



January 13, 2023

Honorable Mayor and City Council  
City of Marine City  
260 S Parker Street  
Marine City, Michigan 48039

Honorable Members:

We have examined the financial statements of the City of Marine City for the year ended June 30, 2022, and have issued our report thereon dated January 13, 2023. Our examination included a study and evaluation of internal control to the extent we considered necessary to establish a basis for reliance on the accounting records. As a result of our examination, we offer the following comments and recommendations.

#### PAYROLL

During our testing, we discovered instances where wage rates did not agree to the approved contract but matched the personnel action form. This appears to be related to the timing of when the budget was adopted and the subsequent approval of the union contract. Per discussions with the City, this was discovered during the current wage reopener agreements, and was determined the contract did not have an updated table. We recommend the City carefully review contracts and ensure wage and salary information is properly updated to final negotiated amounts and ensure personnel action forms are consistent with the approved contracts for all employees.

During our testing, we noted some instances where payroll liabilities were paid incorrectly, the payroll bank account was overdrawn, and minor penalties were incurred. These instances were not common, but we recommend the City improve processes to ensure payroll liabilities are paid accurately, on time, and bank transfers are made timely.

It was disclosed to us there was an instance where an employee was paid twice for an insurance opt-out benefit. This appears to have been related to multiple people doing payroll at the time and was caught and corrected by the City.

#### PAYROLL AND INFORMATION SECURITY

It was disclosed to us there was an attempted direct deposit scam by someone outside of the City, impersonating an employee. This was caught before the funds could be paid to the perpetrator and the City did not incur a loss related to this incident. The City should consider implementing a security awareness training program for all City employees to educate employees to possible cyber frauds, how to respond to attempts, and how to protect the City's server and confidential information.

#### EQUIPMENT RENT

The General Fund charges equipment rent to the Major and Local Street funds for use of DPW equipment on the streets during the year. It was noted during our audit there was no equipment rent charged even though the equipment was used during the year. Additionally, it appears the equipment rental rates were not updated for each type of equipment to the rates approved by MDOT's Schedule C Rent Rates since 2020. We recommend the City update the accounting policies to ensure equipment rent is being posted at least monthly and rental rates are being charged at the correct amounts.

## PENSION AND RETIREE HEALTH CARE FUNDS

Information was not sent timely to the City's actuaries for the annual pension and retiree health care valuations. As a result, the reports were not available until mid-December and the audit was delayed. The City should take the appropriate steps to ensure the necessary information is sent to the actuaries no later than September 1st each year.

## CAPITAL OUTLAY AND FIXED ASSETS

During our audit, we noted the City's capitalization policy does not appear to be consistently followed. The current policy is to capitalize all assets with a life of more than one year and a cost of \$1,000 or more. Based on review of invoices and the City's ongoing projects, it appears this threshold may be too low. The City should consider reviewing the policy and establish a higher threshold. Additionally, it should be consistently followed so items not meeting the definition of a capital asset are not included in capital outlay.

## OTHER

Restricted fund balances for restricted revenues were not being properly tracked and reconciled during the year. We recommend the City consider updating the accounting policies and procedures to review these balances and related transactions monthly to ensure restricted funds are being accounted for and expended appropriately.

The City has not had a full-time Treasurer the entire fiscal year to oversee the financial transactions and accounting department. We recommend the City consider providing the Treasurer's department with resources, support, and training to correct audit findings, implement recommendations, and update the accounting policies and procedures.

## CONCLUSION

We would like to thank the City Manager, Treasurer, and other City personnel for the cooperation and courtesies extended to us during our audit.

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.  
Certified Public Accountants



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*

January 13, 2023

Honorable Mayor and City Commission  
City of Marine City  
260 S. Parker Street  
Marine City, Michigan 48039

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF MARINE CITY, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Marine City's basic financial statements and have issued our report thereon dated January 13, 2023.

**Report on Internal Control over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-1, 2022-2, 2022-3, and 2022-4 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and responses as item 2022-5 to be a significant deficiency.

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

As part of obtaining reasonable assurance about whether the City of Marine City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-6 and 2022-7.

## **City of Marine City's Response to Findings**

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

## **Purpose of This Report**

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

Respectfully submitted,



MCBRIDE-MANLEY & COMPANY P.C.  
Certified Public Accountants

**CITY OF MARINE CITY**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2022**

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**INTERNAL CONTROL FINDINGS**

**Material Weaknesses**

**2022-1 Financial Statements**

Criteria:	Strong financial reporting requires all transactions to be recorded in accordance with GAAP, including the ability to generate complete financial statements.
Condition:	The Auditor provides assistance in preparing Generally Accepted Accounting Principles (GAAP) financial statements and proposes certain material adjustments to assure transactions are recorded in accordance with GAAP.
Cause:	The City did not have a qualified City Treasurer for most of the fiscal year.
Effect:	Interim financial statements were materially misstated and Management and the City Commission may have been relying on inaccurate information for decision making.
Recommendation:	Emphasis should be placed on providing support and training in the accounting department. The City may want to consider training a deputy treasurer for backup.
Management's Response:	See Corrective Action Plan attached.

**2022-2 Tax Fund Reconciliation**

Criteria:	Michigan law requires municipalities who collect property taxes to reconcile and remit property taxes on specified due dates. This should include reconciling cash receipts to the general ledger and assuring all taxing agencies are paid for the proper collections.
Condition:	Property taxes are being settled with the County and reconciled. However, the general ledger and account balances are not reconciled which makes it difficult to determine all property taxes and board of review adjustments have been properly accounted for. Additionally, Brownfield tax captures were not properly remitted to the St. Clair County Brownfield Authority.
Cause:	The City's accounting policies do not include procedures on reconciling the funds on a regular basis to assure balance sheet accounts properly reconcile.
Effect:	The City may not remit the correct amounts to the various taxing authorities. Additionally, reports provided to the City Commission may be materially misstated if not periodically reconciled.
Recommendation:	The City should consider implementing a procedure to reconcile property tax collections and liabilities with the general ledger after each settlement. As part of the process, the tax fund bank account should return to a nominal amount after settlement as proof property taxes were properly collected and remitted.
Management's Response:	See Corrective Action Plan attached.

## CITY OF MARINE CITY

### Schedule of Findings and Responses For the Year Ended June 30, 2022

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#### **INTERNAL CONTROL FINDINGS**

##### **Material Weaknesses (*Continued*)**

###### 2022-3 Bank Reconciliations

Criteria:	The State of Michigan Accounting and Budget Manual for local governments requires all bank accounts to be reconciled to their respective statements monthly.
Condition:	Bank reconciliations are not being properly reconciled and reconciling items are not resolved in a timely manner.
Cause:	The City does not have sufficient preparation and review processes over bank reconciliations and assuring reconciling items are followed up on and resolved in a timely manner. Additionally, the City did not have a full-time Treasurer during the year to perform the reconciliations.
Effect:	Bank balances and related accounts could be materially misstated due to unposted or unreconciled adjustments.
Recommendation:	The City should assure bank reconciliations are performed shortly after the end of each month. Any reconciling items should be properly reviewed and corrected.
Management's Response:	See Corrective Action Plan attached.

###### 2022-4 Sidewalk Special Assessments

Criteria:	The State of Michigan allows local governments to have special assessments related to a variety of activities including special assessments which allows residents to repay the City for repairs or services that directly benefit them.
Condition:	The City has sidewalk special assessments from 2019 that allows residents to repay their portion of the sidewalk repairs in three annual installments. Outstanding balances on these assessments are not being properly tracked and updated.
Cause:	The City does not have appropriate policies and procedures in place to properly track and bill these special assessments.
Effect:	The City may not have an accurate accounting for what is outstanding on these projects.
Recommendation:	The City should consider reviewing cash receipt information and reconcile the balances of the assessments from 2019 through current and contact residents about any amounts still outstanding. Accounting procedures should be updated for a process on reconciling and tracking these in the future.
Management's Response:	See Corrective Action Plan attached.

**CITY OF MARINE CITY**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2022**

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**INTERNAL CONTROL FINDINGS**

**Significant Deficiencies**

**2022-5 Segregation of Duties**

Criteria:	A sound system of internal controls relies upon proper support and separation of duties and review by management at all levels of financial reporting.
Condition:	During our review, it was noted not all manual adjusting journal entries and utility billing adjustments had evidence of review. Additionally, support for some manual adjusting journal entries was unable to be provided.
Cause:	The City was in the process of implementing new processes for approving these adjustments, but the processes were not fully implemented.
Effect:	Adjustments may not be proper or accurate without a second review and approval of the adjustment and supporting documentation.
Recommendation:	The City should fully implement processes to ensure all adjustments have support and are properly reviewed.
Management's Response:	See Corrective Action Plan attached.

**CITY OF MARINE CITY**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2022**

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**COMPLIANCE FINDINGS**

**2022-6 Budget Amendments**

Criteria:	The Michigan Budget Act requires local governments to amend the budget when events or conditions occur that were not contemplated in the original budget. Additionally, governments are required to monitor the budget and propose budget amendments before going over the budget.
Condition:	At the time the fiscal year 2022 budget was amended, the City had departments over budget.
Cause:	Budget amendments were not made timely due to the accounting records not being reconciled timely.
Effect:	The City was out of compliance with the Michigan Budget Act.
Recommendation:	Budget amendments should be proposed and brought to the City Commission when new information is known that was not contemplated in the original budget.
Management's Response:	See Corrective Action Plan attached.

**2022-7 Audit Report Not Filed Timely**

Criteria:	The State of Michigan Department of Treasury <i>Accounting Procedures Manual for Local Units of Government in Michigan</i> requires local units to complete and file an audit annually within six months of the local unit's fiscal year end.
Condition:	The annual audit report was not filed within six months of the City's fiscal year end.
Cause:	The City had significant turnover in key accounting positions and were unable to reconcile year end balances. Additionally, the actuarial reports were not available until mid-December.
Effect:	Lack of proper reconciliation of the City's various funds resulted in additional audit procedures and, ultimately, a late audit filing.
Recommendation:	We recommend the City implement accounting policies and procedures over all accounting functions, including monthly reconciliations of the fund balance sheets, to enable timely submission of the audit.
Management's Response:	See Corrective Action Plan attached.





# CITY OF MARINE CITY

260 SOUTH PARKER STREET  
MARINE CITY, MI 48039

PHONE: (810) 765-8846 FAX: (810) 765-4010

January 13, 2023

## **Corrective Action Plan for Audit findings In Fiscal Year end 2022**

This corrective action plan (CAP) is being submitted in response to the schedule of findings for the year ending June 30, 2022.

### **2022-01: Preparation of the financial statements in accordance with the Generally Accepted Accounting Principles, GAAP.**

The City of Marine City has decided that it is more cost effective to outsource the preparation of the financial statements and footnotes to the auditors than incur the time and expense of preparing in-house. According to our auditors this is a common practice and regardless if a municipality has an accountant on staff to handle this work, the auditors are still often tasked with some of the responsibilities. Therefore, this is not an unacceptable or uncommon practice. The City of Marine City commits to continued training and retention of qualified staff to head each department. However, no other changes will be taken at this time.

**Timeframe:** No action at this time

### **2022-02: There was not proper fund reconciliation for the City's tax fund.**

The City hired a full-time Treasurer to handle bank reconciliations and remittance payments as part of their primary job function. Prior to the hiring of this individual there was significant turn over in the department which resulted in time-lapses on previous tax fund reconciliation and remittance payments.

**Timeframe:** Immediate

### **2022-03: Bank accounts were not being reconciled in a timely manner.**

The City has hired a full-time Treasurer to handle bank reconciliations as part of their primary job function. Prior to the hiring of this individual there was significant turn over in the department which resulted in time-lapses on previous bank reconciliation.

**Timeframe:** Immediate

### **2022-04: The City did not properly manage and track the sidewalk special assessment program.**

The City chose to eliminate the sidewalk assessment program because of the difficulty in managing the payment plan process internally. The administration of the program became convoluted after staff turn-over, which resulted in difficulty verifying past procedures. The City chose to cancel the program and streamline the process.

**Timeframe:** Immediate

### **2022-05: The City did not fully implement an approval process for all adjusting journal entries.**

The City implemented new procedures for approval processes on most adjusting journal entries, but not all. This has been rectified by requiring at least two signatures on all adjusting journal entries going forward.

**Timeframe:** Immediate

*"In the Heart of Blue Water District"*  
*Marine City is an Equal Opportunity Provider*

**2022-06: Budget amendments were not properly monitored and proposed to the City Commission.**

Due to the significant turn-over in staff the City did not have a Treasurer to assist the City Manager in doing budget amendments. The City hired a full-time Treasurer who can assist and work with the City Manager to make future budget amendment requests in a timely manner.

**Timeframe:** Immediate

**2022-07: The City did not file their audit report in a timely manner.**

The City had significant staff turn-over which resulting in their inability to reconcile year-end balances. Therefore, the City was unable to request the actuarial reports in a timely manner, which resulted in the reports getting to the auditors late. The City has hired a full-time Treasurer to ensure the audit process follows the proper timeline going forward.

**Timeframe:** Immediate



Holly Tatman  
City Manager  
City of Marine City

**CITY OF MARINE CITY**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2022

# CITY OF MARINE CITY

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## INDEPENDENT AUDITOR'S REPORT

January 13, 2023

Honorable Mayor and City Commission  
City of Marine City  
260 S. Parker Street  
Marine City, Michigan 48039

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF MARINE CITY as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Marine City'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, each major fund, and the aggregate remaining fund information of the City of Marine City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the Consolidated General Fund, Major Street Fund, and Local Street Fund 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 Marine City 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.

#### ***Change in Accounting Principle***

As described in Note 16 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Marine City'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.

### ***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 Marine City'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 Marine City'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 and the pension and retiree health trust schedules on pages 4–7 and 49–59 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and supplemental schedules 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 standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplemental schedules 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 January 13, 2023, on our consideration of the City of Marine City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marine City'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 City of Marine City's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "McBride-Manley & Co." in a cursive script.

MCBRIDE-MANLEY & COMPANY P.C.  
Certified Public Accountants



## CITY OF MARINE CITY

### Management's Discussion and Analysis For the Year Ended June 30, 2022

#### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

#### The City as a Whole

The City's combined net position increased 0.25% from a year ago from \$11.98 million to \$12.01 million. This is primarily due to increases in grant funding and other revenues in the governmental funds. As we look at the governmental activities separately from the business-type activities, we can see the governmental activities experienced an increase of \$83,000 during the year, which represents a 1% increase from the prior year. This increase was primarily the result of increases in revenues and grant spending in the governmental funds entity-wide statements. The business-type activities experienced a \$53,000 decrease in net position, primarily as a result of changes in the net pension and OPEB liabilities and having no utility rate increases for water and sewer usage. In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current Assets *	\$ 4,658	\$ 3,931	\$ 2,216	\$ 2,437	\$ 6,626	\$ 6,366
Noncurrent Assets	8,592	8,181	4,943	4,966	13,535	13,147
Deferred Outflows of Resources	672	37	287	16	959	53
Total Assets and Deferred Outflows	13,922	12,149	7,446	7,419	21,120	19,566
Current Liabilities *	986	342	360	375	1,098	716
Long-Term Debt Outstanding	326	432	510	713	836	1,145
Pension and OPEB Liabilities	3,972	3,149	2,103	1,743	6,075	4,892
Deferred Inflows of Resources	913	584	187	249	1,100	833
Total Liabilities and Deferred Inflows	6,197	4,507	3,160	3,080	9,109	7,586
Net Position						
Invested in Capital Assets - Net of Debt	8,089	8,071	4,293	4,054	12,382	12,125
Restricted	1,798	1,716	1,111	920	2,909	2,636
Unrestricted	(2,162)	(2,145)	(1,118)	(635)	(3,280)	(2,780)
Total Net Position	\$ 7,725	\$ 7,642	\$ 4,286	\$ 4,339	\$ 12,011	\$ 11,981

\* Internal balances eliminated in total column.

## CITY OF MARINE CITY

### Management's Discussion and Analysis For the Year Ended June 30, 2022

The current level of unrestricted net position for our governmental activities, the part of net position that can be used to finance day-to-day operations, stands at approximately (\$2.2 million). Unrestricted net position decreased by \$17,000 for the governmental activities. This represents a decrease of 0.79% from the prior year and was primarily a result of the change in the net pension and OPEB liabilities.

The following table shows the changes of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for Services	\$ 567	\$ 563	\$ 2,054	\$ 1,851	\$ 2,621	\$ 2,414
Operating Grants and Contributions	626	621	-	-	626	621
Capital Grants and Contributions	59	19	-	24	59	43
General Revenues						
Taxes	1,741	1,782	-	-	1,741	1,782
State-Shared Revenues	643	520	-	-	643	520
Other	87	2	1	8	88	10
Total Revenues	<u>3,723</u>	<u>3,507</u>	<u>2,055</u>	<u>1,883</u>	<u>5,778</u>	<u>5,390</u>
Program Expenses						
Legislative	18	14	-	-	18	14
General Government	753	557	-	-	753	557
Public Safety	536	1,006	-	-	536	1,006
Highways and Streets	593	425	-	-	593	425
Public Works	599	610	-	-	599	610
Recreation and Cultural	138	129	-	-	138	129
Other	102	111	-	-	102	111
Unallocated pension and OPEB expense (recovery)	860	(390)	-	-	860	(390)
Cemetery operations	41	17	-	-	41	17
Water and Sewer	-	-	2,108	1,399	2,108	1,399
Total Expenses	<u>3,640</u>	<u>2,479</u>	<u>2,108</u>	<u>1,399</u>	<u>5,748</u>	<u>3,878</u>
Change in Net Position	\$ <u>83</u>	\$ <u>1,028</u>	\$ <u>(53)</u>	\$ <u>484</u>	\$ <u>30</u>	\$ <u>1,512</u>

The City's net position increased by \$30,000. This was primarily due to changes in the governmental activities related to grants and other revenue increases.

#### **Governmental Activities**

The City's total governmental revenues increased by \$216,000, primarily due to increases in grants and other contributions. Expenses of the governmental activities increased approximately \$1.2 million over those of the previous year. This was primarily due to the changes in the net pension and OPEB liabilities.

## **CITY OF MARINE CITY**

### **Management's Discussion and Analysis For the Year Ended June 30, 2022**

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#### **Business-Type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatments to all City residents. We experienced a decrease during the year primarily as a result of having no rate increase for fiscal year 2022 and the results of the 2022 actuarial valuations for the pension and OPEB liabilities.

#### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The major funds include the General Fund, the Major Street Fund, and the Local Street Fund.

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenditures of \$1,005,000. These services are supported by general tax revenues of the City and State Revenue Sharing which represent approximately 77% of total revenues for the fund. In addition, the General Fund expended approximately \$606,000 on Public Works. These two areas represent approximately 51% of the General Fund's total expenditures.

The other major funds of the City are the Major and Local Street Funds. These funds account for the majority of the maintenance, preservation, and replacement of the City's streets, bridges, and sidewalks. These funds are funded through distributions from the Michigan Department of Transportation for use on major and local streets within the City.

#### **General Fund Budgetary Highlights**

Over the course of the year, we amended the budget to take into account events occurring during the year. The total budgeted expenditures for the General Fund were decreased by approximately 1.5% during the year. With the exception of the general government category, the various departments stayed within the budget, resulting in total expenditures approximately \$15,000 over the budget. The General Fund's fund balance decreased by \$27,000 from a year ago. This is the result of increased grant activity and budget overruns in the general government function during fiscal year 2022.

#### **Capital Asset and Debt Administration**

As of June 30, 2022, there was \$13.1 million invested in a broad range of capital assets, including buildings, police equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements. See Note 5 to the financial statements for more information about the City's capital assets.

At the end of the fiscal year, the City had bonds outstanding in the Water and Sewer Fund totaling \$585,000 with scheduled repayments occurring through fiscal year 2026. Additionally, the City has financed purchases of \$121,000 outstanding as of June 30, 2022, with scheduled repayments through fiscal year 2024.

As part of an agreement with the Michigan Department of Environmental Quality, the City has a loan for \$280,000 related to the cleanup of a Brownfield site within the City. Loan repayments began in March 2021 and are to be repaid with reimbursements from the St. Clair County Brownfield Redevelopment Authority. Interest did not accrue until after the first payment in March 2021. Early repayment is permitted under the loan agreement. As of June 30, 2022, there was \$229,000 outstanding on this loan. The debt service expenditures and related revenues are being reported in the City's Debt Service Fund.

See Note 8 to the financial statements for more information about the City's long-term liabilities.

## **CITY OF MARINE CITY**

### **Management's Discussion and Analysis For the Year Ended June 30, 2022**

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#### **Economic Factors and Next Year's Budgets and Rates**

The budget for the year ending June 30, 2023, kept tax levels at the same level as in the previous year. Because of the impact of state law on property tax assessments, the City needs to continue to watch its budget closely. The state-wide tax reform act limits the growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

As the City prepares for the next fiscal year, property tax revenue is expected to remain at similar levels to 2022 due to the current economic state of affairs and recent personal property tax reform. Stagnant growth in property tax revenues, coupled with rising health care and pension costs, aging infrastructure, and state and federal budget issues have presented some problems in balancing the budget and maintaining healthy fund balances.

The City has received additional funding passed through the State of Michigan to be used for infrastructure as part of the American Rescue Plan Act (ARPA) and will need to evaluate eligible projects to spend these funds on. Additionally, the City has been awarded grants with the Department of Natural Resources to acquire property for a municipal-owned marina.

The City is also required to make improvements to the water and sewer system as part of a grant from the Michigan Department of Environmental Quality. The project to evaluate the age and deterioration of the system has been completed and the City needs to evaluate the results and plan for the needed infrastructure improvements to the system. Water/Sewer usage rates were increased slightly for the year ending June 30, 2023.

Due to the State of Michigan's budget problems and political agendas, the City of Marine City is concerned about State Revenue Sharing distributions, especially as the pandemic continues to impact the state, local, and national economies. In addition, the City's fringe benefit costs have increased. The City's pension contribution rate for the fiscal year 2023 has been decreased slightly from the amount required in 2022. However, with a volatile investment market, the contributions could be significantly increased in future years. The City is also responsible to set aside funds for retiree's health care. The City funds this plan on a pay-as-you-go basis. However, the State of Michigan is requiring municipalities who are under-funded, as defined by the applicable statute, to submit corrective action plans to achieve funded status which could result in a requirement to significantly increase contributions in the future.

#### **Contacting Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Treasurer's office.

**CITY OF MARINE CITY**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 4,312,598	\$ 1,410,466	\$ 5,723,064
Restricted cash	108	--	108
Accounts and assessments receivable	25,144	528,367	553,511
Current portion of lease receivable	28,449	--	28,449
Due from other units of government	278,700	37,471	316,171
Other assets	4,250	750	5,000
<i>Internal Balances*</i>	9,242	238,731	--
<b>Total Current Assets</b>	<b>4,658,491</b>	<b>2,215,785</b>	<b>6,626,303</b>
<i>Noncurrent Assets</i>			
Capital assets, net of accumulated depreciation	8,145,122	4,942,953	13,088,075
Lease receivable, net of current portion	446,387	--	446,387
<b>Total Assets</b>	<b>13,250,000</b>	<b>7,158,738</b>	<b>20,160,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	672,053	286,910	958,963
<b>Total Deferred Outflows of Resources</b>	<b>672,053</b>	<b>286,910</b>	<b>958,963</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	89,574	200,549	290,123
Accrued wages and vacation pay	89,806	7,401	97,207
Accrued interest payable	2,339	3,099	5,438
Current portion of debt	80,092	140,000	220,092
Due to other units and taxpayers	30	--	30
Unearned revenue	484,813	--	484,813
Due to fiduciary funds	410	--	410
<i>Internal Balances*</i>	238,731	9,242	--
<b>Total Current Liabilities</b>	<b>985,795</b>	<b>360,291</b>	<b>1,098,113</b>
<i>Noncurrent Liabilities</i>			
Accrued sick pay	121,381	--	121,381
Long-term obligations, net of current portion	205,051	509,532	714,583
Net pension liability	2,179,542	907,628	3,087,170
Net OPEB liability	1,792,303	1,194,869	2,987,172
<b>Total Liabilities</b>	<b>5,284,072</b>	<b>2,972,320</b>	<b>8,008,419</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	912,918	186,477	1,099,395
<b>Total Deferred Inflows of Resources</b>	<b>912,918</b>	<b>186,477</b>	<b>1,099,395</b>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	8,088,986	4,293,421	12,382,407
<i>Restricted for:</i>			
Drug enforcement	9,011	--	9,011
Perpetual care	137,192	--	137,192
Highways and streets - Act 51	1,374,104	--	1,374,104
Cemetery	88,382	--	88,382
Insurance escrow	8,129	--	8,129
Water monitoring system	--	149,383	149,383
Highways and streets	140,193	--	140,193
Parks and recreation	31,849	--	31,849
Police	188	--	188
Beach	3,505	--	3,505
Infrastructure improvements	--	961,915	961,915
Economic development	5,333	--	5,333
General government	137	--	137
<i>Unrestricted</i>	(2,161,946)	(1,117,868)	(3,279,814)
<b>Total Net Position</b>	<b>\$ 7,725,063</b>	<b>\$ 4,286,851</b>	<b>\$ 12,011,914</b>

\* Amounts have been eliminated in total column

**CITY OF MARINE CITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Legislative	\$ 17,785	\$ --	\$ --	\$ --
General government	753,477	76,964	--	--
Public safety	535,984	119,806	7,230	3,151
Public works	599,209	317,360	--	--
Community and economic development	4,194	--	50,611	1,200
Recreation and cultural	137,867	3,250	58,510	54,343
Highways and streets	592,952	--	509,350	--
Other	76,732	16,427	--	--
Health and welfare	883	--	--	--
Unallocated pension and OPEB expense (recovery)	859,714	--	--	--
Debt service interest	6,144	--	--	--
Water and sewer charges - Intergovernmental	14,000	--	--	--
Cemetery operations	40,561	33,060	--	--
<b>Total Governmental Activities</b>	<b>3,639,502</b>	<b>566,867</b>	<b>625,701</b>	<b>58,694</b>
<b>Business-type Activities:</b>				
Water and Sewer Disposal	2,108,004	2,054,338	--	--
<b>Total Business-type Activities</b>	<b>2,108,004</b>	<b>2,054,338</b>	<b>--</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 5,747,506</b>	<b>\$ 2,621,205</b>	<b>\$ 625,701</b>	<b>\$ 58,694</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Tax collections

Interest revenue

Distributions from State of Michigan

Rentals

Other

Gain (loss) on disposal of fixed assets

**Total General Revenues and Transfers**

**Change in Net Position**

Net Position at Beginning of Period

**Net Position at End of Period**

Net (Expense) Revenue		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (17,785)	\$ --	\$ (17,785)
(676,513)	--	(676,513)
(405,797)	--	(405,797)
(281,849)	--	(281,849)
47,617	--	47,617
(21,764)	--	(21,764)
(83,602)	--	(83,602)
(60,305)	--	(60,305)
(883)	--	(883)
(859,714)	--	(859,714)
(6,144)	--	(6,144)
(14,000)	--	(14,000)
(7,501)	--	(7,501)
(2,388,240)	--	(2,388,240)
--	(53,666)	(53,666)
--	(53,666)	(53,666)
\$ (2,388,240)	\$ (53,666)	\$ (2,441,906)
1,740,953	--	1,740,953
18,300	324	18,624
643,022	--	643,022
43,553	--	43,553
26,614	800	27,414
(639)	--	(639)
2,471,803	1,124	2,472,927
<b>83,563</b>	<b>(52,542)</b>	<b>31,021</b>
7,641,500	4,339,393	11,980,893
<b>\$ 7,725,063</b>	<b>\$ 4,286,851</b>	<b>\$ 12,011,914</b>

## CITY OF MARINE CITY

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

	<b>Special Revenue</b>		
	<b>General</b>	<b>Local Street</b>	<b>Major Street</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,398,051	\$ 421,956	\$ 1,167,489
Restricted cash	108	--	--
Accounts and assessments receivable	24,250	--	894
Current portion of lease receivable	28,449	--	--
Due from other units of government	155,978	21,627	56,442
Other assets	3,000	750	500
Due from other funds	72,036	192,762	5,317
Lease receivable, net of current portion	446,374	--	--
<b>Total Assets</b>	<b>3,128,246</b>	<b>637,095</b>	<b>1,230,642</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	--	--	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,128,246</b>	<b>\$ 637,095</b>	<b>\$ 1,230,642</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 89,239	\$ --	\$ 107
Accrued wages and vacation pay	38,951	701	2,368
Due to other units and taxpayers	30	--	--
Unearned revenue	484,813	--	--
Due to fiduciary funds	410	--	--
Due to other funds	11,898	34,248	398,675
<b>Total Liabilities</b>	<b>625,341</b>	<b>34,949</b>	<b>401,150</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	495,713	--	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,121,054</b>	<b>34,949</b>	<b>401,150</b>
<b>FUND BALANCE</b>			
Restricted	189,150	602,146	829,492
Committed	44,863	--	--
Unassigned	1,773,179	--	--
<b>Total Fund Balance</b>	<b>2,007,192</b>	<b>602,146</b>	<b>829,492</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 3,128,246</b>	<b>\$ 637,095</b>	<b>\$ 1,230,642</b>



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Other Governmental Funds		Total Governmental Funds	
\$	325,102	\$	4,312,598
	--		108
	--		25,144
	--		28,449
	44,653		278,700
	--		4,250
	--		270,115
	--		446,374
	<u>369,755</u>		<u>5,365,738</u>
	--		--
<b>\$</b>	<b><u>369,755</u></b>	<b>\$</b>	<b><u>5,365,738</u></b>
\$	228	\$	89,574
	1,065		43,085
	--		30
	--		484,813
	--		410
	<u>54,783</u>		<u>499,604</u>
	56,076		1,117,516
	<u>44,278</u>		<u>539,991</u>
	<u>100,354</u>		<u>1,657,507</u>
	269,401		1,890,189
	--		44,863
	--		1,773,179
	<u>269,401</u>		<u>3,708,231</u>
<b>\$</b>	<b><u>369,755</u></b>	<b>\$</b>	<b><u>5,365,738</u></b>

**CITY OF MARINE CITY****Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022**

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Total Fund Balance - Governmental Funds	\$	3,708,231
Accrued interest expense included on the entity-wide statements are expensed as paid on the governmental fund statements		(2,339)
Compensated absences expensed as paid on the governmental fund statements are expensed as incurred on the entity-wide statements and are reflected as liabilities on the Statement of Net Position		(168,102)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities		65,169
Capital assets used in governmental activities included on the Statement of Net Position are not financial resources and are not reported on the governmental fund statements		8,145,122
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported on the governmental fund statements		(285,143)
Components of the net OPEB liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(1,780,286)
Long-term receivables are not due in the current period and are not reported on the governmental fund statements		13
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(1,957,602)
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>7,725,063</u></b>

**CITY OF MARINE CITY**
**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2022**

	<b>Special Revenue</b>		
	<b>General</b>	<b>Local Street</b>	<b>Major Street</b>
<b>Revenues</b>			
Tax collections	\$ 1,740,953	\$ --	\$ --
Distributions from State of Michigan	666,704	141,026	368,324
Licenses, permits, fines, and fees	180,603	--	--
Local grants and reimbursements	71,544	--	--
Federal grants	21,522	--	--
Rentals	46,805	--	--
Refuse	317,360	--	--
Intergovernmental	2,543	--	--
Other	43,153	--	--
User fees and other charges	31,620	--	--
Interest revenue	17,757	147	396
<b>Total Revenues</b>	<b>3,140,564</b>	<b>141,173</b>	<b>368,720</b>
<b>Expenditures</b>			
<i>Current:</i>			
Legislative	17,785	--	--
General government	717,817	--	--
Public safety	975,521	--	--
Public works	601,534	--	--
Community and economic development	4,194	--	--
Recreation and cultural	97,201	--	--
Highways and streets	--	102,259	83,794
Other	76,732	--	--
Health and welfare	883	--	--
Unallocated pension and OPEB expense (recovery)	370,738	--	--
Cemetery operations	--	--	--
<i>Debt Service:</i>			
Debt service interest	--	1,901	1,901
Debt service principal	--	27,134	27,134
<i>Capital Outlay:</i>			
General government	172,456	--	--
Public safety	29,200	--	--
Public works	3,974	--	--
Recreation and cultural	50,499	--	--
Highways and streets	--	30,000	208,731
<i>Intergovernmental:</i>			
Water and sewer charges	14,000	--	--
Equipment rent	--	1,317	1,226
<b>Total Expenditures</b>	<b>3,132,534</b>	<b>162,611</b>	<b>322,786</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>8,030</b>	<b>(21,438)</b>	<b>45,934</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	--	160,941	5,000
Transfers to other funds	(35,000)	--	(155,941)
<b>Net Other Financing Sources (Uses)</b>	<b>(35,000)</b>	<b>160,941</b>	<b>(150,941)</b>
<b>Net Change in Fund Balance</b>	<b>(26,970)</b>	<b>139,503</b>	<b>(105,007)</b>
<i>Fund Balance at Beginning of Period</i>	<i>2,034,162</i>	<i>462,643</i>	<i>934,499</i>
<b>Fund Balance at End of Period</b>	<b>\$ 2,007,192</b>	<b>\$ 602,146</b>	<b>\$ 829,492</b>

See accompanying notes.

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Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,740,953
--	1,176,054
375	180,978
44,653	116,197
--	21,522
--	46,805
--	317,360
--	2,543
--	43,153
33,060	64,680
--	18,300
<u>78,088</u>	<u>3,728,545</u>
--	17,785
--	717,817
116	975,637
--	601,534
--	4,194
--	97,201
--	186,053
--	76,732
--	883
--	370,738
39,283	39,283
3,789	7,591
23,602	77,870
--	172,456
--	29,200
--	3,974
--	50,499
--	238,731
--	14,000
--	2,543
<u>66,790</u>	<u>3,684,721</u>
<u>11,298</u>	<u>43,824</u>
25,000	190,941
--	(190,941)
<u>25,000</u>	<u>--</u>
<b>36,298</b>	<b>43,824</b>
233,103	3,664,407
<u>\$ 269,401</u>	<u>\$ 3,708,231</u>

See accompanying notes.

## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Tax collections	\$ 1,736,160	\$ 1,691,160	\$ 1,740,953	\$ 49,793
Distributions from State of Michigan	582,400	582,000	666,704	84,704
Licenses, permits, fines, and fees	118,250	134,600	180,603	46,003
Local grants and reimbursements	50,000	25,000	71,544	46,544
Federal grants	9,300	2,500	21,522	19,022
Rentals	44,990	44,990	46,805	1,815
Refuse	300,800	320,000	317,360	(2,640)
Intergovernmental	8,000	750	2,543	1,793
Other	18,500	32,733	43,153	10,420
User fees and other charges	53,800	18,975	31,620	12,645
Interest	21,790	17,140	17,757	617
<b>Total Revenues</b>	<b>2,943,990</b>	<b>2,869,848</b>	<b>3,140,564</b>	<b>270,716</b>
<b>Other Financing Sources</b>				
Gain on sale of fixed assets	300,000	--	--	--
<b>Total Revenues and Other Financing Sources</b>	<b>3,243,990</b>	<b>2,869,848</b>	<b>3,140,564</b>	<b>270,716</b>
<b>Expenditures</b>				
Legislative	20,670	12,810	17,785	(4,975)
General government	853,775	852,003	894,273	(42,270)
Public safety	1,022,550	994,266	1,004,721	(10,455)
Public works	624,740	636,045	605,508	30,537
Community and economic development	11,150	5,600	4,194	1,406
Recreation and cultural	149,680	146,774	147,700	(926)
Other	478,640	469,140	457,470	11,670
Health and welfare	2,600	400	883	(483)
<b>Total Expenditures</b>	<b>3,163,805</b>	<b>3,117,038</b>	<b>3,132,534</b>	<b>(15,496)</b>
<b>Other Financing Uses</b>				
Transfers to other funds	35,000	35,000	35,000	--
<b>Total Expenditures and Other Financing Uses</b>	<b>3,198,805</b>	<b>3,152,038</b>	<b>3,167,534</b>	<b>(15,496)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>45,185</b>	<b>(282,190)</b>	<b>(26,970)</b>	<b>255,220</b>
<b>Net Change in Fund Balance</b>	<b>45,185</b>	<b>(282,190)</b>	<b>(26,970)</b>	<b>255,220</b>
<i>Fund Balance at Beginning of Period</i>	<i>2,034,162</i>	<i>2,034,162</i>	<i>2,034,162</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 2,079,347</b>	<b>\$ 1,751,972</b>	<b>\$ 2,007,192</b>	<b>\$ 255,220</b>

## CITY OF MARINE CITY

## Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

## Major Street

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<b>Revenues</b>				
Distributions from State of Michigan	\$ 345,000	\$ 345,000	\$ 368,324	\$ 23,324
Interest	1,000	500	396	(104)
<b>Total Revenues</b>	<b>346,000</b>	<b>345,500</b>	<b>368,720</b>	<b>23,220</b>
<b>Other Financing Sources</b>				
Transfers from other funds	5,000	5,000	5,000	--
<b>Total Revenues and Other Financing Sources</b>	<b>351,000</b>	<b>350,500</b>	<b>373,720</b>	<b>23,220</b>
<b>Expenditures</b>				
Highways and streets	355,800	315,740	293,751	21,989
Debt service principal	29,035	29,035	27,134	1,901
Debt service interest	2,000	1,000	1,901	(901)
<b>Total Expenditures</b>	<b>386,835</b>	<b>345,775</b>	<b>322,786</b>	<b>22,989</b>
<b>Other Financing Uses</b>				
Transfers to other funds	172,500	162,000	155,941	6,059
<b>Total Expenditures and Other Financing Uses</b>	<b>559,335</b>	<b>507,775</b>	<b>478,727</b>	<b>29,048</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(208,335)</b>	<b>(157,275)</b>	<b>(105,007)</b>	<b>52,268</b>
<b>Net Change in Fund Balance</b>	<b>(208,335)</b>	<b>(157,275)</b>	<b>(105,007)</b>	<b>52,268</b>
<b>Fund Balance at Beginning of Period</b>	<b>934,499</b>	<b>934,499</b>	<b>934,499</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 726,164</b>	<b>\$ 777,224</b>	<b>\$ 829,492</b>	<b>\$ 52,268</b>

## CITY OF MARINE CITY

## Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

## Local Street

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<b>Revenues</b>				
Distributions from State of Michigan	\$ 131,000	\$ 124,500	\$ 141,026	\$ 16,526
Interest	500	500	147	(353)
<b>Total Revenues</b>	<u>131,500</u>	<u>125,000</u>	<u>141,173</u>	<u>16,173</u>
<b>Other Financing Sources</b>				
Transfers from other funds	177,500	167,000	160,941	(6,059)
<b>Total Revenues and Other Financing Sources</b>	<u>309,000</u>	<u>292,000</u>	<u>302,114</u>	<u>10,114</u>
<b>Expenditures</b>				
Highways and streets	166,555	160,705	133,576	27,129
Debt service principal	29,035	29,035	27,134	1,901
Debt service interest	2,000	1,000	1,901	(901)
<b>Total Expenditures</b>	<u>197,590</u>	<u>190,740</u>	<u>162,611</u>	<u>28,129</u>
<b>Other Financing Uses</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>197,590</u>	<u>190,740</u>	<u>162,611</u>	<u>28,129</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>111,410</u>	<u>101,260</u>	<u>139,503</u>	<u>38,243</u>
<b>Net Change in Fund Balance</b>	<u>111,410</u>	<u>101,260</u>	<u>139,503</u>	<u>38,243</u>
<i>Fund Balance at Beginning of Period</i>	<u>462,643</u>	<u>462,643</u>	<u>462,643</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 574,053</u>	<u>\$ 563,903</u>	<u>\$ 602,146</u>	<u>\$ 38,243</u>

**CITY OF MARINE CITY****Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balance with Statement of Activities  
For the Year Ended June 30, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$	43,824
Accrued interest expense included on the entity-wide statements are expensed as paid on the governmental fund statements		1,447
Compensated absences expensed as paid on the governmental fund statements are expensed as incurred on the entity-wide statements and are reflected as liabilities on the Statement of Net Position		40,068
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities		(2,296)
Components of the net OPEB liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(35,521)
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives on the Statement of Activities		(35,489)
Principal payments of long-term debt expensed on the governmental fund statements are a reduction of liabilities on the Statement of Net Position		77,870
Receipt of long-term receivables are revenue for the governmental funds but reduces receivable on the Statement of Net Position		(2)
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(5,699)
Fund level statements report proceeds from sales of capitalized assets as gains. For entity-wide statements, total gain is reduced by any book value of the asset at time of disposal		(639)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>83,563</b>



**CITY OF MARINE CITY**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water and Sewer Disposal</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,410,466
Accounts and assessments receivable	528,367
Due from other units of government	37,471
Other assets	750
Due from other funds	238,731
<b>Total Current Assets</b>	<b>2,215,785</b>
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	4,942,953
<b>Total Assets</b>	<b>7,158,738</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Aggregated deferred outflows	286,910
<b>Total Deferred Outflows of Resources</b>	<b>286,910</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable	200,549
Accrued wages and vacation pay	7,401
Accrued interest payable	3,099
Current portion of debt	140,000
Due to other funds	9,242
<b>Total Current Liabilities</b>	<b>360,291</b>
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	509,532
Net pension liability	907,628
Net OPEB liability	1,194,869
<b>Total Liabilities</b>	<b>2,972,320</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	186,477
<b>Total Deferred Inflows of Resources</b>	<b>186,477</b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	4,293,421
<i>Restricted for:</i>	
Water monitoring system	149,383
Infrastructure improvements	961,915
<i>Unrestricted</i>	(1,117,868)
<b>Total Net Position</b>	<b>\$ 4,286,851</b>

**CITY OF MARINE CITY**

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water and Sewer Disposal</b>
<b>Operating Revenues</b>	
Metered sales	\$ 1,481,663
Sewage treatment contract	158,998
Hydrant rental and city usage	14,000
Water taps and meter sales	14,500
Other	3,450
<b>Total Operating Revenues</b>	<b>1,672,611</b>
<b>Operating Expenses</b>	
Water	1,094,348
Sewer	1,009,212
<b>Total Operating Expenses</b>	<b>2,103,560</b>
<b>Operating Income (Loss)</b>	<b>(430,949)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest revenue	324
Debt service	137,124
Ready to serve fees	245,403
Interest expense and agent fees	(4,444)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>378,407</b>
<b>Change In Net Position</b>	<b>(52,542)</b>
<i>Net Position at Beginning of Period</i>	4,339,393
<b>Net Position at End of Period</b>	<b>\$ 4,286,851</b>

**CITY OF MARINE CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water and Sewer Disposal</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from customers	\$ 1,494,555
Receipts from interfund services	14,000
Payments to suppliers	(1,179,043)
Payments to employees	(234,690)
Other receipts (payments)	17,950
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>112,772</b>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Advances to other funds	(230,899)
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>(230,899)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(524,626)
Principal paid on long term debt	(261,954)
Interest and agent fees paid on revenue bonds	(12,092)
Debt service charges	137,124
Capital improvement fees	245,403
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<b>(416,145)</b>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	324
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>324</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(533,948)</b>
Cash and Cash Equivalents at July 1, 2021	1,944,414
<b>Cash and Cash Equivalents at June 30, 2022</b>	<b>\$ 1,410,466</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income	\$ (430,949)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>	
Depreciation	547,287
<b>Change in assets and liabilities:</b>	
Accounts receivable	(36,095)
Due from other governments	(37,471)
Other assets	(750)
Deferred outflow of resources	(271,004)
Accounts payable	118,865
Due to other units and taxpayers	(72,540)
Accrued wages and compensated absences	(1,632)
Net pension liability	314,974
Net OPEB liability	44,245
Deferred inflow of resources	(62,158)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 112,772</b>

## CITY OF MARINE CITY

## Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2022

	Pension and Benefit Trust		Custodial Funds
	Retiree Health Trust	Pension Fund	Tax Collection Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ --	\$ --	\$ 121,234
Cash and money market funds at fair value	50,986	203,037	--
Investments - mutual funds at fair value	242,682	4,866,714	--
Taxes receivable	--	--	38,055
Prepaid expenses	1,492	--	--
Due from primary government	--	410	--
<b>Total Assets</b>	<b>295,160</b>	<b>5,070,161</b>	<b>159,289</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	--	--	--
<b>Total Deferred Outflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>LIABILITIES</b>			
Due to primary government	--	--	131,275
Due to other units and taxpayers	--	--	23,672
Due to other funds	--	--	4,342
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>159,289</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	--	--	--
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>NET POSITION</b>			
Restricted for pensions	--	5,070,161	--
Restricted for postemployment benefits other than pensions	295,160	--	--
<b>Total Net Position</b>	<b>\$ 295,160</b>	<b>\$ 5,070,161</b>	<b>\$ --</b>

## CITY OF MARINE CITY

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2022**

	<b>Pension and Benefit Trust</b>		<b>Custodial Funds</b>
	<b>Retiree Health Trust</b>	<b>Pension Fund</b>	<b>Tax Collection Fund</b>
<b>ADDITIONS</b>			
<i>Contributions</i>			
Employer contributions	\$ 265,037	\$ 404,384	\$ --
Employee contributions	--	12,196	--
<b>Total Contributions</b>	<b>265,037</b>	<b>416,580</b>	<b>--</b>
<i>Investment Earnings</i>			
Net increase (decrease) in fair value	(46,425)	(1,009,232)	--
Interest, dividends, and realized gains	10,489	239,578	--
<i>Less: Investment Expenses</i>			
Investment Expense	--	(43,348)	--
<b>Net Investment Earnings</b>	<b>(35,936)</b>	<b>(813,002)</b>	<b>--</b>
Taxes collected for other governments	--	--	5,216,211
<b>Total Additions</b>	<b>229,101</b>	<b>(396,422)</b>	<b>5,216,211</b>
<b>DEDUCTIONS</b>			
Benefits	227,024	637,189	--
Administrative expenses	2,914	13,050	--
Taxes remitted to other governments	--	--	5,216,211
<b>Total Deductions</b>	<b>229,938</b>	<b>650,239</b>	<b>5,216,211</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>(837)</b>	<b>(1,046,661)</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	<i>295,997</i>	<i>6,116,822</i>	<i>--</i>
<b>Net Position at End of Period</b>	<b>\$ 295,160</b>	<b>\$ 5,070,161</b>	<b>\$ --</b>

## **CITY OF MARINE CITY**

### **Notes to Financial Statements For the Year Ended June 30, 2022**

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **DESCRIPTION OF ENTITY AND ITS OPERATIONS**

The City of Marine City, located in St. Clair County, Michigan, was established in 1887 and is a public corporation created under the constitution and statutes of the State of Michigan which covers an area of 2.2 square miles. The City operates under a Commission-Manager form of government which includes an elected Mayor and Board of six commissioners. Services are provided as authorized by charter including public safety (police, fire, and inspections), highways and streets, recreation, sanitation, and general administration to approximately 4,100 residents.

##### **REPORTING ENTITY**

The financial reporting entity consists of the primary government of the City of Marine City and its discretely presented component units. The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the inclusion of a related entity are the makeup of its governing body, legal status, degree of fiscal independence, the primary entity's ability to appoint a voting majority of its governing body, or to impose its will, and the potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, no component units have been identified.

The City of Marine City has entered into an agreement with the Township of Cottrellville, the Township of East China, and China Township for an area fire authority (Marine City Area Fire Authority) to provide fire and emergency services to the residents of the City and Townships. This entity is not a component unit of the City of Marine City. See Note 14 for additional details.

##### **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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to 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 revenue.

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

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

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#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied on July 1, and become a lien on that date. These taxes are due on August 31, with a final collection date of February 28, before they are delinquent.

The 2021 taxable valuation of the City totaled \$107.2 million (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.0425 mills for the local governmental operations, raising \$1.7 million for operating. These amounts are recognized in the General Fund as taxes receivable or as tax collections. The delinquent real property taxes of the City are purchased by St. Clair County. The City also receives property taxes from St. Clair County for roads and recreation.

The City reports the following major governmental funds:

**GENERAL FUND** - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

**MAJOR AND LOCAL STREET FUNDS** - The Major Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on major streets. The Local Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on local streets.

The City reports the following major proprietary funds:

**ENTERPRISE FUNDS** - The Water Supply and Sewage Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the City reports the following fund types:

**PENSION FUND** - This fund is an agent for retirement contributions for the City's employees.

**RETIREE HEALTH TRUST** - This fund is an agent for retiree health insurance contributions for the City's employees.

**CUSTODIAL FUNDS** - These funds are used to account for assets held by the City as an agent for individuals, organizations, other governments, or other funds.

**SPECIAL REVENUE FUNDS** - These funds are used to account for specific governmental activities requiring separate accounting because of legal or regulatory provisions or administrative action.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*PERMANENT FUNDS* - These funds are used to account for and report resources that are restricted to the extent only earnings, and not principal, may be used for purposes that support the City's programs.

*DEBT SERVICE FUND* - This fund is used to account for and report resources that are restricted for the repayment of debt.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for functions of the government when eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY**

**DEPOSITS AND INVESTMENTS**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**RECEIVABLES AND PAYABLES**

In general, outstanding balances between funds are reported as "due to/from other funds." All delinquent trade and property tax receivables are shown net of allowance for uncollectible amounts.

**INVENTORY AND PREPAID ITEMS**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements only.

**CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.



**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Infrastructure assets acquired prior to July 1, 2003, have not been capitalized and are omitted from the Statement of Net Position.

Assets are depreciated using the straight-line method over the following useful lives:

<u>Asset Type</u>	<u>Life</u>
Office equipment	3-15 years
Buildings and additions	15-60 years
Roads and sidewalks	20 years
Machinery and equipment	5-10 years
Water and sewer system	20-40 years
Water and sewer plant and equipment	20 years

**COMPENSATED ABSENCES**

The City accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. Vacation benefits are treated as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**PENSION**

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 City of Marine City Retirement System (Pension Fund) and additions to/deductions from the Pension Fund have been determined on the same basis as they are reported by the Pension Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

For purposes of measuring the net 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 City of Marine City Post-Retirement Health Care Benefits Plan (Retiree Health Trust) and additions to/deductions from the Retiree Health Trust have been determined on the same basis as they are reported by the Retiree Health Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year the costs were incurred.

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

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**UNEARNED/UNAVAILABLE REVENUE**

Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Federal grants	\$ --	\$ 426,450
State and Local Revenue	65,169	58,363
Leases	474,822	--
	<u>\$ 539,991</u>	<u>\$ 484,813</u>

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any amounts that qualify to be reported as deferred outflows of resources on a modified-accrual basis. See Notes 9 and 10 regarding amounts reported as deferred outflows of resources related to the net pension and net OPEB obligations.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has two items, which qualifies under a modified-accrual basis of accounting, for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: delinquent property taxes, state and local distributions, special assessments, and contract revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the City has deferred inflows of resources related to leases. See Note 7 for information regarding leases. See Notes 9 and 10 regarding amounts reported as deferred inflows of resources related to the net pension and net OPEB obligations which are reported on the entity-wide statements only.

**FUND EQUITY**

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Commitments of fund balance represent amounts committed by the City's highest level of decision-making authority and require resolution by the City Commission. Assignments represent tentative management plans that are subject to change. Management's authority to create these assignments are established by the City Commission.

It is the policy of the City to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed or assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**CONSTRUCTION CODE FEES**

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Cumulative shortfall at June 30, 2021	\$ (107,774)
Permit revenues	95,146
Related expenditures	(88,273)
Cumulative surplus (shortfall)	<u>\$ (100,901)</u>

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

##### EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Law provides a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the City for these budgetary funds were adopted to the departmental level. Budget amendments require approval from a majority of the City Commission. For fiscal year 2022, actual expenditures exceeding those budgeted are as follows:

<u>General Fund</u>		<u>Capital Improvement</u>	
Legislative	\$ 4,975	General government	\$ 55
General government	42,215		
Public safety	10,455	<u>Cemetery Perpetual Care</u>	
Recreation and cultural	926	Cemetery operations	\$ 169
Health and welfare	483		
		<u>Woodlawn Cemetery</u>	
<u>Local Street</u>		Cemetery operations	\$ 1,430
Debt service interest	\$ 901		
<u>Major Street</u>			
Debt service interest	\$ 901		

#### NOTE 3: CASH AND INVESTMENTS

##### DEPOSITS

Deposits are carried at cost. Deposits are at Michigan banks in the name of the City of Marine City Treasurer. Governing statutes allow a city to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies, or instrumentalities;
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan;
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days;
4. U.S. or agency repurchase agreements;
5. Mutual funds, interlocal unit agreement pools, or investment pools whose portfolios consist solely of investments otherwise allowable for direct investments;
6. Bankers' acceptances of U.S. banks;
7. Obligations of the State of Michigan or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service; and
8. Certificates of deposit purchased through a Michigan bank that are subsequently allocated to additional banks or credit unions in order to maintain full federal depository insurance.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 held public funds may not be deposited in financial institutions located in states other than Michigan. The deposits and investments of the City are not limited beyond statutory authority and are in compliance as of June 30, 2022. The above investment restrictions do not apply to the City's Pension Fund or the Retiree Health Trust.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents" and "Restricted cash" and are reflected on the individual fund balance sheet as follows:

Total governmental funds	\$ 4,312,706
Total proprietary funds	1,410,466
Less: cash on hand	(926)
Total Deposits	<u>\$ 5,722,246</u>

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 3: CASH AND INVESTMENTS (Continued)**

Deposits and investments at the balance sheet date consist of the following:

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 621,356	\$ 4,950,686	\$ 5,527,795	\$ 5,572,042
Savings and CD's	194,451	--	194,451	194,451
Total Cash	<u>\$ 815,807</u>	<u>\$ 4,950,686</u>	<u>5,722,246</u>	<u>\$ 5,766,493</u>
<u>Investments - Nonrisk Categorized</u>				
Money market account			194,858	\$ 151,375
Mutual funds			5,168,561	5,168,561
Total Investments			<u>5,363,419</u>	<u>\$ 5,319,936</u>
Total Cash and Investments			<u>\$ 11,085,665</u>	

**INTEREST RATE RISK**

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City made no investments that have market value risk during the current fiscal year.

**CREDIT RISK**

Statutes limit investments as stated above. The City's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the City Manager and City Treasurer.

**CONCENTRATION OF CREDIT RISK**

The City places no limit on the amount it may invest in any one issuer. All of the City's investments are mutual funds invested with Raymond James and Associates.

**CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2022, \$5.0 million of the government's bank balance of \$5.8 million was exposed to custodial credit risk because it was uninsured.

Custodial credit risk for investments is the risk, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have exposure to this type of risk.

**PENSION AND RETIREE HEALTH TRUST**

Michigan law authorizes a political subdivision to make various investments with assets of public employee retirement systems including, but not limited to, the following:

1. The general account of a life insurer authorized to do business in this state, but the total of the assets invested shall not exceed 50% of the capital and surplus of the insurer;
2. Obligations of the United States or its agencies;
3. Banker's acceptances, commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association, or a credit union; and
4. Commercial paper rated within 3 highest rate classifications by at least 2 rating services and matures not later than 270 days.

The City of Marine City's Pension and Retiree Health Trust deposits and investments are in accordance with statutory authority. The City's investment policy for these funds does not limit investment choices beyond the statute. All of the investments are held in the name of the City's Pension and Retiree Health Trust.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 3: CASH AND INVESTMENTS (Continued)**

The Pension and Retiree Health Trust investments are carried at market value as follows:

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Raymond James Money Market	Variable	\$ 194,858
Raymond James Mutual Fund Portfolio	Variable	5,168,561
		<u>\$ 5,363,419</u>

**NOTE 4: RESTRICTED ASSETS AND INVESTMENTS**

As of the balance sheet date, certain assets were subject to restrictions as follows:

*General Fund - Restricted Assets:*

Cash restricted for police	<u>\$ 108</u>
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**NOTE 5: CAPITAL ASSETS**

*Governmental Activities Fixed Assets:*

A summary of changes in governmental fixed assets follows:

	<u>Balance 06/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/2022</u>
Legislative:				
Equipment	\$ 3,342	\$ --	\$ --	\$ 3,342
General Government:				
Equipment and vehicles	235,219	22,579	(1,980)	255,818
Buildings	1,756,283	128,740	--	1,885,023
Land	1,449,150	--	(10,500)	1,438,650
Public Safety:				
Equipment and vehicles	402,382	29,200	(22,234)	409,348
Buildings	618,268	--	--	618,268
Public Works:				
Equipment and vehicles	373,822	--	--	373,822
Buildings	259,256	3,974	--	263,230
Recreation and Culture:				
Land	258,116	--	--	258,116
Equipment	449,846	6,670	--	456,516
Buildings	639,723	--	--	639,723
Beach	61,388	--	--	61,388
Kayak launch	19,977	30,762	--	50,739
Marina	--	31,638	--	31,638
Highways and Streets:				
Equipment	1,063,515	--	--	1,063,515
Roads and sidewalks	6,570,055	251,797	--	6,821,852
Cemetery:				
Equipment	10,172	--	--	10,172
Buildings	246,209	--	--	246,209
Total Capital Assets	<u>14,416,723</u>	<u>505,360</u>	<u>(34,714)</u>	<u>14,887,369</u>
Accumulated Depreciation	<u>(6,235,473)</u>	<u>(530,349)</u>	<u>23,575</u>	<u>(6,742,247)</u>
Total Carrying Value of Fixed Assets	<u>\$ 8,181,250</u>	<u>\$ (24,989)</u>	<u>\$ (11,139)</u>	<u>\$ 8,145,122</u>

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 5: CAPITAL ASSETS (Continued)**

The cost of land totaling \$1.7 million is not subject to depreciation.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

General Government	\$ 56,376
Public Safety	48,463
Public Works	7,010
Recreation and Culture	40,666
Highways and Streets	377,396
Cemetery	438
Total	<u>\$ 530,349</u>

*Business-Type Activities Fixed Assets:*

A summary of changes in business-type fixed assets follows:

	Balance 06/30/2021	Additions	Construction in Process	Balance 06/30/2022
Water plant, lines, and equipment	\$ 7,227,821	\$ 436,132	\$ 22,829	\$ 7,686,782
Sewer plant, lines, and equipment	15,156,438	88,494	--	15,244,932
Construction in process - sewer	251,354	--	--	251,354
Construction in process - water	22,829	--	(22,829)	--
Land	63,174	--	--	63,174
Total Capital Assets	22,721,616	524,626	--	23,246,242
Accumulated Depreciation	(17,756,002)	(547,287)	--	(18,303,289)
Total Carrying Value of Fixed Assets	<u>\$ 4,965,614</u>	<u>\$ (22,661)</u>	<u>\$ --</u>	<u>\$ 4,942,953</u>

The above amounts include land and construction in process with a cost of \$63,174 and \$251,354, respectively, not subject to depreciation. Depreciation for the water and sewer systems totaled \$231,214 and \$316,073, respectively, for the year ended June 30, 2022.

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered.

*Interfund transfers:*

<u>Transfers In</u>		<u>Transfers Out</u>	
Local Street	<u>\$ 155,941</u>	Major Street	<u>\$ 155,941</u>
Major Street	\$ 5,000		
Local Street	5,000		
Woodlawn Cemetery	<u>25,000</u>		
	<u>\$ 35,000</u>	General Fund	<u>\$ 35,000</u>

The above transfers were made to provide various permissible interfund subsidies and reimbursements.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
		Major Street	\$ 208,731
		Local Street	30,000
Water and Sewer	<u>\$ 238,731</u>		<u>\$ 238,731</u>
Pension Fund	<u>\$ 410</u>	General Fund	<u>\$ 410</u>
Local Street	<u>\$ 186,181</u>	Major Street	<u>\$ 186,181</u>
Major Street	\$ 5,317		
Local Street	6,581		
	<u>\$ 11,898</u>	General Fund	<u>\$ 11,898</u>
		Brownfield Redevelopment	\$ 54,783
		Major Street	3,763
		Local Street	4,248
		Water and Sewer	9,242
General Fund	<u>\$ 72,036</u>		<u>\$ 72,036</u>

**NOTE 7: LEASE OBLIGATIONS**

The City is a lessor in three lease agreements that qualify as long-term leases because the City will not surrender control of the assets at the end of the term and the non-cancelable term of the agreements exceed one year. The agreements are generally fixed monthly or annual payments with a periodic percentage increase. Total lease revenue for the year was \$42,934, including interest of \$16,249. Discount rates were determined using the lessee's weighted average interest rate on leases. The assets leased are described below.

<u>Asset Type</u>	<u>Remaining Term of Agreements</u>
Cellular towers	18-23 years
Homeland security tower	8 years

At June 30, 2022, lease receivable and deferred inflows of resources amounted to \$474,822.

**NOTE 8: 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. Certain contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 8: LONG-TERM DEBT (Continued)**

In fiscal year 2018, the City financed the purchase of a vacuum truck in the amount of \$361,829 with the truck as collateral. As of June 30, 2022, there was \$64,532 outstanding and the book value of the collateral was \$260,632. See below for additional details on this obligation.

In fiscal year 2021, the City financed the purchase of a street sweeper in the amount of \$168,000 with the street sweeper as collateral. As of June 30, 2022, there was \$56,136 outstanding and the book value of the collateral was \$142,800. See below for additional details on this obligation.

The City received a loan during the 2017 fiscal year from the Michigan Department of Environmental Quality (MDEQ) for the environmental cleanup costs of a Brownfield site located within the City. This loan is to be repaid with future property tax captures on the related property. Additional funds were requested from MDEQ in the 2018 fiscal year for additional project costs. Prior to the 2019 fiscal year, there were no tax captures on the property. Under the terms of the agreement, if the loan goes into default, the State of Michigan has the right to withhold state revenue sharing to reimburse the outstanding amounts on the loan. Loan repayments are to begin no later than five years after the execution date with no penalty for early repayment. No interest will be charged on the principal outstanding if repaid within the first five years. The City has also entered into an agreement with the property owners to indemnify the City if the project fails or the revenues are not sufficient to repay the loan when due.

The City did not have any short-term debt obligations outstanding at the beginning or end of the period. As of June 30, 2022, the City does not have unused lines of credit or other obligations.

In addition to bonds and leases, the City has the following long-term liabilities:

Description	Balance at 07/01/2021	Balance at 06/30/2022
Accrued sick pay	\$ 146,693	\$ 121,381
Other post-employment benefits	See Note 10	See Note 10
Net pension liability	See Note 9	See Note 9

**CHANGES IN INDEBTEDNESS BY FUND TYPE**

	Payable at 06/30/2021	Increase	Decrease	Payable at 06/30/2022	Payable Within One Year
Total Business-Type					
Activities Indebtedness	\$ 911,486	\$ --	\$ 261,954	\$ 649,532	\$ 140,000
Total Governmental					
Activities Indebtedness	363,013	--	77,870	285,143	80,092
Total Indebtedness	<u>\$ 1,274,499</u>	<u>\$ --</u>	<u>\$ 339,824</u>	<u>\$ 934,675</u>	<u>\$ 220,092</u>

**SUMMARY OF INDEBTEDNESS**

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Direct Borrowings:				
MDEQ loan	1	1.500%	2031	\$ 229,007
Lease Purchase Agreement	1	3.862%	2024	64,532
Lease Purchase Agreement	1	3.390%	2023	56,136
Total Direct Borrowings				<u>\$ 349,675</u>
Revenue Bonds:				
Drinking Water Revolving Funds	2	2.125-2.50%	2026	\$ 585,000
Total Revenue Bonds				<u>\$ 585,000</u>



**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 8: LONG-TERM DEBT (Continued)**

**CHANGES IN INDEBTEDNESS BY TYPE**

	Payable at 06/30/2021	Increase	Decrease	Payable at 06/30/2022	Payable Within One Year
Direct Borrowings:					
MDEQ loan	\$ 252,609	\$ --	\$ 23,602	\$ 229,007	\$ 23,956
Lease Purchase	186,486	--	121,954	64,532	--
Lease Purchase	110,404	--	54,268	56,136	56,136
Total General Obligation	549,499	--	199,824	349,675	80,092
Revenue Bonds:					
Drinking Water Revolving Fund	725,000	--	140,000	585,000	140,000
Total Revenue Bonds	725,000	--	140,000	585,000	140,000
Total Indebtedness	\$ 1,274,499	\$ --	\$ 339,824	\$ 934,675	\$220,092

The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund.

**SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS**

Year Ending June 30	Governmental Activities		Business-Type Activities			
	Notes and Direct Borrowings		Direct Borrowings		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 80,092	\$ 5,369	\$ --	\$ --	\$ 140,000	\$ 12,431
2024	24,316	3,075	64,532	2,492	145,000	9,456
2025	24,680	2,711	--	--	150,000	6,375
2026	25,051	2,340	--	--	150,000	3,188
2027	25,426	1,965	--	--	--	--
2028 - 2032	105,578	3,986	--	--	--	--
	<u>\$ 285,143</u>	<u>\$ 19,446</u>	<u>\$ 64,532</u>	<u>\$ 2,492</u>	<u>\$ 585,000</u>	<u>\$ 31,450</u>

Total interest expense for the City for the year was \$10,588.

**NOTE 9: EMPLOYEE RETIREMENT SYSTEM**

**PLAN DESCRIPTION**

The City of Marine City Retirement System is a single-employer defined benefit pension plan administered by the City of Marine City. The plan is authorized under applicable Michigan public law and City ordinances. The City does not issue a stand-alone financial report for this fund. Copies of the actuarial valuations are available on the Treasurer section of the City's website.

*Plan administration:* Management of the Marine City Retirement System vests with a pension board consisting of five members. Board make-up must consist of the following: one member must be a City Commissioner; the City Manager; an individual who is not a member, spouse of a member, or child of a member; and two members elected by members of the retirement system with no more than one active and one retired member to be elected by the respective group.

*Benefits provided:* The plan provides retirement benefits to plan members and beneficiaries. The City Commission of the City of Marine City has the authority to establish and amend benefit provisions.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)**

Employees attaining the age of 55 who have completed 25 or more continuous years of service or who have attained the age of 60 with 10 or more years of service, are entitled to annual benefits of 2.25 percent (2.0 percent prior to 2003) of their final average compensation for each year of continuous service. Benefits are reduced by .005 for each month, or fraction thereof, by which the date of benefit commencement precedes the member's attainment of age 60.

The Retirement System allows early retirement at the completion of 15 years of continuous service. Active employees, with 10 or more years of service, who become disabled, are entitled to the same benefit as if voluntarily retired. Disability benefits are paid until the earlier of death or recovery from disability. If the disabled member becomes gainfully employed, the pension benefit is reduced by the amount so earned.

If an employee terminates employment with the City and is not eligible for any other benefits under the Retirement System, the employee is entitled to the following:

- If voluntary retirement conditions have not been met - may receive lump sum payment equal to the larger of (1) the actuarial equivalent of the deferred pension, or (2) their accumulated contributions.
- If voluntary retirement conditions have been met - may receive vested benefits at normal retirement age.

The plan is closed to new entrants.

*Plan membership:* Substantially all of the City's employees participated in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2022, was approximately \$242,000 with total payroll for the year totaling approximately \$1.2 million. Membership in the Retirement System as of June 30, 2022 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Inactive members - Retirees and beneficiaries currently receiving benefits	27
- Retirees eligible for benefits but not receiving benefits	4
Active employees - fully vested	3

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS**

The Pension Fund uses the accrual method of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. Benefits and refunds are recognized when due to members. Investments are reported at fair value.

*Investment policy:* The Pension Board are the trustees of the assets of the retirement system. The City Commission retains full power and authority to invest and reinvest assets subject to any restrictions, limitations, terms, and conditions imposed by the State of Michigan for pension plans. The City's investment policy does not limit investment types beyond those imposed by applicable state statutes.

The City's investment policy focuses on making investments to provide the highest rate of return with maximum security while meeting cashflow needs. The City prioritizes the investment strategy in the following order: maintaining the safety and preservation of capital; diversification by type and institution so potential losses do not exceed income generated from the remaining portfolio; liquidity; and return on investments. There were no investment policy changes during the fiscal year.

*Concentration risk:* Investments, other than U.S. Government securities, that represent 5% or more of the plan's net position are as follows:

<u>Investments</u>	<u>% of Plan Assets</u>
First Eagle Global Bond	5.3%
Permanent Portfolio Fund	9.7%
Proshares S&P Midcap 400	14.1%
SPDR Gold Shares	6.9%

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

#### NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

*Rate of return:* For the year ended, June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -12.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### FUNDING POLICY AND OTHER MATTERS

The contribution requirements of plan members and the City are established and may be amended by the City Commission. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate as provided by state law. The actuarially determined rate is the estimated amount necessary to finance the costs and benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, the City's contribution rate was approximately 167% of annual covered payroll. Total contributions to the plan were \$404,384 for the year.

The costs of administering the plan are paid from plan assets.

#### FUND BALANCE ALLOCATION

City ordinance requires reserves of fund balance to be maintained for employee and employer contributions to the City of Marine City Employee Retirement System.

The employee reserve accounts for the accumulated contributions deducted from compensation of members plus an allocation of related interest and unrealized gains. The employee reserve accumulates until the employee retires from the plan.

The employer contribution reserve accounts for the accumulated contributions by the City to cover employee retirement benefits plus an allocation of interest and unrealized gains. The objective of this reserve is to require city contributions to the retirement system each fiscal year which, when considering the employee contributions, are sufficient to fully fund the cost of benefits likely to be paid to members and finance unfunded costs of benefits likely to be paid by service of employees prior to the current year. The annuity reserve consists of the total of the reserve for retirement benefits and reserve for undistributed investment income/expenses. This reserve is for the benefit payments that will be made by the retirement system.

Reserve balances as of the current fiscal year are as follows:

Fund Balance Reserved for Employee Contribution	\$ 224,016
Fund Balance Reserved for Employer Contribution	3,035,057
Fund Balance Reserved for Annuity	1,811,088
Balance at June 30, 2022	<u>\$ 5,070,161</u>

#### ANNUAL PENSION COST AND NET PENSION OBLIGATION

*Net pension liability:* The components of the net pension liability of the City at June 30, 2022, were as follows:

Total pension liability	\$ 8,157,331
Plan fiduciary net position	(5,070,161)
City's net pension liability	<u>\$ 3,087,170</u>

Plan fiduciary net position as a percentage of the total pension liability: 62.15%

*Actuarial assumptions and methods:* The total pension liability was determined based on the annual actuarial valuation as of June 30, 2022. The following actuarial assumptions were applied to compute the total pension liability:

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)**

Actuarial cost method	Entry Age Cost Method % of pay
Inflation	2.00%
Salary increases	2.00% (includes inflation)
Investment rate of return, including inflation, net of investment expense	6.00% net of expenses
Cost of living assumption adjustments	None

Mortality rates were based on Pub-2010 Mortality with generational improvements projected beginning in 2010 with Scale MP-2021. As the plan is not large enough to have credible experience, mortality assumptions are set to reflect general population trends.

*Long-term expected rate of return on plan assets:* The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	56.0%	5.98%
Fixed Income	29.0	1.47
Alternatives	12.0	2.32
Cash	3.0	0.00
Total	<u>100.0%</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the City's net pension liability, calculated using the discount rate of 6.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease Rate</u>	<u>Computed Rate</u>	<u>1% Increase Rate</u>
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
City's net pension liability	\$ 3,954,242	\$ 3,087,170	\$ 2,350,758

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)**

**CHANGES IN THE NET PENSION LIABILITY**

The increases and decreases in the net pension liability are summarized as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2021	\$ 8,132,652	\$ 6,116,822	\$ 2,015,830
Changes for the year:			
Service cost	23,034	--	23,034
Interest on the net pension liability	470,225	--	470,225
Differences between expected and actual experience	155,496	--	155,496
Changes of assumptions or other inputs	13,110	--	13,110
Contributions - employer	--	404,384	(404,384)
Contributions - employee	--	12,196	(12,196)
Net investment income	--	(813,002)	813,002
Benefit payments, including refunds of employee contributions	(637,189)	(637,189)	--
Administrative expense	--	(13,050)	13,050
Other adjustments	3	--	3
Net Changes	24,679	(1,046,661)	1,071,340
Balances at June 30, 2022	\$ 8,157,331	\$ 5,070,161	\$ 3,087,170

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended June 30, 2022, the City recognized total pension expense of \$412,456. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 912,027	\$ 597,665
Total	\$ 912,027	\$ 597,665

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)**

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

Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 234,965	\$ 199,221
2024	225,721	199,221
2025	225,671	199,223
2026	225,670	--
Total	<u>\$ 912,027</u>	<u>\$ 597,665</u>

*Payable to the Pension Plan:* At June 30, 2022, the City had \$410 due to the pension plan for employee contributions.

**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**PLAN DESCRIPTION**

The City of Marine City Post-Retirement Health Care Benefits Plan and Trust is a single-employer defined benefit plan administered by the City of Marine City. The plan is to provide health care benefits including hospitalization, medical, optical, dental, and life insurance pursuant to insurance plans administered by commercial insurance carriers designated by the City and/or a self-funded health insurance plan. Benefits are provided to members and family members of the Marine City Retirement System.

*Plan administration:* Management of the Marine City Post-Retirement Health Care Benefits Plan and Trust is vested in the Board of Trustees, which consists of the same trustees appointed/elected to the retirement system Board of Trustees. See Note 9 for explanations of the composition of the retirement system board.

*Plan membership:* At June 30, 2022 (latest actuarial valuation available), membership in the Post-Retirement Health Care Benefits Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	17
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>3</u>
	<u>20</u>

The plan is closed to new entrants.

*Benefits provided:* The plan provides postretirement hospitalization, medical, prescription, vision, and dental insurance to all employees (and their dependents) who were full-time employees on or before December 31, 2007, and who were eligible for the medical plan and the retirement system. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. Chapter 33 of the City of Marine City's Charter grants the authority to establish and amend benefit terms to the City Commission through ordinance (with recommendation from the Board of Trustees) and collective bargaining negotiations.

*Contributions:* Chapter 33 of the City of Marine City's Charter grants the authority to establish and amend the contribution requirements of the City and plan members to the City Commission. Contributions to the plan are on a pay-as-you-go basis. The City Charter requires the City to pay the trust amounts sufficient to fund current insurance contracts and administrative expenses. Additional contributions are made at the discretion of the City Commission. Plan members are not required to contribute to the plan. Contributions for the current year were \$265,037 and benefits paid totaled \$227,024.

**OPEB FUND FINANCIAL STATEMENTS**

The plan does not issue a stand-alone financial report for this fund. Copies of the actuarial valuations are available on the Treasurer section of the City's website.

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

#### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

##### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Retiree Health Fund uses the accrual method of accounting. Contributions from the City and City's employees are recognized as revenue in the period which employees provide services to the City. Investment income is recognized as earned by the OPEB plan. Benefits and refunds are recognized when due to members. Investments are stated at fair market value.

*Investment policy:* The Board of Trustees are the trustees of the assets of the retirement system. The City Commission retains full power and authority to invest and reinvest assets subject to any restrictions, limitations, terms, and conditions imposed by the State of Michigan for pension plans. The City's investment policy does not limit investment types beyond those imposed by applicable state statutes. The City's investment policy focuses on making investments to provide the highest rate of return with maximum security while meeting cashflow needs. The City prioritizes the investment strategy in the following order: maintaining the safety and preservation of capital; diversification by type and institution so potential losses do not exceed income generated from the remaining portfolio; liquidity; and return on investments. There were no investment policy changes during the fiscal year.

*Rate of return:* For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -12.49%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Concentration risk:* Investments, other than U.S. Government securities, that represent 5% or more of the plan's net position are as follows:

<u>Investments</u>	<u>% of Plan Assets</u>
Baird Aggregate Bond Fund	5.5%
First Eagle Bond Fund	5.9%
Permanent Portfolio Fund	10.8%
Proshares S&P 500	16.0%
SPDR Gold Shares	7.6%
Vanguard Information Technology	5.3%

##### NET OPEB LIABILITY OF THE CITY

The City's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The components of the net OPEB liability of the City at June 30, 2022, were as follows:

Total OPEB liability	\$ 3,282,332
Plan fiduciary net position	(295,160)
City's net OPEB liability	<u>\$ 2,987,172</u>

Plan fiduciary net position as a percentage of total OPEB liability	8.99%
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*Actuarial assumptions:* The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal Level % of Salary Method
Inflation:	2.50% per year
Salary increases:	3.00% per year
Investment rate of return:	6.45% as of July 1, 2021 and 5.86% as of June 30, 2022

# CITY OF MARINE CITY

## Notes to Financial Statements For the Year Ended June 30, 2022

### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Healthcare cost trend rates:	7.5% for the year of valuation, graded down 0.5% increments over the next 6 years to 4.5% thereafter for Medical/Rx and 4.5% for the year of valuation, graded down 0.5% increments over the next 4 years to 2.5% thereafter for Dental/Vision.
General Employees & Healthy Retirees:	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021
Police Employees & Healthy Retirees:	SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021
Surviving Spouses:	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
Disabled General Retirees:	SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021
Disabled Police Retirees:	SOA Pub-2010 Public Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021

**Discount rate:** The discount rate used to measure the total OPEB liability was 5.86%. The projection of cash flows used to determine the discount rate assumed City contributions will be made at rates equal to the pay-go costs with no additional pre-funding. Based on those assumptions, all OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the net OPEB liability to changes in the discount rate:** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease Rate	Discount Rate	1% Increase Rate
	<u>4.86%</u>	<u>5.86%</u>	<u>6.86%</u>
City's net OPEB liability	\$ 3,380,104	\$ 2,987,172	\$ 2,658,413

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a healthcare trend cost rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease Rate	Healthcare Cost Trend Rate	1% Increase Rate
	<u>6.50-3.50%</u>	<u>7.50-4.50%</u>	<u>8.50-5.50%</u>
City's net OPEB liability	\$ 2,649,083	\$ 2,987,172	\$ 3,386,567

**Long-term expected rate of return on plan assets:** The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2022 are summarized below:



**CITY OF MARINE CITY**
**Notes to Financial Statements  
For the Year Ended June 30, 2022**
**NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>L/T Expected Rate of Return</u>
U.S. Large Cap Equity	33.00%	8.07%
U.S. Small/Mid Cap Equity	4.00	8.80
Non-U.S. Developed Large Cap Equity		
Unhedged	9.00	8.45
Emerging Markets Equity Unhedged	2.00	10.33
U.S. Aggregate FI	23.00	3.75
U.S. High Yield FI	3.00	6.01
U.S. Cash	17.00	2.51
Non-U.S. Broad FI Unhedged	1.00	3.70
U.S. Real Estate - REITS	1.00	8.25
Commodities - Long Only	7.00	4.15
Total	<u>100.00%</u>	<u>5.86%</u>

**CHANGES IN THE NET OPEB LIABILITY**

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at June 30, 2021	\$ 3,172,558	\$ 295,997	\$ 2,876,561
Changes for the year:			
Service cost	7,291	--	7,291
Interest	197,893	--	197,893
Differences between expected and actual experience	(132,954)	--	(132,954)
Changes of assumptions or other inputs	264,567	--	264,567
Contributions - employer	--	265,037	(265,037)
Net investment income	--	(35,936)	35,936
Benefit payments, including refunds of employee contributions	(227,024)	(227,024)	--
Administrative expense	--	(2,914)	2,914
Other changes	1	--	1
Net Changes	<u>109,774</u>	<u>(837)</u>	<u>110,611</u>
Balances at June 30, 2022	<u>\$ 3,282,332</u>	<u>\$ 295,160</u>	<u>\$ 2,987,172</u>

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

#### NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

##### OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2022, the City recognized total OPEB expense of \$324,240. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 46,936	\$ 26,908
Total	<u>\$ 46,936</u>	<u>\$ 26,908</u>

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

Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 12,682	\$ 8,969
2024	11,798	8,969
2025	11,229	8,970
2026	11,227	--
Total	<u>\$ 46,936</u>	<u>\$ 26,908</u>

*Payable to the OPEB Plan:* At June 30, 2022, the City had no amounts due to the OPEB plan.

#### NOTE 11: DEFERRED COMPENSATION PLAN

The City of Marine City Deferred Compensation Plan is a defined contribution plan created in accordance with section 457 of the Internal Revenue Code of 1986, as amended. The plan is open to all employees and permits them to defer a portion of their current salary until future years.

The City matches employee contributions for employees who do not participate in the City's defined benefit pension plan. Currently, the City is matching contributions for eighteen employees. The City Commission approves the matching contribution rate each year. Employees are required to contribute 5% to receive a 10% match. Employee deferrals amounted to \$64,113 and employer contributions amounted to \$78,624 for the period.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The City has relinquished all fiduciary accountability for the assets to the plan trustee. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

It is the opinion of the City of Marine City that the City has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

#### NOTE 12: CONTINGENCIES AND RISKS

##### RISK FINANCING

The City of Marine City purchases insurance coverage from independent third parties and is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage during the year.

## CITY OF MARINE CITY

### Notes to Financial Statements For the Year Ended June 30, 2022

#### NOTE 12: CONTINGENCIES AND RISKS (Continued)

##### COMMITMENTS

The City of Marine City is committed to an agreement with Six Rivers Conservation to acquire a property in the City for a municipal marina. The acquisition is a multi-step process and is still in negotiations. Additionally, the City has secured grant funding from the Michigan Department of Natural Resources (DNR) and other local organizations to help with the acquisition costs. It is anticipated the City will fully acquire the property during fiscal year 2023.

#### NOTE 13: FUND BALANCE/RETAINED EARNINGS RESTRICTIONS, COMMITMENTS AND ASSIGNMENTS

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Fund:				
General				
Police equipment	\$ --	\$ 188	\$ --	\$ --
Parks and recreation - County	--	30,465	--	--
Beach	--	3,505	--	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	140,193	--	--
Capital projects	--	--	44,863	--
General government	--	137	--	--
Community & economic development	--	6,533	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	9,011	--	--
Local Street				
Highways and streets - Act 51	--	602,146	--	--
Major Street				
Highways and streets - Act 51	--	829,492	--	--
Woodlawn Cemetery				
Cemetery	--	88,382	--	--
Cemetery Perpetual Care				
Perpetual care	--	137,192	--	--
Brownfield Redevelopment				
Debt service	--	34,816	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 1,890,189</u>	<u>\$ 44,863</u>	<u>\$ --</u>

#### NOTE 14: JOINT VENTURE/RELATED PARTY TRANSACTIONS

The City of Marine City entered into an agreement with the Township of Cottrellville, the Township of East China, and China Township for an area fire authority to provide fire and emergency services to the residents of the City and Townships. The Marine City Area Fire Authority is funded by contract revenues paid by the municipalities. The amount due from each municipality is determined based on total budgeted expenditures of the Authority and allocated to each government based on an average of fire and emergency runs from the previous three years.

During the fiscal year, the City paid \$252,073 to the Marine City Area Fire Authority for its portion of fire and emergency services. The City also transferred personal property and the related debt to the Marine City Area Fire Authority upon formation of the Authority subject to an annual lease of \$1 through June 30, 2035. There was \$13 outstanding on this lease at the end of the current period.

The Marine City Area Fire Authority is a separate legal entity and issues its own financial statements. These statements are available from the Marine City Area Fire Authority at 200 S. Parker Street, Marine City, MI 48039.

**CITY OF MARINE CITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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**NOTE 15: TAX ABATEMENT PROGRAMS**

Tax abatements are a reduction in tax revenues between one or more governments and an individual or entity where the individual or entity promises to take a specific action after the agreement, contributes to the economic development, or otherwise benefits the government or citizens of the government. As of June 30, 2022, the City of Marine City had the following tax abatements:

**INDUSTRIAL FACILITIES EXEMPTION**

The City has entered into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%. For the year ended June 30, 2022, the City's real and personal property taxes were reduced \$1,671.

**BROWNFIELD REDEVELOPMENT AUTHORITY**

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, is an Act to authorize Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. To be eligible, the property must be included in a Brownfield Plan and qualify as either facility/site, functionally obsolete, blighted, historic resource, transit-oriented property/development or targeted redevelopment area.

Cleanup and redevelopment of a Brownfield property will increase the taxable value of the property and, therefore, will increase the property taxes generated from the property. The increased tax revenues that rise above the base taxable value after redevelopment are known as tax increment revenue. Tax increment revenues that are eligible for capture are all ad valorem, personal property and specific taxes including taxes levied for school operating purposes with approval from the DEQ. These captured revenues are used to reimburse the expenses for eligible environmental response and non-environmental activities. Taxing jurisdictions continue to receive their base year tax revenue until the Brownfield Plan ends, at which time, all tax increment revenues revert to the taxing jurisdictions.

For eligible property included in a Brownfield Plan, the beginning date of capture of tax increment revenues shall be identified to begin up to five years from the Brownfield Plan approval date, after which, the 30-year limit for capture begins. The City has established a Brownfield Redevelopment District for a four-parcel piece of property for redevelopment. Under the agreement, the developer is to incur environmental cleanup costs and develop the site to create fifteen jobs within the City.

For the year ended June 30, 2022, the City's real and personal property taxes were reduced approximately \$47,000 under this program. The St. Clair County Brownfield Redevelopment Authority will reimburse the City for its portion of the captured taxes, less amounts due to the State of Michigan for State Education Tax and administrative fees, to repay the MDEQ loan in the next fiscal year. At June 30, 2022, the City had \$44,278 due from the St. Clair County Brownfield Redevelopment Authority.

**COMMERCIAL FACILITIES EXEMPTION**

The Commercial Redevelopment Act (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, affords a tax incentive for the redevelopment of commercial property for the primary purpose and use of a commercial business enterprise. The property must be located within an established Commercial Redevelopment District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government and the taxable value is frozen for the duration of the certificate. For restored facilities, the property taxes are based upon the previous year's (prior to restoration) taxable value and 100% of the mills levied. For new or replacement facilities, the property taxes are based upon the current year's taxable value and 50% of the mills levied. Applications are filed, reviewed, and certificates are issued by the local unit of government. Certificates are also filed with the State Tax commission.

For the year ended June 30, 2022, the City's real and personal property taxes were reduced approximately \$7,100 under this program.

## **CITY OF MARINE CITY**

### **Notes to Financial Statements For the Year Ended June 30, 2022**

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#### **NOTE 16: *CHANGE IN ACCOUNTING PRINCIPLE***

During the fiscal year, the City adopted Governmental Accounting Standards Board (GASB) *GASB Statement No. 87, Leases*. This statement improves the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. There was no change to the prior period fund balance or net position. See Note 7 for the new disclosures related to the City's leasing activities.

#### **NOTE 17: *SUBSEQUENT EVENTS***

Management has evaluated subsequent events through the date of the auditor's report, the date the financial statements were first available for issuance.

A discharged election worker has filed a complaint with the City seeking reinstatement and back pay. The complaint also alleges retaliation. The matter has been presented to the City insurance carrier for review and possible defense coverage. There is no estimate for potential exposure to the City at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MARINE CITY**
**Pension Trust Fund**
**Required Supplementary Information**
**Schedule of Changes in the Net Pension Liability and Related Ratios**
**June 30, 2022**
**(Per actuarial report dated June 30, 2022)**

	2022	2021	2020
<b>Total pension liability</b>			
Service cost	\$ 23,034	\$ 22,918	\$ 19,468
Interest	470,225	483,796	484,799
Changes of benefit terms	--	--	--
Differences between expected and actual experience	155,496	(150,115)	(3,742)
Changes of assumptions	13,110	(35,237)	566,865
Benefit payments, including refunds of member contributions	(637,189)	(458,116)	(473,919)
Other	3	--	--
<b>Net change in total pension liability</b>	<b>24,679</b>	<b>(136,754)</b>	<b>593,471</b>
<i>Total pension liability - beginning</i>	<i>8,132,652</i>	<i>8,269,406</i>	<i>7,675,935</i>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,157,331</b>	<b>\$ 8,132,652</b>	<b>\$ 8,269,406</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 404,384	\$ 322,237	\$ 247,245
Contributions - member	12,196	10,756	10,999
Net investment income	(813,002)	1,250,835	277,408
Benefit payments, including refunds of member contributions	(637,189)	(458,116)	(473,919)
Administrative expense	(13,050)	(8,500)	(10,550)
Other	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>(1,046,661)</b>	<b>1,117,212</b>	<b>51,183</b>
<i>Plan fiduciary net position - beginning</i>	<i>6,116,822</i>	<i>4,999,610</i>	<i>4,948,427</i>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,070,161</b>	<b>\$ 6,116,822</b>	<b>\$ 4,999,610</b>
<b>City of Marine City's net pension liability - ending (a)-(b)</b>	<b>\$ 3,087,170</b>	<b>\$ 2,015,830</b>	<b>\$ 3,269,796</b>
Plan fiduciary net position as a percentage of the total pension liability	62.15%	75.21%	60.46%
Covered employee payroll	\$ 242,038	\$ 223,300	\$ 220,609
City of Marine City's net pension liability as a percentage of covered employee payroll	1,275.49%	902.75%	1,482.17%

**Notes to Schedule:**

*Presentation:* GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Changes in the Net Pension Liability and Related Ratios. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with June 30, 2014.

Latest actuarial report for the pension plan was dated June 30, 2022, for the plan year ending June 30, 2022.

2019	2018	2017	2016	2015	2014
\$ 23,076	\$ 38,798	\$ 36,772	\$ 40,993	\$ 49,202	\$ 63,069
504,485	490,001	495,822	508,700	481,650	491,659
--	--	--	--	--	--
(59,838)	(38,499)	(174,896)	(242,523)	605,816	123,250
525,749	207,276	--	--	--	--
(505,750)	(458,395)	(458,395)	(506,981)	(1,011,947)	(606,249)
--	--	--	--	--	--
487,722	239,181	(100,697)	(199,811)	124,721	71,729
7,188,213	6,949,032	7,049,729	7,249,540	7,124,819	7,053,090
<b>\$ 7,675,935</b>	<b>\$ 7,188,213</b>	<b>\$ 6,949,032</b>	<b>\$ 7,049,729</b>	<b>\$ 7,249,540</b>	<b>\$ 7,124,819</b>
\$ 209,930	\$ 209,928	\$ 211,847	\$ 158,748	\$ 164,043	\$ 190,302
13,274	14,284	14,194	15,249	16,265	22,046
267,017	171,760	440,552	(180,052)	115,716	809,302
(505,750)	(458,395)	(458,395)	(506,981)	(1,011,947)	(606,249)
(14,710)	(1,600)	(12,597)	(1,645)	(14,899)	(7,806)
--	--	--	--	--	--
(30,239)	(64,023)	195,601	(514,681)	(730,822)	407,595
4,978,666	5,042,689	4,847,088	5,361,769	6,092,591	5,684,996
<b>\$ 4,948,427</b>	<b>\$ 4,978,666</b>	<b>\$ 5,042,689</b>	<b>\$ 4,847,088</b>	<b>\$ 5,361,769</b>	<b>\$ 6,092,591</b>
<b>\$ 2,727,508</b>	<b>\$ 2,209,547</b>	<b>\$ 1,906,343</b>	<b>\$ 2,202,641</b>	<b>\$ 1,887,771</b>	<b>\$ 1,032,228</b>
64.47%	69.26%	72.57%	68.76%	73.96%	85.51%
\$ 224,481	\$ 285,980	\$ 304,657	\$ 335,085	\$ 379,897	\$ 479,446
1,215.03%	772.62%	625.73%	657.34%	496.92%	215.30%



**CITY OF MARINE CITY****Pension Trust Fund****Required Supplementary Information****Schedule of Pension Contributions****June 30, 2022****(Per actuarial report dated June 30, 2022)**

	2022	2021	2020	2019
Actuarially determined contribution	\$ 404,384	\$ 322,237	\$ 247,217	\$ 209,066
Contributions in relation to the actuarially determined contribution	404,384	322,237	247,245	209,930
Contribution excess (deficiency)	\$ --	\$ --	\$ 28	\$ 864
Covered-employee payroll	\$ 242,038	\$ 223,300	\$ 220,609	\$ 224,481
Contributions as a percentage of covered-employee payroll	167.07%	144.31%	112.07%	93.52%

**Notes to Schedule:**Valuation date:

Current valuation methods:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Prior to fiscal year June 30, 2018:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Entry Age Cost Method % of Pay

Amortization method:

Level dollar, Closed

Remaining amortization period:

12 year closed level dollar amortization

Asset valuation method:

4 years smoothing of asset gains and losses

Inflation:

2.00%

Salary increases:

2.00%

Investment rate of return:

6.00% net of expenses

Retirement age:

Not provided by actuary

Mortality:

Pub-2010 Mortality with generational improvements projected beginning in 2010 with Scale MP-2019.

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2018	2017	2016	2015	2014	2013
\$ 209,066	\$ 189,645	\$ 158,748	\$ 164,043	\$ 190,302	\$ 168,317
209,928	211,847	158,748	164,043	190,302	171,849
<u>\$ 862</u>	<u>\$ 22,202</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,532</u>
\$ 285,980	\$ 304,657	\$ 335,085	\$ 318,492	\$ 379,897	\$ 479,446
73.41%	69.54%	47.38%	51.51%	50.09%	35.84%

**CITY OF MARINE CITY**  
**Pension Trust Fund**  
**Required Supplementary Information**  
**Schedule of Investment Returns (Pension)**  
**June 30, 2022**

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	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expense	(12.91) %	26.26 %	6.49 %	6.32 %

**Notes to Schedule:**

*Presentation:* GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Investment Returns. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show those years which data is available, beginning with June 30, 2014.

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2018	2017	2016	2015	2014
4.30 %	10.10 %	(2.86) %	2.75 %	15.69 %

**CITY OF MARINE CITY**
**Retiree Health Trust**
**Required Supplementary Information**
**Schedule of Changes in the Net OPEB Liability and Related Ratios**
**June 30, 2022**
**(Per actuarial report dated June 30, 2022)**

	2022	2021	2020
<b>Total OPEB liability</b>			
Service cost	\$ 7,291	\$ 9,441	\$ 13,914
Interest	197,893	232,992	244,273
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(132,954)	(681,635)	(228,010)
Changes of assumptions	264,567	(171,041)	(26,663)
Benefit payments	(227,024)	(230,702)	(229,349)
Other	1	(1)	2
<b>Net change in total OPEB liability</b>	<b>109,774</b>	<b>(840,946)</b>	<b>(225,833)</b>
<i>Total OPEB liability - beginning</i>	<i>3,172,558</i>	<i>4,013,504</i>	<i>4,239,337</i>
Adjustment to beginning OPEB liability - see below	--	--	--
<b>Total OPEB liability - ending (a)</b>	<b>\$ 3,282,332</b>	<b>\$ 3,172,558</b>	<b>\$ 4,013,504</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 265,037	\$ 245,916	\$ 244,636
Contributions - member	--	--	--
Net investment income	(35,936)	58,756	10,221
Benefit payments, including refunds of member contributions	(227,024)	(230,702)	(229,349)
Administrative expense	(2,914)	(7,662)	(4,631)
Other	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>(837)</b>	<b>66,308</b>	<b>20,877</b>
<i>Plan fiduciary net position - beginning</i>	<i>295,997</i>	<i>229,689</i>	<i>208,812</i>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 295,160</b>	<b>\$ 295,997</b>	<b>\$ 229,689</b>
<b>City of Marine City's net OPEB liability - ending (a)-(b)</b>	<b>\$ 2,987,172</b>	<b>\$ 2,876,561</b>	<b>\$ 3,783,815</b>
Plan fiduciary net position as a percentage of the total OPEB liability	8.99%	9.33%	5.72%
Covered employee payroll	\$ 242,038	\$ 231,601	\$ 226,609
City of Marine City's net OPEB liability as a percentage of covered employee payroll	1,234.2%	1,242.0%	1,669.8%

**Notes to Schedule:**

*Presentation:* GASB Statement No. 74 & 75 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Changes in the Net OPEB Liability and Related Ratios. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with June 30, 2017.

Latest actuarial report for the OPEB plan was dated June 30, 2022 with no adjustments to get to the June 30, 2022 measurement date.

The actuary valuation as reported for June 30, 2017, was based on an actuarial valuation performed June 30, 2015, and rolled forward to June 30, 2017, according to actuarial standards. During fiscal year 2018, the City contracted with a new actuary firm who performed a valuation for the plan year June 30, 2017 and June 30, 2018, for GASB 74 & 75 reporting. As a result of the new valuation, the assumptions were updated to reflect current market trends which resulted in a decrease in the beginning OPEB liability of approximately \$9 million. This adjustment does not impact the prior period financial statements of the City of Marine City.

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2019	2018	2017
\$ 11,348	\$ 18,400	\$ 61,170
287,503	319,964	422,821
--	--	--
(554,926)	(1,312,300)	(716,603)
460,618	151,350	(974,163)
(237,169)	(254,036)	(260,734)
(1)	(6,818)	--
(32,627)	(1,083,440)	(1,467,509)
4,271,964	5,355,404	15,876,701
--	--	(9,053,788)
<b>\$ 4,239,337</b>	<b>\$ 4,271,964</b>	<b>\$ 5,355,404</b>
\$ 255,751	\$ 265,096	\$ 256,929
--	--	--
10,266	10,121	16,311
(237,169)	(254,036)	(260,734)
(6,133)	(8,063)	(6,407)
--	--	--
22,715	13,118	6,099
186,097	172,979	166,880
<b>\$ 208,812</b>	<b>\$ 186,097</b>	<b>\$ 172,979</b>
<b>\$ 4,030,525</b>	<b>\$ 4,085,867</b>	<b>\$ 5,182,425</b>
4.93%	4.36%	3.23%
\$ 229,481	\$ 259,705	\$ 335,629
1,756.4%	1,573.3%	1,544.09%

**CITY OF MARINE CITY****Retiree Health Trust****Required Supplementary Information****Schedule of OPEB Contributions****June 30, 2022****(Per actuarial report dated June 30, 2022)**

	2022	2021	2020
Actuarially determined contribution	\$ 227,024	\$ 283,718	\$ 303,118
Contributions in relation to the actuarially determined contribution	265,037	245,916	244,636
Contribution excess (deficiency)	<u>\$ 38,013</u>	<u>\$ (37,802)</u>	<u>\$ (58,482)</u>
Covered-employee payroll	\$ 242,038	\$ 231,601	\$ 226,609
Contributions as a percentage of covered-employee payroll	109.50%	106.18%	107.96%

**Notes to Schedule:**Valuation date:

Current valuation methods:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Prior to fiscal year June 30, 2018:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Amortization method:

Amortization period:

Asset valuation method:

Inflation:

Healthcare cost trend rates:

Salary increases:

Investment rate of return:

Retirement age:

Mortality:

Entry Age

Level percentage of salary

30 years

Market

Implicit price inflation of 2.5% annually

7.5% for the year of valuation, graded down 0.5% increments over the next 6 years to 4.5% then 4.5% thereafter

3.00% per year

5.86% net of expenses

Not provided by actuary

General Employees &amp; Healthy Retirees: SOA Pub-2010

General Headcount Weighted Mortality Table fully

generational using Scale MP-2021

Police Employees &amp; Healthy Retirees: SOA Pub-2010

Public Safety Headcount Weighted Mortality Table fully

generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Contingent Survivor

Headcount Weighted Mortality Table fully generational

using Scale MP-2021.

Disabled Police Retirees: SOA Pub-2010 Public Safety

Disabled Retiree Headcount Weighted Mortality Table

fully generational using Scale MP-2021

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2019	2018	2017	2016	2015	2014	2013
\$ 331,458	\$ 329,021	\$ 569,428	\$ 547,526	\$ 551,877	\$ 531,930	\$ 512,704
255,751	265,096	256,929	233,279	206,250	215,788	204,619
<u>\$ (75,707)</u>	<u>\$ (63,925)</u>	<u>\$ (312,499)</u>	<u>\$ (314,247)</u>	<u>\$ (345,627)</u>	<u>\$ (316,142)</u>	<u>\$ (308,085)</u>
\$ 229,481	\$ 259,705	\$ 335,629	\$ 283,719	\$ 300,535	\$ 500,641	\$ 649,558
111.45%	102.08%	76.55%	82.22%	68.63%	43.10%	31.50%



**CITY OF MARINE CITY**  
**Retiree Health Trust**  
**Required Supplementary Information**  
**Schedule of Investment Returns (OPEB)**  
**June 30, 2022**

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	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-12.49 %	24.84 %	4.73 %	5.40 %	5.70 %	10.05 %

**Notes to Schedule:**

*Presentation:* GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Investment Returns. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show those years which data is available, beginning with June 30, 2017.

## **SUPPLEMENTAL SCHEDULES**

**CITY OF MARINE CITY**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue		Debt Service	Permanent	Total Nonmajor Governmental Funds
	Woodlawn Cemetery	Drug Enforcement Law Fund	Brownfield Redevelopment	Cemetery Perpetual Care	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 89,675	\$ 8,636	\$ 89,599	\$ 137,192	\$ 325,102
Due from other units of government	--	375	44,278	--	44,653
<b>Total Assets</b>	<b>89,675</b>	<b>9,011</b>	<b>133,877</b>	<b>137,192</b>	<b>369,755</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Aggregated deferred outflows	--	--	--	--	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 89,675</b>	<b>\$ 9,011</b>	<b>\$ 133,877</b>	<b>\$ 137,192</b>	<b>\$ 369,755</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 228	--	--	--	\$ 228
Accrued wages and vacation pay	1,065	--	--	--	1,065
Due to other funds	--	--	54,783	--	54,783
<b>Total Liabilities</b>	<b>1,293</b>	<b>--</b>	<b>54,783</b>	<b>--</b>	<b>56,076</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Aggregated deferred inflows	--	--	44,278	--	44,278
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,293</b>	<b>--</b>	<b>99,061</b>	<b>--</b>	<b>100,354</b>
<b>FUND BALANCE</b>					
Restricted	88,382	9,011	34,816	137,192	269,401
Unassigned	--	--	--	--	--
<b>Total Fund Balance</b>	<b>88,382</b>	<b>9,011</b>	<b>34,816</b>	<b>137,192</b>	<b>269,401</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 89,675</b>	<b>\$ 9,011</b>	<b>\$ 133,877</b>	<b>\$ 137,192</b>	<b>\$ 369,755</b>

## CITY OF MARINE CITY

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2022**

	<b>Special Revenue</b>		<b>Debt Service</b>	<b>Permanent</b>	<b>Total</b>
	<b>Woodlawn Cemetery</b>	<b>Drug Enforcement Law Fund</b>	<b>Brownfield Redevelopment</b>	<b>Cemetery Perpetual Care</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues</b>					
Licenses, permits, fines, and fees	\$ --	\$ 375	\$ --	\$ --	\$ 375
Local grants and reimbursements	--	--	44,653	--	44,653
User fees and other charges	33,060	--	--	--	33,060
<b>Total Revenues</b>	<b>33,060</b>	<b>375</b>	<b>44,653</b>	<b>--</b>	<b>78,088</b>
<b>Expenditures</b>					
<i>Current:</i>					
Public safety	--	116	--	--	116
Cemetery operations	39,114	--	--	169	39,283
<i>Debt Service:</i>					
Debt service interest	--	--	3,789	--	3,789
Debt service principal	--	--	23,602	--	23,602
<b>Total Expenditures</b>	<b>39,114</b>	<b>116</b>	<b>27,391</b>	<b>169</b>	<b>66,790</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,054)</b>	<b>259</b>	<b>17,262</b>	<b>(169)</b>	<b>11,298</b>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	25,000	--	--	--	25,000
Transfers to other funds	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>25,000</b>
<b>Net Change in Fund Balance</b>	<b>18,946</b>	<b>259</b>	<b>17,262</b>	<b>(169)</b>	<b>36,298</b>
<i>Fund Balance at Beginning of Period</i>	<i>69,436</i>	<i>8,752</i>	<i>17,554</i>	<i>137,361</i>	<i>233,103</i>
<b>Fund Balance at End of Period</b>	<b>\$ 88,382</b>	<b>\$ 9,011</b>	<b>\$ 34,816</b>	<b>\$ 137,192</b>	<b>\$ 269,401</b>

## CITY OF MARINE CITY

**General Fund Combining Balance Sheet**  
**All Funds Treated as General**  
**June 30, 2022**

	Capital Improvement	General Fund	Total General Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 44,863	\$ 2,353,188	\$ 2,398,051
Restricted cash	--	108	108
Accounts and assessments receivable	--	24,250	24,250
Current portion of lease receivable	--	28,449	28,449
Due from other units of government	--	155,978	155,978
Other assets	--	3,000	3,000
Due from other funds	--	72,036	72,036
Lease receivable, net of current portion	--	446,374	446,374
<b>Total Assets</b>	<b>44,863</b>	<b>3,083,383</b>	<b>3,128,246</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Aggregated deferred outflows	--	--	--
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 44,863</b>	<b>\$ 3,083,383</b>	<b>\$ 3,128,246</b>
<b>LIABILITIES</b>			
Accounts payable	\$ --	\$ 89,239	\$ 89,239
Accrued wages and vacation pay	--	38,951	38,951
Due to other units and taxpayers	--	30	30
Unearned revenue	--	484,813	484,813
Due to fiduciary funds	--	410	410
Due to other funds	--	11,898	11,898
<b>Total Liabilities</b>	<b>--</b>	<b>625,341</b>	<b>625,341</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Aggregated deferred inflows	--	495,713	495,713
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>1,121,054</b>	<b>1,121,054</b>
<b>FUND BALANCE</b>			
Restricted	--	189,150	189,150
Committed	44,863	--	44,863
Unassigned	--	1,773,179	1,773,179
<b>Total Fund Balance</b>	<b>44,863</b>	<b>1,962,329</b>	<b>2,007,192</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 44,863</b>	<b>\$ 3,083,383</b>	<b>\$ 3,128,246</b>

**CITY OF MARINE CITY**
**General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended June 30, 2022**

	<b>Capital Improvement</b>	<b>General Fund</b>	<b>Total General Funds</b>
<b>Revenues</b>			
Tax collections	\$ --	\$ 1,740,953	\$ 1,740,953
Distributions from State of Michigan	--	666,704	666,704
Licenses, permits, fines, and fees	--	180,603	180,603
Local grants and reimbursements	--	71,544	71,544
Federal grants	--	21,522	21,522
Rentals	--	46,805	46,805
Refuse	--	317,360	317,360
Intergovernmental	--	2,543	2,543
Other	--	43,153	43,153
User fees and other charges	--	31,620	31,620
Interest revenue	--	17,757	17,757
<b>Total Revenues</b>	<b>--</b>	<b>3,140,564</b>	<b>3,140,564</b>
<b>Expenditures</b>			
<i>Current:</i>			
Legislative	--	17,785	17,785
General government	55	717,762	717,817
Public safety	--	975,521	975,521
Public works	--	601,534	601,534
Community and economic development	--	4,194	4,194
Recreation and cultural	--	97,201	97,201
Other	--	76,732	76,732
Health and welfare	--	883	883
Unallocated pension and OPEB expense (recovery)	--	370,738	370,738
<i>Capital Outlay:</i>			
General government	--	172,456	172,456
Public safety	--	29,200	29,200
Public works	--	3,974	3,974
Recreation and cultural	--	50,499	50,499
<i>Intergovernmental:</i>			
Water and sewer charges	--	14,000	14,000
<b>Total Expenditures</b>	<b>55</b>	<b>3,132,479</b>	<b>3,132,534</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(55)</b>	<b>8,085</b>	<b>8,030</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from other funds	--	--	--
Transfers to other funds	--	(35,000)	(35,000)
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>(35,000)</b>	<b>(35,000)</b>
<b>Net Change in Fund Balance</b>	<b>(55)</b>	<b>(26,915)</b>	<b>(26,970)</b>
<i>Fund Balance at Beginning of Period</i>	<i>44,918</i>	<i>1,989,244</i>	<i>2,034,162</i>
<b>Fund Balance at End of Period</b>	<b>\$ 44,863</b>	<b>\$ 1,962,329</b>	<b>\$ 2,007,192</b>

## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund (a consolidated component of the General Fund)**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Tax collections	\$ 1,736,160	\$ 1,691,160	\$ 1,740,953	\$ 49,793
Distributions from State of Michigan	582,400	582,000	666,704	84,704
Licenses, permits, fines, and fees	118,250	134,600	180,603	46,003
Local grants and reimbursements	50,000	25,000	71,544	46,544
Federal grants	9,300	2,500	21,522	19,022
Rentals	44,990	44,990	46,805	1,815
Refuse	300,800	320,000	317,360	(2,640)
Intergovernmental	8,000	750	2,543	1,793
Other	18,500	32,733	43,153	10,420
User fees and other charges	53,800	18,975	31,620	12,645
Interest	21,750	17,100	17,757	657
<b>Total Revenues</b>	<b>2,943,950</b>	<b>2,869,808</b>	<b>3,140,564</b>	<b>270,756</b>
<b>Other Financing Sources</b>				
Gain on sale of fixed assets	300,000	--	--	--
<b>Total Revenues and Other Financing Sources</b>	<b>3,243,950</b>	<b>2,869,808</b>	<b>3,140,564</b>	<b>270,756</b>
<b>Expenditures</b>				
Legislative	20,670	12,810	17,785	(4,975)
General government	853,775	852,003	894,218	(42,215)
Public safety	1,022,550	994,266	1,004,721	(10,455)
Public works	624,740	636,045	605,508	30,537
Community and economic development	11,150	5,600	4,194	1,406
Recreation and cultural	149,680	146,774	147,700	(926)
Other	478,640	469,140	457,470	11,670
Health and welfare	2,600	400	883	(483)
<b>Total Expenditures</b>	<b>3,163,805</b>	<b>3,117,038</b>	<b>3,132,479</b>	<b>(15,441)</b>
<b>Other Financing Uses</b>				
Transfers to other funds	35,000	35,000	35,000	--
<b>Total Expenditures and Other Financing Uses</b>	<b>3,198,805</b>	<b>3,152,038</b>	<b>3,167,479</b>	<b>(15,441)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>45,145</b>	<b>(282,230)</b>	<b>(26,915)</b>	<b>255,315</b>
<b>Net Change in Fund Balance</b>	<b>45,145</b>	<b>(282,230)</b>	<b>(26,915)</b>	<b>255,315</b>
<i>Fund Balance at Beginning of Period</i>	<i>1,989,244</i>	<i>1,989,244</i>	<i>1,989,244</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 2,034,389</b>	<b>\$ 1,707,014</b>	<b>\$ 1,962,329</b>	<b>\$ 255,315</b>

## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual  
 Capital Improvement (a consolidated component of the General Fund)  
 For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Interest	\$ 40	\$ 40	\$ --	\$ (40)
<b>Total Revenues</b>	40	40	--	(40)
<b>Other Financing Sources</b>	--	--	--	--
<b>Total Revenues and Other Financing Sources</b>	40	40	--	(40)
<b>Expenditures</b>				
General government	--	--	55	(55)
<b>Total Expenditures</b>	--	--	55	(55)
<b>Other Financing Uses</b>	--	--	--	--
<b>Total Expenditures and Other Financing Uses</b>	--	--	55	(55)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	40	40	(55)	(95)
<b>Net Change in Fund Balance</b>	<b>40</b>	<b>40</b>	<b>(55)</b>	<b>(95)</b>
<i>Fund Balance at Beginning of Period</i>	44,918	44,918	44,918	--
<b>Fund Balance at End of Period</b>	<b>\$ 44,958</b>	<b>\$ 44,958</b>	<b>\$ 44,863</b>	<b>\$ (95)</b>



## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Woodlawn Cemetery**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
User fees and other charges	\$ 18,000	\$ 22,500	\$ 33,060	\$ 10,560
Interest	60	60	--	(60)
<b>Total Revenues</b>	<b>18,060</b>	<b>22,560</b>	<b>33,060</b>	<b>10,500</b>
<b>Other Financing Sources</b>				
Transfers from other funds	25,000	25,000	25,000	--
<b>Total Revenues and Other Financing Sources</b>	<b>43,060</b>	<b>47,560</b>	<b>58,060</b>	<b>10,500</b>
<b>Expenditures</b>				
Cemetery operations	35,184	37,684	39,114	(1,430)
<b>Total Expenditures</b>	<b>35,184</b>	<b>37,684</b>	<b>39,114</b>	<b>(1,430)</b>
<b>Other Financing Uses</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>35,184</b>	<b>37,684</b>	<b>39,114</b>	<b>(1,430)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>7,876</b>	<b>9,876</b>	<b>18,946</b>	<b>9,070</b>
<b>Net Change in Fund Balance</b>	<b>7,876</b>	<b>9,876</b>	<b>18,946</b>	<b>9,070</b>
Fund Balance at Beginning of Period	69,436	69,436	69,436	--
<b>Fund Balance at End of Period</b>	<b>\$ 77,312</b>	<b>\$ 79,312</b>	<b>\$ 88,382</b>	<b>\$ 9,070</b>

## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Cemetery Perpetual Care**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Interest	\$ 150	\$ 150	\$ --	\$ (150)
<b>Total Revenues</b>	150	150	--	(150)
<b>Other Financing Sources</b>	--	--	--	--
<b>Total Revenues and Other Financing Sources</b>	150	150	--	(150)
<b>Expenditures</b>				
Cemetery operations	--	--	169	(169)
<b>Total Expenditures</b>	--	--	169	(169)
<b>Other Financing Uses</b>	--	--	--	--
<b>Total Expenditures and Other Financing Uses</b>	--	--	169	(169)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	150	150	(169)	(319)
<b>Net Change in Fund Balance</b>	<b>150</b>	<b>150</b>	<b>(169)</b>	<b>(319)</b>
<b>Fund Balance at Beginning of Period</b>	137,361	137,361	137,361	--
<b>Fund Balance at End of Period</b>	<b>\$ 137,511</b>	<b>\$ 137,511</b>	<b>\$ 137,192</b>	<b>\$ (319)</b>

## CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Drug Enforcement Law Fund**  
**For the Year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Licenses, permits, fines, and fees	\$ 500	\$ 500	\$ 375	\$ (125)
<b>Total Revenues</b>	500	500	375	(125)
<b>Other Financing Sources</b>	--	--	--	--
<b>Total Revenues and Other Financing Sources</b>	500	500	375	(125)
<b>Expenditures</b>				
Public safety	500	500	116	384
<b>Total Expenditures</b>	500	500	116	384
<b>Other Financing Uses</b>	--	--	--	--
<b>Total Expenditures and Other Financing Uses</b>	500	500	116	384
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	--	--	259	259
<b>Net Change in Fund Balance</b>	--	--	<b>259</b>	<b>259</b>
<b>Fund Balance at Beginning of Period</b>	8,752	8,752	8,752	--
<b>Fund Balance at End of Period</b>	<b>\$ 8,752</b>	<b>\$ 8,752</b>	<b>\$ 9,011</b>	<b>\$ 259</b>

**CITY OF MARINE CITY**  
**Schedule of Indebtedness**  
**June 30, 2022**

**Drinking Water Revolving Fund Bonds:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
12-23-05	\$ 2,500,000	2.125%	2023	\$ 140,000	\$ 12,431	\$ 152,431
Principal due April 1			2024	145,000	9,456	154,456
Interest due October 1 and April 1			2025	150,000	6,375	156,375
			2026	150,000	3,188	153,188
<b>Total Drinking Water Revolving Fund Bonds</b>				<b>585,000</b>	<b>\$ 31,450</b>	<b>\$ 616,450</b>

**General Obligation Michigan Department of Environmental Quality (MDEQ) Loan:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
3-22-16	\$ 167,000	1.50%	2023	\$ 23,956	\$ 3,435	\$ 27,391
Additional Proceeds 10/2017	113,000		2024	24,316	3,075	27,391
			2025	24,680	2,711	27,391
Principal and interest due March 22			2026	25,051	2,340	27,391
			2027	25,426	1,965	27,391
			2028	25,808	1,583	27,391
			2029	26,195	1,196	27,391
			2030	26,588	803	27,391
			2031	26,987	404	27,391
<b>Total Debt Service Indebtedness</b>				<b>229,007</b>	<b>\$ 17,512</b>	<b>\$ 246,519</b>

**Water & Sewer Lease Purchase Agreement:**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
3-15-18	\$ 361,829	3.862%	2023	\$ --	\$ --	\$ --
Principal and interest due July 15			2024	64,532	2,492	67,024
<b>Total General Obligation Indebtedness</b>				<b>64,532</b>	<b>\$ 2,492</b>	<b>\$ 67,024</b>

CITY OF MARINE CITY

Schedule of Indebtedness

June 30, 2022

Major and Local Street Street Sweeper Lease Purchase:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
09-25-20	\$ 168,000	3.390%	2023	\$ 56,136	\$ 1,934	\$ 58,070
Principal and interest due September 25						
Total General Obligation Indebtedness				56,136	1,934	58,070
TOTAL INDEBTEDNESS				\$ 934,675		