

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

CITY OF MARINE CITY

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INDEPENDENT AUDITOR'S REPORT

December 14, 2020

Honorable Mayor and City Commission
City of Marine City
303 S. Water Street
Marine City, Michigan 48039

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Marine City, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons 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.

Subsequent Event - COVID-19 Pandemic

As discussed in Notes 16 and 17 to the financial statements, management has evaluated the operational and financial effect on the City of the COVID-19 pandemic. Our opinion is not modified with respect to that matter.

Other Matters

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 3-6 and 48-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City's basic financial statements. The combining and individual nonmajor fund financial statements and additional supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplementary 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 December 14, 2020, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marine City's internal control over financial reporting and compliance.

Respectfully submitted,



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

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2020

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 less than 1% from a year ago from \$10.4 million to \$10.5 million. This is due to changes in the deferred inflows and outflows net pension and OPEB liabilities and the increase in net position in the business activities. As we look at the governmental activities separately from the business-type activities, we can see the governmental activities experienced a decrease of \$224,000 during the year, which represents a 3.3% decrease from the prior year. This decrease was primarily the result of changes in net pension and OPEB liabilities in the governmental funds entity-wide statements. The business-type activities experienced a \$262,000 increase in net position, primarily as a result of budgeted decreases in expenses and changes in the net pension and OPEB liabilities. 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	
	2020	2019	2020	2019	2020	2019
Current Assets *	\$ 3,762	\$ 3,434	\$ 2,305	\$ 1,839	\$ 6,064	\$ 5,273
Noncurrent Assets	7,915	8,162	5,200	5,551	13,115	13,713
Deferred Outflows of Resources	65	171	28	72	93	243
Total Assets and Deferred Outflows	11,742	11,767	7,533	7,462	19,272	19,229
Long-Term Debt Outstanding	4,932	4,722	3,386	3,558	8,318	8,280
Other Liabilities *	182	179	286	299	465	478
Deferred Inflows of Resources	14	28	6	12	20	40
Total Liabilities and Deferred Inflows	5,128	4,929	3,678	3,869	8,803	8,798
Net Position						
Invested in Capital Assets - Net of Debt	7,915	8,162	3,977	4,099	11,892	12,261
Restricted	1,610	1,402	1,052	929	2,662	2,331
Unrestricted	(2,911)	(2,726)	(1,174)	(1,435)	(4,085)	(4,161)
Total Net Position	\$ 6,614	\$ 6,838	\$ 3,855	\$ 3,593	\$ 10,469	\$ 10,431

* Internal balances eliminated in total column.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$185,000 for the governmental activities. This represents a 6.8% decrease from the prior year and was primarily a result of the change in the net pension and OPEB liabilities.

CITY OF MARINE CITY**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

The current level of unrestricted net position for our governmental activities stands at approximately (\$2.9 million). This is within the targeted range set during the last budget process.

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	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 494	\$ 647	\$ 2,047	\$ 1,992	\$ 2,541	\$ 2,639
Operating Grants and Contributions	536	533	-	-	536	533
Capital Grants and Contributions	51	392	29	-	80	392
General Revenues						
Taxes	1,713	1,688	-	-	1,713	1,688
State-Shared Revenues	454	469	-	-	454	469
Other	29	526	8	8	37	534
Total Revenues	<u>3,277</u>	<u>4,255</u>	<u>2,084</u>	<u>2,000</u>	<u>5,361</u>	<u>6,255</u>
Program Expenses						
Legislative	14	14	-	-	14	14
General Government	520	449	-	-	520	449
Public Safety	967	1,018	-	-	967	1,018
Highways and Streets	563	709	-	-	563	709
Public Works	595	620	-	-	595	620
Recreation and Cultural	122	134	-	-	122	134
Other	119	137	-	-	119	137
Unallocated pension and OPEB expense	560	(1,074)	-	-	560	(1,074)
Cemetery operations	41	77	-	-	41	77
Water and Sewer	-	-	1,822	2,935	1,822	2,935
Total Expenses	<u>3,501</u>	<u>2,084</u>	<u>1,822</u>	<u>2,935</u>	<u>5,323</u>	<u>5,019</u>
Change in Net Position	<u>\$ (224)</u>	<u>\$ 2,171</u>	<u>\$ 262</u>	<u>\$ (935)</u>	<u>\$ 38</u>	<u>\$ 1,236</u>

The City's net position increased by \$38,000. This was primarily due to changes in the net pension and OPEB liabilities.

Governmental Activities

The City's total governmental revenues decreased by \$978,000, primarily due to changes in the net pension and OPEB liabilities as of the June 30, 2020 actuarial valuations. Expenses of the governmental activities increased approximately \$1.4 million over those of the previous year. This was primarily due the changes in the net pension liability.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2020

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 an increase during the year primarily as a result of budget decisions and the results of the 2020 actuarial valuations for the pension and OPEB liabilities.

The City's Funds

Our analysis of the City's major funds begins on page 10, 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 \$967,000. These services are supported by general tax revenues of the City and State Revenue Sharing which represent approximately 80% of total revenues for the fund. In addition, the General Fund expended approximately \$573,000 on Public Works. These two areas represent approximately 60% 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 increased by approximately 1% during the year. The various departments overall stayed within the budget, resulting in total expenditures approximately \$210,000 below the budget. The General Fund's fund balance increased by \$172,000 from a year ago. This is the result of budgeted decreases in departments and capital outlay expenditures.

Capital Asset and Debt Administration

As of June 30, 2020, there was \$13.0 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 \$900,000 with scheduled repayments occurring through fiscal year 2026. Additionally, the City has a capital lease of \$244,084 outstanding as of June 30, 2020 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 begin in March 2021 and are to be repaid with reimbursements from the St. Clair County Brownfield Redevelopment Authority. Interest does not accrue until the first payment in March 2021. Early repayment is permitted under the loan agreement. 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, 2020

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2021, 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 2020 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 is currently utilizing 303 S. Water Street for their administrative offices and have purchased a new office in fiscal year 2019. Due to the pandemic, the City has not completed the necessary improvements needed to begin utilizing the new office. In addition, the building at 300 Broadway has been leased to two separate entities for their use.

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 have been increased by the rate of inflation plus amounts to offset expenditures that exceeded the revenue for Wastewater operations for the year ending June 30, 2021.

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 2021 has been increased approximately 30% from the amount required in 2020. Additionally, the City's actuary has recommended additional increases for fiscal year 2022. 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.

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, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 3,517,660	\$ 1,781,125	\$ 5,298,785
Restricted cash	304	14,266	14,570
Accounts and assessments receivable	40,196	509,733	549,929
Taxes receivable	3,603	8	3,611
Due from other units of government	189,964	--	189,964
Other assets	7,896	--	7,896
<i>Internal Balances*</i>	2,588	--	--
Total Current Assets	3,762,211	2,305,132	6,064,755
<i>Noncurrent Assets</i>			
Capital assets, net of accumulated depreciation	7,915,387	5,120,807	13,036,194
Cash restricted for payment of bond	--	79,065	79,065
Lease receivable	15	--	15
Total Assets	11,677,613	7,505,004	19,180,029
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	65,338	28,255	93,593
Total Deferred Outflows of Resources	65,338	28,255	93,593
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	47,280	28,412	75,692
Due to agency funds	342	--	342
Accrued wages and vacation pay	97,011	7,688	104,699
Accrued interest payable	--	14,592	14,592
Current portion of debt	27,391	232,598	259,989
Due to other units and taxpayers	10,120	--	10,120
<i>Internal Balances*</i>	--	2,588	--
Total Current Liabilities	182,144	285,878	465,434
<i>Noncurrent Liabilities</i>			
Accrued sick pay	101,015	--	101,015
Long-term obligations, net of current portion	252,609	911,486	1,164,095
Net pension liability	2,308,476	961,320	3,269,796
Net OPEB liability	2,270,289	1,513,526	3,783,815
Total Liabilities	5,114,533	3,672,210	8,784,155
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	13,839	5,763	19,602
Total Deferred Inflows of Resources	13,839	5,763	19,602
NET POSITION			
Investment in capital assets, net of related debt	7,915,387	3,976,723	11,892,110
<i>Restricted for:</i>			
Debt service	44,945	--	44,945
Drug enforcement	9,600	--	9,600
Perpetual care	137,481	--	137,481
Highways and streets - Act 51	1,166,141	--	1,166,141
Cemetery	65,160	--	65,160
Asset replacement	--	14,266	14,266
Insurance escrow	8,129	--	8,129
Water monitoring system	--	154,459	154,459
Highways and streets	93,148	--	93,148
Parks and recreation	80,608	--	80,608
Police	524	--	524
Beach	4,540	--	4,540
Infrastructure improvements	--	884,312	884,312
General government	137	--	137
<i>Unrestricted</i>	(2,911,221)	(1,174,474)	(4,085,695)
Total Net Position	\$ 6,614,579	\$ 3,855,286	\$ 10,469,865

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 13,817	\$ --	\$ --	\$ --
General government	520,464	141,366	--	--
Public safety	967,020	64,523	8,139	7,613
Public works	594,906	250,060	--	--
Community and economic development	10,566	1,200	44,945	2,991
Recreation and cultural	121,950	1,950	36,978	40,739
Highways and streets	562,620	--	445,961	--
Other	85,935	15,770	--	--
Health and welfare	1,203	--	--	--
Water and sewer charges - Intergovernmental	14,000	--	--	--
Equipment rent - Intergovernmental	7,738	7,738	--	--
Cemetery operations	40,820	11,715	--	--
Unallocated current pension and OPEB expense	559,771	--	--	--
Total Governmental Activities	3,500,810	494,322	536,023	51,343
Business-type Activities:				
Water and Sewer Disposal	1,822,480	2,047,331	--	29,466
Total Business-type Activities	1,822,480	2,047,331	--	29,466
Total Primary Government	\$ 5,323,290	\$ 2,541,653	\$ 536,023	\$ 80,809

General Purpose Revenues and Transfers:
Revenues

Tax collections

Interest revenue

Distributions from State of Michigan

Other

Gain on sale 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
\$ (13,817)	\$ --	\$ (13,817)
(379,098)	--	(379,098)
(886,745)	--	(886,745)
(344,846)	--	(344,846)
38,570	--	38,570
(42,283)	--	(42,283)
(116,659)	--	(116,659)
(70,165)	--	(70,165)
(1,203)	--	(1,203)
(14,000)	--	(14,000)
--	--	--
(29,105)	--	(29,105)
(559,771)	--	(559,771)
(2,419,122)	--	(2,419,122)
--	254,317	254,317
--	254,317	254,317
\$ (2,419,122)	\$ 254,317	\$ (2,164,805)
1,712,516	--	1,712,516
6,305	2,984	9,289
453,751	--	453,751
18,350	5,029	23,379
4,610	--	4,610
2,195,532	8,013	2,203,545
(223,590)	262,330	38,740
6,838,169	3,592,956	10,431,125
\$ 6,614,579	\$ 3,855,286	\$ 10,469,865

CITY OF MARINE CITY
**Balance Sheet
Governmental Funds
June 30, 2020**

		Special Revenue	
	General	Local Street	Major Street
ASSETS			
Cash and cash equivalents	\$ 2,198,133	\$ 329,539	\$ 776,882
Restricted cash	204	--	--
Accounts and assessments receivable	40,196	--	--
Taxes receivable	3,603	--	--
Due from other units of government	82,778	17,209	45,032
Other assets	7,896	--	--
Due from other funds	6,304	19,628	1,970
Total Assets	2,339,114	366,376	823,884
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 2,339,114	\$ 366,376	\$ 823,884
LIABILITIES			
Accounts payable	\$ 44,517	\$ 1,470	\$ 953
Due to agency funds	342	--	--
Accrued wages and vacation pay	34,639	1,178	129
Due to other units and taxpayers	10,120	--	--
Due to other funds	4,925	2,915	17,474
Total Liabilities	94,543	5,563	18,556
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	26,820	--	--
Total Liabilities and Deferred Inflows of Resources	121,363	5,563	18,556
FUND BALANCE			
Restricted	167,142	360,813	805,328
Committed	44,958	--	--
Unassigned	2,005,651	--	--
Total Fund Balance	2,217,751	360,813	805,328
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,339,114	\$ 366,376	\$ 823,884

Other Governmental Funds	Total Governmental Funds
\$ 213,106	\$ 3,517,660
100	304
--	40,196
--	3,603
44,945	189,964
--	7,896
--	27,902
<u>258,151</u>	<u>3,787,525</u>
--	--
\$ 258,151	\$ 3,787,525
\$ 340	\$ 47,280
--	342
625	36,571
--	10,120
--	25,314
<u>965</u>	<u>119,627</u>
44,945	71,765
<u>45,910</u>	<u>191,392</u>
212,241	1,545,524
--	44,958
--	2,005,651
<u>212,241</u>	<u>3,596,133</u>
\$ 258,151	\$ 3,787,525

CITY OF MARINE CITY**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020**

Total Fund Balance - Governmental Funds	\$ 3,596,133
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	(161,455)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities	71,765
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	7,915,387
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported on the governmental fund statements	(280,000)
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	(2,266,105)
Long-term receivables are not due in the current period and are not reported on the governmental fund statements	15
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	(2,261,161)
Total Net Position-Governmental Funds	\$ 6,614,579

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020**

		Special Revenue	
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,727,924	\$ --	\$ --
Distributions from State of Michigan	477,332	123,297	322,664
Licenses, permits, fines, and fees	117,660	--	--
Local grants and reimbursements	37,000	--	--
Federal grants	6,960	--	--
Rentals	13,781	--	--
Refuse	248,977	--	--
Intergovernmental	7,738	--	--
Other	30,080	--	--
User fees and other charges	68,102	--	--
Interest revenue	24,956	886	1,812
Total Revenues	2,760,510	124,183	324,476
Expenditures			
<i>Current:</i>			
Legislative	13,483	--	--
General government	466,062	--	--
Public safety	920,587	--	--
Public works	572,826	--	--
Community and economic development	10,566	--	--
Recreation and cultural	79,498	--	--
Highways and streets	--	88,743	52,618
Other	85,935	--	--
Health and welfare	1,203	--	--
Cemetery operations	--	--	--
<i>Capital Outlay:</i>			
General government	42,274	--	--
Public safety	46,401	--	--
Recreation and cultural	29,752	--	--
Highways and streets	--	163,326	5,528
Cemetery	--	--	--
<i>Intergovernmental:</i>			
Water and sewer charges	14,000	--	--
Equipment rent	--	5,378	2,360
Unallocated current pension and OPEB expense	281,025	--	--
Total Expenditures	2,563,612	257,447	60,506
Excess of Revenues Over (Under) Expenditures	196,898	(133,264)	263,970
Other Financing Sources (Uses)			
Gain on sale of fixed assets	4,610	--	--
Transfers from other funds	--	83,619	1,970
Transfers to other funds	(29,925)	--	(80,664)
Net Other Financing Sources (Uses)	(25,315)	83,619	(78,694)
Net Change in Fund Balance	171,583	(49,645)	185,276
<i>Fund Balance at Beginning of Period</i>	<i>2,046,168</i>	<i>410,458</i>	<i>620,052</i>
Fund Balance at End of Period	\$ 2,217,751	\$ 360,813	\$ 805,328

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,727,924
--	923,293
--	117,660
--	37,000
--	6,960
--	13,781
--	248,977
--	7,738
--	30,080
11,715	79,817
228	27,882
<u>11,943</u>	<u>3,221,112</u>
--	13,483
--	466,062
--	920,587
--	572,826
--	10,566
--	79,498
--	141,361
--	85,935
--	1,203
31,886	31,886
--	42,274
--	46,401
--	29,752
--	168,854
1,087	1,087
--	14,000
--	7,738
--	281,025
<u>32,973</u>	<u>2,914,538</u>
(21,030)	306,574
--	4,610
25,000	110,589
--	(110,589)
<u>25,000</u>	<u>4,610</u>
3,970	311,184
208,271	3,284,949
<u>\$ 212,241</u>	<u>\$ 3,596,133</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, 2020**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,675,570	\$ 1,728,897	\$ 1,727,924	\$ (973)
Distributions from State of Michigan	500,200	503,581	477,332	(26,249)
Licenses, permits, fines, and fees	112,000	114,265	117,660	3,395
Local grants and reimbursements	18,650	50,650	37,000	(13,650)
Federal grants	8,500	8,500	6,960	(1,540)
Rentals	14,030	14,030	13,781	(249)
Refuse	275,400	248,977	248,977	--
Intergovernmental	26,000	26,000	7,738	(18,262)
Other	20,400	30,418	30,080	(338)
User fees and other charges	71,030	71,910	68,102	(3,808)
Interest	20,690	25,203	24,956	(247)
Total Revenues	2,742,470	2,822,431	2,760,510	(61,921)
Other Financing Sources				
Gain on sale of fixed assets	6,000	6,000	4,610	(1,390)
Total Revenues and Other Financing Sources	2,748,470	2,828,431	2,765,120	(63,311)
Expenditures				
Legislative	15,330	15,916	13,483	2,433
General government	497,420	561,923	512,336	49,587
Public safety	1,015,265	994,908	966,988	27,920
Public works	653,710	641,410	572,826	68,584
Community and economic development	5,300	11,154	10,566	588
Recreation and cultural	146,490	146,490	109,250	37,240
Other	387,190	389,154	376,960	12,194
Health and welfare	2,600	2,600	1,203	1,397
Total Expenditures	2,723,305	2,763,555	2,563,612	199,943
Other Financing Uses				
Transfers to other funds	40,575	40,575	29,925	10,650
Total Expenditures and Other Financing Uses	2,763,880	2,804,130	2,593,537	210,593
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(15,410)	24,301	171,583	147,282
Net Change in Fund Balance	(15,410)	24,301	171,583	147,282
<i>Fund Balance at Beginning of Period</i>	<i>2,046,168</i>	<i>2,046,168</i>	<i>2,046,168</i>	<i>--</i>
Fund Balance at End of Period	\$ 2,030,758	\$ 2,070,469	\$ 2,217,751	\$ 147,282

CITY OF MARINE CITY

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

Major Street

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 293,500	\$ 293,500	\$ 322,664	\$ 29,164
Interest	850	850	1,812	962
Total Revenues	294,350	294,350	324,476	30,126
Other Financing Sources				
Transfers from other funds	5,000	5,000	1,970	(3,030)
Total Revenues and Other Financing Sources	299,350	299,350	326,446	27,096
Expenditures				
Highways and streets	92,940	92,940	60,506	32,434
Total Expenditures	92,940	92,940	60,506	32,434
Other Financing Uses				
Transfers to other funds	103,220	103,220	80,664	22,556
Total Expenditures and Other Financing Uses	196,160	196,160	141,170	54,990
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	103,190	103,190	185,276	82,086
Net Change in Fund Balance	103,190	103,190	185,276	82,086
<i>Fund Balance at Beginning of Period</i>	620,052	620,052	620,052	--
Fund Balance at End of Period	\$ 723,242	\$ 723,242	\$ 805,328	\$ 82,086

CITY OF MARINE CITY

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

Local Street

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 225,755	\$ 225,755	\$ 123,297	\$ (102,458)
Interest	500	500	886	386
Total Revenues	226,255	226,255	124,183	(102,072)
Other Financing Sources				
Transfers from other funds	77,500	77,500	83,619	6,119
Total Revenues and Other Financing Sources	303,755	303,755	207,802	(95,953)
Expenditures				
Highways and streets	378,830	378,830	257,447	121,383
Total Expenditures	378,830	378,830	257,447	121,383
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	378,830	378,830	257,447	121,383
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(75,075)	(75,075)	(49,645)	25,430
Net Change in Fund Balance	(75,075)	(75,075)	(49,645)	25,430
<i>Fund Balance at Beginning of Period</i>	410,458	410,458	410,458	--
Fund Balance at End of Period	\$ 335,383	\$ 335,383	\$ 360,813	\$ 25,430

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, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$ 311,184
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	(13,076)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities	51,499
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	148,243
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives on the Statement of Activities	(246,729)
Long-term receivables are not due in the current period and are not reported on the governmental fund statements	(1)
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	(474,710)
Changes in Net Position-Governmental Funds	\$ (223,590)

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,781,125
Restricted cash	14,266
Accounts and assessments receivable	509,733
Taxes receivable	8
Total Current Assets	2,305,132
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	5,120,807
Cash restricted for payment of bond	79,065
Total Assets	7,505,004
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	28,255
Total Deferred Outflows of Resources	28,255
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	28,412
Accrued wages and vacation pay	7,688
Accrued interest payable	14,592
Current portion of debt	232,598
Due to other funds	2,588
Total Current Liabilities	285,878
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	911,486
Net pension liability	961,320
Net OPEB liability	1,513,526
Total Liabilities	3,672,210
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	5,763
Total Deferred Inflows of Resources	5,763
NET POSITION	
Investment in capital assets, net of related debt	3,976,723
<i>Restricted for:</i>	
Asset replacement	14,266
Water monitoring system	154,459
Infrastructure improvements	884,312
<i>Unrestricted</i>	(1,174,474)
Total Net Position	\$ 3,855,286

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

See accompanying notes.

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,654,000
Receipts from interfund services	14,000
Payments to suppliers	(980,594)
Payments to employees	(206,913)
Other receipts (payments)	20,049
Net Cash Provided By (Used In) Operating Activities	500,542
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(162,966)
Principal paid on long term debt	(230,457)
Interest and agent fees paid on revenue bonds	(35,710)
Debt service charges	135,042
Capital improvement fees	240,069
Net Cash Provided By (Used In) Capital and Related Financing Activities	(54,022)
Cash Flows From Investing Activities:	
Interest on investments	3,002
Net Cash Provided By (Used In) Investing Activities	3,002
Net Increase (Decrease) In Cash and Cash Equivalents	449,522
Cash and Cash Equivalents at July 1, 2019	1,424,934
Cash and Cash Equivalents at June 30, 2020	\$ 1,874,456
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	\$ (83,840)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	515,951
Change in assets and liabilities:	
Accounts receivable	(18,640)
Taxes receivable	(8)
Deferred outflow of resources	43,871
Accounts payable	(16,703)
Due to other funds	2,259
Accrued wages and compensated absences	2,667
Net pension liability	159,433
Net OPEB liability	(98,684)
Deferred inflow of resources	(5,764)
Net Cash Provided By (Used In) Operating Activities	\$ 500,542

CITY OF MARINE CITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 165,904	\$ 5,183
Cash and money market funds at fair value	58,703	393,986	--	--
Investments - mutual funds at fair value	170,986	4,605,624	--	--
Accounts and assessments receivable	--	--	--	1,430
Taxes receivable	--	--	24,776	--
Due from other funds	--	--	342	--
Total Assets	229,689	4,999,610	191,022	6,613
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accrued interest payable	--	--	--	100
Current portion of debt	--	--	--	6,000
Due to other units and taxpayers	--	--	16,701	--
Due to other funds	--	--	174,321	513
Total Liabilities	--	--	191,022	6,613
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Restricted for pension	--	4,999,610	--	--
Restricted for postemployment benefits other than pensions	229,689	--	--	--
Total Net Position	\$ 229,689	\$ 4,999,610	\$ --	\$ --

CITY OF MARINE CITY

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2020

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	\$ 244,636	\$ 247,245
Employee contributions	--	10,999
Investment income:		
Net increase (decrease) in fair value	\$ 2,344	\$ 143,786
Interest, dividends, & realized gains	7,877	169,097
Less: Investment expenses	--	(35,475)
Investment income	10,221	277,408
Total Additions	254,857	535,652
Deductions		
Benefits	229,349	473,919
Administrative expenses	4,631	10,550
Total Deductions	233,980	484,469
Net Increase (Decrease) in Net Position	20,877	51,183
<i>Net Position at Beginning of Period</i>	<i>208,812</i>	<i>4,948,427</i>
Net Position at End of Period	\$ 229,689	\$ 4,999,610

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

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 4,500 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, 2020

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 2019 taxable valuation of the City totaled \$98.7 million (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.7107 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.

AGENCY 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, 2020

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.

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City capitalizes interest during the construction phase of proprietary fund assets if financed by revenue bonds. Interest is not capitalized for assets constructed with general obligation debt. There was no interest capitalized for the period.

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, 2020

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>
Delinquent Property Taxes	\$ 3,603	\$ --
State and Local Revenue	68,162	--
Total	<u>\$ 71,765</u>	<u>\$ --</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 only one type of item, 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. See Notes 9 and 10 regarding amounts reported as deferred inflows of resources related to the net pension and net OPEB obligations.

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

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 2020, there were no expenditures in excess of the budget.

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:

CITY OF MARINE CITY**Notes to Financial Statements
For the Year Ended June 30, 2020****NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

Cumulative shortfall at June 30, 2019	\$ (113,880)
Permit revenues	36,108
Related expenditures	(48,764)
Cumulative surplus (shortfall)	<u>\$ (126,536)</u>

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, 2020. 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	\$ 3,517,964
Total proprietary funds	1,874,456
Total fiduciary funds - excluding Tax Fund (see Note 6)	5,183
Less: cash on hand	(2,477)
Total Deposits	<u>\$ 5,395,126</u>

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

Deposits	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
Demand deposits	\$ 882,821	\$ 4,493,814	\$ 5,316,061	\$ 5,376,635
Savings and CD's	79,065	--	79,065	79,065
Total Cash	<u>\$ 961,886</u>	<u>\$ 4,493,814</u>	<u>5,395,126</u>	<u>\$ 5,455,700</u>
Investments - Nonrisk Categorized				
Money market account			452,689	\$ 470,322
Mutual funds			4,776,610	4,776,610
Total Investments			<u>5,229,299</u>	<u>\$ 5,246,932</u>
Total Cash and Investments			<u>\$ 10,624,425</u>	

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2020, \$4.5 million of the government's bank balance of \$5.5 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.

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	\$ 452,689
Raymond James Mutual Fund Portfolio	Variable	4,776,610
		<u>\$ 5,229,299</u>

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, 2020

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	\$ 204
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Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	\$ 100
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Water and Sewer Fund - Restricted Assets:

Per Bond Ordinance 48, as amended by 48A and 57 - cash restricted to pay for asset replacement	\$ 5,000
Per City's designation - cash restricted for sewer construction	9,266
Total restricted cash reported as current on Statement of Net Position	14,266
Cash restricted for FMHA Bond reported as long-term on Statement of Net Position	79,065
Total restricted assets	<u>\$ 93,331</u>

NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/19	Additions	Disposals	Balance 06/30/20
Legislative:				
Equipment	\$ 6,429	\$ --	\$ --	\$ 6,429
General Government:				
Equipment and vehicles	1,035,292	8,000	--	1,043,292
Buildings	1,727,970	25,855	--	1,753,825
Land	1,472,188	--	--	1,472,188
Public Safety:				
Equipment and vehicles	773,502	46,401	(41,020)	778,883
Buildings	685,358	--	--	685,358
Capitalized leases	45,196	--	(22,598)	22,598
Public Works:				
Equipment and vehicles	344,097	--	(26,110)	317,987
Buildings	255,640	--	--	255,640
Capitalized leases	77,214	--	--	77,214
Recreation and Culture:				
Land	258,116	--	--	258,116
Equipment	497,800	26,796	--	524,596
Buildings	635,847	1,976	--	637,823
Beach	60,071	1,317	--	61,388
Highways and Streets:				
Equipment	976,222	4,178	--	980,400
Roads and sidewalks	6,343,211	172,758	--	6,515,969
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	1,087	--	242,857
Total Capital Assets	15,475,215	288,368	(89,728)	15,673,855
Accumulated Depreciation	(7,313,099)	(535,097)	89,728	(7,758,468)
Total Carrying Value of Fixed Assets	<u>\$ 8,162,116</u>	<u>\$ (246,729)</u>	<u>\$ --</u>	<u>\$ 7,915,387</u>

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

NOTE 5: CAPITAL ASSETS (Continued)

The cost of land totaling \$1.7 million is not subject to depreciation. Total capital assets include assets acquired through capital leases with a cost of \$99,812 and accumulated depreciation of \$99,812.

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

General Government	\$ 46,643
Public Safety	48,298
Public Works	14,898
Recreation and Culture	42,452
Highways and Streets	381,348
Legislative	334
Cemetery	1,124
Total	<u>\$ 535,097</u>

Business-Type Activities Fixed Assets:

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

	Balance 06/30/19	Additions	Disposals	Balance 06/30/20
Water plant, lines, and equipment	\$ 6,981,014	\$ 105,961	\$ --	\$ 7,086,975
Sewer plant, lines, and equipment	14,890,488	57,005	--	14,947,493
Construction in process - sewer	251,354	--	--	251,354
Sewer capital leases	186,165	--	--	186,165
Water capital leases	186,165	--	--	186,165
Land	63,174	--	--	63,174
Total Capital Assets	<u>22,558,360</u>	<u>162,966</u>	<u>--</u>	<u>22,721,326</u>
Accumulated Depreciation	<u>(17,084,568)</u>	<u>(515,951)</u>	<u>--</u>	<u>(17,600,519)</u>
Total Carrying Value of Fixed Assets	<u>\$ 5,473,792</u>	<u>\$ (352,985)</u>	<u>\$ --</u>	<u>\$ 5,120,807</u>

The above amounts include land with a cost of \$63,174 not subject to depreciation. The assets above include assets acquired through capital leases with a cost basis of \$372,330 and accumulated depreciation of \$62,054. Depreciation for the water and sewer systems totaled \$201,671 and \$314,280, respectively, for the year ended June 30, 2020. Depreciation expense includes amortization on assets acquired from capitalized leases.

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>\$ 80,664</u>	Major Street	<u>\$ 80,664</u>
Major Street	\$ 1,970		
Local Street	2,955		
Woodlawn cemetery	25,000		
	<u>\$ 29,925</u>	General Fund	<u>\$ 29,925</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, 2020

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>
General Fund **	<u>\$ 174,313</u>	Tax Fund	<u>\$ 174,313</u>
General Fund	<u>\$ 2,588</u>	Water and Sewer Fund	<u>\$ 2,588</u>
Tax Fund	<u>\$ 342</u>	General Fund	<u>\$ 342</u>
Water and Sewer Fund (treated as cash)	<u>\$ 513</u>	Special Assessment Fund	<u>\$ 513</u>
Local Street	<u>\$ 16,673</u>	Major Street	<u>\$ 16,673</u>
		Local Street	\$ 2,915
		Major Street	801
General Fund	<u>\$ 3,716</u>		<u>\$ 3,716</u>
Local Street	<u>\$ 2,955</u>	General Fund	<u>\$ 2,955</u>
Major Street	<u>\$ 1,970</u>	General Fund	<u>\$ 1,970</u>

** Taxes receivable in the General Fund from the Tax Fund is shown on the Statement of Net Position and Balance Sheet net of allowance for doubtful accounts of \$3,603. Remaining amounts are included in cash and cash equivalents.

NOTE 7: LEASE OBLIGATIONS

The City has entered into equipment leases for copying and postage machines. These leases are month-to-month and are being treated as operating leases in the governmental and entity-wide fund financial statements. Lease expense for the period amounted to \$6,108. See Note 8 for information regarding capital leases.

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.

In fiscal year 2018, the City financed the purchase of a vacuum truck with a capital lease in the amount of \$361,829 with the truck as collateral. As of June 30, 2020, there was \$244,084 outstanding on this lease and the book value of the collateral was \$310,276. See below for additional details on this obligation.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

NOTE 8: LONG-TERM DEBT (Continued)

The City received a loan during the 2017 fiscal year from the Michigan Department of Environmental Quality (MDEQ) for the environmental clean up 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.

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

Description	Balance at 07/01/2019	Balance at 06/30/2020
Accrued sick pay	\$ 97,818	\$ 101,015
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 06/30/19	Increase	Decrease	Payable at 06/30/20	Payable Within One Year
Total Business-Type					
Activities Indebtedness	\$ 1,374,541	\$ --	\$ 230,457	\$ 1,144,084	\$ 232,598
Total Governmental					
Activities Indebtedness	280,000	--	--	280,000	27,391
Total Fiduciary Activities					
Indebtedness	12,000	--	6,000	6,000	6,000
Total Indebtedness	<u>\$ 1,666,541</u>	<u>\$ --</u>	<u>\$ 236,457</u>	<u>\$ 1,430,084</u>	<u>\$ 265,989</u>

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
Direct Borrowings:				
MDEQ loan	1	1.50%	2031	\$ 280,000
Lease Purchase Agreement	1	3.862%	2024	244,084
Total Direct Borrowings				<u>\$ 524,084</u>
Special Assessment Bonds	1	5.00%	2021	<u>\$ 6,000</u>
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 40,000
Drinking Water Revolving Funds	2	2.125-2.50%	2026	860,000
Total Revenue Bonds				<u>\$ 900,000</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/19	Increase	Decrease	Payable at 06/30/20	Payable Within One Year
Direct Borrowings:					
MDEQ loan	\$ 280,000	\$ --	\$ --	\$ 280,000	\$ 27,391
Lease Purchase	299,541	--	55,457	244,084	57,598
Total General Obligation	579,541	--	55,457	524,084	84,989
Revenue Bonds:					
Water supply and sewage disposal	80,000	--	40,000	40,000	40,000
Drinking Water Revolving Fund	995,000	--	135,000	860,000	135,000
Special assessments	12,000	--	6,000	6,000	6,000
Total Revenue Bonds	1,087,000	--	181,000	906,000	181,000
Total Indebtedness	\$ 1,666,541	\$ --	\$ 236,457	\$ 1,430,084	\$265,989

The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund. The special assessment bonds are to be retired from collection of special assessments.

The City did not have any short-term debt obligations outstanding at the beginning or end of the period. As of June 30, 2020, the City does not have unused lines of credit or other obligations.

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
2021	\$ 27,391	\$ -	\$ 57,598	\$ 9,425	\$ 175,000	\$ 20,175
2022	23,602	3,789	59,822	7,201	140,000	15,406
2023	23,956	3,435	62,132	4,891	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 - 2030	129,068	7,887	-	-	150,000	3,188
2031 - 2035	26,987	404	-	-	-	-
	<u>\$ 280,000</u>	<u>\$ 21,301</u>	<u>\$ 244,084</u>	<u>\$ 24,009</u>	<u>\$ 900,000</u>	<u>\$ 67,031</u>
Fiduciary Activities						
Year Ending June 30	Special Assessment Bonds					
	Principal	Interest				
2021	\$ 6,000	\$ 150				
	<u>\$ 6,000</u>	<u>\$ 150</u>				

Total interest expense for the City for the year was \$31,943.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

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.

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, 2020, was approximately \$221,000 with total payroll for the year totaling approximately \$1.1 million. Membership in the Retirement System as of June 30, 2020 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Inactive members - Retirees and beneficiaries currently receiving benefits	26
- Retirees eligible for benefits but not receiving benefits	6
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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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>
Blackrock Health Sciences Opportunities	7.9%
Hartford Balanced Income Fund	11.3%
T Rowe Price Technology Fund	15.7%
Columbia Strategic Fund	9.3%
Fidelity Advisor Telecommunications Fund	6.5%
PGIM Total Return Bond	11.1%

Rate of return: For the year ended, June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.49%. 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, 2020, the City's contribution rate was approximately 112% of annual covered payroll. Total contributions to the plan were \$258,244 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	\$ 188,818
Fund Balance Reserved for Employer Contribution	3,106,545
Fund Balance Reserved for Annuity	1,704,247
Balance at June 30, 2020	<u>\$ 4,999,610</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Net pension liability: The components of the net pension liability of the City at June 30, 2020, were as follows:

Total pension liability	\$ 8,269,406
Plan fiduciary net position	(4,999,610)
City's net pension liability	<u>\$ 3,269,796</u>

Plan fiduciary net position as a percentage of the total pension liability: 60.46%

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2020. The following actuarial assumptions were applied to compute the total pension liability:

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%
Cost of living assumption adjustments	None

Mortality rates were based on Pub-2010 Mortality with generational improvements projected beginning in 2010 with Scale MP-2019. As the plan is not large enough to have creditable 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, 2020, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	49.0%	4.50%
Fixed Income	42.0	2.00
Alternatives	3.0	3.90
Cash	6.0	0.80
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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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:

	1% Decrease Rate <u>5.00%</u>	Computed Rate <u>6.00%</u>	1% Increase Rate <u>7.00%</u>
City's net pension liability	\$ 4,192,615	\$ 3,269,796	\$ 2,491,511

CHANGES IN THE NET PENSION LIABILITY

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 7,675,935	\$ 4,948,427	\$ 2,727,508
Changes for the year:			
Service cost	19,468	--	19,468
Interest on the net pension liability	484,799	--	484,799
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(3,742)	--	(3,742)
Changes of assumptions or other inputs	566,865	--	566,865
Contributions - employer	--	247,245	(247,245)
Contributions - employee	--	10,999	(10,999)
Net investment income	--	277,408	(277,408)
Benefit payments, including refunds of employee contributions	(473,919)	(473,919)	--
Administrative expense	--	(10,550)	10,550
Net Changes	<u>593,471</u>	<u>51,183</u>	<u>542,288</u>
Balances at June 30, 2020	<u>\$ 8,269,406</u>	<u>\$ 4,999,610</u>	<u>\$ 3,269,796</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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

For the year ended June 30, 2020, the City recognized total pension expense of \$919,638. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 86,620	\$ 19,602
Total	<u>\$ 86,620</u>	<u>\$ 19,602</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
2021	\$ 38,638	\$ 19,602
2022	38,638	--
2023	9,294	--
2024	50	--
Total	<u>\$ 86,620</u>	<u>\$ 19,602</u>

Payable to the Pension Plan: At June 30, 2020, the City had no amounts due to the pension plan.

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, 2020 (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	21
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>3</u>
	<u>24</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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

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

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 \$244,636 and benefits paid totaled \$229,349.

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.

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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.7%. 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>
Blackrock Health Sciences Opportunities	7.4%
Columbia Capital Alloc	12.3%
Fidelity Advisor Telecommunications	6.2%
T Rowe Price Global Technology Fund	14.6%
Principal Global Diversified Income Fund	9.8%
PGIM Total Return Bond Fund	9.9%

NET OPEB LIABILITY OF THE CITY

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The components of the net OPEB liability of the City at June 30, 2020, were as follows:

Total OPEB liability	\$ 4,013,504
Plan fiduciary net position	(229,689)
City's net OPEB liability	<u>\$ 3,783,815</u>

Plan fiduciary net position as a percentage of total OPEB liability	5.72%
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CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

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

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, 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 for June 30, 2020. 2.00% for periods before 2020.
Salary increases:	2.00% per year
Investment rate of return:	5.90% as of July 1, 2019 and 5.96% as of June 30, 2020
Healthcare cost trend rates:	8.0% for the year of valuation, graded down 0.5% increments over the next 9 years to 4.5% thereafter for Medical/Rx and 5.0% for the year of valuation, graded down 0.5% increments over the next 4 years to 2.5% thereafter for Dental/Vision.

For June 30, 2020 Mortality rates were based on the following:

General Employees & Healthy Retirees:	SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
Police Employees & Healthy Retirees:	SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020
Surviving Spouses:	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020
Disabled General Retirees:	SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020
Disabled Police Retirees:	SOA Pub-2010 Public Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020

Mortality rates prior to June 30, 2020 were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 for healthy retirees. For disabled retirees, mortality rates were based on the RPH-2017 Disabled Mortality Table fully generational using Scale MP-2017. The impact of this change is a slight decrease in liabilities.

Discount rate: The discount rate used to measure the total OPEB liability was 5.96%. 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>4.96%</u>	<u>5.96%</u>	<u>6.96%</u>
City's net OPEB liability	\$ 4,285,583	\$ 3,783,815	\$ 3,366,835

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

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

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 <u>7.00-3.50%</u>	Healthcare Cost Trend Rate <u>8.00-4.50%</u>	1% Increase Rate <u>9.00-5.50%</u>
City's net OPEB liability	\$ 3,358,531	\$ 3,783,815	\$ 4,289,629

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, 2020 are summarized below:

Asset Class	Target Allocation	L/T Expected Rate of Return
U.S. Large Cap Equity	28.42%	8.07%
U.S. Small/Mid Cap Equity	10.59	8.80
Non-U.S. Developed Large Cap Equity		
Unhedged	5.62	8.34
Emerging Markets Equity Unhedged	2.58	10.94
U.S. Aggregate FI	12.86	4.13
U.S. Short G/C FI	2.14	3.80
U.S. High Yield FI	4.54	6.17
U.S. Cash	25.05	2.72
Non-U.S. Broad FI Unhedged	5.06	4.06
U.S. Real Estate - REITS	0.74	8.29
Diversified Hedge Funds	2.38	5.96
Commodities - Long Only	0.02	4.46
Total	<u>100.00%</u>	<u>5.96%</u>

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

For the year ended June 30, 2020, the City recognized total OPEB expense of \$(2,437). At June 30, 2020, 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	\$ 6,973	\$ --
Total	<u>\$ 6,973</u>	<u>\$ --</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (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
2021	\$ 2,476	\$ --
2022	2,475	--
2023	1,453	--
2024	569	--
Total	<u>\$ 6,973</u>	<u>\$ --</u>

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 4,239,337	\$ 208,812	\$ 4,030,525
Changes for the year:			
Service cost	13,914	--	13,914
Interest	244,273	--	244,273
Changes in benefit terms	--	--	--
Differences between expected and actual experience	(228,010)	--	(228,010)
Changes of assumptions or other inputs	(26,663)	--	(26,663)
Contributions - employer	--	244,636	(244,636)
Net investment income	--	10,221	(10,221)
Benefit payments, including refunds of employee contributions	(229,349)	(229,349)	--
Administrative expense	--	(4,631)	4,631
Other changes	2	--	2
Net Changes	<u>(225,833)</u>	<u>20,877</u>	<u>(246,710)</u>
Balances at June 30, 2020	<u>\$ 4,013,504</u>	<u>\$ 229,689</u>	<u>\$ 3,783,815</u>

Payable to the OPEB Plan: At June 30, 2020, the City had no amounts due to the OPEB plan.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 11: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code of 1986, as amended. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City matches employee contributions for employees who do not to participate in the City's pension plan. Currently, the City is matching contributions for twelve employees. The City Commission approves the matching contribution rate each year. Employee deferrals amounted to \$56,795 and employer contributions amounted to \$57,548 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.

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	\$ --	\$ 524	\$ --	\$ --
Parks and recreation - County	--	54,163	--	--
Beach	--	4,540	--	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	93,148	--	--
Capital projects	--	--	44,958	--
General government	--	137	--	--
Parklet	--	6,501	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	9,600	--	--
Local Street				
Highways and streets - Act 51	--	360,813	--	--
Major Street				
Highways and streets - Act 51	--	805,328	--	--
Woodlawn Cemetery				
Cemetery	--	65,160	--	--
Cemetery Perpetual Care				
Perpetual care	--	137,481	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 1,545,524</u>	<u>\$ 44,958</u>	<u>\$ --</u>

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

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 \$193,596 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 \$15 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.

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, 2020, 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, 2020, the City's real and personal property taxes were reduced approximately \$5,200 under this program.

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, 2020, the City's real and personal property taxes were reduced approximately \$48,000 under this program.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2020

NOTE 16: COVID-19 PANDEMIC

In December 2019, a novel strain of Coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The spread of this virus has caused disruption in operations to the City beginning in March 2020 due to stay-at-home and social distancing orders issued by the State of Michigan. The City expects this matter to negatively impact its results; however, the extent of the impact of COVID-19 on the City's operational and financial performance will depend on future developments including the duration, spread, and containment of the outbreak and the length of any additional stay-at-home and social distancing orders, all of which are highly uncertain and cannot be predicted at this time.

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.

As discussed in Note 16, as a result of the spread of the COVID-19 Coronavirus and the resulting stay-at-home and social distancing orders issued by the State of Michigan, the City is experiencing reduced collections of revenues. The duration of the reduction may only be temporary. However, the related financial impact and duration cannot be reasonably estimated at this time. Additionally, the City receives a majority of its funding from the State of Michigan which is facing budget issues as a result of the pandemic. It is unknown what impact, if any, the pandemic will have on future state revenue sharing, gas and weight taxes, and other funding.

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, 2020
(Per actuarial report dated June 30, 2020)

	2020	2019	2018
Total pension liability			
Service cost	\$ 19,468	\$ 23,076	\$ 38,798
Interest	484,799	504,485	490,001
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(3,742)	(59,838)	(38,499)
Changes of assumptions	566,865	525,749	207,276
Benefit payments, including refunds of member contributions	(473,919)	(505,750)	(458,395)
Net change in total pension liability	593,471	487,722	239,181
<i>Total pension liability - beginning</i>	<i>7,675,935</i>	<i>7,188,213</i>	<i>6,949,032</i>
Total pension liability - ending (a)	\$ 8,269,406	\$ 7,675,935	\$ 7,188,213
Plan fiduciary net position			
Contributions - employer	\$ 247,245	\$ 209,930	\$ 209,928
Contributions - member	10,999	13,274	14,284
Net investment income	277,408	267,017	171,760
Benefit payments, including refunds of member contributions	(473,919)	(505,750)	(458,395)
Administrative expense	(10,550)	(14,710)	(1,600)
Other	--	--	--
Net change in plan fiduciary net position	51,183	(30,239)	(64,023)
<i>Plan fiduciary net position - beginning</i>	<i>4,948,427</i>	<i>4,978,666</i>	<i>5,042,689</i>
Plan fiduciary net position - ending (b)	\$ 4,999,610	\$ 4,948,427	\$ 4,978,666
City of Marine City's net pension liability - ending (a)-(b)	\$ 3,269,796	\$ 2,727,508	\$ 2,209,547
Plan fiduciary net position as a percentage of the total pension liability	60.46%	64.47%	69.26%
Covered employee payroll	\$ 220,609	\$ 224,481	\$ 285,980
City of Marine City's net pension liability as a percentage of covered employee payroll	1,482.17%	1,215.03%	772.62%

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, 2020, for the plan year ending June 30, 2020.

2017	2016	2015	2014
\$ 36,772	\$ 40,993	\$ 49,202	\$ 63,069
495,822	508,700	481,650	491,659
--	--	--	--
(174,896)	(242,523)	605,816	123,250
--	--	--	--
(458,395)	(506,981)	(1,011,947)	(606,249)
(100,697)	(199,811)	124,721	71,729
7,049,729	7,249,540	7,124,819	7,053,090
\$ 6,949,032	\$ 7,049,729	\$ 7,249,540	\$ 7,124,819
\$ 211,847	\$ 158,748	\$ 164,043	\$ 190,302
14,194	15,249	16,265	22,046
440,552	(180,052)	115,716	809,302
(458,395)	(506,981)	(1,011,947)	(606,249)
(12,597)	(1,645)	(14,899)	(7,806)
--	--	--	--
195,601	(514,681)	(730,822)	407,595
4,847,088	5,361,769	6,092,591	5,684,996
\$ 5,042,689	\$ 4,847,088	\$ 5,361,769	\$ 6,092,591
\$ 1,906,343	\$ 2,202,641	\$ 1,887,771	\$ 1,032,228
72.57%	68.76%	73.96%	85.51%
\$ 304,657	\$ 335,085	\$ 379,897	\$ 479,446
625.73%	657.34%	496.92%	215.30%

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Pension Contributions****June 30, 2020****(Per actuarial report dated June 30, 2020)**

	2020	2019	2018	2017
Actuarially determined contribution	\$ 247,217	\$ 209,066	\$ 209,066	\$ 189,645
Contributions in relation to the actuarially determined contribution	247,245	209,930	209,928	211,847
Contribution excess (deficiency)	\$ 28	\$ 864	\$ 862	\$ 22,202
Covered-employee payroll	\$ 220,609	\$ 224,481	\$ 285,980	\$ 304,657
Contributions as a percentage of covered-employee payroll	112.07%	93.52%	73.41%	69.54%

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 years as of the June 30, 2020, regular actuarial valuation

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.

2016	2015	2014	2013	2012	2011
\$ 158,748	\$ 164,043	\$ 190,302	\$ 168,317	\$ 157,716	\$ 149,956
158,748	164,043	190,302	171,849	110,871	97,480
\$ --	\$ --	\$ --	\$ 3,532	\$ (46,845)	\$ (52,476)
\$ 335,085	\$ 318,492	\$ 379,897	\$ 479,446	\$ 647,948	\$ 824,677
47.38%	51.51%	50.09%	35.84%	17.11%	11.82%

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Investment Returns (Pension)****June 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	6.49 %	6.32 %	4.30 %	10.10 %	(2.86) %	2.75 %	15.69 %

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.

CITY OF MARINE CITY
Retiree Health Trust
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020
(Per actuarial report dated June 30, 2020)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 13,914	\$ 11,348	\$ 18,400	\$ 61,170
Interest	244,273	287,503	319,964	422,821
Changes of benefit terms	--	--	--	--
Differences between expected and actual experience	(228,010)	(554,926)	(1,312,300)	(716,603)
Changes of assumptions	(26,663)	460,618	151,350	(974,163)
Benefit payments	(229,349)	(237,169)	(254,036)	(260,734)
Other	2	(1)	(6,818)	--
Net change in total OPEB liability	(225,833)	(32,627)	(1,083,440)	(1,467,509)
Total OPEB liability - beginning	4,239,337	4,271,964	5,355,404	15,876,701
Adjustment to beginning OPEB liability - see below	--	--	--	(9,053,788)
Total OPEB liability - ending (a)	\$ 4,013,504	\$ 4,239,337	\$ 4,271,964	\$ 5,355,404
Plan fiduciary net position				
Contributions - employer	\$ 244,636	\$ 255,751	\$ 265,096	\$ 256,929
Contributions - member	--	--	--	--
Net investment income	10,221	10,266	10,121	16,311
Benefit payments, including refunds of member contributions	(229,349)	(237,169)	(254,036)	(260,734)
Administrative expense	(4,631)	(6,133)	(8,063)	(6,407)
Other	--	--	--	--
Net change in plan fiduciary net position	20,877	22,715	13,118	6,099
Plan fiduciary net position - beginning	208,812	186,097	172,979	166,880
Plan fiduciary net position - ending (b)	\$ 229,689	\$ 208,812	\$ 186,097	\$ 172,979
City of Marine City's net OPEB liability - ending (a)-(b)	\$ 3,783,815	\$ 4,030,525	\$ 4,085,867	\$ 5,182,425
Plan fiduciary net position as a percentage of the total OPEB liability	5.72%	4.93%	4.36%	3.23%
Covered employee payroll	\$ 226,609	\$ 229,481	\$ 259,705	\$ 335,629
City of Marine City's net OPEB liability as a percentage of covered employee payroll	1,669.8%	1,756.4%	1,573.3%	1,544.09%

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, 2020. The computations and assumptions have been updated by the actuary to reflect any significant changes in methods or assumptions in accordance with applicable standards for June 30, 2020.

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.

CITY OF MARINE CITY**Retiree Health Trust****Required Supplementary Information****Schedule of OPEB Contributions****June 30, 2020****(Per actuarial report dated June 30, 2020)**

	2020	2019	2018	2017
Actuarially determined contribution	\$ 303,118	\$ 331,458	\$ 329,021	\$ 569,428
Contributions in relation to the actuarially determined contribution	244,636	255,751	265,096	256,929
Contribution excess (deficiency)	<u>\$ (58,482)</u>	<u>\$ (75,707)</u>	<u>\$ (63,925)</u>	<u>\$ (312,499)</u>
Covered-employee payroll	\$ 226,609	\$ 229,481	\$ 259,705	\$ 335,629
Contributions as a percentage of covered-employee payroll	107.96%	111.45%	102.08%	76.55%

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

Amortization method:

Level percentage of salary

Amortization period:

30 years

Asset valuation method:

Market

Inflation:

2.50% per year

Healthcare cost trend rates:

8.0% for the year of valuation, graded down 0.5% increments over the next 9 years to 4.5% then 4.5% thereafter

Salary increases:

2.00% per year

Investment rate of return:

5.90% net of expenses

Retirement age:

Not provided by actuary

Mortality:

General Employees & Healthy Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
Police Employees & Healthy Retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020
Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020
Disabled Police Retirees: SOA Pub-2010 Public Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2020

2016	2015	2014	2013	2012	2011
\$ 547,526	\$ 551,877	\$ 531,930	\$ 512,704	\$ 389,665	\$ 375,581
233,279	206,250	215,788	204,619	165,967	221,447
<u>\$ (314,247)</u>	<u>\$ (345,627)</u>	<u>\$ (316,142)</u>	<u>\$ (308,085)</u>	<u>\$ (223,698)</u>	<u>\$ (154,134)</u>
\$ 283,719	\$ 300,535	\$ 500,641	\$ 649,558	\$ 644,253	\$ 794,463
82.22%	68.63%	43.10%	31.50%	25.76%	27.87%

CITY OF MARINE CITY
Retiree Health Trust
Required Supplementary Information
Schedule of Investment Returns (OPEB)
June 30, 2020

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	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, 2020

	Special Revenue		Debt Service	Permanent	Total Nonmajor Governmental Funds
	Woodlawn Cemetery	Drug Enforcement Law Fund	Brownfield Redevelopment	Cemetery Perpetual Care	
ASSETS					
Cash and cash equivalents	\$ 66,125	\$ 9,500	\$ --	\$ 137,481	\$ 213,106
Restricted cash	--	100	--	--	100
Due from other units of government	--	--	44,945	--	44,945
Total Assets	66,125	9,600	44,945	137,481	258,151
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 66,125	\$ 9,600	\$ 44,945	\$ 137,481	\$ 258,151
LIABILITIES					
Accounts payable	\$ 340	\$ --	\$ --	\$ --	\$ 340
Accrued wages and vacation pay	625	--	--	--	625
Total Liabilities	965	--	--	--	965
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	44,945	--	44,945
Total Liabilities and Deferred Inflows of Resources	965	--	44,945	--	45,910
FUND BALANCE					
Restricted	65,160	9,600	--	137,481	212,241
Total Fund Balance	65,160	9,600	--	137,481	212,241
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 66,125	\$ 9,600	\$ 44,945	\$ 137,481	\$ 258,151

CITY OF MARINE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2020

	Special Revenue		Permanent	Total Nonmajor Governmental Funds
	Woodlawn Cemetery	Drug Enforcement Law Fund	Cemetery Perpetual Care	
Revenues				
User fees and other charges	\$ 11,715	\$ --	\$ --	\$ 11,715
Interest revenue	63	--	165	228
Total Revenues	<u>11,778</u>	<u>--</u>	<u>165</u>	<u>11,943</u>
Expenditures				
<i>Current:</i>				
Cemetery operations	31,886	--	--	31,886
<i>Capital Outlay:</i>				
Cemetery	1,087	--	--	1,087
Total Expenditures	<u>32,973</u>	<u>--</u>	<u>--</u>	<u>32,973</u>
Excess of Revenues Over (Under) Expenditures	<u>(21,195)</u>	<u>--</u>	<u>165</u>	<u>(21,030)</u>
Other Financing Sources (Uses)				
Transfers from other funds	25,000	--	--	25,000
Net Other Financing Sources (Uses)	<u>25,000</u>	<u>--</u>	<u>--</u>	<u>25,000</u>
Net Change in Fund Balance	<u>3,805</u>	<u>--</u>	<u>165</u>	<u>3,970</u>
<i>Fund Balance at Beginning of Period</i>	<u>61,355</u>	<u>9,600</u>	<u>137,316</u>	<u>208,271</u>
Fund Balance at End of Period	<u>\$ 65,160</u>	<u>\$ 9,600</u>	<u>\$ 137,481</u>	<u>\$ 212,241</u>

CITY OF MARINE CITY

General Fund Combining Balance Sheet

All Funds Treated as General

June 30, 2020

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 44,958	\$ 2,153,175	\$ 2,198,133
Restricted cash	--	204	204
Accounts and assessments receivable	--	40,196	40,196
Taxes receivable	--	3,603	3,603
Due from other units of government	--	82,778	82,778
Other assets	--	7,896	7,896
Due from other funds	--	6,304	6,304
Total Assets	44,958	2,294,156	2,339,114
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 44,958	\$ 2,294,156	\$ 2,339,114
LIABILITIES			
Accounts payable	\$ --	\$ 44,517	\$ 44,517
Due to agency funds	--	342	342
Accrued wages and vacation pay	--	34,639	34,639
Due to other units and taxpayers	--	10,120	10,120
Due to other funds	--	4,925	4,925
Total Liabilities	--	94,543	94,543
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	26,820	26,820
Total Liabilities and Deferred Inflows of Resources	--	121,363	121,363
FUND BALANCE			
Restricted	--	167,142	167,142
Committed	44,958	--	44,958
Unassigned	--	2,005,651	2,005,651
Total Fund Balance	44,958	2,172,793	2,217,751
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 44,958	\$ 2,294,156	\$ 2,339,114

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, 2020

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	\$ --	\$ 1,727,924	\$ 1,727,924
Distributions from State of Michigan	--	477,332	477,332
Licenses, permits, fines, and fees	--	117,660	117,660
Local grants and reimbursements	--	37,000	37,000
Federal grants	--	6,960	6,960
Rentals	--	13,781	13,781
Refuse	--	248,977	248,977
Intergovernmental	--	7,738	7,738
Other	--	30,080	30,080
User fees and other charges	--	68,102	68,102
Interest revenue	54	24,902	24,956
Total Revenues	54	2,760,456	2,760,510
Expenditures			
<i>Current:</i>			
Legislative	--	13,483	13,483
General government	--	466,062	466,062
Public safety	--	920,587	920,587
Public works	--	572,826	572,826
Community and economic development	--	10,566	10,566
Recreation and cultural	--	79,498	79,498
Other	--	85,935	85,935
Health and welfare	--	1,203	1,203
<i>Capital Outlay:</i>			
General government	--	42,274	42,274
Public safety	--	46,401	46,401
Recreation and cultural	--	29,752	29,752
<i>Intergovernmental:</i>			
Water and sewer charges	--	14,000	14,000
Unallocated current pension and OPEB expense	--	281,025	281,025
Total Expenditures	--	2,563,612	2,563,612
Excess of Revenues Over (Under) Expenditures	54	196,844	196,898
Other Financing Sources (Uses)			
Gain on sale of fixed assets	--	4,610	4,610
Transfers to other funds	--	(29,925)	(29,925)
Net Other Financing Sources (Uses)	--	(25,315)	(25,315)
Net Change in Fund Balance	54	171,529	171,583
<i>Fund Balance at Beginning of Period</i>	<i>44,904</i>	<i>2,001,264</i>	<i>2,046,168</i>
Fund Balance at End of Period	\$ 44,958	\$ 2,172,793	\$ 2,217,751

CITY OF MARINE CITY
**Schedule 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, 2020**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,675,570	\$ 1,728,897	\$ 1,727,924	\$ (973)
Distributions from State of Michigan	500,200	503,581	477,332	(26,249)
Licenses, permits, fines, and fees	112,000	114,265	117,660	3,395
Local grants and reimbursements	18,650	50,650	37,000	(13,650)
Federal grants	8,500	8,500	6,960	(1,540)
Rentals	14,030	14,030	13,781	(249)
Refuse	275,400	248,977	248,977	--
Intergovernmental	26,000	26,000	7,738	(18,262)
Other	20,400	30,418	30,080	(338)
User fees and other charges	71,030	71,910	68,102	(3,808)
Interest	20,650	25,163	24,902	(261)
Total Revenues	2,742,430	2,822,391	2,760,456	(61,935)
Other Financing Sources				
Gain on sale of fixed assets	6,000	6,000	4,610	(1,390)
Total Revenues and Other Financing Sources	2,748,430	2,828,391	2,765,066	(63,325)
Expenditures				
Legislative	15,330	15,916	13,483	2,433
General government	497,420	561,923	512,336	49,587
Public safety	1,015,265	994,908	966,988	27,920
Public works	653,710	641,410	572,826	68,584
Community and economic development	5,300	11,154	10,566	588
Recreation and cultural	146,490	146,490	109,250	37,240
Other	387,190	389,154	376,960	12,194
Health and welfare	2,600	2,600	1,203	1,397
Total Expenditures	2,723,305	2,763,555	2,563,612	199,943
Other Financing Uses				
Transfers to other funds	40,575	40,575	29,925	10,650
Total Expenditures and Other Financing Uses	2,763,880	2,804,130	2,593,537	210,593
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(15,450)	24,261	171,529	147,268
Net Change in Fund Balance	(15,450)	24,261	171,529	147,268
<i>Fund Balance at Beginning of Period</i>	<i>2,001,264</i>	<i>2,001,264</i>	<i>2,001,264</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,985,814	\$ 2,025,525	\$ 2,172,793	\$ 147,268

CITY OF MARINE CITY

**Schedule 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, 2020**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 40	\$ 40	\$ 54	\$ 14
Total Revenues	40	40	54	14
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	40	40	54	14
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	40	40	54	14
Net Change in Fund Balance	40	40	54	14
<i>Fund Balance at Beginning of Period</i>	44,904	44,904	44,904	--
Fund Balance at End of Period	\$ 44,944	\$ 44,944	\$ 44,958	\$ 14

CITY OF MARINE CITY

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

Woodlawn Cemetery

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
User fees and other charges	\$ 20,500	\$ 20,500	\$ 11,715	\$ (8,785)
Interest	60	60	63	3
Total Revenues	20,560	20,560	11,778	(8,782)
Other Financing Sources				
Transfers from other funds	30,575	30,575	25,000	(5,575)
Total Revenues and Other Financing Sources	51,135	51,135	36,778	(14,357)
Expenditures				
Cemetery operations	51,135	51,135	32,973	18,162
Total Expenditures	51,135	51,135	32,973	18,162
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	51,135	51,135	32,973	18,162
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	3,805	3,805
Net Change in Fund Balance	--	--	3,805	3,805
<i>Fund Balance at Beginning of Period</i>	61,355	61,355	61,355	--
Fund Balance at End of Period	\$ 61,355	\$ 61,355	\$ 65,160	\$ 3,805

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Cemetery Perpetual Care
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 125	\$ 125	\$ 165	\$ 40
Total Revenues	125	125	165	40
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	125	125	165	40
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	125	125	165	40
Net Change in Fund Balance	125	125	165	40
<i>Fund Balance at Beginning of Period</i>	137,316	137,316	137,316	--
Fund Balance at End of Period	\$ 137,441	\$ 137,441	\$ 137,481	\$ 40

CITY OF MARINE CITY

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

Drug Enforcement Law Fund

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Licenses, permits, fines, and fees	\$ 1,000	\$ 1,000	\$ --	\$ (1,000)
Total Revenues	1,000	1,000	--	(1,000)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	1,000	1,000	--	(1,000)
Expenditures				
Public safety	1,000	1,000	--	1,000
Total Expenditures	1,000	1,000	--	1,000
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	1,000	1,000	--	1,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	--	--
Net Change in Fund Balance	--	--	--	--
<i>Fund Balance at Beginning of Period</i>	9,600	9,600	9,600	--
Fund Balance at End of Period	\$ 9,600	\$ 9,600	\$ 9,600	\$ --

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2020

Water Supply and Sewage Disposal System Revenue Bonds - Series III:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	\$ 628,000	5.00%	2021	\$ 40,000	\$ 1,900	\$ 41,900
Principal due July 1						
Interest due July 1 and January 1						
Total Revenue Bonds				40,000	\$ 1,900	\$ 41,900

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%	2021	\$ 135,000	\$ 18,275	\$ 153,275
Principal due April 1				2022 140,000	15,406	155,406
Interest due October 1 and April 1				2023 140,000	12,431	152,431
				2024 145,000	9,456	154,456
				2025 150,000	6,375	156,375
				2026 150,000	3,188	153,188
Total Drinking Water Revolving Fund Bonds				860,000	\$ 65,131	\$ 925,131
Total Water and Sewer Fund Bonded Indebtedness				900,000		

Special Assessment Bonds - 1981:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	\$ 167,000	5.00%	2021	\$ 6,000	\$ 150	\$ 6,150
Principal due September 1						
Interest due September 1 and March 1						
Total Special Assessment Bonded Indebtedness				6,000	\$ 150	\$ 6,150

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2020

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%	2021	\$ 27,391	\$ -	\$ 27,391
Additional Proceeds 10/2017	113,000		2022	23,602	3,789	27,391
			2023	23,956	3,435	27,391
Principal and interest due March 22			2024	24,316	3,075	27,391
			2025	24,680	2,711	27,391
			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
Total Debt Service Indebtedness				280,000	\$ 21,301	\$ 301,301

Water & Sewer Lease Purchase:

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%	2021	\$ 57,598	\$ 9,425	\$ 67,023
			2022	59,822	7,201	67,023
Principal and interest due July 15			2023	62,132	4,891	67,023
			2024	64,532	2,492	67,024
Total Capital Lease Indebtedness				244,084	\$ 24,009	\$ 268,093
TOTAL INDEBTEDNESS				\$ 1,430,084		

General Government - Operating Leases:

<u>Payable To</u>	<u>Collateral</u>	<u>Monthly Payment</u>	<u>Payments Remaining</u>	<u>Total Payments</u>
Wells Fargo	Xerox Copier	\$ 174	month-to-month	\$ 2,088
Neopost	Postage Machine	819	month-to-month due quarterly	3,276
Premier	Police Station Copier	62	month-to-month	744
Total lease expense				\$ 6,108