

City of St. Ignace, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2022

CITY OF ST. IGNACE, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COUNCIL

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>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
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
COMPONENT UNIT:	
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
NOTES TO FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION:	
Employee Retirement and Benefit Systems:	
Pension:	
Schedule of Changes in Pension Liability	58
Schedule of Employer Contributions	59
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the OPEB Liability and Related Ratios	60
Major Funds:	
Budgetary Comparison Schedule – General Fund	61
Budgetary Comparison Schedule – Major Streets Fund	63
Budgetary Comparison Schedule – Local Streets Fund	64

TABLE OF CONTENTS (Continued)

Page

SUPPLEMENTARY INFORMATION:

Schedule of Bond Covenant Cash Reserves.....	65
Combining Balance Sheet – General Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Funds.....	67
Combining Balance Sheet – Nonmajor Governmental Funds.....	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	71
Combining Statement of Net Position – Internal Service Funds.....	74
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	75
Combining Statement of Cash Flows – Internal Service Funds.....	76
Combining Statement of Net Position – Nonmajor Enterprise Funds	77
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds.....	78
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	79

REPORTS 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>	80
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	82
Schedule of Expenditures of Federal Awards	85
Notes to Schedule of Expenditures of Federal Awards	86
Schedule of Findings and Questioned Costs	87
Schedule of Prior Year Audit Findings	94



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2022, 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, 2022, 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 as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Honorable Mayor and Members
of the City Council

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 58 through 60 and pages 61 through 64 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.

To the Honorable Mayor and Members
of the City Council

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, combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 reserve, combining nonmajor fund financial statements and the schedule of expenditures of federal awards 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 August 2, 2023, 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

August 2, 2023

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, 2022. 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 2022 was \$17,517,362. Of this amount, \$(3,342,217) is unrestricted net position.
- The City's total net position decreased \$506,321, which comprised of a decrease of \$235,244 related to net current year governmental activities and a decrease of \$210,141 related to net current year business-type activities and a prior period adjustment of (\$60,936).
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,043,163. Of the ending fund balance 23.4% or \$944,458 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) supplementary 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 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 equipment pool 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 \$17,517,362 at the close of fiscal year 2022, which is a decrease of \$445,385. The City is reporting a negative balance in unrestricted net position for the governmental as a whole.

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 5,415,994	\$ 4,594,390	\$ 3,976,825	\$ 3,708,203	\$ 9,392,819	\$ 8,302,593
Capital Assets	9,736,883	10,136,873	19,968,451	20,775,781	29,705,334	30,912,654
Total Assets	15,152,877	14,731,263	23,945,276	24,483,984	39,098,153	39,215,247
Deferred Outflows of Resources	1,192,149	808,021	340,536	176,752	1,532,685	984,773
Current and Other Liabilities	718,888	520,301	673,446	804,364	1,392,334	1,324,665
Long-term Debt	10,300,862	10,338,619	9,884,628	9,846,823	20,185,490	20,185,442
Total Liabilities	11,019,750	10,858,920	10,558,074	10,651,187	21,577,824	21,510,107
Deferred Inflows of Resources	1,350,017	520,604	185,635	145,626	1,535,652	666,230
Net Position						
Net Investment in Capital Assets	6,277,071	6,484,425	11,477,593	11,791,319	17,754,664	18,275,744
Restricted	2,474,453	2,247,234	630,462	601,530	3,104,915	2,848,764
Unrestricted	(4,776,265)	(4,571,899)	1,434,048	1,471,074	(3,342,217)	(3,100,825)
Total Net Position	\$ 3,975,259	\$ 4,159,760	\$ 13,542,103	\$ 13,863,923	\$ 17,517,362	\$ 18,023,683

By far the largest portion of the City's net position, \$17,754,664 or 101.4%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. As the City uses capital assets to provide services to citizens, these assets are generally not available for future spending. Although the City's investment in its capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources. An additional portion, \$3,104,915 or 17.7% of the City's net position represents resources that are restricted, meaning they are subject to external restrictions on how they may be used. The remaining balance, unrestricted net position, \$(3,342,217) or (19.1)%, is what is available to be used to meet the City's obligations.

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

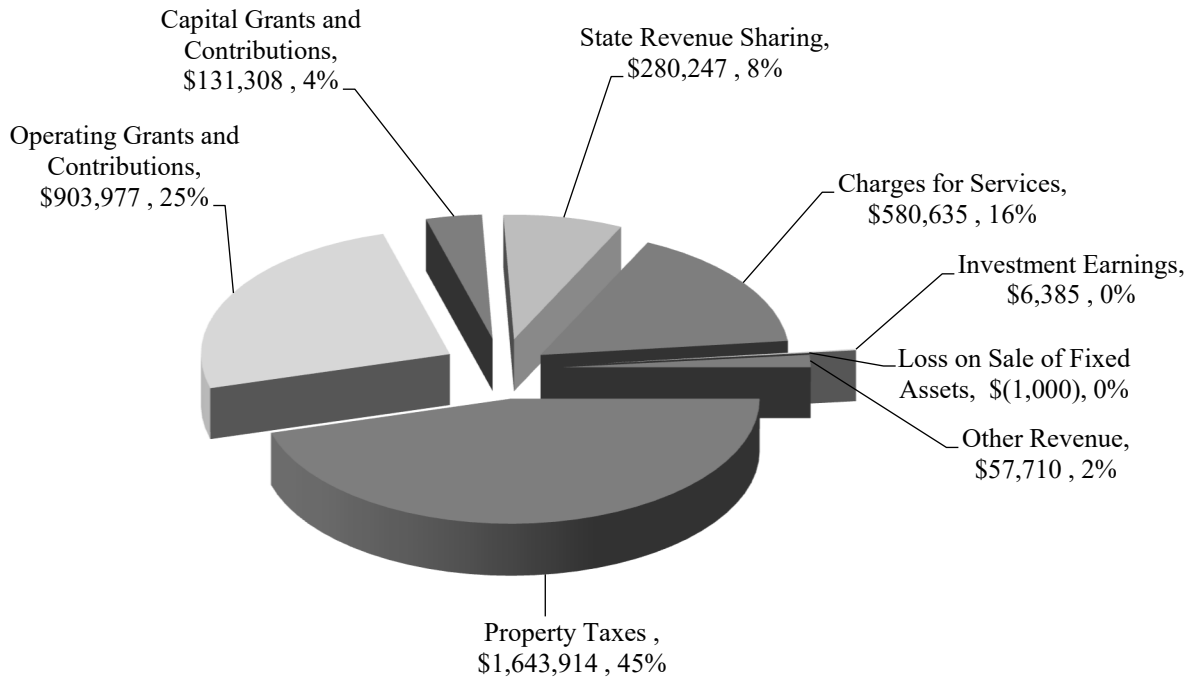
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for Services	\$ 580,635	\$ 303,714	\$ 3,563,095	\$ 3,301,896	\$ 4,143,730	\$ 3,605,610
Capital & Operating Grants and Contributions	1,035,285	1,136,258	7,952	-	1,043,237	1,136,258
General Revenues						
Taxes	1,643,914	1,549,883	-	-	1,643,914	1,549,883
State Shared Revenues	280,247	275,775	-	-	280,247	275,775
Investment Income	6,385	9,753	4,041	4,989	10,426	14,742
Other Revenue	56,710	215,479	-	6,049	56,710	221,528
Total Revenues	<u>3,603,176</u>	<u>3,490,862</u>	<u>3,575,088</u>	<u>3,312,934</u>	<u>7,178,264</u>	<u>6,803,796</u>
Program Expenses						
General Government	848,333	910,628	-	-	848,333	910,628
Public Safety	1,008,481	949,055	-	-	1,008,481	949,055
Public Works	1,002,204	711,078	-	-	1,002,204	711,078
Recreation and Culture	885,268	805,050	-	-	885,268	805,050
Community and Economic Development	91,769	77,877	-	-	91,769	77,877
Interest Expense	116,202	104,166	-	-	116,202	104,166
Other Expenses	94,588	64,555	-	-	94,588	64,555
Water	-	-	1,270,272	1,154,051	1,270,272	1,154,051
Sewer	-	-	1,307,426	1,197,557	1,307,426	1,197,557
Marina	-	-	688,798	512,233	688,798	512,233
BFI Garbage Collection	-	-	122,846	119,466	122,846	119,466
Golf Course	-	-	187,462	159,244	187,462	159,244
Total Expenses	<u>4,046,845</u>	<u>3,622,409</u>	<u>3,576,804</u>	<u>3,142,551</u>	<u>7,623,649</u>	<u>6,764,960</u>
Changes in Net Position Before Transfers	(443,669)	(131,547)	(1,716)	170,383	(445,385)	38,836
Transfers	<u>208,425</u>	<u>109,400</u>	<u>(208,425)</u>	<u>(109,400)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	(235,244)	(22,147)	(210,141)	60,983	(445,385)	38,836
Net Position - Beginning (As Restated, See NOTE 13)	<u>4,210,503</u>	<u>4,181,907</u>	<u>13,752,244</u>	<u>13,802,940</u>	<u>17,962,747</u>	<u>17,984,847</u>
Net Position - Ending	<u>\$ 3,975,259</u>	<u>\$ 4,159,760</u>	<u>\$ 13,542,103</u>	<u>\$ 13,863,923</u>	<u>\$ 17,517,362</u>	<u>\$ 18,023,683</u>

While in total, the City's net position is positive, results are very different for the governmental activities and the business-type activities. Readers should review the following analysis pertaining to those portions to fully understand the City's financial reports.

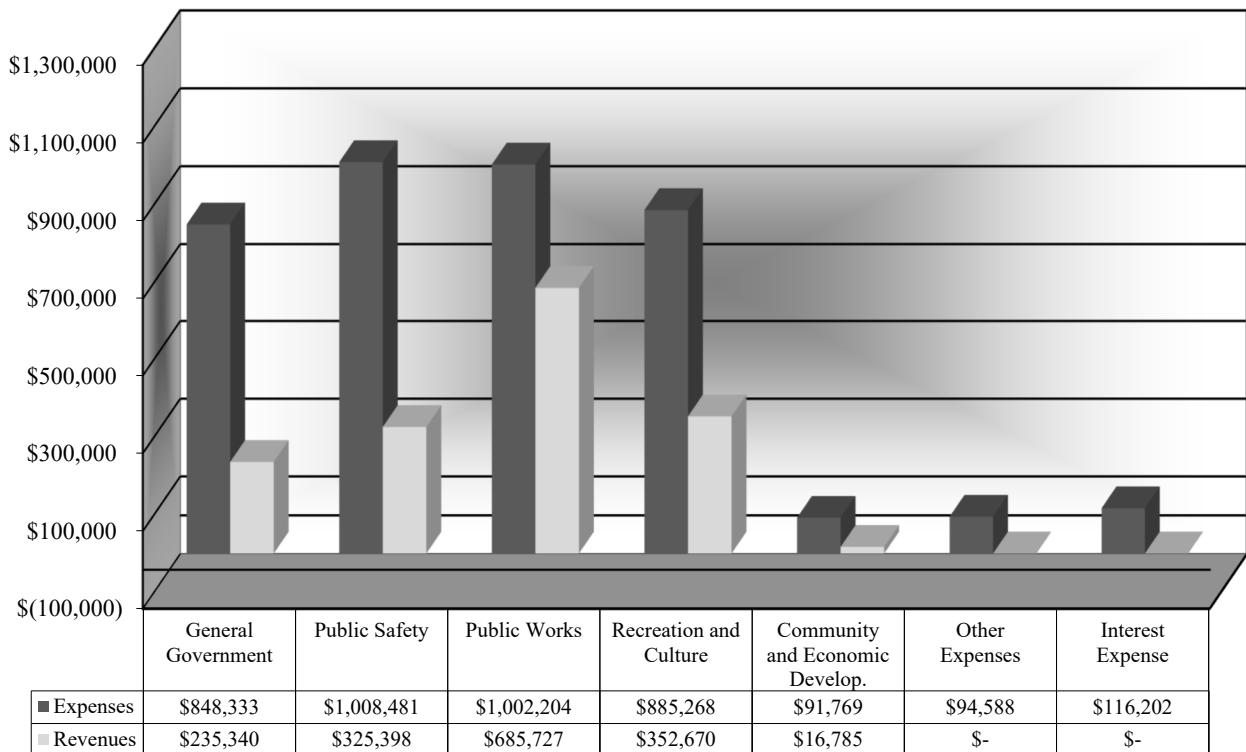
Governmental activities. Governmental activities, including transfers, decreased the City's total net position by \$235,244. This decrease was \$213,097 more than the decrease reported at the end of the previous fiscal year. The following points highlight the significant changes compared with changes that occurred in the previous year:

- Total expenses increased by \$424,436. The public works function increased by \$291,126 due to increased routine street maintenance in the major street funds. Other expenses, which includes insurance and fringe benefits increased \$30,033 due to increased insurance costs paid to retirees and overall insurance premiums. All increases and decreases in the other functions are related to the operational needs of each.

Revenues by Source – Governmental Activities

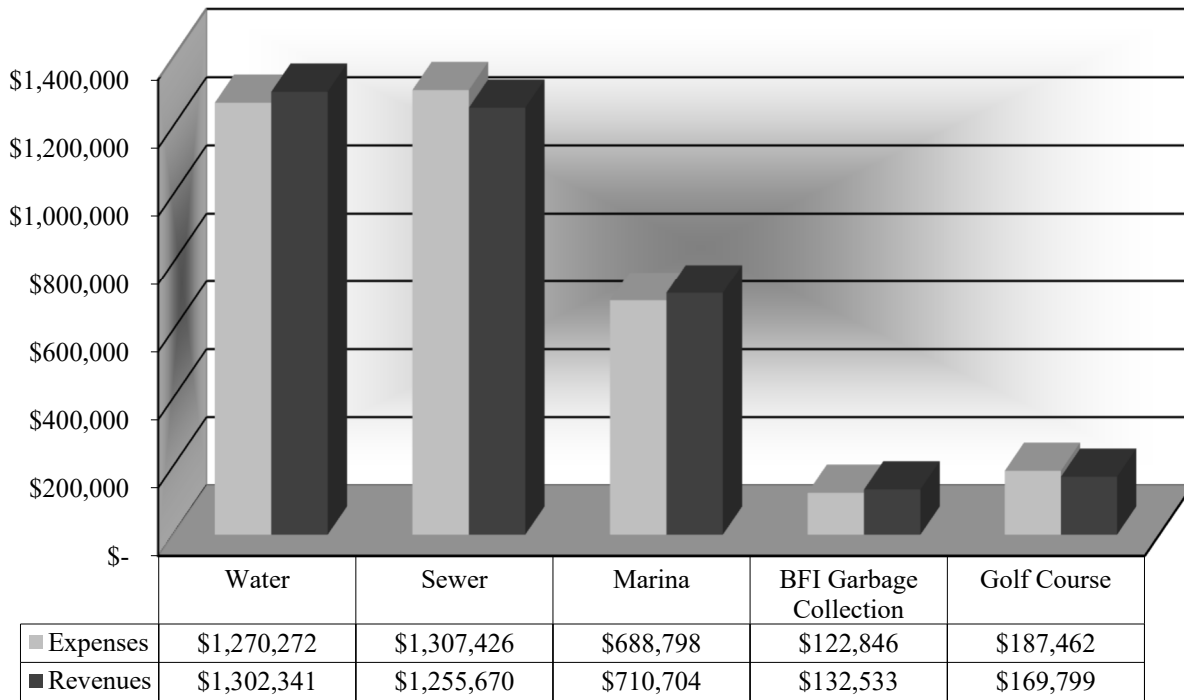


Expenses and Program Revenues – Governmental Activities



Business-type activities. Business-type activities decreased the City’s net position by \$210,141.

Expenses and Revenues – Business-type Activities



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

Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the primary operating fund of the City. The General Fund’s fund balance increased by \$17,096 from \$1,359,200 (as restated for correction of an error) to \$1,376,296 during 2022. The increase was primarily related to increase in taxable value, which directly affected tax revenue, additional grant opportunities and an increase in public donations for various governmental areas, while keeping expenditures consistent with the prior year.

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 \$373,902, \$213,555, and \$692,699, respectively. The Water Fund had a decrease in net position for the year of \$42,973. This decrease in net position is mainly attributable to an increase in personnel service costs and supplies, which are heavily based on the needs of the department. The Sewer fund had a decrease in net position for the year of \$92,176, which was the result of an increase in personnel services and repair costs in current year. The Marina Fund had a decrease in net position of \$67,240 primarily related to increased fuel costs.

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 2022 budget; however, the City ended the year with excess of expenditures over appropriations in one function.

During the year, general fund revenues exceeded budgetary estimates by revenues by \$110,163 and expenditures exceeded budgetary estimates by \$18,671, 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 works expenditures than originally budgeted for in 2022.

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.

There were no major capital asset events during the current fiscal year.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Land	\$ 1,757,928	\$ 1,757,928	\$ 197,653	\$ 197,653	\$ 3,515,856	\$ 1,955,581
Museum Artifacts	300,000	300,000	-	-	300,000	300,000
Buildings	6,721,292	7,022,936	2,690,788	2,810,040	9,412,080	9,832,976
Land Improvements	252,696	267,039	-	-	252,696	267,039
Infrastructure	176,833	199,989	-	-	176,833	199,989
Machinery, Equipment and Vehicles	528,134	588,981	138,709	148,669	666,843	737,650
Water	-	-	4,702,872	4,921,442	4,702,872	4,921,442
Sewer	-	-	7,985,938	8,233,743	7,985,938	8,233,743
Marina	-	-	4,252,491	4,464,234	4,252,491	4,464,234
Net Capital Assets	\$ 9,736,883	\$ 10,136,873	\$ 19,968,451	\$ 20,775,781	\$ 31,265,609	\$ 30,912,654

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 \$11,907,112. Of this amount, \$3,459,812 was debt of governmental activities and \$8,447,300 was debt of business-type activities.

The City's total debt decreased by \$676,582 during the current fiscal year. The City also has a Pension obligation of \$7,769,594, OPEB obligation in the amount of \$961,520 and vested employee benefits of \$210,887.

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 2022 and also to 2023, as follows:

In 2023, turnover within the Administration was a factor, as well as limited staffing in various City departments. Implementation of electronic processes utilizing collection partners and the City's website has aided more efficient procedures.

The implementation of the Capital Improvement Plan (CIP) continued to be a focus point in 2023 and is one of the MEDC RRC Certification.

Street deterioration is a primary concern for both major and local streets. The City accomplished some paving on local streets in the 2022 budget, but more extensive paving is planned for the 2023 budget for an additional six street portions.

The City established project plans with Beckett & Raeder to update the Zoning Ordinance in 2022. The progressive project efforts continue through 2023 with expectations to improve land use policies.

The downtown boardwalk improvement fund was reintroduced in 2022 and upgrades began during the winter months on some sections, both removal and replacement. A few sections were determined to better utilize concrete and those upgrades will continue into 2023 and 2024, prioritizing safety. Contributions from the DDA and various local organizations and entities have been received.

Work continues in 2023 on the Water, Sewer, and Water Plant project seeking funding from the State of Michigan and USDA. An updated rate study is being considered in 2023 to set plans to order a new fire truck were put together in 2022, with the expectation of receiving the truck in 2024. Funding was established through contributions from participating townships, the Straits Area Fire Authority, Enbridge and ARPA funds received by the City.

The State of Michigan provided funding through Protect MI Pension Grant in 2023, in an effort to accomplish compliance with the unfunded liability status. The City will continue its efforts each fiscal year to budget appropriately.

The DDA and Ojibwa Museum purchased the neighboring property on North State Street to begin developing plans to upgrade the space to add to the Museum experience.

The City is a member of the Straits Area EMS Authority, formerly the St. Ignace Area Emergency Medical Service Council, and continues its efforts to construct a new ambulance facility in 2023. A voted millage in 2022 made it possible to secure funding for the service to update and improve.

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. Scott Marshall, City Manager, 396 N. State Street, St. Ignace, Michigan, 49781.

Basic Financial Statements

	Primary Government		Totals	Component
	Governmental Activities	Business-type Activities		Unit DDA
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 4,319,815	\$ 1,392,697	\$ 5,712,512	\$ 271,492
Cash and Equivalents - Restricted	50,007	1,871,186	1,921,193	-
Cash Held by Fiscal Agent - Restricted	-	254,875	254,875	-
Accounts Receivable	51,630	249,905	301,535	593
Taxes Receivable	142,661	3,910	146,571	-
Leases Receivable	647,779	185,635	833,414	-
Due from Governmental Units	155,432	-	155,432	-
Inventories	48,670	18,617	67,287	11,147
Capital Assets (Not Depreciated)	2,057,928	197,653	2,255,581	479,156
Capital Assets (Net of Accumulated Depreciation)	7,678,955	19,770,798	27,449,753	589,730
TOTAL ASSETS	15,152,877	23,945,276	39,098,153	1,352,118
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	1,140,044	340,536	1,480,580	-
OPEB Related Items	52,105	-	52,105	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,192,149	340,536	1,532,685	-
LIABILITIES:				
Accounts Payable	98,135	35,204	133,339	7,009
Accrued Liabilities	267,332	53,976	321,308	5,994
Accrued Interest Payable	26,673	76,790	103,463	10,079
Unearned Revenue	127,043	-	127,043	-
Lease Payable - due within one year	-	10,432	10,432	-
Lease Payable - due in more than one year	-	33,126	33,126	-
Installment Loans - due within one year	39,705	14,128	53,833	2,885
Installment Loans - due in more than one year	150,107	-	150,107	200,749
Bonds Payable - due within one year	160,000	482,916	642,916	-
Bonds Payable - due in more than one year	3,110,000	7,950,256	11,060,256	-
Net Pension Liability - due in more than one year	5,982,584	1,787,010	7,769,594	-
OPEB Obligation - due in more than one year	961,520	-	961,520	-
Vested Employee Benefits - due in more than one year	96,651	114,236	210,887	11,265
TOTAL LIABILITIES	11,019,750	10,558,074	21,577,824	237,981
DEFERRED INFLOWS OF RESOURCES:				
Leases	647,779	185,635	833,414	-
OPEB Related Items	702,238	-	702,238	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,350,017	185,635	1,535,652	-
NET POSITION:				
Net Investment in Capital Assets	6,277,071	11,477,593	17,754,664	1,068,886
Restricted for:				
Debt Service	38,831	630,462	669,293	-
Special Revenue	2,061,990	-	2,061,990	-
Capital Projects	348,632	-	348,632	-
Permanent Funds:				
Nonexpendable	25,000	-	25,000	-
Unrestricted	(4,776,265)	1,434,048	(3,342,217)	45,251
TOTAL NET POSITION	\$ 3,975,259	\$ 13,542,103	\$ 17,517,362	\$ 1,114,137

**Statement of Activities
For the Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
General Government	848,333	165,365	69,975	-	(612,993)	-	(612,993)	-
Public Safety	1,008,481	145,349	88,741	91,308	(683,083)	-	(683,083)	-
Public Works	1,002,204	63,381	622,346	-	(316,477)	-	(316,477)	-
Recreation and Culture	885,268	200,125	112,545	40,000	(532,598)	-	(532,598)	-
Community and Economic Development	91,769	6,415	10,370	-	(74,984)	-	(74,984)	-
Other Expenses	94,588	-	-	-	(94,588)	-	(94,588)	-
Interest Expense	116,202	-	-	-	(116,202)	-	(116,202)	-
Total Governmental Activities	4,046,845	580,635	903,977	131,308	(2,430,925)	-	(2,430,925)	-
Business-type activities:								
Water	1,270,272	1,297,189	-	5,152	-	32,069	32,069	-
Sewer	1,307,426	1,255,670	-	-	-	(51,756)	(51,756)	-
Marina	688,798	707,904	-	2,800	-	21,906	21,906	-
BFI Garbage Collection	122,846	132,533	-	-	-	9,687	9,687	-
Golf Course	187,462	169,799	-	-	-	(17,663)	(17,663)	-
Total Business-type Activities	3,576,804	3,563,095	-	7,952	-	(5,757)	(5,757)	-
Total Primary Government	\$ 7,623,649	\$ 4,143,730	\$ 903,977	\$ 139,260	(2,430,925)	(5,757)	(2,436,682)	-
Component Units:								
DDA	\$ 556,732	\$ 133,665	\$ 114,402	\$ 96,500				(212,165)
General Revenues and Transfers:								
Taxes - Property					1,643,914	-	1,643,914	225,794
State Revenue Sharing					280,247	-	280,247	-
Loss on Sale of Fixed Assets					(1,000)	-	(1,000)	-
Other Revenues					57,710	-	57,710	48,532
Investment Earnings					6,385	4,041	10,426	343
Transfers					208,425	(208,425)	-	-
Total General Revenues and Transfers					2,195,681	(204,384)	1,991,297	274,669
Change in Net Position					(235,244)	(210,141)	(445,385)	62,504
Net Position - Beginning (As Restated, See NOTE 13)					4,210,503	13,752,244	17,962,747	1,051,633
Net Position - Ending					\$ 3,975,259	\$ 13,542,103	\$ 17,517,362	\$ 1,114,137

**Balance Sheet
Governmental Funds
December 31, 2022**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 1,381,509	\$ 879,620	\$ 238,428	\$ 1,578,733	\$ 4,078,290
Cash and Equivalents - Restricted	-	-	-	50,007	50,007
Accounts Receivable	1,152	-	-	38,028	39,180
Taxes Receivable	115,486	5,803	5,803	15,569	142,661
Leases Receivable	226,357	-	-	421,422	647,779
Due from Other Funds	34,896	-	-	-	34,896
Due from Governmental Units	57,183	68,919	22,577	6,753	155,432
Inventories	48,670	-	-	-	48,670
TOTAL ASSETS	\$ 1,865,253	\$ 954,342	\$ 266,808	\$ 2,110,512	\$ 5,196,915
LIABILITIES:					
Accounts Payable	\$ 31,055	\$ 452	\$ 554	\$ 53,254	\$ 85,315
Accrued Liabilities	231,545	8,729	7,733	10,712	258,719
Due to Other Funds	-	-	-	34,896	34,896
Unearned Revenue	-	-	-	127,043	127,043
TOTAL LIABILITIES	262,600	9,181	8,287	225,905	505,973
DEFERRED INFLOWS OF RESOURCES:					
Leases	226,357	-	-	421,422	647,779
FUND BALANCES:					
Nonspendable	48,670	-	-	25,000	73,670
Restricted	-	945,161	258,521	1,245,771	2,449,453
Committed	354,178	-	-	-	354,178
Assigned	-	-	-	221,404	221,404
Unassigned	973,448	-	-	(28,990)	944,458
TOTAL FUND BALANCES	1,376,296	945,161	258,521	1,463,185	4,043,163
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,865,253	\$ 954,342	\$ 266,808	\$ 2,110,512	
Reconciliation to amounts reported for governmental activities in the statement of net position:					
Capital assets used by governmental activities					9,469,812
OPEB obligation and related deferred inflows/outflows					(1,611,653)
Installment loans and bonds payable for governmental activities					(3,297,771)
Vested employee benefits					(96,651)
Internal service funds included in governmental activities					334,678
Net pension liability and related deferred inflows/outflows					(4,842,540)
Accrued interest payable					(23,779)
Net position of governmental activities					\$ 3,975,259

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2022**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes and Penalties	\$ 1,343,832	\$ 61,818	\$ 61,818	\$ 176,446	\$ 1,643,914
Licenses and Permits	6,603	-	-	42,330	48,933
Federal Sources	1,500	-	-	54,512	56,012
State Sources	289,066	450,553	138,493	16,039	894,151
Local Sources	28,111	11,500	11,500	254,915	306,026
Charges for Services	29,404	-	-	157,096	186,500
Interest and Rentals	28,962	1,848	418	32,321	63,549
Fines and Forfeitures	131	-	-	42,139	42,270
Other Revenue	252,711	-	45	109,765	362,521
TOTAL REVENUES	1,980,320	525,719	212,274	885,563	3,603,876
EXPENDITURES:					
Current:					
General Government	733,361	-	-	41,915	775,276
Public Safety	784,910	-	-	58,891	843,801
Public Works	205,190	426,091	189,623	67,082	887,986
Community and Economic Development	80,731	-	-	11,038	91,769
Recreation and Cultural	118,391	-	-	545,287	663,678
Capital Outlay	5,100	-	-	9,025	14,125
Debt Service	-	-	-	271,445	271,445
Other Expenditures	94,588	-	-	-	94,588
TOTAL EXPENDITURES	2,022,271	426,091	189,623	1,004,683	3,642,668
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,951)	99,628	22,651	(119,120)	(38,792)
OTHER FINANCING SOURCES (USES):					
Transfers In	139,800	-	35,932	194,238	369,970
Transfers Out	(86,353)	(45,932)	(6,000)	(24,070)	(162,355)
Proceeds from Sale of Capital Assets	5,600	-	-	-	5,600
TOTAL OTHER FINANCING SOURCES (USES)	59,047	(45,932)	29,932	170,168	213,215
NET CHANGE IN FUND BALANCES	17,096	53,696	52,583	51,048	174,423
FUND BALANCES BEGINNING OF YEAR (As Restated, See NOTE 13)	1,359,200	891,465	205,938	1,412,137	3,868,740
FUND BALANCES END OF YEAR	\$ 1,376,296	\$ 945,161	\$ 258,521	\$ 1,463,185	\$ 4,043,163

**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, 2022**

Net changes in fund balances - total governmental funds	\$ 174,423
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 depreciation expense of (\$422,574) and proceeds on sale of capital assets of (\$6,600) exceeded capital outlay of \$14,125.	(415,049)
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	159,341
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.	(84,920)
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	(81,813)
Vested employee benefits	10,572
Accrued interest expense	2,202
Change in net position of governmental activities	<u>\$ (235,244)</u>

Statement of Net Position
 Proprietary Funds
 December 31, 2022

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water	Sewer	Marina	Nonmajor Enterprise		Internal Service Funds
ASSETS:						
Current Assets:						
Cash and Equivalents - Unrestricted	\$ 578,148	\$ -	\$ 662,822	\$ 151,727	\$ 1,392,697	\$ 241,525
Cash and Equivalents - Restricted	630,462	1,240,724	-	-	1,871,186	-
Cash held by Fiscal Agent - Restricted	254,875	-	-	-	254,875	-
Accounts Receivable	106,639	115,675	13,794	13,797	249,905	12,450
Taxes Receivable	1,014	2,809	-	87	3,910	-
Lease Receivable	185,635	-	-	-	185,635	-
Due from Other Funds	304,129	-	-	-	304,129	-
Inventory	-	-	18,617	-	18,617	-
Noncurrent Assets:						
Capital Assets (Not Depreciated)	61,116	93,498	-	43,039	197,653	-
Capital Assets (Net of Accumulated Depreciation)	4,833,369	10,636,176	4,252,491	48,762	19,770,798	267,071
TOTAL ASSETS	6,955,387	12,088,882	4,947,724	257,412	24,249,405	521,046
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Related Items	170,268	170,268	-	-	340,536	-
LIABILITIES:						
Current Liabilities:						
Accounts Payable	12,013	10,479	993	11,719	35,204	12,820
Accrued Liabilities	40,795	11,640	1,541	-	53,976	8,613
Accrued Interest Payable	49,327	27,463	-	-	76,790	2,894
Due to Other Funds	-	304,129	-	-	304,129	-
Lease Payable - due within one year	-	-	-	10,432	10,432	-
Installment Notes - due within one year	14,128	-	-	-	14,128	34,295
Bonds Payable - due within one year	72,916	410,000	-	-	482,916	-
Noncurrent Liabilities:						
Lease Payable - due in more than one year	-	-	-	33,126	33,126	-
Installment Notes - due in more than one year	-	-	-	-	-	127,746
Bonds Payable - due in more than one year	1,778,367	6,171,889	-	-	7,950,256	-
Net Pension Liability	893,505	893,505	-	-	1,787,010	-
Vested Employee Benefits	45,531	68,705	-	-	114,236	-
TOTAL LIABILITIES	2,906,582	7,897,810	2,534	55,277	10,862,203	186,368
DEFERRED INFLOWS OF RESOURCES:						
Leases	185,635	-	-	-	185,635	-
NET POSITION:						
Net Investment in Capital Assets	3,029,074	4,147,785	4,252,491	48,243	11,477,593	105,030
Restricted	630,462	-	-	-	630,462	-
Unrestricted	373,902	213,555	692,699	153,892	1,434,048	229,648
TOTAL NET POSITION	\$ 4,033,438	\$ 4,361,340	\$ 4,945,190	\$ 202,135	\$ 13,542,103	\$ 334,678

**Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Funds
For the Year Ended December 31, 2022**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sewer	Marina	Nonmajor Enterprise	Totals	Internal Service Funds
OPERATING REVENUES:						
Charges for Services	\$ 1,268,568	\$ 1,255,334	\$ 704,260	\$ 296,736	\$ 3,524,898	\$ 276,878
Other Revenue	28,621	336	3,644	8,525	41,126	1,709
Total Operating Revenues	<u>1,297,189</u>	<u>1,255,670</u>	<u>707,904</u>	<u>305,261</u>	<u>3,566,024</u>	<u>278,587</u>
OPERATING EXPENSES:						
Personnel Services	625,767	368,444	74,939	85,305	1,154,455	133,594
Supplies	84,072	65,213	12,289	2,849	164,423	24,970
Contracted Services	37,529	58,172	13,533	134,969	244,203	813
Insurance	37,856	23,043	8,899	4,938	74,736	18,467
Utilities	100,064	163,156	22,655	17,998	303,873	9,990
Repairs and Maintenance	8,037	19,515	12,498	33,617	73,667	75,679
Fuel	21,644	-	329,638	6,639	357,921	30,529
Rent	23,347	9,947	334	10,842	44,470	-
Depreciation and Amortization	237,824	417,232	211,743	11,633	878,432	49,181
Other Expenses	10,464	9,052	2,270	1,518	23,304	15,094
Total Operating Expenses	<u>1,186,604</u>	<u>1,133,774</u>	<u>688,798</u>	<u>310,308</u>	<u>3,319,484</u>	<u>358,317</u>
OPERATING INCOME (LOSS)	<u>110,585</u>	<u>121,896</u>	<u>19,106</u>	<u>(5,047)</u>	<u>246,540</u>	<u>(79,730)</u>
NON-OPERATING REVENUES (EXPENSES):						
Local Sources	5,152	-	2,800	-	7,952	300
Interest Income	1,558	1,380	879	224	4,041	-
Interest Expense	(83,668)	(173,652)	-	(2,929)	(260,249)	(6,300)
Total Non-operating Revenues (Expenses)	<u>(76,958)</u>	<u>(172,272)</u>	<u>3,679</u>	<u>(2,705)</u>	<u>(248,256)</u>	<u>(6,000)</u>
Income (Loss) Before Transfers	<u>33,627</u>	<u>(50,376)</u>	<u>22,785</u>	<u>(7,752)</u>	<u>(1,716)</u>	<u>(85,730)</u>
TRANSFERS:						
Transfers In	-	-	-	-	-	25,100
Transfers Out	(76,600)	(41,800)	(90,025)	-	(208,425)	(24,290)
Total Transfers	<u>(76,600)</u>	<u>(41,800)</u>	<u>(90,025)</u>	<u>-</u>	<u>(208,425)</u>	<u>810</u>
CHANGE IN NET POSITION	<u>(42,973)</u>	<u>(92,176)</u>	<u>(67,240)</u>	<u>(7,752)</u>	<u>(210,141)</u>	<u>(84,920)</u>
NET POSITION, BEGINNING OF YEAR (As Restated, See NOTE 13)	<u>4,076,411</u>	<u>4,453,516</u>	<u>5,012,430</u>	<u>209,887</u>	<u>13,752,244</u>	<u>419,598</u>
NET POSITION, END OF YEAR	<u>\$ 4,033,438</u>	<u>\$ 4,361,340</u>	<u>\$ 4,945,190</u>	<u>\$ 202,135</u>	<u>\$ 13,542,103</u>	<u>\$ 334,678</u>

Statement of Cash Flows
Proprietary Fund Types
For the Year Ended December 31, 2022

	Business-type Activities Enterprise Funds					Governmental Activities
	Water	Sewer	Marina	Nonmajor Funds	Totals	Internal Service Fund
Cash Flows From Operating Activities:						
Cash Receipts from Customers or Users	\$ 1,298,422	\$ 1,253,498	\$ 706,996	\$ 305,785	\$ 3,564,701	\$ 26,879
Cash Payments to Vendors	(197,944)	(345,897)	(399,802)	(210,160)	(1,153,803)	(164,185)
Cash Paid to Employees	(559,213)	(307,903)	(74,633)	(85,305)	(1,027,054)	(130,531)
Internal Activity - Payments/Receipts with Other Funds	(304,129)	149,715	-	-	(154,414)	250,740
Net Cash Provided (Used) by Operating Activities	<u>237,136</u>	<u>749,413</u>	<u>232,561</u>	<u>10,320</u>	<u>1,229,430</u>	<u>(17,097)</u>
Cash Flows From Noncapital and Related Financing Activities:						
Federal, State, & Local Sources	5,152	-	2,800	-	7,952	300
Transfers In	-	-	-	-	-	25,100
Transfers Out	(76,600)	(41,800)	(90,025)	-	(208,425)	(24,290)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(71,448)</u>	<u>(41,800)</u>	<u>(87,225)</u>	<u>-</u>	<u>(200,473)</u>	<u>1,110</u>
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(55,573)	(15,529)	-	-	(71,102)	(46,915)
Principal Payments	(87,945)	(396,000)	-	(9,659)	(493,604)	(33,295)
Interest Payments	(83,668)	(173,652)	-	(2,929)	(260,249)	(6,300)
Net Cash Provided Used by Capital and Related Financing Activities	<u>(227,186)</u>	<u>(585,181)</u>	<u>-</u>	<u>(12,588)</u>	<u>(824,955)</u>	<u>(86,510)</u>
Cash Flows From Investing Activities:						
Interest Income	1,558	1,380	879	224	4,041	-
Net Cash Provided by Investing Activities	<u>1,558</u>	<u>1,380</u>	<u>879</u>	<u>224</u>	<u>4,041</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	<u>(59,940)</u>	<u>123,812</u>	<u>146,215</u>	<u>(2,044)</u>	<u>208,043</u>	<u>(102,497)</u>
Cash and Equivalents - Beginning of the Year	1,268,550	1,116,912	516,607	153,771	3,055,840	344,022
Cash and Equivalents - End of the Year	<u>\$ 1,208,610</u>	<u>\$ 1,240,724</u>	<u>\$ 662,822</u>	<u>\$ 151,727</u>	<u>\$ 3,263,883</u>	<u>\$ 241,525</u>
RECONCILIATION TO STATEMENT OF NET POSITION						
Cash and Equivalents - Unrestricted	\$ 578,148	\$ -	\$ 662,822	\$ 151,727	\$ 1,392,697	\$ 241,525
Cash and Equivalents - Restricted	630,462	1,240,724	-	-	1,871,186	-
Total Cash and Equivalents	<u>\$ 1,208,610</u>	<u>\$ 1,240,724</u>	<u>\$ 662,822</u>	<u>\$ 151,727</u>	<u>\$ 3,263,883</u>	<u>\$ 241,525</u>
Reconciliation of Operating Income (Loss) to						
Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 110,585	\$ 121,896	\$ 19,106	\$ (5,047)	\$ 246,540	\$ (79,730)
Adjustments to Reconcile Operating Income (Loss) to						
Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	237,824	417,232	211,743	11,633	878,432	49,181
Pension Expense	215,431	215,431	-	-	430,862	-
Change in Assets and Liabilities:						
Accounts Receivable	(127)	481	(908)	271	(283)	(968)
Taxes Receivable	1,360	(2,653)	-	253	(1,040)	-
Due from Other Funds	(304,129)	-	-	-	(304,129)	-
Prepaid Items	116,243	7,236	3,101	1,551	128,131	6,048
Inventories	-	-	(1,752)	-	(1,752)	-
Deferred Outflows	(81,892)	(81,892)	-	-	(163,784)	-
Accounts Payable	8,826	1,995	965	1,659	13,445	5,309
Accrued Liabilities	5,947	(2,861)	306	-	3,392	3,063
Accrued Interest Payable	-	(7,030)	-	-	(7,030)	-
Due to Other Funds	-	149,715	-	-	149,715	-
Vested Employee Benefits	(119)	2,676	-	-	2,557	-
Deferred Inflows	(72,813)	(72,813)	-	-	(145,626)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 237,136</u>	<u>\$ 749,413</u>	<u>\$ 232,561</u>	<u>\$ 10,320</u>	<u>\$ 1,229,430</u>	<u>\$ (17,097)</u>

**Statement of Net Position
Fiduciary Funds
December 31, 2022**

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 303,309
Total Assets	<u>\$ 303,309</u>
LIABILITIES:	
Due to Governmental Units	\$ 303,309
Total Liabilities	<u>\$ 303,309</u>

**Statement of Changes in Net Position
Fiduciary Funds
December 31, 2022**

	Custodial Fund Tax Collection Fund
ADDITIONS:	
Taxes Collected for Other Governments	\$ 6,359,793
TOTAL ADDITIONS	6,359,793
DEDUCTIONS:	
Payment of Taxes to Other Governments	6,337,791
Overpayment of Taxes to Taxpayers	22,002
TOTAL DEDUCTIONS	6,359,793
Change in Fiduciary Net Position	-
Fiduciary Net Position, Beginning of Year	-
Fiduciary Net Position, End of Year	\$ -

Component Unit

**Combining Balance Sheet
Component Unit - Downtown Development Authority
December 31, 2022**

	General Downtown	Debt Service	Capital Project	Museum Operations	Museum Store	Totals
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 163,831	\$ 5	\$ 55,810	\$ 43,098	\$ 8,748	\$ 271,492
Accounts Receivable	-	-	-	-	593	593
Inventories	-	-	-	-	11,147	11,147
TOTAL ASSETS	\$ 163,831	\$ 5	\$ 55,810	\$ 43,098	\$ 20,488	\$ 305,526
LIABILITIES:						
Accounts Payable	\$ 1,817	\$ -	\$ -	\$ 2,978	\$ 2,214	\$ 7,009
Accrued Liabilities	2,348	-	-	1,742	1,904	5,994
TOTAL LIABILITIES	4,165	-	-	4,720	4,118	13,003
FUND BALANCE:						
Unassigned	159,666	5	55,810	38,378	16,370	270,229
TOTAL LIABILITIES AND FUND BALANCE	\$ 163,831	\$ 5	\$ 55,810	\$ 43,098	\$ 20,488	270,229
Reconciliation to amounts reported for the statement of net position:						
Capital assets used by governmental activities						1,068,886
Installment loans for governmental activities						(203,634)
Accrued interest payable						(10,079)
Vested employee benefits						(11,265)
Net position of governmental activities						\$ 1,114,137

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Component Unit - Downtown Development Authority
For the Year Ended December 31, 2022**

	General Downtown	Debt Service	Capital Project	Museum Operations	Museum Store	Total
REVENUES:						
Taxes	\$ 225,794	\$ -	\$ -	\$ -	\$ -	\$ 225,794
Charges for Services	-	-	-	-	133,665	133,665
Federal Source	-	-	-	21,000	-	21,000
State Source	-	-	43,233	6,750	-	49,983
Local Source	5,000	-	-	22,000	-	27,000
Interest and Rentals	173	-	-	75	95	343
Other Revenue	50,997	-	37,750	72,704	-	161,451
TOTAL REVENUES	281,964	-	80,983	122,529	133,760	619,236
EXPENDITURES:						
Recreation and Culture	-	-	-	137,179	138,921	276,100
Community and Economic Development	203,653	-	8,106	-	-	211,759
Capital Outlay	256,900	-	39,630	-	-	296,530
Debt Service	5,248	-	-	-	-	5,248
TOTAL EXPENDITURES	465,801	-	47,736	137,179	138,921	789,637
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(183,837)	-	33,247	(14,650)	(5,161)	(170,401)
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	205,832	-	-	-	-	205,832
Transfers In	69,019	-	-	24,771	-	93,790
Transfers Out	(20,000)	-	-	-	(73,790)	(93,790)
TOTAL OTHER FINANCING SOURCES (USES)	254,851	-	-	24,771	(73,790)	205,832
NET CHANGE IN FUND BALANCES	71,014	-	33,247	10,121	(78,951)	35,431
FUND BALANCES BEGINNING OF YEAR	88,652	5	22,563	28,257	95,321	234,798
FUND BALANCES END OF YEAR	\$ 159,666	\$ 5	\$ 55,810	\$ 38,378	\$ 16,370	\$ 270,229

**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, 2022**

Net changes in fund balances - total component units \$ 35,431

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 depreciation expense (\$51,410) is exceeded by capital outlay \$296,530.

245,120

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 2,198

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

Loan Proceeds (205,832)

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:

Accrued interest payable (10,079)

Vested employee benefits (4,334)

Change in net position of governmental activities \$ 62,504

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of St. Ignace, Michigan (“City”) operates under an amended charter adopted by the voters in 1970. The City Council (“Council”), composed of the Mayor and five council members, comprises the legislative branch of the government. Individual departments are under the direction of the City Manager, who is appointed by the Council. The accompanying financial statements of the reporting entity include those of 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*.

Net position is reported as restricted when constraints placed on net position uses are either externally restricted, imposed by creditors (such as through grantors, contributors or laws), or through constitutional provisions or enabling legislation.

The fund financial statements provide information about the City's governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as other nonmajor funds. It is the intent of the City to allow the internal service funds to accumulate fund balance/net position in the fund financial statements. This fund balance/net position will be used to either purchase capital assets or to pay for unexpected insurance claims.

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)

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.

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).

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. Use of Estimates

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

E. 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."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables (Continued)

Receivables for federal and state grants, and state, county, and local shared revenue, are recorded as revenue in all fund types as earned.

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.

Inventories

Inventories in the general fund and in the proprietary fund types are stated at the lower of cost, using the first-in/first-out (FIFO) method, or market. Expenses are recognized as the inventories are used (consumption method).

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.

In the entity-wide and proprietary fund financial statements, disposal of capital assets is recorded by relieving the governmental or business-type activities of the related costs and accumulated depreciation, with the resulting gains or losses being reflected in the Statement of Activities. In the governmental fund financial statements, the proceeds from sales of governmental fund capital assets are recorded as revenues in the appropriate fund.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City has a collection of artifacts in the Museum of Ojibwa Culture. The collection is not capitalized because it meets all the following conditions.

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to City policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Plan ("Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as reported by the Plan. The Plan recognizes benefit payments when due and payable in accordance with benefit terms.

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 and inventories as being nonspendable as these items are not expected to be converted to cash within the next year in the amount of \$73,670.
- **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 \$945,161 for Major Streets, \$258,521 for Local Streets, \$858,308 for Nonmajor Special Revenue Funds, \$38,831 for Debt Service Funds, and \$348,632 for Capital Project Funds.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the passage of a resolution by a simple majority vote 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 \$354,178 fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 City Manager. The City Council has the authority to remove or change the assignment of funds with a simple majority vote. 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 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.

F. New Accounting Pronouncement

Adoption of New Accounting Pronouncement and Standards

The City implemented GASB Statement No. 87, “Leases (GASB 87)”, as of January 1, 2022. The City evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The contracts related to the lease of their properties and wireless towers meet the definition of a lease and the City calculated and recognized a lease receivable and deferred inflow of resources of \$930,533 as of January 1, 2022. The beginning net position was not restated for the adoption of GASB 87.

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

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	\$ 4,319,815	\$ 1,392,697	\$ 5,712,512	\$ 303,309	\$ 271,492
Cash and Equivalents – Restricted	<u>50,007</u>	<u>1,871,186</u>	<u>1,921,193</u>	-	-
Total	<u>\$ 4,369,822</u>	<u>\$ 3,263,883</u>	<u>\$ 7,633,705</u>	<u>\$ 303,309</u>	<u>\$ 271,492</u>

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 and certificates of deposit)	\$ 7,631,356	\$ 303,309	\$ 271,492
Petty Cash and Cash on Hand	<u>2,349</u>	-	-
Total	<u>\$ 7,633,705</u>	<u>\$ 303,309</u>	<u>\$ 271,492</u>

The City also holds cash at a fiscal agent as of December 31, 2022 in the amount of \$254,875 for the purpose of making debt payments this amount is not 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, \$7,828,534 of the City’s bank balance of \$8,328,534 was exposed to credit risk because it was uninsured and uncollateralized.

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

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

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

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

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

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

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

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,757,928	\$ -	\$ -	\$ 1,757,928
Museum Artifacts	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Subtotal	<u>2,057,928</u>	<u>-</u>	<u>-</u>	<u>2,057,928</u>
<i>Capital assets being depreciated:</i>				
Buildings	11,164,571	-	17,325	11,181,896
Land Improvements	561,657	-	-	561,657
Infrastructure	463,108	-	-	463,108
Equipment	2,472,363	14,125	-	2,486,488
Vehicles	<u>969,613</u>	<u>46,915</u>	<u>(12,000)</u>	<u>1,004,528</u>
Subtotal	<u>15,631,312</u>	<u>61,040</u>	<u>5,325</u>	<u>15,697,677</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(4,141,635)	(318,969)	-	(4,460,604)
Land Improvements	(294,618)	(14,343)	-	(308,961)
Infrastructure	(263,119)	(23,156)	-	(286,275)
Equipment	(2,097,346)	(49,256)	-	(2,146,602)
Vehicles	<u>(755,649)</u>	<u>(66,031)</u>	<u>5,400</u>	<u>(816,280)</u>
Subtotal	<u>(7,552,367)</u>	<u>(471,755)</u>	<u>5,400</u>	<u>(8,018,722)</u>
Net Capital Assets Being Depreciated	<u>8,078,945</u>	<u>(410,715)</u>	<u>10,725</u>	<u>7,678,955</u>
Capital Assets – Net	<u>\$ 10,136,873</u>	<u>\$ (410,715)</u>	<u>\$ 10,725</u>	<u>\$ 9,736,883</u>

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

Governmental Activities	
General Government	\$ 54,876
Public Safety	153,987
Public Works	34,192
Recreation and Culture	179,519
Internal Service	<u>49,181</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 471,755</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 197,653	\$ -	\$ -	\$ 197,653
<i>Capital assets being depreciated:</i>				
Buildings	8,352,884	48,573	-	8,401,457
Machinery and Equipment	507,681	22,529	(55,314)	474,896
Water	11,087,203	-	-	11,087,203
Sewer	10,795,866	-	-	10,795,866
Marina	8,332,986	-	-	8,332,986
Right-to-Use Lease Asset	-	-	55,314	55,314
Subtotal	<u>39,076,620</u>	<u>71,102</u>	<u>-</u>	<u>39,147,722</u>
<i>Less accumulated depreciation on:</i>				
Buildings	(5,542,844)	(167,825)	-	(5,710,669)
Machinery and Equipment	(359,012)	(21,426)	4,609	(375,829)
Water	(6,165,761)	(218,570)	-	(6,384,331)
Sewer	(2,562,123)	(247,805)	-	(2,809,928)
Marina	(3,868,752)	(211,743)	-	(4,080,495)
Right-to-Use Lease Asset	-	(11,063)	(4,609)	(15,672)
Subtotal	<u>(18,498,492)</u>	<u>(878,432)</u>	<u>-</u>	<u>(19,376,924)</u>
Net Capital Assets Being Depreciated	<u>20,578,128</u>	<u>(807,330)</u>	<u>-</u>	<u>19,770,798</u>
Capital Assets - Net	<u>\$ 20,775,781</u>	<u>\$ (807,330)</u>	<u>\$ -</u>	<u>\$ 19,968,451</u>
Business - type Activities				
Water			\$ 237,824	
Sewer			417,232	
Marina			211,743	
Golf Course			<u>11,633</u>	
Total Depreciation Expense – Business - type Activities			<u>\$ 878,432</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	\$ 256,900	\$ -	\$ 439,526
Construction in Progress	<u>-</u>	<u>39,630</u>	<u>-</u>	<u>39,630</u>
Subtotal	<u>182,626</u>	<u>296,530</u>	<u>-</u>	<u>479,156</u>
<i>Capital assets being depreciated:</i>				
Buildings	266,043	-	-	266,043
Equipment	202,093	-	-	202,093
Land Improvements	<u>1,808,091</u>	<u>-</u>	<u>-</u>	<u>1,808,091</u>
Subtotal	<u>2,276,227</u>	<u>-</u>	<u>-</u>	<u>2,276,227</u>
<i>Less accumulated depreciation:</i>				
Buildings	(71,520)	(9,386)	-	(80,906)
Equipment	(115,520)	(5,366)	-	(120,886)
Land Improvements	<u>(1,448,047)</u>	<u>(36,658)</u>	<u>-</u>	<u>(1,484,705)</u>
Subtotal	<u>(1,635,087)</u>	<u>(51,410)</u>	<u>-</u>	<u>(1,686,497)</u>
Net Capital Assets Being Depreciated	<u>641,140</u>	<u>(51,410)</u>	<u>-</u>	<u>589,730</u>
Capital assets – Net of depreciation	<u>\$ 823,766</u>	<u>\$ 245,120</u>	<u>\$ -</u>	<u>\$ 1,068,886</u>

Depreciation expense was charged to the Downtown Development Authority in the amount of \$51,410.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		DUE FROM OTHER FUNDS		
		Nonmajor Governmental	Water	Total
DUE TO OTHER FUNDS	General	\$ 34,896	\$ -	\$ 34,896
	Sewer	-	304,129	304,129
	Total	<u>\$ 34,896</u>	<u>\$ 304,129</u>	<u>\$ 339,025</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.

		TRANSFERS IN				
		General	Local Street	Nonmajor Governmental	Internal Service	Total
TRANSFERS OUT	General	\$ -	\$ -	\$ 73,853	\$ 12,500	\$ 86,353
	Major Street	10,000	35,932	-	-	45,932
	Local Street	6,000	-	-	-	6,000
	Nonmajor Governmental	7,000	-	17,070	-	24,070
	Water	68,500	-	-	8,100	76,600
	Sewer	37,300	-	-	4,500	41,800
	Marina	8,000	-	82,025	-	90,025
	Internal Service	3,000	-	21,290	-	24,290
Total	<u>\$ 139,800</u>	<u>\$ 35,932</u>	<u>\$ 194,238</u>	<u>\$ 25,100</u>	<u>\$ 395,070</u>	

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

NOTE 6 - LONG-TERM DEBT

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

Bond and contractual obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds:					
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.	\$ 360,000	\$ -	\$ 65,000	\$ 295,000	\$ 70,000
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.	680,000	-	20,000	660,000	20,000
2015 USDA Capital Improvement Bonds, payable in annual installments of \$8,000 to \$12,000 through October 2015, plus interest of 3.625% annually.	45,000	-	11,000	34,000	11,000
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.	2,101,000	-	52,000	2,049,000	53,000
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.	<u>238,000</u>	<u>-</u>	<u>6,000</u>	<u>232,000</u>	<u>6,000</u>
Subtotal	<u>3,424,000</u>	<u>-</u>	<u>154,000</u>	<u>3,270,000</u>	<u>160,000</u>

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>
<u>Governmental Activities (Continued)</u>					
Installment Loans:					
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.	33,112	-	5,341	27,771	5,410
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.	75,011	-	4,064	70,947	4,088
Installment Loan First National Bank, payable in annual installments of \$5,817 through August 2036, plus interest of 3.25%. Secured by equipment.	68,192	-	3,600	64,592	3,716
Installment Loan Agreement Central Savings Bank, payable in annual installments of \$14,192 through 2023, including plus interest of 3.790% annually.	26,848	-	13,174	13,674	13,673
Installment Loan Agreement First National Bank, payable in annual installment of \$13,190 through 2024, plus interest of 2.90% annually.	<u>25,286</u>	<u>-</u>	<u>12,458</u>	<u>12,828</u>	<u>12,818</u>
Subtotal	<u>228,449</u>	<u>-</u>	<u>38,637</u>	<u>189,812</u>	<u>39,705</u>
Vested Employee Benefits – (net)*	<u>107,223</u>	<u>-</u>	<u>10,572</u>	<u>96,651</u>	<u>-</u>
Total Governmental Activities – Long-Term Debt	<u>3,759,672</u>	<u>-</u>	<u>203,209</u>	<u>3,556,463</u>	<u>199,705</u>

NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance	Increases/ Adjustments	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds:					
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.	472,000	-	19,000	453,000	20,000
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%.	65,010	-	2,000	63,010	3,000
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.	1,838,000	-	63,000	1,775,000	66,000
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.	1,755,000	-	200,000	1,555,000	205,000
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.	325,771	-	35,000	290,771	35,000
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.	1,891,000	-	53,000	1,838,000	54,000
2015 Revolving Sewer Fund Loan, due in annual installments of \$61,561 to through 2041, plus interest at 2.50%, payable semi-annually.	1,290,108	-	65,000	1,225,108	70,000
2018 State Infrastructure Loan, payable in annual installments of \$9,759 to \$13,819 through May 2032, plus interest of 2.5%.	83,638	-	7,355	76,283	6,916
2019 USDA Capital Improvement Bond, due in annual installments of \$20,000 to \$57,000 through 2058, plus interest of 4.50%.	<u>1,179,000</u>	-	<u>22,000</u>	<u>1,157,000</u>	<u>23,000</u>
Subtotal	<u>8,899,527</u>	-	<u>466,355</u>	<u>8,433,172</u>	<u>482,916</u>

NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance	Increases/ Adjustments	Decreases	Ending Balance	Due Within One Year
<u>Business-type Activities (Continued)</u>					
Installment:					
Installment Loan Agreement, First National Bank, due in monthly installments of \$535, including interest of 2.60%, through October 2022.	5,016	-	4,434	582	582
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>26,702</u>	<u>-</u>	<u>13,156</u>	<u>13,546</u>	<u>13,546</u>
Subtotal	<u>31,718</u>	<u>-</u>	<u>17,590</u>	<u>14,128</u>	<u>14,128</u>
Vested Employee Benefits – (net)*	<u>111,679</u>	<u>2,557</u>	<u>-</u>	<u>114,236</u>	<u>-</u>
Total Business – type Activities – Long-Term Debt	<u>9,042,924</u>	<u>2,557</u>	<u>483,945</u>	<u>8,561,536</u>	<u>497,044</u>
Total Long-Term Debt	<u>\$ 12,802,596</u>	<u>\$ 2,557</u>	<u>\$ 687,154</u>	<u>\$ 12,117,999</u>	<u>\$ 696,749</u>

* The beginning balance of vested employee benefits has been adjusted by \$(111,679) and \$111,679, respectively between the governmental activities and business-type activities to reflect the prior period adjustment at NOTE 13.

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>
2023	\$ 199,705	\$ 111,570	\$ 497,044	\$ 255,409
2024	175,553	104,062	494,100	241,067
2025	182,874	97,387	505,266	226,744
2026	184,217	90,280	521,448	212,014
2027	106,567	83,198	538,634	196,824
2028-2032	542,867	365,783	2,101,700	758,538
2033-2037	622,029	273,385	1,741,108	465,488
2038-2042	675,000	172,013	1,054,000	195,954
2043-2047	648,000	64,840	620,000	91,053
2048-2052	123,000	1,845	228,000	34,466
2053-2057	-	-	<u>146,000</u>	<u>5,696</u>
Total	<u>\$ 3,459,812</u>	<u>\$ 1,364,363</u>	<u>\$ 8,447,300</u>	<u>\$ 2,683,253</u>

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Component Unit - DDA					
Installment:					
Installment Loan Agreement, Central Savings Bank, due in annual installments of \$7,925, including interest of 4.45%, through July 2042, secured by real estate.	\$ -	\$ 205,832	\$ 2,198	\$ 203,634	\$ 2,885
Vested Employee Benefits – (net)	<u>6,931</u>	<u>4,334</u>	<u>-</u>	<u>11,265</u>	<u>-</u>
Total Component Unit – DDA Long-Term Debt	<u>\$ 6,931</u>	<u>\$ 210,166</u>	<u>\$ 2,198</u>	<u>\$ 214,899</u>	<u>\$ 2,885</u>

<u>Year End December 31</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,885	\$ 5,040
2024	6,994	8,856
2025	7,308	8,542
2026	7,637	8,213
2027	7,981	7,869
2028-2032	45,625	33,625
2033-2037	56,855	22,395
2038-2042	<u>68,349</u>	<u>8,400</u>
Total	<u>\$ 203,634</u>	<u>\$ 102,940</u>

NOTE 7 - LEASE LIABILITY

The City has contracted to lease a lawnmower with Huntington National Bank for use at the City’s golf course, which is a business-type activity of the City. The asset is recognized as a right-to-use leased asset with a corresponding lease liability. The lease liability has been discounted at 5.58%, the stated interest rate on the lease contract.

The future minimum lease obligations and net present value of this lease as of December 31, 2022, is as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2023	\$ 10,432	\$ 2,155	\$ 12,587
2024	11,030	1,558	12,588
2025	11,661	926	12,587
2026	<u>10,435</u>	<u>263</u>	<u>10,698</u>
Total	<u>\$ 43,558</u>	<u>\$ 4,902</u>	<u>\$ 48,460</u>

NOTE 7 - LEASE LIABILITY (Continued)

The subsequent amortization of the right-to-use lease asset is as follows:

<u>Year</u>	<u>Amortization Expense</u>	<u>Accumulated Amortization</u>
2023	\$ 11,063	\$ 26,735
2024	11,063	37,798
2025	11,063	48,861
2026	<u>6,453</u>	55,314
Total	<u>\$ 39,642</u>	

NOTE 8 - LEASE RECEIVABLES

The City is a lessor for noncancellable leases of property and wireless towers with lease terms through 2049. For the year ending December 31, 2022, the City recognized \$18,762 in lease revenue released from the Deferred Inflows of Resources related to the governmental activities and \$5,939 in lease revenue released from Deferred Inflows of Recourses related to the business-type activities on the statement of changes in net position. The City recognized interest revenue of \$19,974 and \$5,667 for the year ending December 31, 2022 in the governmental activities and business-types activities, respectively. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during the fiscal year. The balance of lease receivable was \$647,779 and \$185,635 as of December 31, 2022 in the governmental activities and business-type activities, respectively.

NOTE 9 - RISK MANAGEMENT

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

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

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

NOTE 10 - 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, 2021.

General Information about the Pension Plan

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

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

	<u>2021 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

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

	<u>2021 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	25 and Out
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	1.20%
Act 88:	Yes (Adopted 6/5/1972)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	<u>2021 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

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

	<u>2021 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

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

	<u>2021 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

20 – Police/Fire after 01/01/2013: Open Division, linked to Division 02	
	<u>2021 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 6/5/1972)

Employees Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>27</u>
	<u>74</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, 2022 is as follows:

General Union	\$ 22,210
Police/Fire	9,691
General Non-Union	21,652
General Non-Union	1,251
General Union After	2,791
Police/Fire After	1,312

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Liability

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

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.00 % in the long term
Investment rate of return	7.00 % net of investment and administrative expenses, including inflation

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.

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%	2.70%
Global Fixed Income	20.0%	0.40%
Private Investments	20.0%	1.40%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension 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.

Significant changes from the prior actuarial valuation.

- The discount rate was reduced from 7.60% to 7.25%.
- The investment rate of return was reduced from 7.35% to 7.00%.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2021	\$ 14,623,025	\$ 8,726,747	\$ 5,896,278
Service cost	113,032	-	113,032
Interest on total pension liability	1,076,506	-	1,076,506
Difference between expected and actual experience	(56,390)	-	(56,390)
Changes in assumptions	543,984	-	543,984
Employer contributions	-	730,989	(730,989)
Employee contributions	-	781	(781)
Net investment income	-	(902,440)	902,440
Benefit payments, including employee refunds	(1,029,969)	(1,029,969)	-
Administrative expense	-	(15,909)	15,909
Other changes	9,605	-	9,605
Net changes	<u>656,768</u>	<u>(1,216,548)</u>	<u>1,873,316</u>
Balances as of December 31, 2022	<u>\$ 15,279,793</u>	<u>\$ 7,510,199</u>	<u>\$ 7,769,594</u>

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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability	\$9,525,101	\$7,769,594	\$6,298,574

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

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended December 31, 2022, the City recognized pension expense of \$1,259,046. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 43,103	\$ -
Changes in assumptions	742,620	-
Net difference between projected and actual earnings on pension plan investments	<u>694,857</u>	<u>-</u>
Total	<u>\$ 1,480,580</u>	<u>\$ -</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>	
2023	\$ 450,494
2024	393,325
2025	326,012
2026	310,749

NOTE 11 - 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.

Benefits Provided. The City provides postemployment healthcare benefits for certain eligible retirees. The City provides medical benefits to tis eligible retirees.

Funding Policy. The City has established a trust with MERS and has made an initial contribution to the trust of \$25,000. The current value of the assets in the trust is \$22,527 as of December 31, 2022.

Employees Covered by Benefit Terms

As of Actuarial date January 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	25
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>9</u>
Total participants covered by OPEB Plan	<u>34</u>

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

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

Total OPEB Liability

The City’s total OPEB liability of \$984,047 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022.

Net OPEB Liability

The City’s net OPEB liability of \$961,520 was measured as of December 31, 2022, and was determined by an actuarial valuation as of January 1, 2022.

Actuarial assumptions and other inputs

Discount Rate	2.16%
Healthcare Cost Trend Rates:	
Year 1 Inflation Rate (Pre / Post 65)	7.25% / 5.50%
Year 2 Inflation Rate (Pre / Post 65)	7.00% / 5.25%
Ultimate Inflation Rate	4.50%
Year Ultimate Inflation Rate is Reached (Pre / Post 65)	2033 / 2026
Salary Increases	3.00%

The discount rate was based on the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 24, 2021.

Mortality rates: Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2020, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2020, Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2020, and Pub-2010 Safety Retirees Headcount-Weighted Mortality fully generational using Scape MP-2020.

Significant Changes from the Previous Actuarial Valuation

- Increasing the discount rate from 2.12% to 2.16%.
- Trend rates were adjusted to rates prescribed by Public Act 202: Selection of the Uniform Assumptions for Fiscal Year 2022.
- Mortality assumption changed from SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006) to Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2020, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2020, Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2020, and Pub-2010 Safety Retirees Headcount-Weighted Mortality fully generational using Scale MP-2020.
- The City began funding the OPEB liability. Funds are being held in a trust managed by the Municipal Employees’ Retirement System of Michigan (MERS).

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability Fiscal Year Ending December 31, 2022:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2021	\$ 2,119,667	\$ -	\$ 2,119,667
Service cost	10,403	-	10,403
Interest	21,444	-	21,444
Assumption Changes	(344,947)	-	(344,947)
Difference between actual and expected experience	(762,142)	(2,743)	(759,399)
Contributions - Employer	-	25,000	(25,000)
Expected Net Investment Income	-	270	(270)
Benefit payments	(60,378)	-	(60,378)
Net changes	<u>(1,135,620)</u>	<u>22,527</u>	<u>(1,158,147)</u>
Balances as December 31, 2022	<u>\$ 984,047</u>	<u>\$ 22,527</u>	<u>\$ 961,520</u>

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

The following presents the total OPEB Liability, calculated using the discount rate of 2.16%, as well as what the total 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>
Total OPEB liability	\$1,138,936	\$984,047	\$859,033

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

The following presents the total OPEB Liability, calculated using the trend rate starting at 5.25%, 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:

	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Total OPEB liability	\$855,310	\$984,047	\$1,146,642

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of (\$239,143).

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB from the following sources:

	Deferred Outflows	Deferred (Inflows)	Net
Changes in assumptions	\$ 49,911	\$ (217,660)	\$ (167,749)
Differences between expected and actual experience	-	(484,578)	(484,578)
Differences between expected and actual investment income	2,194	-	2,194
Total	<u>\$ 52,105</u>	<u>\$ (702,238)</u>	<u>\$ (650,133)</u>

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

Year Ended December 31:	
2023	\$ (361,729)
2024	(289,500)
2025	549
2026	547
2027	-
Thereafter	-
	<u>\$ (650,133)</u>

NOTE 12 - DEFERRED COMPENSATION PLAN

The City offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Plan Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 97, plan balances and activities are not reflected in the City's financial statements.

NOTE 13 - RESTATEMENT

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position as previously stated at January 1, 2022	\$ 4,159,760	\$ 13,863,923
Adjustment for reclassification of vested employee benefits	111,679	(111,679)
Adjustment for asset not capitalized in the prior year	17,325	-
Adjustment of inventory to actual	<u>(78,261)</u>	<u>-</u>
Beginning net position as restated at January 1, 2022	<u>\$ 4,210,503</u>	<u>\$ 13,752,244</u>
	<u>General Fund</u>	<u>Water Fund</u>
Beginning net position as previously stated at January 1, 2022	\$ 1,437,461	\$ 4,122,061
Adjustment for reclassification of vested employee benefits	-	(45,650)
Adjustment of inventory to actual	<u>(78,261)</u>	<u>-</u>
Beginning net position as restated at January 1, 2022	<u>\$ 1,359,200</u>	<u>\$ 4,076,411</u>
	<u>Sewer Fund</u>	
Beginning net position as previously stated at January 1, 2022	\$ 4,519,545	
Adjustment for reclassification of vested employee benefits	<u>(66,029)</u>	
Beginning net position as restated at January 1, 2022	<u>\$ 4,453,516</u>	

NOTE 14 - 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 Works	\$ 180,890	\$ 205,190	\$ (24,300)

NOTE 15 - FUND BALANCE DEFICIT

The LBE Park Construction fund and Boardwalk Program fund had a deficit fund balance at December 31, 2022 of (\$28,827) and (\$163), respectively. These deficits will be financed through future revenues of the fund.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The City has been named as a defendant in various lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the City, such loss has been accrued in the accompanying basic financial statements. This amount is reported in the General Fund. Litigation where loss to the City is reasonably possible has not been accrued. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the City.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2022, may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

NOTE 17 - SUBSEQUENT EVENTS

On January 9, 2023, the City approved the contract for purchase of a new fire truck in the amount of \$657,624. The purchase was financed with \$337,624 of debt. The remaining \$320,000 was paid as a downpayment with public donations and ARPA funds from the City's allotment.

Required Supplementary Information

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended December 31, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 113,032	\$ 131,146	\$ 126,614	\$ 136,812	\$ 117,039	\$ 124,471	\$ 121,656	\$ 117,999
Interest	1,076,506	1,020,588	963,766	971,145	936,705	921,588	858,648	827,267
Difference between expected and actual experience	(56,390)	125,265	91,048	287,442	169,315	(106,275)	106,359	(15,708)
Changes in assumptions	543,984	448,427	441,673	-	-	-	640,117	-
Other Changes	9,605	13,011	45,747	25,811	29,490	(38,389)	(17,146)	-
Benefit payments, including refund of member contributions	(1,029,969)	(957,260)	(889,642)	(858,946)	(804,931)	(615,324)	(579,952)	(523,877)
Net change in total pension liability	656,768	781,177	779,206	562,264	447,618	286,071	1,129,682	405,681
Total pension liability - beginning	14,623,025	13,841,848	13,062,642	12,500,378	12,052,760	11,766,689	10,637,007	10,231,326
Total pension liability - ending	<u>\$ 15,279,793</u>	<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>
Plan fiduciary net position								
Contributions - employer	\$ 730,989	\$ 656,767	\$ 551,312	\$ 509,310	\$ 413,428	\$ 381,917	\$ 329,047	\$ 300,727
Contributions - employee	781	822	1,223	1,536	2,056	1,976	1,897	2,690
Net investment income	(902,440)	1,104,858	909,767	911,769	(283,500)	899,933	721,074	(99,000)
Benefit payments, including refunds of member contributions	(1,029,969)	(957,260)	(889,642)	(858,946)	(804,931)	(615,324)	(579,951)	(523,877)
Administrative expense	(15,909)	(12,676)	(14,632)	(15,703)	(14,327)	(14,257)	(14,242)	(14,652)
Other Changes	-	-	-	-	(2)	-	-	-
Net change in plan fiduciary net position	(1,216,548)	792,511	558,028	547,966	(687,276)	654,245	457,825	(334,112)
Plan fiduciary net position - beginning	8,726,747	7,934,236	7,376,208	6,828,242	7,515,518	6,861,273	6,403,448	6,737,560
Plan fiduciary net position - ending	<u>\$ 7,510,199</u>	<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>
City's net pension liability - ending	<u>\$ 7,769,594</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability	49%	60%	57%	56%	55%	62%	58%	60%
Covered - employee payroll	\$ 1,267,201	\$ 1,341,175	\$ 1,266,291	\$ 1,364,159	\$ 1,122,251	\$ 1,135,338	\$ 1,114,150	\$ 1,054,102
City's net pension liability as a percentage of covered-employee payroll	613%	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, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 706,884	\$ 644,768	\$ 474,311	\$ 451,944	\$ 410,796	\$ 329,048	\$ 300,728	\$ 324,396
Contributions in relation to the actuarially determined contribution	<u>730,989</u>	<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>\$ (24,105)</u>	<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	\$ 1,267,201	\$ 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	58%	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 Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00% net of investment and administrative expenses
Retirement age	60
Mortality	Assumptions were based on the Pub-2010 annual mortality tables.

Significant Changes from the Previous Actuarial Valuation:

Investment rate of return assumption was reduced from 7.60% to 7.25%.

Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in the OPEB Liability and Related Ratios
Year Ended December 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 2,119,667	\$ 2,149,309	\$ 1,668,135	\$ 1,713,238	\$ 1,909,429
Service cost	10,403	29,600	28,986	18,142	21,751
Interest	21,444	44,466	45,072	68,419	64,214
Assumption changes and differences between actual and expected experience	(1,107,089)	-	508,671	-	(196,679)
Benefit payments	(60,378)	(103,708)	(101,555)	(88,982)	(85,477)
OPEB Liability - End of Year	<u>\$ 984,047</u>	<u>\$ 2,119,667</u>	<u>\$ 2,149,309</u>	<u>\$ 1,710,817</u>	<u>\$ 1,713,238</u>
Plan fiduciary net position					
Contributions - employer	\$ 25,000	\$ 103,708	\$ 101,555	\$ 88,982	\$ 85,477
Difference between expected and actual return on investment	(2,743)	-	-	-	-
Net investment income	270	-	-	-	-
Benefit payments	-	(103,708)	(101,555)	(88,982)	(85,477)
Net change in plan fiduciary net position	22,527	-	-	-	-
Plan fiduciary net position - Beginning of Year	-	-	-	-	-
Plan fiduciary net position - End of Year	<u>\$ 22,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - End of Year	<u>\$ 961,520</u>	<u>\$ 2,119,667</u>	<u>\$ 2,149,309</u>	<u>\$ 1,710,817</u>	<u>\$ 1,713,238</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.29%	0%	0%	0%	0%
Covered Payroll	\$ 487,503	\$ 734,267	\$ 719,870	\$ 784,905	\$ 769,515
Net OPEB liability as a percentage of covered payroll	197.23%	288.68%	298.57%	217.96%	222.64%
Schedule of Employer Contributions					
Service cost	\$ 10,403	\$ 29,600	\$ 28,986	\$ 18,142	\$ 21,750
30 year amortization of NOL	46,212	97,557	98,805	96,334	99,613
Actuarially determined contribution	56,615	127,157	127,791	114,476	121,363
Actual Contribution	60,378	103,708	101,555	88,982	85,477
Contribution deficiency/(excess)	<u>\$ (3,763)</u>	<u>\$ 23,449</u>	<u>\$ 26,236</u>	<u>\$ 25,494</u>	<u>\$ 35,886</u>
Covered Payroll	\$ 487,503	\$ 734,267	\$ 719,870	\$ 784,905	\$ 769,515
ADC as a percentage of payroll	11.61%	17.32%	17.75%	14.58%	15.77%
Key Assumptions:					
Census Collection Date	January 1, 2022				
Discount rate	2.16%				
Year 1 inflation rate (Pre / Post 65)	7.25% / 5.50%				
Year 2 inflation rate (Pre / Post 65)	7.00% / 5.25%				
Ultimate inflation rate	4.50%				
Year Ultimate inflation rate is reached	2033 / 2026				
Actuarial Cost Method	Entry age normal (percent of salary)				

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 1,308,801	\$ 1,300,961	\$ 1,343,832	\$ 42,871
Licenses and Permits	6,230	6,602	6,603	1
Federal Sources	2,000	-	1,500	1,500
State Sources	267,965	267,965	289,066	21,101
Local Sources	41,107	10,305	28,111	17,806
Charges for Services	28,500	33,680	29,404	(4,276)
Interest and Rentals	28,700	29,090	28,962	(128)
Fines and Forfeitures	1,100	1,100	131	(969)
Other Revenue	169,715	220,454	252,711	32,257
TOTAL REVENUES	1,854,118	1,870,157	1,980,320	110,163
EXPENDITURES:				
General Government:				
City Commission	26,900	22,405	23,194	(789)
City Manager	165,595	159,595	161,493	(1,898)
Board of Review	2,220	1,960	1,428	532
City Assessor	36,300	36,300	38,074	(1,774)
City Attorney	40,000	75,000	80,085	(5,085)
City Clerk/Treasurer	290,875	341,375	341,123	252
Elections	6,825	6,255	7,628	(1,373)
City Hall & Grounds	30,650	34,985	36,438	(1,453)
Non-Departmental	71,900	72,500	43,898	28,602
Total General Government	671,265	750,375	733,361	17,014
Public Safety:				
Police	611,336	632,336	630,106	2,230
Safety & Health	48,235	27,148	27,138	10
Fire	110,050	118,050	127,666	(9,616)
Total Public Safety	769,621	777,534	784,910	(7,376)
Public Works:				
DPW	117,660	142,110	166,384	(24,274)
Sidewalks	-	615	641	(26)
Garbage Collection	900	-	-	-
Street Lighting	39,000	38,165	38,165	-
Total Public Works	157,560	180,890	205,190	(24,300)

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Community and Economic Development				
Planning & Zoning	3,650	1,248	1,248	-
Community Development	78,014	78,274	79,483	(1,209)
Total Community and Economic Development	81,664	79,522	80,731	(1,209)
Recreation and Culture:				
Park Maintenance	71,737	107,759	111,071	(3,312)
Boat Launch	4,195	7,347	7,320	27
Total Recreation and Culture	75,932	115,106	118,391	(3,285)
Capital Outlay	10,000	9,000	5,100	3,900
Other Expenditures:				
Insurance and Bonds	26,300	14,678	21,397	(6,719)
Fringe Benefits	96,000	76,495	73,191	3,304
Total Other Expenditures	122,300	91,173	94,588	(3,415)
TOTAL EXPENDITURES	1,888,342	2,003,600	2,022,271	(18,671)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,224)	(133,443)	(41,951)	91,492
OTHER FINANCING SOURCES (USES):				
Transfers In	157,170	162,170	139,800	(22,370)
Transfers Out	(83,330)	(73,786)	(86,353)	(12,567)
Proceeds from Sale of Capital Assets	29,425	8,017	5,600	(2,417)
TOTAL OTHER FINANCING SOURCES (USES)	103,265	96,401	59,047	(37,354)
NET CHANGE IN FUND BALANCES	\$ 69,041	\$ (37,042)	17,096	\$ 54,138
FUND BALANCES BEGINNING OF YEAR (As Restated, See NOTE 13)			1,359,200	
FUND BALANCES END OF YEAR			\$ 1,376,296	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES:				
Taxes	\$ 66,520	\$ 66,520	\$ 61,818	\$ (4,702)
State Sources	362,800	342,000	450,553	108,553
Local Sources	10,000	10,000	11,500	1,500
Interest and Rentals	2,300	2,300	1,848	(452)
TOTAL REVENUES	<u>441,620</u>	<u>420,820</u>	<u>525,719</u>	<u>104,899</u>
EXPENDITURES:				
Public Works	324,603	477,997	426,091	51,906
TOTAL EXPENDITURES	<u>324,603</u>	<u>477,997</u>	<u>426,091</u>	<u>51,906</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>117,017</u>	<u>(57,177)</u>	<u>99,628</u>	<u>156,805</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	(41,932)	(41,932)	(45,932)	(4,000)
NET CHANGE IN FUND BALANCES	<u>\$ 75,085</u>	<u>\$ (99,109)</u>	53,696	<u>\$ 152,805</u>
FUND BALANCES BEGINNING OF YEAR			<u>891,465</u>	
FUND BALANCES END OF YEAR			<u>\$ 945,161</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 66,520	\$ 66,520	\$ 61,818	\$ (4,702)
State Sources	137,724	117,882	138,493	20,611
Local Sources	10,000	10,000	11,500	1,500
Charges for Service	300	300	-	(300)
Interest and Rentals	550	550	418	(132)
Other Revenue	100	100	45	(55)
TOTAL REVENUES	<u>215,194</u>	<u>195,352</u>	<u>212,274</u>	<u>16,922</u>
EXPENDITURES:				
Public Works	<u>230,787</u>	<u>220,087</u>	<u>189,623</u>	<u>30,464</u>
TOTAL EXPENDITURES	<u>230,787</u>	<u>220,087</u>	<u>189,623</u>	<u>30,464</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,593)</u>	<u>(24,735)</u>	<u>22,651</u>	<u>47,386</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	31,932	31,932	35,932	4,000
Transfers Out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ 10,339</u>	<u>\$ 1,197</u>	52,583	<u>\$ 51,386</u>
FUND BALANCES BEGINNING OF YEAR			<u>205,938</u>	
FUND BALANCES END OF YEAR			<u>\$ 258,521</u>	

Supplementary Information

Supplementary Information
Schedule of Bond Covenant Cash Reserves
Required and Actual Balances
December 31, 2022

	Required Balance	Actual Balance
Fire Hall Debt - Restricted Cash		
Bond and Interest Redemption		
2019A / 2019B Building Authority Bonds, Fire Hall	\$ 7	\$ 7
Water Fund - Restricted Cash		
Bond and Interest Redemption		
2000 Series Water Supply System Revenue Bonds	105,196	240,152
Bond Reserves		
2000 Series Water Supply System Revenue Bonds	146,000	148,347
Repair, Replacement and Improvement Accounts		
2000 Series Water Supply System Revenue Bonds	74,535	241,963
	\$ 325,731	\$ 630,462
Sewer Fund - Restricted Cash		
Bond and Interest Redemption		
1999A / 1999B Series Sewage Disposal Revenue Bonds	34,720	23,371
2008 Revolving Sewer Fund Loan	60,969	60,969
2009 Sewage Disposal System Junior Lien Revenue Bond	9,477	63,430
2010 USDA Rural Development Sewer Capital Improvement Project Bonds - Net	50,450	50,450
2015 Revolving Sewer Fund Loan	60,157	60,157
Bond Reserves		
1999A / 1999B Series Sewage Disposal Revenue Bonds	46,500	47,559
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	116,000	137,520
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	20,300	21,768
Repair, Replacement and Improvement Accounts		
1999A / 1999B Series Sewage Disposal Revenue Bonds	298,946	392,696
2010 USDA Rural Development Sewer Capital Improvement Project Bonds	265,375	317,382
2019 USDA Rural Development Sewer Capital Improvement Project Bonds	234,095	65,422
	\$ 1,196,989	\$ 1,240,724

**Supplementary Information
Combining Balance Sheet
General Funds
December 31, 2022**

	General	Employee Benefit Fund	Payroll Clearing Fund	Totals
ASSETS:				
Cash and Investments - Unrestricted	\$ 851,453	\$ 354,178	\$ 175,878	\$ 1,381,509
Accounts Receivable	1,152	-	-	1,152
Taxes Receivable	115,486	-	-	115,486
Leases Receivable	226,357	-	-	226,357
Due from Other Funds	34,896	-	-	34,896
Due from Governmental Units	56,239	-	944	57,183
Inventory	48,670	-	-	48,670
TOTAL ASSETS	\$ 1,334,253	\$ 354,178	\$ 176,822	\$ 1,865,253
LIABILITIES:				
Accounts Payable	\$ 31,055	\$ -	\$ -	\$ 31,055
Accrued Liabilities	54,723	-	176,822	231,545
TOTAL LIABILITIES	85,778	-	176,822	262,600
DEFERRED INFLOWS OF RESOURCES:				
Leases	226,357	-	-	226,357
FUND BALANCES:				
Nonspendable	48,670	-	-	48,670
Committed	-	354,178	-	354,178
Unassigned	973,448	-	-	973,448
TOTAL FUND BALANCES	1,022,118	354,178	-	1,376,296
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,334,253	\$ 354,178	\$ 176,822	\$ 1,865,253

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Funds
For the Year Ended December 31, 2022

	General	Employee Benefit Fund	Payroll Clearing Fund	Totals
REVENUES:				
Taxes	\$ 1,343,832	\$ -	\$ -	\$ 1,343,832
Licenses and Permits	6,603	-	-	6,603
Federal Sources	1,500	-	-	1,500
State Sources	289,066	-	-	289,066
Local Sources	25,111	3,000	-	28,111
Charges for Services	29,404	-	-	29,404
Interest and Rentals	28,488	474	-	28,962
Fines and Forfeitures	131	-	-	131
Other Revenue	252,711	-	-	252,711
TOTAL REVENUES	1,976,846	3,474	-	1,980,320
EXPENDITURES:				
Current:				
General Government	733,361	-	-	733,361
Public Safety	784,910	-	-	784,910
Public Works	205,190	-	-	205,190
Community and Economic Development	80,731	-	-	80,731
Recreation and Culture	118,391	-	-	118,391
Capital Outlay	5,100	-	-	5,100
Other Expenditures	94,588	-	-	94,588
TOTAL EXPENDITURES	2,022,271	-	-	2,022,271
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(45,425)	3,474	-	(41,951)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	101,000	38,800	-	139,800
Operating Transfers Out	(86,353)	-	-	(86,353)
Proceeds from Sale of Capital Assets	5,600	-	-	5,600
TOTAL OTHER FINANCING SOURCES (USES)	20,247	38,800	-	59,047
NET CHANGE IN FUND BALANCES	(25,178)	42,274	-	17,096
FUND BALANCES BEGINNING OF YEAR				
(As Restated, See NOTE 13)	1,047,296	311,904	-	1,359,200
FUND BALANCES END OF YEAR	\$ 1,022,118	\$ 354,178	\$ -	\$ 1,376,296

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue Funds					
	Law Enforcement	Library	Cemetery	Community Center	Building Inspector	Fire
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 130,525	\$ 485,065	\$ 49,869	\$ 157,634	\$ 39,221	\$ 187,257
Cash and Equivalents - Restricted	-	-	-	-	-	-
Accounts Receivable	-	-	3,288	34,740	-	-
Taxes Receivable	-	7,700	-	7,869	-	-
Leases Receivable	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-
TOTAL ASSETS	\$ 130,525	\$ 492,765	\$ 53,157	\$ 200,243	\$ 39,221	\$ 187,257
LIABILITIES:						
Accounts Payable	\$ -	\$ 1,998	\$ -	\$ 10,396	\$ 350	\$ -
Accrued Liabilities	-	3,398	-	7,281	33	-
Due to Other Funds	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
TOTAL LIABILITIES	-	5,396	-	17,677	383	-
DEFERRED INFLOW OF RESOURCES:						
Leases	-	-	-	-	-	-
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	130,525	487,369	53,157	-	-	187,257
Assigned	-	-	-	182,566	38,838	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	130,525	487,369	53,157	182,566	38,838	187,257
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 130,525	\$ 492,765	\$ 53,157	\$ 200,243	\$ 39,221	\$ 187,257

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue	Debt Service Funds				Capital Project
	Funds					Funds
	American Rescue Plan	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Fire Truck
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 127,043	\$ 8,232	\$ 546	\$ 30,046	\$ -	\$ -
Cash and Equivalents - Restricted	-	-	-	-	7	25,000
Accounts Receivable	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-
Leases Receivable	-	-	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	-
TOTAL ASSETS	\$ 127,043	\$ 8,232	\$ 546	\$ 30,046	\$ 7	\$ 25,000
LIABILITIES:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Unearned Revenue	127,043	-	-	-	-	-
TOTAL LIABILITIES	127,043	-	-	-	-	-
DEFERRED INFLOW OF RESOURCES:						
Leases	-	-	-	-	-	-
FUND BALANCES:						
Nonspendable	-	-	-	-	-	-
Restricted	-	8,232	546	30,046	7	25,000
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	-	8,232	546	30,046	7	25,000
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 127,043	\$ 8,232	\$ 546	\$ 30,046	\$ 7	\$ 25,000

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Capital Project Funds					Permanent Fund	Total
	Dock No. 3 Improvements	LBE Park Construction	Fire Hall Construction	Capital Improvement Trust	Boardwalk Program	Perpetual Care Cemetery	
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 272,120	\$ -	\$ 12,726	\$ 49,772	\$ 28,677	\$ -	\$ 1,578,733
Cash and Equivalents - Restricted	-	-	-	-	-	25,000	50,007
Accounts Receivable	-	-	-	-	-	-	38,028
Taxes Receivable	-	-	-	-	-	-	15,569
Leases Receivable	421,422	-	-	-	-	-	421,422
Due from Other Governmental Units	-	6,753	-	-	-	-	6,753
TOTAL ASSETS	\$ 693,542	\$ 6,753	\$ 12,726	\$ 49,772	\$ 28,677	\$ 25,000	\$ 2,110,512
LIABILITIES:							
Accounts Payable	\$ -	\$ 684	\$ 10,986	\$ -	\$ 28,840	\$ -	\$ 53,254
Accrued Liabilities	-	-	-	-	-	-	10,712
Due to Other Funds	-	34,896	-	-	-	-	34,896
Unearned Revenue	-	-	-	-	-	-	127,043
TOTAL LIABILITIES	-	35,580	10,986	-	28,840	-	225,905
DEFERRED INFLOW OF RESOURCES:							
Leases	421,422	-	-	-	-	-	421,422
FUND BALANCES:							
Nonspendable	-	-	-	-	-	25,000	25,000
Restricted	272,120	-	1,740	49,772	-	-	1,245,771
Assigned	-	-	-	-	-	-	221,404
Unassigned	-	(28,827)	-	-	(163)	-	(28,990)
TOTAL FUND BALANCES	272,120	(28,827)	1,740	49,772	(163)	25,000	1,463,185
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 693,542	\$ 6,753	\$ 12,726	\$ 49,772	\$ 28,677	\$ 25,000	\$ 2,110,512

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue Funds					
	Law Enforcement	Library	Cemetery	Community Center	Building Inspector	Fire
REVENUES:						
Taxes	\$ -	\$ 90,894	\$ -	\$ 85,552	\$ -	\$ -
Licenses and Permits	-	-	-	22,504	19,826	-
Federal Sources	-	-	-	-	-	-
State Sources	-	4,286	-	-	5,000	-
Local Sources	-	56,407	-	26,056	-	10,152
Charges for Services	-	1,763	15,793	135,140	4,400	-
Interest and Rentals	-	894	625	225	-	263
Fines and Forfeitures	-	41,639	-	-	500	-
Other Revenue	-	4,590	250	48,379	1,000	-
TOTAL REVENUES	-	200,473	16,668	317,856	30,726	10,415
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	3,233	-
Public Works	-	-	14,442	-	-	-
Community and Economic Development	-	-	-	-	11,038	-
Recreation and Culture	-	162,334	-	341,364	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	6,209	-	-
TOTAL EXPENDITURES	-	162,334	14,442	347,573	14,271	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	38,139	2,226	(29,717)	16,455	10,415
OTHER FINANCING SOURCES (USES):						
Transfers In	-	-	1,700	16,900	-	24,986
Transfers Out	-	(2,000)	-	-	(5,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,000)	1,700	16,900	(5,000)	24,986
NET CHANGE IN FUND BALANCES	-	36,139	3,926	(12,817)	11,455	35,401
FUND BALANCES BEGINNING OF YEAR	130,525	451,230	49,231	195,383	27,383	151,856
FUND BALANCES END OF YEAR	\$ 130,525	\$ 487,369	\$ 53,157	\$ 182,566	\$ 38,838	\$ 187,257

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue	Debt Service Funds				Capital Project
	Funds					Funds
	American Rescue Plan	City Hall DPW Debt Fund	Building Authority	Ambulance	Fire Hall Debt	Fire Truck
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Federal Sources	54,512	-	-	-	-	-
State Sources	-	-	-	-	-	-
Local Sources	-	-	-	-	127,300	-
Charges for Services	-	-	-	-	-	-
Interest and Rentals	-	4	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Other Revenue	-	-	546	-	-	25,000
TOTAL REVENUES	54,512	4	546	-	127,300	25,000
EXPENDITURES:						
General Government	41,915	-	-	-	-	-
Public Safety	12,597	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	55,911	82,025	-	127,300	-
TOTAL EXPENDITURES	54,512	55,911	82,025	-	127,300	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(55,907)	(81,479)	-	-	25,000
OTHER FINANCING SOURCES (USES):						
Transfers In	-	56,150	82,025	-	-	-
Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	56,150	82,025	-	-	-
NET CHANGE IN FUND BALANCES	-	243	546	-	-	25,000
FUND BALANCES BEGINNING OF YEAR	-	7,989	-	30,046	7	-
FUND BALANCES END OF YEAR	\$ -	\$ 8,232	\$ 546	\$ 30,046	\$ 7	\$ 25,000

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2022

	Capital Project Funds					Permanent Fund	Totals
	Dock No. 3 Improvements	LBE Park Construction	Fire Hall Construction	Capital Improvement Trust	Boardwalk Program	Perpetual Care Cemetery	
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,446
Licenses and Permits	-	-	-	-	-	-	42,330
Federal Sources	-	-	-	-	-	-	54,512
State Sources	-	6,753	-	-	-	-	16,039
Local Sources	-	-	25,000	-	10,000	-	254,915
Charges for Services	-	-	-	-	-	-	157,096
Interest and Rentals	30,236	-	-	74	-	-	32,321
Fines and Forfeitures	-	-	-	-	-	-	42,139
Other Revenue	-	-	-	-	30,000	-	109,765
TOTAL REVENUES	30,236	6,753	25,000	74	40,000	-	885,563
EXPENDITURES:							
General Government	-	-	-	-	-	-	41,915
Public Safety	-	-	43,061	-	-	-	58,891
Public Works	-	-	-	-	52,640	-	67,082
Community and Economic Development	-	-	-	-	-	-	11,038
Recreation and Culture	5,803	35,786	-	-	-	-	545,287
Capital Outlay	-	-	9,025	-	-	-	9,025
Debt Service	-	-	-	-	-	-	271,445
TOTAL EXPENDITURES	5,803	35,786	52,086	-	52,640	-	1,004,683
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,433	(29,033)	(27,086)	74	(12,640)	-	(119,120)
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	12,477	-	194,238
Transfers Out	-	-	(17,070)	-	-	-	(24,070)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(17,070)	-	12,477	-	170,168
NET CHANGE IN FUND BALANCES	24,433	(29,033)	(44,156)	74	(163)	-	51,048
FUND BALANCES BEGINNING OF YEAR	247,687	206	45,896	49,698	-	25,000	1,412,137
FUND BALANCES END OF YEAR	\$ 272,120	\$ (28,827)	\$ 1,740	\$ 49,772	\$ (163)	\$ 25,000	\$ 1,463,185

**Supplementary Information
Combining Statement of Net Position
Internal Service Funds
December 31, 2022**

	Equipment	Office Equipment Pool	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 207,749	\$ 33,776	\$ 241,525
Accounts Receivable	12,450	-	12,450
Capital Assets (Net of Accumulated Depreciation)	267,071	-	267,071
 TOTAL ASSETS	 487,270	 33,776	 521,046
 LIABILITIES:			
Accounts Payable	12,282	538	12,820
Accrued Liabilities	8,613	-	8,613
Accrued Interest Payable	2,894	-	2,894
Installment Loans - due within one year	34,295	-	34,295
Installment Loans - due in more than one year	127,746	-	127,746
 TOTAL LIABILITIES	 185,830	 538	 186,368
 NET POSITION:			
Net Investment in Capital Assets	105,030	-	105,030
Unrestricted	196,410	33,238	229,648
 TOTAL NET POSITION	 \$ 301,440	 \$ 33,238	 \$ 334,678

Supplementary Information
Combining Statement of Revenues, Expenses and
Changes in Net Position - Internal Service Funds
For the Year Ended December 31, 2022

	Equipment	Office Equipment Pool	Totals
OPERATING REVENUES:			
Charges for Services	\$ 276,878	\$ -	\$ 276,878
Other Revenue	1,709	-	1,709
Total Operating Revenues	<u>278,587</u>	<u>-</u>	<u>278,587</u>
OPERATING EXPENSES:			
Personnel Services	133,594	-	133,594
Supplies	24,409	561	24,970
Contracted Services	813	-	813
Insurance	18,467	-	18,467
Utilities	9,990	-	9,990
Repair and Maintenance	66,120	9,559	75,679
Fuel	30,529	-	30,529
Depreciation	49,181	-	49,181
Other Expenses	-	15,094	15,094
Total Operating Expenses	<u>333,103</u>	<u>25,214</u>	<u>358,317</u>
OPERATING LOSS	(54,516)	(25,214)	(79,730)
NON-OPERATING REVENUES (EXPENSES):			
Local Sources	-	300	300
Interest Expense	(6,300)	-	(6,300)
Total Nonoperating Revenues (Expenses)	<u>(6,300)</u>	<u>300</u>	<u>(6,000)</u>
Loss Before Transfers	(60,816)	(24,914)	(85,730)
TRANSFERS:			
Transfers In	-	25,100	25,100
Transfers Out	(24,290)	-	(24,290)
Total Transfers	<u>(24,290)</u>	<u>25,100</u>	<u>810</u>
CHANGE IN NET POSITION	(85,106)	186	(84,920)
NET POSITION, BEGINNING OF YEAR	<u>386,546</u>	<u>33,052</u>	<u>419,598</u>
NET POSITION, END OF YEAR	<u>\$ 301,440</u>	<u>\$ 33,238</u>	<u>\$ 334,678</u>

Supplementary Information
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2022

	<u>Equipment</u>	<u>Office Equipment Pool</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from Customers or Users	\$ 26,683	\$ 196	\$ 26,879
Cash Paid to Vendors	(139,509)	(24,676)	(164,185)
Cash Paid to Employees Wages and Benefits	(130,531)	-	(130,531)
Internal Activity - Payments/Receipts with Other Funds	250,740	-	250,740
Net Cash Provided (Used) By Operating Activities	<u>7,383</u>	<u>(24,480)</u>	<u>(17,097)</u>
Cash Flows From Noncapital and Related Financing Activities:			
Local Sources	-	300	300
Transfers In	-	25,100	25,100
Transfers Out	(24,290)	-	(24,290)
Net Cash Provided (Used) for Noncapital and Related Financing Activities	<u>(24,290)</u>	<u>25,400</u>	<u>1,110</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of Capital Assets	(46,915)	-	(46,915)
Principal Payments	(33,295)	-	(33,295)
Interest Payments	(6,300)	-	(6,300)
Net Cash Used by Capital and Related Financing Activities	<u>(86,510)</u>	<u>-</u>	<u>(86,510)</u>
Net Increase (Decrease) in Cash	(103,417)	920	(102,497)
Cash and Equivalents at Beginning of Year	311,166	32,856	344,022
Cash and Equivalents at End of Year	<u>\$ 207,749</u>	<u>\$ 33,776</u>	<u>\$ 241,525</u>
Reconciliation of Operating Loss to			
Net Cash Provided (Used) by Operating Activities:			
Operating Loss	\$ (54,516)	\$ (25,214)	\$ (79,730)
Adjustments to Reconcile Operating Loss to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	49,181	-	49,181
Changes in Assets and Liabilities:			
Accounts Receivable	(1,164)	196	(968)
Prepaid Items	6,048	-	6,048
Accounts Payable	4,771	538	5,309
Accrued Liabilities	3,063	-	3,063
Net Cash Provided (Used) By Operating Activities	<u>\$ 7,383</u>	<u>\$ (24,480)</u>	<u>\$ (17,097)</u>

**Supplementary Information
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2022**

	BFI Garbage Collection	Golf Course	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 64,669	\$ 87,058	\$ 151,727
Account Receivable	13,797	-	13,797
Taxes Receivable	87	-	87
Capital Assets (Not Depreciated)	-	43,039	43,039
Capital Assets (Net of Accumulated Depreciation)	-	48,762	48,762
TOTAL ASSETS	78,553	178,859	257,412
LIABILITIES:			
Accounts Payable	10,306	1,413	11,719
Lease Payable - due within one year	-	10,432	10,432
Lease Payable - due in more than one year	-	33,126	33,126
TOTAL LIABILITIES	10,306	44,971	55,277
NET POSITION:			
Net Investment in Capital Assets	-	48,243	48,243
Unrestricted	68,247	85,645	153,892
TOTAL NET POSITION	\$ 68,247	\$ 133,888	\$ 202,135

Supplementary Information
Combining Statement of Revenues, Expenses and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2022

	BFI Garbage Collection	Golf Course	Totals
OPERATING REVENUES:			
Charges for Services	\$ 132,533	\$ 164,203	\$ 296,736
Other Revenue	-	8,525	\$ 8,525
Total Operating Revenues	<u>132,533</u>	<u>172,728</u>	<u>305,261</u>
OPERATING EXPENSES:			
Personnel Services	-	85,305	85,305
Supplies	-	2,849	2,849
Contracted Services	122,846	12,123	134,969
Insurance	-	4,938	4,938
Utilities	-	17,998	17,998
Repairs and Maintenance	-	33,617	33,617
Fuel	-	6,639	6,639
Rent	-	10,842	10,842
Depreciation and Amortization	-	11,633	11,633
Other Expenses	-	1,518	1,518
Total Operating Expenses	<u>122,846</u>	<u>187,462</u>	<u>310,308</u>
OPERATING INCOME (LOSS)	9,687	(14,734)	(5,047)
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	-	224	224
Interest Expense	-	(2,929)	(2,929)
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>(2,705)</u>	<u>(2,705)</u>
CHANGE IN NET POSITION	9,687	(17,439)	(7,752)
NET POSITION, BEGINNING OF YEAR	<u>58,560</u>	<u>151,327</u>	<u>209,887</u>
NET POSITION, END OF YEAR	<u>\$ 68,247</u>	<u>\$ 133,888</u>	<u>\$ 202,135</u>

Supplementary Information
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2022

	BFI Garbage Collection	Golf Course	Totals
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 133,057	\$ 172,728	\$ 305,785
Cash Paid to Vendors	(122,570)	(87,590)	(210,160)
Cash Paid to Employees Wages and Benefits	-	(85,305)	(85,305)
Net Cash Provided (Used) by Operating Activities	<u>10,487</u>	<u>(167)</u>	<u>10,320</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Payments - Lease	-	(9,659)	(9,659)
Interest Payments - Lease	-	(2,929)	(2,929)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(12,588)</u>	<u>(12,588)</u>
Cash Flows from Investing Activities:			
Interest Income	-	224	224
Net Cash Provided by Investing Activities	<u>-</u>	<u>224</u>	<u>224</u>
Net Increase (Decrease) in Cash	10,487	(12,531)	(2,044)
Cash and Equivalents, Beginning of Year	<u>54,182</u>	<u>99,589</u>	<u>153,771</u>
Cash and Equivalents, End of Year	<u><u>\$ 64,669</u></u>	<u><u>\$ 87,058</u></u>	<u><u>\$ 151,727</u></u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 9,687	\$ (14,734)	\$ (5,047)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	11,633	11,633
Change in Assets and Liabilities:			
Accounts Receivable	271	-	271
Taxes Receivable	253	-	253
Prepaid Items	-	1,551	1,551
Accounts Payable	<u>276</u>	<u>1,383</u>	<u>1,659</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 10,487</u></u>	<u><u>\$ (167)</u></u>	<u><u>\$ 10,320</u></u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
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OFFICES IN MICHIGAN

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

To the Honorable Mayor and Members
of the City Council
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, 2022, 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 August 2, 2023.

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 and 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 questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

To the Honorable Mayor and Members
of the City Council

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 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 questioned costs as items 2022-004 and 2022-005.

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

August 2, 2023



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of St. Ignace, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of St. Ignace, Michigan's major federal programs for the year ended December 31, 2022. City of St. Ignace, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of St. Ignace, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of St. Ignace, Michigan and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of St. Ignace, Michigan's compliance with the compliance requirements referred to above.

To the Honorable Mayor and Members
of the City Council

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of St. Ignace, Michigan's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of St. Ignace, Michigan's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of St. Ignace, Michigan's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of St. Ignace, Michigan's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of St. Ignace, Michigan's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of St. Ignace, Michigan's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on City of St. Ignace, Michigan's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of St. Ignace, Michigan's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Honorable Mayor and Members
of the City Council

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



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

August 2, 2023

**Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>COVID-19 Related</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:					
<i>Direct Award from the Department of Agriculture</i>					
Community Facilities Loans and Grants Cluster					
Community Facilities Loans and Grants		10.766	N/A	\$ -	\$ 2,384,000
Total U.S. Department of Agriculture				<u>-</u>	<u>2,384,000</u>
NATIONAL ENDOWMENT FOR HUMANITIES:					
<i>Pass-through from Michigan Humanities</i>					
Promotion of the Humanities Federal/State Partnership		45.129	HU025-23	-	13,500
Michigan Museum Recovery Grant - COVID	X	45.179	MMR22-031	-	7,500
Total National Endowment for Humanities				<u>-</u>	<u>21,000</u>
U.S. DEPARTMENT OF THE TREASURY:					
<i>Pass-through from Michigan Department of Treasury:</i>					
Coronavirus State and Local Fiscal Recovery Funds	X	21.027	N/A	-	54,512
U.S. ELECTION ASSISTANCE COMMISSION					
<i>Pass-through from Michigan Department of State:</i>					
HAVA Election Security Grants		90.404	N/A	-	1,500
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ -</u>	<u>\$ 2,461,012</u>

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of St. Ignace, Michigan under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of St. Ignace, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of St. Ignace, Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST

For purposes of charging indirect costs to federal awards, the City has elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS

The City had outstanding federal loan balances as of December 31, 2022 of:

1999A/1999B USDA Sewage Disposal Revenue Bond	\$ 516,010
2000 USDA Series Water Supply System Revenue Bond	1,775,000
2010 USDA Sewer Capital Improvement Revenue Bond	1,838,000
2014 USDA Capital Improvement General Obligation Bond	660,000
2015 USDA Capital Improvement General Obligation Bond	34,000
2019A/2019B USDA Building Authority General Obligation Bond	2,281,000
2019 USDA Sewer Capital Improvement General Obligation Bond	<u>1,157,000</u>
 Total	 <u>\$ 8,261,010</u>

NOTE 5 - RECONCILIATION TO THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	\$ 2,461,012
Less: Beginning Balance of Federal Loans with Continuing Compliance Requirements	<u>(2,384,000)</u>
Total Federal Sources per Financial Statements	<u>\$ 77,012</u>
 Total Federal Sources per Financial Statements of Primary Government	 \$ 56,012
Total Federal Sources per Financial Statements of Component Units	<u>21,000</u>
	<u>\$ 77,012</u>

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

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

Internal Control Over Financial Reporting

Significant Deficiencies

Lack of Segregation of Duties

Finding 2022-001

Criteria: As is the case with many local governments 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.

Condition: 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.

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

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.

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:
Andrea Insley – City Clerk/Treasurer

Status: Unchanged.

Internal Control Over Financial Reporting

Significant Deficiencies

Significant Audit Adjustments

Finding 2022-002

Criteria: The City should have a process in place to ensure proper financial reporting, which includes proper recording of all journal entries and general ledger balances in accordance with generally accepted accounting principles (GAAP) prior to the commencement of the audit.

Condition: The general ledger and underlying financial records were not reconciled and closed in a timely manner. There were numerous adjustments identified during the audit process.

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.

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

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:
Andrea Insley – City Clerk/Treasurer

Status: Unchanged

Internal Control Over Financial Reporting

Material Weakness

Bank Reconciliation Process

Finding 2022-003

Criteria: There should be a procedure in place to reconcile bank activity on a timely basis and ensure reconciling items are properly supported at the City.

Condition: Reconciliation of the cash balances recorded by the Clerk/Treasurer were incomplete and not prepared timely.

Cause: Oversight by management and small size of accounting staff.

Effect: Without timely preparation and review of bank reconciliations, including follow-up and resolution of significant reconciling items the City could fail to timely identify errors and malfeasance related to cash transactions.

Recommendation: We recommend the City develop a process to ensure timely review and resolution of reconciling items related to bank accounts

Planned Corrective Action Plan: The City has contracted help to get bank reconciliations up-to-date to allow for timely and complete preparation moving forward.

- Contact Person(s) Responsible for Correction:
Andrea Insley – City Clerk/Treasurer

Compliance and Other Matters

Material Noncompliance with Laws and Regulations

Finding 2022-004

Criteria: There should be a process in place to ensure that the City complies with laws and regulations.

- Per Public Act 2 of 1968, Section 141.435 (2), states' total budgeted expenditures shall not exceed estimated revenue plus accumulated fund balance. Per Section 141.438 (3), "Except as otherwise provided in Section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."
- Per the Glenn Steil State Revenue Sharing Act of 1971, 1971 Public Act (PA) 140, Section 21(2), states that units of local government (local units) who end their fiscal year in a deficit condition shall formulate a deficit elimination plan (plan).

Condition: There were instances identified where the City was not in compliance with laws and regulations as follows:

- Expenditures incurred against appropriations were in excess of the amount appropriated by the City Council for the following fund:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Public Works	\$ 180,890	\$ 205,190	\$ (24,300)

- The LBE Park Construction Fund and Boardwalk Program fund ended the fiscal year with a deficit fund balance of (\$28,827) and (\$163), respectively.

Cause: There is not a process in place to fully monitor compliance with laws and regulations throughout the year.

Effect: The City is not in compliance with the laws and regulations identified above.

Recommendation: We recommend the City implement a process that identifies specific individuals responsible for identifying and monitoring applicable compliance requirements throughout the year.

Planned Corrective Action: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis and will properly submit a deficit elimination plan with the State of Michigan.

- Contact Person(s) Responsible for Correction:
 Andrea Insley – City Clerk/Treasurer

Compliance and Other Matters

Uniform Chart of Accounts

Finding 2022-005

Criteria: The City was required to implement the Uniform Chart of Accounts by December 31, 2022.

Condition: The City's chart of accounts being used is not in compliance with the Uniform Chart of Accounts. Inconsistencies include incorrect account numbers and improper use of fund numbers.

Effect: Noncompliance with applicable State requirements.

Cause: Oversight by management.

Recommendation: The City should review their current chart of accounts to ensure it is in compliance with the Uniform Chart of Accounts as soon as possible.

Planned Corrective Action Plan: The City is in the process of working with BS&A to update all accounts to be in compliance.

- Contact Person(s) Responsible for Correction:
Andrea Insley – City Clerk/Treasurer

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Mayor and Members
of the City Council
City of St. Ignace
396 North State Street
St. Ignace, MI 49781

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, 2022, and have issued our report thereon dated August 2, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 12, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of St. Ignace are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City of St. Ignace changed accounting policies related to their deferred compensation plan by adopting Statement of Governmental Standards (GASB Statement) No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" and leases by adopting Statement of Governmental Standards (GASB Statement) No. 87, "Leases", in 2022. Accordingly, there was no effect of the accounting change on the financial statements for the implementation of GASB Statement No. 97 and lease receivables and their related deferred inflows were reflected in the current year financial statements for the implementation of GASB Statement No. 87. 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 banks. 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 annual required contribution for OPEB and pension benefits liability were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates. 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 allowance for uncollectible accounts receivable in the electric fund is based on past experience and future expectations for collection of various account balances and has been determined to be \$0. 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.

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

- \$44,421 adjustment in the General fund to accrue Michigan State Revenue Sharing
- \$117,078 adjustment in the ARPA fund to correct balances due to error in posting
- \$403,030 adjustment in the Sewer fund to apply principal debt payments to their corresponding obligations
- \$87,945 adjustment in the Water fund to apply principal debt payments to their corresponding obligations
- \$33,296 adjustment in the Water fund to apply principal debt payments to their corresponding obligations
- \$46,915 adjustment in the Equipment fund to capitalize purchases made in accordance with the City's capitalization policy

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 August 2, 2023.

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 City of St. Ignace's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of St. Ignace'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.

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.

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

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: Inventory was adjusted as an audit entry in the current year and expected to be adjusted annually by the City Clerk/Treasurer.

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 (Prior Year)

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.

Status: Uncorrected. A policy has been subsequently adopted to handle such.

2% Pass-through Grants (Prior Year)

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 nonprofit organizations'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.

Status: Uncorrected.

Local Community Stabilization Funds

It was noted in our review of the local community stabilization funds that such funds are not being spread across the funds as intended to be by the State of Michigan. We recommend that the City review the local community stabilization website each time these funds are received to ensure that they are being recorded into the proper funds.

Stale Funds

We noted in our review of fund activity that the City currently has three stale fund that are active in its ledger. We recommend that the funds be reviewed to determine if they are still needed and make them inactive if the funds are deemed to no longer be in use.

Negative Cash Balances

During our testing over cash, we noted two instances of material negative cash balances in pooled cash funds. We recommend the City implement procedures over cash management to ensure negative cash does not exist and that due to/due from accounts are properly used to eliminate such balances.

Policies

During our audit procedures, we noted the City does not have a Fraud Policy. A Fraud Policy is essential to clarifying acts that are considered to be fraudulent and describing the steps to be taken when fraud or other related dishonest activities are suspected and providing procedures to following in accounting for missing funds, restitution and recoveries. We recommend such policy be implemented immediately and an acknowledgement be signed by all employees. Additionally, we recommend that current policies be reviewed and updated as deemed necessary.

Upcoming Pronouncements:

GASB Statement No. 96 – Subscription based Information Technology Arrangements

In May 2020, GASB issued Statement No. 96, *Subscription based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

This Statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible assets, as specified in the contract for a period of time in exchange or exchange-like transaction; (2) established that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for the year ending December 31, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62.

This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

This Statement improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending December 31, 2024.

GASB Statement No. 101, Compensated Absences

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. This statement is effective for the year ending December 31, 2024.

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 supplementary 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.

Restriction on Use

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.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

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

August 2, 2023