799
Other Expenses	-	10,226	10,226
Total Operating Expenses	<u>119,466</u>	<u>159,244</u>	<u>278,710</u>
<b>OPERATING INCOME (LOSS)</b>	9,258	(69)	9,189
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	-	353	353
Interest Expense	-	(251)	(251)
Other	-	6,049	6,049
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>6,151</u>	<u>6,151</u>
Income (Loss) Before Transfers	<u>9,258</u>	<u>6,082</u>	<u>15,340</u>
<b>TRANSFERS:</b>			
Transfers In	-	10,000	10,000
Transfers Out	-	-	-
Total Transfers	<u>-</u>	<u>10,000</u>	<u>10,000</u>
<b>CHANGE IN NET POSITION</b>	9,258	16,082	25,340
NET POSITION, BEGINNING OF YEAR	<u>49,302</u>	<u>135,245</u>	<u>184,547</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 58,560</u>	<u>\$ 151,327</u>	<u>\$ 209,887</u>

**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended December 31, 2021**

	BFI Garbage Collection	Golf Course	Totals
<b>Cash Flows From Operating Activities:</b>			
Cash Received from Customers	\$ 130,928	\$ 159,175	\$ 290,103
Cash Paid to Employees Wages and Benefits	-	(85,940)	(85,940)
Cash Paid to Vendors	(119,168)	(67,738)	(186,906)
Net Cash Provided (Used) by Operating Activities	<u>11,760</u>	<u>5,497</u>	<u>17,257</u>
<b>Cash Flows from Investing Activities:</b>			
Interest Income	-	353	353
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>353</u>	<u>353</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>			
Other Revenues	-	6,049	6,049
Transfers In(Out)	-	10,000	10,000
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>-</u>	<u>16,049</u>	<u>16,049</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Loan Proceed	-	55,064	55,064
Lease Principal Payments	-	(1,847)	(1,847)
Lease Interest Payment	-	(251)	(251)
Purchase of Capital Assets	-	(55,314)	(55,314)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(2,348)</u>	<u>(2,348)</u>
Net Increase (Decrease) in Cash	11,760	19,551	31,311
Cash and Equivalents, Beginning of Year	42,422	80,038	122,460
Cash and Equivalents, End of Year	<u>\$ 54,182</u>	<u>\$ 99,589</u>	<u>\$ 153,771</u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 9,258	\$ (69)	\$ 9,189
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	5,799	5,799
Change in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable	2,544	-	2,544
Taxes Recievable	(340)	-	(340)
(Decrease) Increase in Liabilities:			
Accounts Payable	298	(233)	65
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,760</u>	<u>\$ 5,497</u>	<u>\$ 17,257</u>

# **Report on Compliance**

---



**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**

**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, 2021, 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 June 28, 2022.

**Report on 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 our opinions on the financial statements, but not 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 were not identified. However, as described in the accompanying schedule of findings and responses, 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 responses as item 2021-004 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 responses as items 2021-001, 2021-002 and 2021-003 to be significant deficiencies.

### **Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items 2021-003 and 2021-004.

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

*Government Auditing Standards* require the auditor to perform limited procedures on the City of St. Ignace, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 the responses.

### **Purpose of this Report**

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

June 28, 2022



**Internal Control Over Financial Reporting**

*Significant Deficiencies*

Lack of Segregation of Duties

*Finding 2021-001*

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.

**Internal Control Over Financial Reporting**

*Significant Deficiencies*

Significant Audit Adjustments

*Finding 2021-002*

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

**Compliance and Other Matters**

*Significant Deficiencies*

**Excess Expenditures Over Appropriations**

*Finding 2021-003*

Condition: Our examination of procedures used by the City to adopt and maintain operating budgets for the City’s budgetary fund revealed the following instance of noncompliance with the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. During the fiscal year ended December 31, 2021, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, as amended.

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
General Fund:					
Public Safety	\$ 708,937	\$	753,130	\$	(44,193)
Public Works	166,899		208,451		(41,552)
Transfers Out	170,056		250,421		(80,365)

Effect: The City has not complied with various State Statutes.

Cause: Failure to amend the budget for the General Fund during the year.

Recommendation: We recommend that the City personnel responsible for administering the activities of the various funds of the City, develop budgetary control procedures for the General Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Planned Corrective Action: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

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

**Compliance and Other Matters**

*Material Weakness*

**Bank Reconciliation Process**

*Finding 2021-004*

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:  
Andrea Insley – City Clerk/Treasurer



**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, 2021, and have issued our report thereon dated June 28, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated May 31, 2022, 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.

As part of our audit, we will consider the internal control of City of St. Ignace. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of City of St. Ignace's 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.

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 and combining fund financial statements which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary 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 May 31, 2022.

### **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 June 28, 2022.

### ***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.

### ***State Chart of Accounts (Prior Year)***

It was noted in our review of city's coding that there are multiple items that are being improperly coded to various revenue and expenditure coding. We recommend that the city review the state chart of accounts in the process of conversion to the updated chart including review the definition of the revenues and expenditure line items to ensure the proper accounts are being used.

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: In the process of being corrected

### **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 yearend 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.

### **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 (Prior Year)**

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 (Prior Year)**

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.

Status: Uncorrected.

### **Long Outstanding Checks**

It was noted in our review of the year ending cash reconciliations that there are multiple long outstanding checks noted. We recommend that the city review the state unclaimed property manual and begin the process of escheating some of these long outstanding checks to the state to clean up the old long outstanding checks.

### **2% Pass-through Grants**

It was noted in our review of grant revenues that the city is receiving some 2% grant moneys from the local tribe that are for other entities and NPO's and that these amounts are being recorded as revenues and expenditures of the general funds. We recommend that these funds be recorded in the custodial fund as these are not revenues nor expenses of the city as they are only a fiduciary of these funds from one unit to another.

### ***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.

### **Single Approach for Reporting Leases (Continued)**

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](http://www.gasb.org).

### **State Chart of Accounts**

*Effective fiscal years ending after 9/30/2022 (your FY 2022)*

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 December 31, 2019, will be allowed and encouraged.

### **Other Matters**

We applied certain limited procedures to the management's discussion, and analysis, employee retirement and benefit systems and budgetary 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 schedule 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**

June 28, 2022