

City of Manistique

Financial Statements

June 30, 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

City Council and Management
City of Manistique
Manistique, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manistique (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Manistique Housing Commission, which represents 97 percent and 53 percent, respectively, of the assets and revenues of the discretely presented component units as of June 30, 2024, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Manistique, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and, other than the prior year information, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the other supplementary information, as identified in the table of contents, is 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 20, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
December 20, 2024

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

This discussion and analysis of the City of Manistique's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2024. Please read it in conjunction with the City's financial statements.

Financial Highlights

• Total primary government net position	\$28,917,543
• Change in total primary government net position	4,552,626
• Fund balances, governmental funds	1,438,768
• Change in fund balances, governmental funds	(111,792)
• Unassigned fund balance, general fund	407,846
• Change in fund balance, general fund	(201,219)

Governmental activities show a net pension liability of \$7,044,546 in 2024 compared to \$8,591,017 in 2023 and business-type activities also show a net pension liability of \$2,288,006 in 2024 compared to \$2,869,516 in 2023. Governmental activities show a net OPEB liability of \$1,077,056 in 2024 compared to \$1,480,397 in 2023 and business-type activities also show a net OPEB liability of \$537,440 in 2024 compared to \$585,263 in 2023. Funding the pension and OPEB liabilities will be a challenge moving forward. Employees hired after 2007 have no post- retirement healthcare per union contract. The City is also tracking the retiree liability for our MERS employees. This will aide in future forecasting and budgeting.

We continue our tracking of assets monitoring our depreciation. Depreciation plays a huge part in the value of the City as a whole. Net position also serves as an indicator of how we look to lending institutions and our other creditors and determines what kind of interest rates we obtain from them when we bond or borrow.

Using this Report

This annual report consists of the following financial statements. The Statement of Net Position and 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. For governmental activities, these statements tell how 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 statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or custodian for the benefit of those outside of government.

The City has included the Manistique Housing Commission as a discretely presented component unit as determined by GASB Statement 14, as amended. The Manistique Housing Commission issues its own separately audited financial statement which may be obtained at 400 East Lake Shore Drive, Manistique, Michigan 49854. The Manistique Housing Commission has a December 31 year end which differs from that of the City.

Reporting the City as a Whole - Statement of Net Position and the Statement of Activities

One of the most important questions asked about a city's finances is "Is the City as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

and changes in them. You can think of the City's net position - the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two categories of activities:

- Governmental activities – Most of the City's basic services are reported here including public safety, public works, parks and recreation, and general administration. Property taxes, state shared revenues and state and federal grants fund the majority of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's Water, Wastewater, Ambulance, Marina, Campground, and Recreation funds are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law, and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that the City is meeting legal requirements for certain taxes, grants and other money (such as grants received from the U.S. Department of Agriculture). The City's two kinds of funds governmental and proprietary – use different accounting methods.

- Governmental funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds, and the balances that are left at year-end available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.

- Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

The City as a Trustee

The City is the trustee, or fiduciary, of funds that are collected for other agencies and held for periodic payment to those agencies. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these funds from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The City as a Whole

The City's combined net position was \$28,917,543.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current and other assets	\$ 2,034,263	\$ 2,017,793	\$ 4,576,208	\$ 3,142,420	\$ 6,610,471	\$ 5,160,213
Capital assets, net	7,071,966	6,628,887	41,308,792	40,836,703	48,380,758	47,465,590
	9,106,229	8,646,680	45,885,000	43,979,123	54,991,229	52,625,803
Deferred outflows of resources	1,441,789	1,631,358	548,639	630,109	1,990,428	2,261,467
Liabilities						
Long-term debt	9,097,066	5,320,274	17,878,555	14,693,370	26,975,621	20,013,644
Other liabilities	408,771	11,061,451	508,714	3,972,738	917,485	15,034,189
	9,505,837	16,381,725	18,387,269	18,666,108	27,893,106	35,047,833
Deferred inflows of resources	76,671	211,139	94,337	119,356	171,008	330,495
Net position						
Net investment in capital assets	6,721,607	5,618,613	26,396,760	26,110,094	33,118,367	31,728,707
Restricted	1,158,621	938,127	2,005,315	62,924	3,163,936	1,001,051
Unrestricted	(6,914,718)	(12,871,566)	(450,042)	(349,250)	(7,364,760)	(13,220,816)
Total net position	\$ 965,510	\$ (6,314,826)	\$ 27,952,033	\$ 25,823,768	\$ 28,917,543	\$ 19,508,942

Net position of the City's governmental activities stood at \$965,510 in 2024 compared to (\$6,314,826) in 2023. Total governmental assets stood at \$9,106,229. The ratio of assets to liabilities stood at 96% in 2024 compared 53% in 2023. This will serve as our seventeenth year in tracking this number, a good indicator of our overall financial health.

Net position in our business-type activities stood at \$27,952,033 in 2024. Total assets were at \$45,885,000 in 2024 compared \$43,979,123 in 2023, a increase of \$1,905,877. This decrease was primarily due to the depreciation of capital assets. Liabilities stood at \$18,387,269 in 2024 and \$18,666,108 in 2023, an decrease of \$278,839. Unrestricted net position (deficit) ended at (\$450,042) in 2024 compared (\$349,250) in 2023.

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

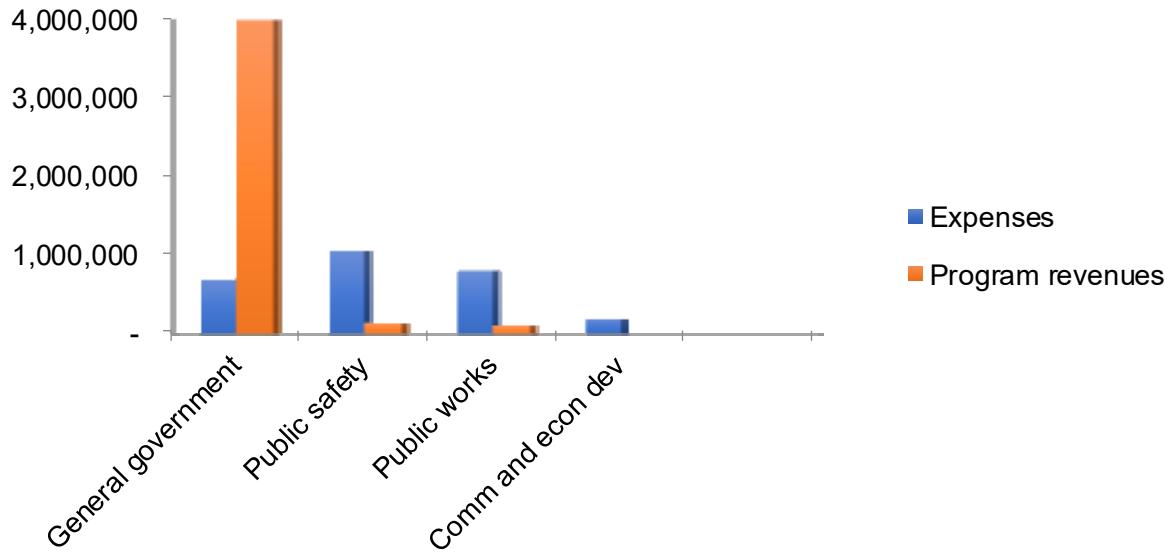
	Change in Net Position							
	Governmental Activities		Business-type Activities		Total			
	2024	2023	2024	2023	2024	2023		
Program revenues								
Charges for services	\$ 2,308,124	\$ 1,026,943	\$ 5,831,878	\$ 5,050,107	\$ 8,140,002	\$ 6,077,050		
Operating grants and contributions	1,821,679	779,146	1,978,025	-	3,799,704	779,146		
Capital grants and contributions	94,913	596,750	1,078,600	87,293	1,173,513	684,043		
General revenues								
Property taxes	917,486	1,225,878	-	-	917,486	1,225,878		
State-shared revenues and other state grants	-	971,679	-	-	-	971,679		
Investment earnings (loss)	8,876	193	21,558	8,922	30,434	9,115		
Other revenue	1,245	21,679	19,444	3,649	20,689	25,328		
Total revenues	5,152,323	4,622,268	8,929,505	5,149,971	14,081,828	9,772,239		
Expenses								
General government	\$ 699,771	\$ 908,152	\$ -	\$ -	\$ 699,771	\$ 908,152		
Public safety	1,058,686	1,345,224	-	-	1,058,686	1,345,224		
Public works	807,152	1,966,106	-	-	807,152	1,966,106		
Community and economic development	181,511	455,658	-	-	181,511	455,658		
Recreation and culture	15,989	62,064	-	-	15,989	62,064		
Interest expense	14,002	174,917	-	-	14,002	174,917		
Water utility	-	-	2,414,287	2,137,231	2,414,287	2,137,231		
Waste water utility	-	-	2,130,653	2,127,419	2,130,653	2,127,419		
Recreation building	-	-	178,228	132,611	178,228	132,611		
Campground	-	-	593,493	349,700	593,493	349,700		
Marina	-	-	149,615	161,723	149,615	161,723		
Ambulance	-	-	1,285,815	964,106	1,285,815	964,106		
Total expenses	2,777,111	4,912,121	6,752,091	5,872,790	9,529,202	10,784,911		
Transfers	49,149	359,000	(49,149)	(359,000)	-	-		
Change in net position	2,424,361	69,147	2,128,265	(1,081,819)	4,552,626	(1,012,672)		
Net position - beginning of year, as restated	(1,458,851)	(6,383,973)	25,823,768	26,905,587	24,364,917	20,521,614		
Net position, end of year	\$ 965,510	\$ (6,314,826)	\$ 27,952,033	\$ 25,823,768	\$ 28,917,543	\$ 19,508,942		

Governmental Activities

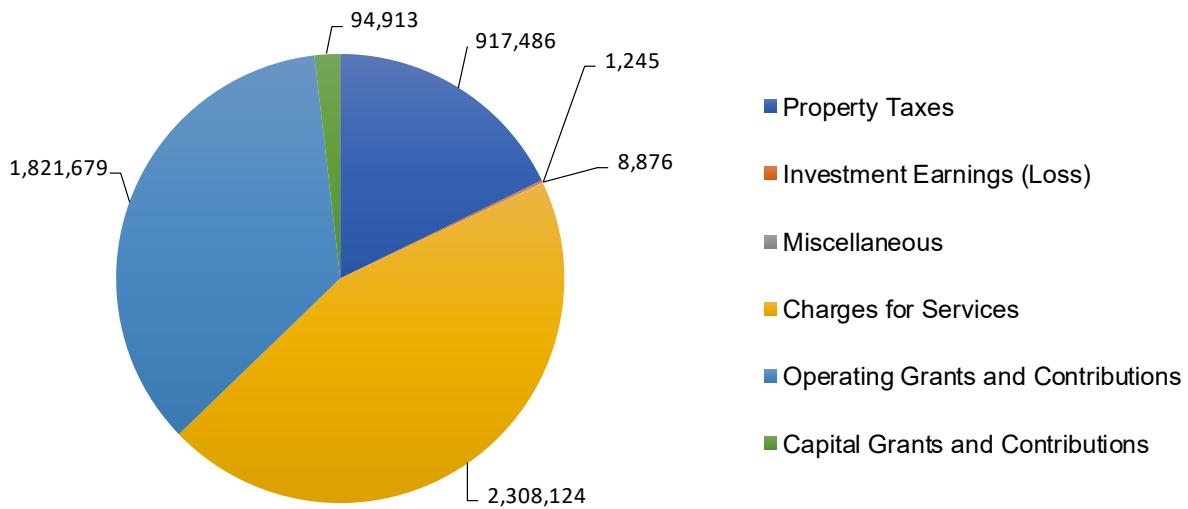
The table below reflects the cost of each of the City's four largest activities; General Government, Public Safety, Public Works, and Economic & Community Development - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

Expenses and Program Revenues - Governmental Activities



Sources of Revenues - Governmental Activities



We have health insurance with Teamsters Welfare Fund, which helps us in budgeting by having fixed costs going forward and we will continue using them for the next year. This plays a large part in our budgeting. Health insurance will continue to be an area of focus in future budget planning.

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

Business-Type Activities

Revenues for the City's business-type activities totaled \$8,888,503 in 2024, up from \$5,149,971 in 2023.

The City's Funds

As the City completed the fiscal year, its governmental funds reported a combined fund balance of \$1,438,768.

General Fund Budgetary Highlights

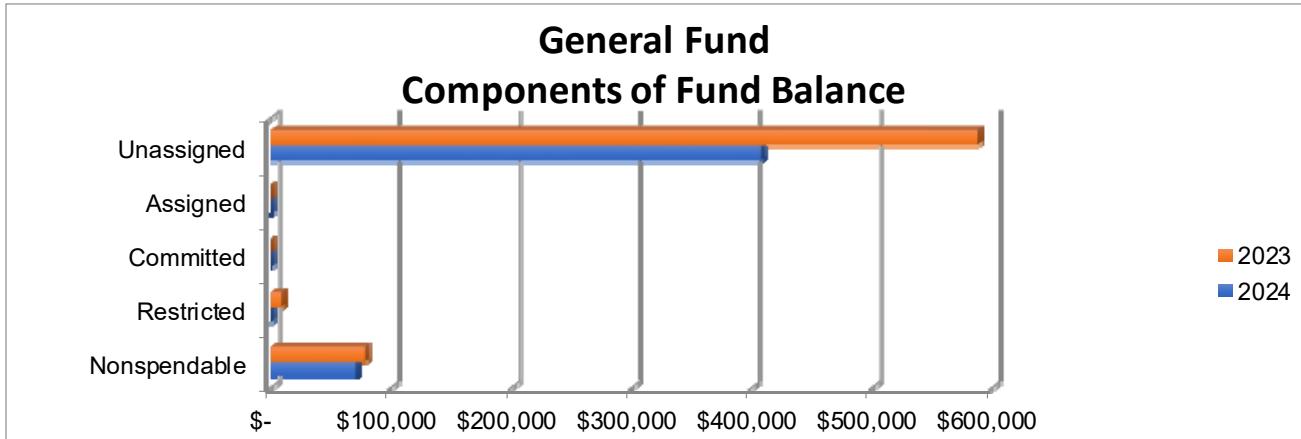
Over the course of the year, the budget was amended to recognize known changes to revenue or expenses. Final actual revenue in the General Fund was \$3,924,516, which was \$1,293,192 greater than the amended budget, excluding transfers in. Final actual expenditures were \$4,189,685, which was \$1,365,253 over the revised expenditure estimate, excluding transfers out.

The final fund balance for General Fund was \$477,651, which included the unassigned amount of \$407,846, the rest being restricted for inventory, prepaids, donations, etc. We will continue to monitor Major and Local Street funds, along with the General Fund, and plan accordingly.

All employees worked together to reduce expenses in their departments. Our goal is to increase the unassigned fund balance. It is our understanding that the General Fund should have a minimum fund balance or cushion of approximately 10-15% of expenditures. We now have \$407,846, which is approximately 10% of current year expenditures, which we feel is our fiscal responsibility to have. The City is also very fortunate to have personnel and a City Council willing to work with us, and for that we say **"Thank You"** to them.

General Fund

2024 General Fund Components and Fund Balance



Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for business type activities. One of those factors is the economy. Further, development is continuing to focus on Manistique's waterfront. This growth will affect revenues for the years coming.

City of Manistique, Michigan
Management's Discussion and Analysis
June 30, 2024

The cost of living in Manistique is below the national and State average, and real estate values are stable. Other costs continue to rise at the national inflation rate or lower. These factors were taken into account when adopting the 2025 budget. We will continue to monitor all costs, explore health insurance savings, and will make adjustments where necessary.

For our business type activities, continued slow growth is forecast in water and wastewater. We will continue with infrastructure improvements that will be funded with federal loans and grants. Our Ambulance is now providing ALS service to the community. We are in the process of securing funding for the expansion of our campground.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the City Treasurer, or the City Manager at Manistique City Hall, 300 North Maple St, P.O. Box 515, Manistique, Michigan, 49854.

City of Manistique
Statement of Net Position

June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,380,167	\$ 1,135,732	\$ 2,515,899	\$ 621,329
Investments	-	-	-	817,744
Receivables				
Accounts	16,063	411,428	427,491	38,918
Taxes	10,518	34,362	44,880	-
Utility bills	-	695,656	695,656	-
Interest	-	-	-	2,583
Due from other units of government	379,467	116,991	496,458	-
Internal balances	5,568	(5,568)	-	-
Inventories	47,395	102,469	149,864	-
Prepaid items	22,410	79,823	102,233	9,833
Restricted assets				
Cash and cash equivalents	-	2,005,315	2,005,315	42,065
Investments	172,675	-	172,675	-
Capital assets not being depreciated	2,379,543	2,540,316	4,919,859	54,680
Capital assets, net of accumulated depreciation	<u>4,692,423</u>	<u>38,768,476</u>	<u>43,460,899</u>	<u>1,910,495</u>
 Total assets	 <u>9,106,229</u>	 <u>45,885,000</u>	 <u>54,991,229</u>	 <u>3,497,647</u>
 Deferred outflows of resources				
Pension related	1,441,789	525,426	1,967,215	73,928
OPEB related	-	23,213	23,213	-
 Total deferred outflows of resources	 <u>1,441,789</u>	 <u>548,639</u>	 <u>1,990,428</u>	 <u>73,928</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Statement of Net Position

June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable	\$ 328,241	\$ 200,207	\$ 528,448	\$ 8,534
Due to other units of government	-	-	-	33,639
Payroll and other liabilities	71,944	52,212	124,156	26,867
Interest payable	7,458	102,933	110,391	46,141
Customer deposits	-	18,520	18,520	40,625
Unearned revenue	1,128	134,842	135,970	23,092
Noncurrent liabilities				
Debt due within one year	95,976	424,391	520,367	270,073
Debt due in more than one year	879,488	14,628,718	15,508,206	4,357,560
Net pension liability	7,044,546	2,288,006	9,332,552	428,811
Net OPEB liability	1,077,056	537,440	1,614,496	-
Total liabilities	<u>9,505,837</u>	<u>18,387,269</u>	<u>27,893,106</u>	<u>5,235,342</u>
Deferred inflows of resources				
Unavailable revenue - taxes	14,582	-	14,582	-
Pension related	10,965	1,707	12,672	-
OPEB related	51,124	92,630	143,754	-
Total deferred inflows of resources	<u>76,671</u>	<u>94,337</u>	<u>171,008</u>	<u>-</u>
Net position				
Net investment in capital assets	6,721,607	26,396,760	33,118,367	(2,659,825)
Restricted for				
Debt service	-	2,005,315	2,005,315	-
Street system	896,619	-	896,619	-
Capital projects	4,379	-	4,379	-
Cemetery care	252,150	-	252,150	-
Special projects	5,473	-	5,473	-
Future housing assistance	-	-	-	1,440
Unrestricted	<u>(6,914,718)</u>	<u>(450,042)</u>	<u>(7,364,760)</u>	<u>994,618</u>
Total net position	<u>\$ 965,510</u>	<u>\$ 27,952,033</u>	<u>\$ 28,917,543</u>	<u>\$ (1,663,767)</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Statement of Activities
For the Year Ended June 30, 2024

	Program Revenues					Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units					
					Governmental Activities	Business-type Activities	Total						
Functions/programs													
Primary government													
Governmental activities													
General government	\$ 699,771	\$ 2,247,579	\$ 1,749,817	\$ -	\$ 3,297,625	\$ -	\$ 3,297,625	\$ -					
Public safety	1,058,686	60,545	71,862	-	(926,279)	-	(926,279)	-					
Public works	807,152	-	-	94,913	(712,239)	-	(712,239)	-					
Community and economic development	181,511	-	-	-	(181,511)	-	(181,511)	-					
Recreation and culture	15,989	-	-	-	(15,989)	-	(15,989)	-					
Interest	14,002	-	-	-	(14,002)	-	(14,002)	-					
Total governmental activities	<u>2,777,111</u>	<u>2,308,124</u>	<u>1,821,679</u>	<u>94,913</u>	<u>1,447,605</u>	<u>-</u>	<u>1,447,605</u>	<u>-</u>					
Business-type activities													
Ambulance	1,285,815	963,089	1,080,274	-	-	757,548	757,548	-					
Parks & Recreation	178,228	94,983	-	-	-	(83,245)	(83,245)	-					
Manistique Lakeshore Campground	593,493	603,343	-	-	-	9,850	9,850	-					
Wastewater Utility	2,130,653	2,019,768	458,170	-	-	347,285	347,285	-					
Water Utility	2,414,287	2,105,889	439,581	1,078,600	-	1,209,783	1,209,783	-					
Marina	149,615	44,806	-	-	-	(104,809)	(104,809)	-					
Total business-type activities	<u>6,752,091</u>	<u>5,831,878</u>	<u>1,978,025</u>	<u>1,078,600</u>	<u>-</u>	<u>2,136,412</u>	<u>2,136,412</u>	<u>-</u>					
Total primary government	<u>\$ 9,529,202</u>	<u>\$ 8,140,002</u>	<u>\$ 3,799,704</u>	<u>\$ 1,173,513</u>	<u>1,447,605</u>	<u>2,136,412</u>	<u>3,584,017</u>	<u>-</u>					
Component units													
Downtown Development Authority	\$ 1,152,670	\$ -	\$ 1,032,286	\$ -	-	-	-	(120,384)					
Manistique Housing Commission	<u>1,128,076</u>	<u>517,800</u>	<u>552,924</u>	<u>434,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,741</u>					
Total component units	<u>\$ 2,280,746</u>	<u>\$ 517,800</u>	<u>\$ 1,585,210</u>	<u>\$ 434,093</u>				<u>256,357</u>					
General revenues													
Property taxes					917,486	-	917,486	389,363					
Unrestricted investment earnings					8,876	21,558	30,434	21,755					
Gain on sale of capital assets					-	-	-	7,520					
Miscellaneous					1,245	19,444	20,689	57,802					
Transfers					49,149	(49,149)	-	-					
Total general revenues and transfers					<u>976,756</u>	<u>(8,147)</u>	<u>968,609</u>	<u>476,440</u>					
Change in net position					<u>2,424,361</u>	<u>2,128,265</u>	<u>4,552,626</u>	<u>732,797</u>					
Net position - beginning of year					(6,314,826)	25,823,768	19,508,942	2,457,655					
Changes in reporting entity					4,855,975	-	4,855,975	(4,855,975)					
Prior period adjustment					-	-	-	1,756					
Net position - beginning of year, as restated					(1,458,851)	25,823,768	24,364,917	(2,396,564)					
Net position - end of year					<u>\$ 965,510</u>	<u>\$ 27,952,033</u>	<u>\$ 28,917,543</u>	<u>\$ (1,663,767)</u>					

See Accompanying Notes to the Financial Statements

City of Manistique
Governmental Funds
Balance Sheet
June 30, 2024

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 421,361	\$ 958,806	\$ 1,380,167
Receivables			
Accounts	15,463	600	16,063
Taxes	10,518	-	10,518
Due from other units of government	74,726	304,741	379,467
Due from other funds	69,118	-	69,118
Inventories	47,395	-	47,395
Prepaid items	22,410	-	22,410
Restricted assets			
Investments	-	172,675	172,675
Total assets	<u>660,991</u>	<u>1,436,822</u>	<u>2,097,813</u>
Liabilities			
Accounts payable	\$ 98,979	\$ 229,262	\$ 328,241
Due to other funds	-	63,550	63,550
Payroll and other liabilities	68,651	3,293	71,944
Unearned revenue	1,128	-	1,128
Total liabilities	<u>168,758</u>	<u>296,105</u>	<u>464,863</u>
Deferred inflows of resources			
Unavailable revenue - taxes	14,582	-	14,582
Unavailable revenue - receivables	-	179,600	179,600
Total deferred inflows of resources	<u>14,582</u>	<u>179,600</u>	<u>194,182</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Governmental Funds
Balance Sheet
June 30, 2024

	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances			
Non-spendable			
Inventories	\$ 47,395	\$ -	\$ 47,395
Prepaid items	22,410	-	22,410
Cemetery perpetual care principal	-	247,425	247,425
Restricted for			
Street system	-	896,619	896,619
Special projects	-	5,473	5,473
Capital projects	-	4,379	4,379
Cemetery care	-	4,725	4,725
Assigned for			
Sanitary landfill	-	3,386	3,386
Unassigned (deficit)	<u>407,846</u>	<u>(200,890)</u>	<u>206,956</u>
Total fund balances	<u>477,651</u>	<u>961,117</u>	<u>1,438,768</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 660,991</u>	<u>\$ 1,436,822</u>	<u>\$ 2,097,813</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2024

Total fund balances for governmental funds	\$ 1,438,768
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Total net position for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	2,379,543
Capital assets, net of accumulated depreciation	4,692,423

Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	179,600
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Deferred outflows (inflows) of resources.

Deferred outflows of resources resulting from net pension liability	1,441,789
Deferred inflows of resources resulting from net pension liability	(10,965)
Deferred inflows of resources resulting from net OPEB liability	(51,124)

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Accrued interest	(7,458)
Bonus retirement	(55,747)
Compensated absences	(269,358)
Landfill closure and post closure costs	(300,000)
Bonds, notes, premiums and discounts	(350,359)
Net pension liability	(7,044,546)
Net OPEB liability	<u>(1,077,056)</u>

Net position of governmental activities	\$ 965,510
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City of Manistique
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

	Special Revenue Funds				
	General	Major Street Fund	Downtown Development Authority Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 917,486			\$ -	\$ 917,486
Licenses and permits	34,815			-	34,815
Federal grants	4,876			-	4,876
State grants	1,878,323			1,119,264	2,997,587
Local contributions	203,728			-	203,728
Charges for services	872,248			3,900	876,148
Fines and forfeitures	8,169			-	8,169
Investment income	3,191			6,930	10,121
Other revenue	1,680			-	1,680
 Total revenues	 3,924,516			 1,130,094	 5,054,610
Expenditures					
Current					
General government	1,191,630			-	1,191,630
Public safety	1,806,312			-	1,806,312
Public works	984,970			392,739	1,377,709
Community and economic development	659			318,573	319,232
Recreation and culture	35,663			-	35,663
Capital outlay	66,699			329,355	396,054
Debt service					
Principal retirement	84,915			-	84,915
Interest and fiscal charges	18,837			-	18,837
 Total expenditures	 4,189,685			 1,040,667	 5,230,352
 Excess (deficiency) of revenues over expenditures	 (265,169)			 89,427	 (175,742)
Other financing sources (uses)					
Transfers in	49,149			25,000	74,149
Transfers out	-			(25,000)	(25,000)
Sale of capital assets	14,801			-	14,801
 Total other financing sources (uses)	 63,950			 -	 63,950
 Net change in fund balances	 (201,219)			 89,427	 (111,792)
 Fund balances - beginning of year, as previously presented	 678,870	549,693	47,769	321,997	1,598,329
 Changes in reporting entity	 -	(549,693)	(47,769)	549,693	(47,769)
 Fund balances - beginning of year, adjusted	 678,870	-	-	871,690	1,550,560
 Fund balances - end of year	 \$ 477,651	\$ -	\$ -	\$ 961,117	\$ 1,438,768

See Accompanying Notes to the Financial Statements

City of Manistique

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ (111,792)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Depreciation and amortization expense	(317,428)
Capital outlay	780,810
Sale of capital assets (net book value)	(20,303)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

94,913

Expenses are recorded when incurred in the statement of activities.

Accrued interest	4,835
Bonus retirement	5,495
Compensated absences	(36,377)
Landfill closure and post closure costs	30,000

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in the net pension liability	1,546,471
Net change in the deferred outflow of resources related to the net pension liability	(148,357)
Net change in the deferred inflow of resources related to the net pension liability	28,593

The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in the net OPEB liability	403,341
Net change in the deferred outflow of resources related to the net OPEB liability	(41,212)
Net change in the deferred inflow of resources related to the net OPEB liability	120,457

Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Repayments of long-term debt	84,915
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Change in net position of governmental activities

\$ 2,424,361

City of Manistique
Proprietary Funds
Statement of Net Position
June 30, 2024

	Ambulance Service	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 46,161	\$ 580,330	\$ 310,530	\$ 198,711	\$ 1,135,732
Receivables					
Accounts	308,059	95,740	-	7,629	411,428
Taxes	175	15,397	18,790	-	34,362
Utility bills	-	321,719	373,937	-	695,656
Due from other units of government	116,991	-	-	-	116,991
Due from other funds	-	9,444	-	-	9,444
Inventories	-	22,789	79,680	-	102,469
Prepaid items	9,563	33,414	35,356	1,490	79,823
Total current assets	<u>480,949</u>	<u>1,078,833</u>	<u>818,293</u>	<u>207,830</u>	<u>2,585,905</u>
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	-	176,947	97,083	-	274,030
USDA Bond reserve	-	736,595	994,690	-	1,731,285
Capital assets not being depreciated	-	681,342	1,858,974	-	2,540,316
Capital assets, net of accumulated depreciation	363,526	14,030,218	16,388,775	7,985,957	38,768,476
Total noncurrent assets	<u>363,526</u>	<u>15,625,102</u>	<u>19,339,522</u>	<u>7,985,957</u>	<u>43,314,107</u>
Total assets	<u>844,475</u>	<u>16,703,935</u>	<u>20,157,815</u>	<u>8,193,787</u>	<u>45,900,012</u>
Deferred outflows of resources					
Pension related	-	287,722	237,704	-	525,426
OPEB related	-	14,433	8,780	-	23,213
Total deferred outflows of resources	<u>-</u>	<u>302,155</u>	<u>246,484</u>	<u>-</u>	<u>548,639</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Proprietary Funds
Statement of Net Position
June 30, 2024

	Ambulance Service	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 10,727	\$ 138,201	\$ 40,639	\$ 10,640	\$ 200,207
Due to other funds	-	-	9,444	5,568	15,012
Payroll and other liabilities	18,417	12,403	11,838	9,554	52,212
Interest payable	1,645	31,651	69,637	-	102,933
Customer deposits	-	-	18,520	-	18,520
Unearned revenue	-	-	-	134,842	134,842
Current portion of compensated absences	-	18,023	11,554	-	29,577
Current portion of long-term liabilities	32,721	151,093	211,000	-	394,814
Total current liabilities	63,510	351,371	372,632	160,604	948,117
Noncurrent liabilities					
Compensated absences and bonus retirement	-	61,171	50,329	-	111,500
Long-term liabilities	84,801	5,858,417	8,574,000	-	14,517,218
Net pension liability	-	1,325,870	962,136	-	2,288,006
Net OPEB liability	-	211,351	326,089	-	537,440
Total noncurrent liabilities	84,801	7,456,809	9,912,554	-	17,454,164
Total liabilities	148,311	7,808,180	10,285,186	160,604	18,402,281
Deferred inflows of resources					
Pension related	-	1,707	-	-	1,707
OPEB related	-	35,883	56,747	-	92,630
Total deferred inflows of resources	-	37,590	56,747	-	94,337
Net position					
Net investment in capital assets	246,004	8,702,050	9,462,749	7,985,957	26,396,760
Restricted	-	913,542	1,091,773	-	2,005,315
Unrestricted (deficit)	450,160	(455,272)	(492,156)	47,226	(450,042)
Total net position	\$ 696,164	\$ 9,160,320	\$ 10,062,366	\$ 8,033,183	\$ 27,952,033

See Accompanying Notes to the Financial Statements

City of Manistique
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2024

	Wastewater			Nonmajor		Total
	Ambulance	Utility	Water Utility	Enterprise Funds		
Operating revenue						
Customer fees	\$ 963,089	\$ 1,155,486	\$ 931,585	\$ 727,726	\$ 3,777,886	
Connection fees	-	864,282	1,174,304	-	2,038,586	
Other revenue	8,556	888	-	25,406	34,850	
Total operating revenue	971,645	2,020,656	2,105,889	753,132	5,851,322	
Operating expenses						
Salaries	561,513	225,529	244,395	144,717	1,176,154	
Fringe benefits	309,631	515,520	587,950	11,078	1,424,179	
Supplies	89,078	34,980	195,712	48,134	367,904	
Contractual services	198,771	213,990	248,876	86,913	748,550	
Insurance	11,372	51,606	41,453	2,315	106,746	
Communications	-	12,249	14,838	-	27,087	
Transportation	-	302	302	-	604	
Community promotion	-	-	-	2,187	2,187	
Utilities	7,426	162,140	118,061	126,896	414,523	
Repairs and maintenance	24,195	103,907	194,054	23,367	345,523	
Depreciation	80,981	541,400	582,174	210,463	1,415,018	
Miscellaneous	-	118,788	7,229	265,074	391,091	
Total operating expenses	1,282,967	1,980,411	2,235,044	921,144	6,419,566	
Operating income (loss)	(311,322)	40,245	(129,155)	(168,012)	(568,244)	
Nonoperating revenue (expenses)						
State grants	1,080,274	458,170	439,581	-	1,978,025	
Investment income	1,459	10,359	9,288	452	21,558	
Loss on disposal of capital assets	-	(34,070)	-	-	(34,070)	
Interest expense	(2,848)	(116,172)	(179,243)	(192)	(298,455)	
Total nonoperating revenues (expenses)	1,078,885	318,287	269,626	260	1,667,058	
Income (loss) before capital contributions and transfers out	767,563	358,532	140,471	(167,752)	1,098,814	
Capital contributions	-	-	1,078,600	-	1,078,600	
Transfers out	-	-	-	(49,149)	(49,149)	
Change in net position	767,563	358,532	1,219,071	(216,901)	2,128,265	
Net position - beginning of year	(71,399)	8,801,788	8,843,295	8,250,084	25,823,768	
Net position - end of year	\$ 696,164	\$ 9,160,320	\$ 10,062,366	\$ 8,033,183	\$ 27,952,033	

See Accompanying Notes to the Financial Statements

City of Manistique
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2024

	Ambulance Service	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total
Cash flows from operating activities					
Receipts from customers	\$ 776,177	\$ 1,924,776	\$ 2,078,510	\$ 794,858	\$ 5,574,321
Receipts from other funds	(69,744)	-	-	-	(69,744)
Receipts from (payments to) other funds	(496,520)	-	-	5,568	(490,952)
Payments to suppliers	(338,632)	(919,756)	(1,172,333)	(572,945)	(3,003,666)
Payments to employees	(871,144)	(736,851)	(824,248)	(155,795)	(2,588,038)
Net cash provided (used) by operating activities	(999,863)	268,169	81,929	71,686	(578,079)
Cash flows from noncapital financing activities					
Transfers to other funds	-	-	-	(49,149)	(49,149)
Property taxes	-	4,091	6,141	-	10,232
State grant	1,080,274	458,170	439,581	-	1,978,025
Net cash provided (used) by noncapital financing activities	1,080,274	462,261	445,722	(49,149)	1,939,108
Cash flows from capital and related financing activities					
Proceeds from capital debt	-	-	601,000	-	601,000
Capital contributions	-	-	1,078,600	-	1,078,600
Purchases/construction of capital assets	-	(233,493)	(1,687,684)	-	(1,921,177)
Principal and interest paid on long-term debt	(35,709)	(252,108)	(384,317)	(6,074)	(678,208)
Net cash provided (used) by capital and related financing activities	(35,709)	(485,601)	(392,401)	(6,074)	(919,785)
Cash flows from investing activities					
Interest received	1,459	10,359	9,288	453	21,559
Net change in cash and cash equivalents	46,161	255,188	144,538	16,916	462,803
Cash and cash equivalents - beginning of year	-	1,238,684	1,257,765	181,795	2,678,244
Cash and cash equivalents - end of year	\$ 46,161	\$ 1,493,872	\$ 1,402,303	\$ 198,711	\$ 3,141,047
Reconciliation to statement of net position					
Cash and cash equivalents	\$ 46,161	\$ 580,330	\$ 310,530	\$ 198,711	\$ 1,135,732
Restricted cash and cash equivalents	-	913,542	1,091,773	-	2,005,315
Cash and cash equivalents - end of year	\$ 46,161	\$ 1,493,872	\$ 1,402,303	\$ 198,711	\$ 3,141,047

See Accompanying Notes to the Financial Statements

City of Manistique
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2024

	Ambulance Service	Wastewater Utility	Water Utility	Nonmajor Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (311,322)	\$ 40,245	\$ (129,155)	\$ (168,012)	\$ (568,244)
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	80,981	541,400	582,174	210,463	1,415,018
Changes in assets and liabilities					
Receivables (net)	(78,477)	(95,880)	(27,458)	3,420	(198,395)
Due from other units of government	(116,991)	-	-	-	(116,991)
Due from other funds	(69,744)	-	-	-	(69,744)
Inventories	-	(6,545)	(39,816)	-	(46,361)
Prepaid items	(5,744)	(24,278)	(27,166)	(1,410)	(58,598)
Pension related deferred outflows of resources	-	27,957	27,753	-	55,710
OPEB related deferred outflows of resources	-	12,879	12,881	-	25,760
Accounts payable	(2,972)	97,710	(4,116)	(16,689)	73,933
Accrued and other liabilities	926	942	2,549	40	4,457
Due to other funds	(496,520)	-	-	5,568	(490,952)
Unearned revenue	-	-	-	38,306	38,306
Customer deposits payable	-	-	79	-	79
Compensated absences	-	4,198	8,097	-	12,295
Net pension liability	-	(291,820)	(289,690)	-	(581,510)
Net OPEB liability	-	(23,911)	(23,912)	-	(47,823)
Pension related deferred inflows of resources	-	(7,587)	(3,150)	-	(10,737)
OPEB related deferred inflows of resources	-	(7,141)	(7,141)	-	(14,282)
Net cash provided (used) by operating activities	\$ (999,863)	\$ 268,169	\$ 81,929	\$ 71,686	\$ (578,079)

See Accompanying Notes to the Financial Statements

City of Manistique
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2024

	Pension and Other Employee Benefit Trust Fund	Custodial Fund
Assets	<hr/> <hr/>	<hr/> <hr/>
Net position	<hr/> <hr/>	<hr/> <hr/>

City of Manistique
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	Pension and Other Employee Benefit Trust Fund	Custodial Fund
Additions		
Contributions		
Employer	\$ 43,675	\$ -
Investment earnings (losses)		
Interest, dividends and other	(3,130)	-
Property tax collections for other governments	-	1,651,805
Total additions	<u>40,545</u>	<u>1,651,805</u>
Deductions		
Benefits paid to participants or beneficiaries	43,675	-
Payments of property tax to other governments	-	1,651,805
Total deductions	<u>43,675</u>	<u>1,651,805</u>
Change in net position	(3,130)	-
Net position - beginning of year	<u>3,130</u>	<u>-</u>
Net position - end of year	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Component Units
Combining Statement of Net Position
June 30, 2024

	Downtown Development Authority	Manistique Housing Commission	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 54,400	\$ 566,929	\$ 621,329
Investments	-	817,744	817,744
Receivables			
Accounts	34,500	4,418	38,918
Interest	-	2,583	2,583
Prepaid items	<u>3,567</u>	<u>6,266</u>	<u>9,833</u>
Total current assets	<u>92,467</u>	<u>1,397,940</u>	<u>1,490,407</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	-	42,065	42,065
Capital assets not being depreciated	-	54,680	54,680
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,910,495</u>	<u>1,910,495</u>
Total noncurrent assets	<u>-</u>	<u>2,007,240</u>	<u>2,007,240</u>
Total assets	<u>92,467</u>	<u>3,405,180</u>	<u>3,497,647</u>
Deferred outflows of resources			
Pension related	<u>-</u>	<u>73,928</u>	<u>73,928</u>
Liabilities			
Current liabilities			
Accounts payable	6,931	1,603	8,534
Due to other units of government	-	33,639	33,639
Payroll and other liabilities	102	26,765	26,867
Interest payable	46,141	-	46,141
Customer deposits	-	40,625	40,625
Unearned revenue	-	23,092	23,092
Compensated absences	-	73	73
Current portion of long-term liabilities	<u>270,000</u>	<u>-</u>	<u>270,000</u>
Total current liabilities	<u>323,174</u>	<u>125,797</u>	<u>448,971</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Component Units
Combining Statement of Net Position
June 30, 2024

	Downtown Development Authority	Manistique Housing Commission	Total
Noncurrent liabilities			
Compensated absences	\$ -	\$ 2,560	\$ 2,560
Long-term liabilities	4,355,000	-	4,355,000
Net pension liability	-	428,811	428,811
 Total noncurrent liabilities	 4,355,000	 431,371	 4,786,371
 Total liabilities	 4,678,174	 557,168	 5,235,342
 Net position			
Net investment in capital assets	(4,625,000)	1,965,175	(2,659,825)
Restricted for			
Future housing assistance	-	1,440	1,440
Unrestricted	39,293	955,325	994,618
 Total net position	 \$ (4,585,707)	 \$ 2,921,940	 \$ (1,663,767)

See Accompanying Notes to the Financial Statements

City of Manistique
Component Units
Combining Statement of Activities
For the Year Ended June 30, 2024

	Downtown Development Authority	Manistique Housing Commission	Total
Expenses			
Community and economic development	\$ 967,492	\$ 1,128,076	\$ 2,095,568
Interest and fiscal charges on long-term debt	<u>185,178</u>	-	<u>185,178</u>
Total expenses	<u>1,152,670</u>	<u>1,128,076</u>	<u>2,280,746</u>
Program revenues			
Charges for services	-	517,800	517,800
Operating grants and contributions	1,032,286	552,924	1,585,210
Capital grants and contributions	<u>-</u>	<u>434,093</u>	<u>434,093</u>
Total program revenues	<u>1,032,286</u>	<u>1,504,817</u>	<u>2,537,103</u>
Net program (revenue) expense	<u>120,384</u>	<u>(376,741)</u>	<u>(256,357)</u>
General revenues			
Property taxes	389,363	-	389,363
Unrestricted investment earnings	1,237	20,518	21,755
Gain on sale of capital assets	-	7,520	7,520
Miscellaneous	<u>52</u>	<u>57,750</u>	<u>57,802</u>
Total general revenues	<u>390,652</u>	<u>85,788</u>	<u>476,440</u>
Change in net position	<u>270,268</u>	<u>462,529</u>	<u>732,797</u>
Net position - beginning of year	<u>-</u>	<u>2,457,655</u>	<u>2,457,655</u>
Prior period adjustment	<u>-</u>	<u>1,756</u>	<u>1,756</u>
Change in reporting entity (blended to discretely presented component unit)	<u>(4,855,975)</u>	<u>-</u>	<u>(4,855,975)</u>
Net position - beginning of year, restated	<u>(4,855,975)</u>	<u>2,459,411</u>	<u>(2,396,564)</u>
Net position - end of year	<u>\$ (4,585,707)</u>	<u>\$ 2,921,940</u>	<u>\$ (1,663,767)</u>

See Accompanying Notes to the Financial Statements

City of Manistique
Notes to the Financial Statements
June 30, 2024

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Manistique (the City) is governed by an elected five-member Council. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit columns include the financial data of the Downtown Development Authority and the Manistique Housing Commission, which are reported in separate columns to emphasize that they are legally separate from the City.

Downtown Development Authority – The DDA was created under Public Act 197 of 1975 to take an active role in the downtown district. The members of the Governing Board of the Downtown Development Authority (DDA) are appointed by the City Council. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA. The DDA does not issue any other form of financial statements except as contained in the June 30, 2024 annual financial statements.

Manistique Housing Commission – The Housing Commission was formed under Public Act 18 of 1933 and provides housing to low income and elderly citizens of the City of Manistique. The Housing Commission board is appointed by the City Council, or City Manager. Members of the Housing Commission Board may be removed by the City Council only for cause. The Housing Commission determines its own budget, sets rental rates, and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Housing Commission. However, the Housing Commission makes annual payments “in lieu of taxes” to the City resulting in a financial benefit for the City. The Housing Commission is determined to be a component unit of the City of Manistique because of the control that the City can exercise over the Housing Commission activities and the financial benefit. The Housing Commission has a fiscal year end of December 31, which differs from the City’s. However, the year ends are treated consistently each year and there were no significant receivable or payable balances between the City and the Housing Commission at June 30, 2024. The Housing Commission issues its own separately audited financial statements, which may be obtained at:

Manistique Housing Commission
400 East Lake Shore Drive
Manistique, Michigan 49854

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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from 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 segments 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 revenues*.

City of Manistique
Notes to the Financial Statements
June 30, 2024

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.

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 proprietary fund and fiduciary fund financial statements. Revenues are 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 revenues 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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

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

The City reports the following major proprietary funds:

The Ambulance Service Fund accounts for ambulance services provided to the citizens of the Schoolcraft County.

The Wastewater Utility Fund accounts for wastewater services provided to the citizens of the City of Manistique.

The Water Utility Fund accounts for water services provided to the citizens of the City of Manistique.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Other Employee Benefit Trust Fund accounts for the accumulation of resources to be used for retirement payments to eligible employees and certain healthcare costs.

The Nonmajor Enterprise Funds account for City operations which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Custodial Funds account for property tax and other deposits collected on behalf of other units and individuals.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water utility funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenue of the ambulance fund is fees for ambulance services rendered to Schoolcraft County residents. Operating expenses for the wastewater, water utility, and ambulance funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Fund Balance

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 based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2023 taxable valuation of the government totaled \$59,870,717, on which ad valorem taxes consisted of 18.6633 mills for operating purposes. This resulted in \$893,734 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at the lower of cost or market, on a last-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. For such payments in governmental funds the City follows the consumption method, and they therefore are capitalized as prepaid items in both government-wide and fund financial statements.

Restricted assets – Restricted assets include cash and cash equivalents which have been restricted by statute, third party requirements or by contract.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original

City of Manistique
Notes to the Financial Statements
June 30, 2024

estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 50 years
Buildings	15 to 50 years
Machinery and equipment	4 to 15 years
Vehicles	5 to 20 years
Infrastructure	20 to 50 years

Deferred outflows of resources – A deferred outflow of resources represents a consumption of net assets by the City that applies to future periods. The City may report deferred outflows of resources as a result of the following:

- Pension and OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- Pension and OPEB contributions made after the measurement date. This amount will reduce the net pension liability and net OPEB liability in the following year.
- Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt. This amount is amortized over the life of the related debt.

Compensated absences – It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Manistique
Notes to the Financial Statements
June 30, 2024

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 OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net assets by the City that applies to future periods. The City may report deferred inflows of resources as a result of the following:

- Unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.
- Pension and OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

Fund Balances – In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by the Council or through the City Council delegating this responsibility to the City Manager through the budgetary process. The Council has granted the City Manager the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the

City of Manistique
Notes to the Financial Statements
June 30, 2024

date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

Upcoming Accounting and Reporting Changes

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints. This statement is effective for the year ending June 30, 2025.

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the third Monday in April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to the second regular meeting in May.

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

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Expenditures in Excess of Appropriations

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
General fund			
General government			
City manager	\$ 178,316	\$ 284,514	\$ 106,198
Payroll/utility clerk	50,500	79,023	28,523
City clerk	141,107	208,692	67,585
General administration	37,435	41,186	3,751
City treasurer	160,999	262,439	101,440
City assessor	65,000	67,055	2,055
Public safety			
Police	1,122,566	1,806,312	683,746
Public works			
Department of public works	474,500	854,436	379,936
Cemetery	78,000	86,541	8,541
Recreation and culture			
Parks administration	23,200	24,698	1,498

Fund Deficits

The City has an accumulated fund balance deficit in the ARPA Headworks CWSRF Fund in the amount of \$199,710, in the Riverwalk Pathway Fund of \$1,180, and in the Marina Fund of \$5,981 as of June 30, 2024.

A deficit elimination plan is required to be submitted to the Michigan Department of Treasury for all three of these funds.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Note 3 - Deposits and Investments

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and		Restricted		
	Cash	Investments	Cash and		Restricted
			Equivalents	Investments	
Governmental activities	\$ 1,380,167	\$ -	\$ -	\$ 172,675	\$ 1,552,842
Business-type activities	<u>1,135,732</u>	<u>-</u>	<u>2,005,315</u>	<u>-</u>	<u>3,141,047</u>
Total	2,515,899	-	2,005,315	172,675	4,693,889
Component units	<u>621,329</u>	<u>817,744</u>	<u>42,065</u>	<u>-</u>	<u>1,481,138</u>
Total	<u>\$ 3,137,228</u>	<u>\$ 817,744</u>	<u>\$ 2,047,380</u>	<u>\$ 172,675</u>	<u>\$ 6,175,027</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Units	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 4,693,789	\$ 1,480,988	\$ 6,174,777
Petty cash and cash on hand	<u>100</u>	<u>150</u>	<u>250</u>
	<u>\$ 4,693,889</u>	<u>\$ 1,481,138</u>	<u>\$ 6,175,027</u>

Interest rate risk – The City does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The City has no policy that would limit the amount that may be issued in any one issuer.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of year end, \$4,483,236 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,598,733	\$ 599,100	\$ -	\$ 2,197,833
Construction-in-progress	-	181,710	-	181,710
Total capital assets not being depreciated	<u>1,598,733</u>	<u>780,810</u>	<u>-</u>	<u>2,379,543</u>
Capital assets being depreciated				
Land improvements	920,715	-	-	920,715
Infrastructure	10,039,112	-	-	10,039,112
Buildings, additions and improvements	1,031,138	-	-	1,031,138
Machinery and equipment	924,454	-	27,903	896,551
Vehicles	1,502,504	-	312,443	1,190,061
Total capital assets being depreciated	<u>14,417,923</u>	<u>-</u>	<u>340,346</u>	<u>14,077,577</u>
Less accumulated depreciation for				
Land improvements	312,372	19,725	-	332,097
Infrastructure	6,746,591	163,936	-	6,910,527
Buildings, additions and improvements	674,775	15,685	-	690,460
Machinery and equipment	681,992	35,785	27,903	689,874
Vehicles	972,039	82,297	292,140	762,196
Total accumulated depreciation	<u>9,387,769</u>	<u>317,428</u>	<u>320,043</u>	<u>9,385,154</u>
Net capital assets being depreciated	<u>5,030,154</u>	<u>(317,428)</u>	<u>20,303</u>	<u>4,692,423</u>
Governmental activities net capital assets	<u>\$ 6,628,887</u>	<u>\$ 463,382</u>	<u>\$ 20,303</u>	<u>\$ 7,071,966</u>

City of Manistique
Notes to the Financial Statements
June 30, 2024

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction-in-progress	\$ 681,164	\$ 1,921,177	\$ 62,025	\$ 2,540,316
Capital assets being depreciated				
Land improvements	3,915,579	-	-	3,915,579
Infrastructure - other	4,754,260	-	-	4,754,260
Buildings	1,392,898	62,025	8,466	1,446,457
Machinery and equipment	3,639,364	-	210,612	3,428,752
Distribution/collection system	50,806,178	-	7,501	50,798,677
Total capital assets being depreciated	<u>64,508,279</u>	<u>62,025</u>	<u>226,579</u>	<u>64,343,725</u>
Less accumulated depreciation for				
Land improvements	520,392	79,957	-	600,349
Infrastructure - other	471,659	94,314	-	565,973
Buildings	849,177	38,326	6,419	881,084
Machinery and equipment	2,319,978	163,514	178,589	2,304,903
Distribution/collection system	20,191,534	1,038,907	7,501	21,222,940
Total accumulated depreciation	<u>24,352,740</u>	<u>1,415,018</u>	<u>192,509</u>	<u>25,575,249</u>
Net capital assets being depreciated	<u>40,155,539</u>	<u>(1,352,993)</u>	<u>34,070</u>	<u>38,768,476</u>
Business-type capital assets, net	<u>\$ 40,836,703</u>	<u>\$ 568,184</u>	<u>\$ 96,095</u>	<u>\$ 41,308,792</u>

Capital asset activity of the component units for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units				
Capital assets not being depreciated				
Land	\$ 54,680	\$ -	\$ -	\$ 54,680
Construction-in-progress	<u>99,862</u>	<u>545,226</u>	<u>645,088</u>	<u>-</u>
Total capital assets not being depreciated	<u>154,542</u>	<u>545,226</u>	<u>645,088</u>	<u>54,680</u>
Capital assets being depreciated				
Buildings and improvements	8,907,664	651,325	-	9,558,989
Furniture, equipment and machinery - dwelling	72,571	445	2,257	70,759
Furniture, equipment and machinery - administration	227,045	54,025	41,279	239,791
Total capital assets being depreciated	<u>9,207,280</u>	<u>705,795</u>	<u>43,536</u>	<u>9,869,539</u>
Less accumulated depreciation for				
Buildings and improvements	7,539,709	170,000	-	7,709,709
Furniture, equipment and machinery - dwelling	64,211	1,083	2,257	63,037
Furniture, equipment and machinery - administration	214,773	12,804	41,279	186,298
Total accumulated depreciation	<u>7,818,693</u>	<u>183,887</u>	<u>43,536</u>	<u>7,959,044</u>
Net capital assets being depreciated	<u>1,388,587</u>	<u>521,908</u>	<u>-</u>	<u>1,910,495</u>
Component units capital assets, net	<u>\$ 1,543,129</u>	<u>\$ 1,067,134</u>	<u>\$ 645,088</u>	<u>\$ 1,965,175</u>

City of Manistique
Notes to the Financial Statements
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Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 19,609
Public health and safety	25,726
General public works	266,807
Economic development	<u>5,286</u>
Total governmental activities	<u>317,428</u>

Business-type activities

Ambulance Fund	80,981
Recreation	34,954
Campground	75,642
Wastewater utility	541,400
Water utility	582,174
Marina Fund	<u>99,867</u>
 Total business-type activities	 <u>1,415,018</u>
 Total primary government	 <u>\$ 1,732,446</u>

Component unit

Manistique Housing Commission	
Economic development	<u>\$ 183,887</u>

Construction Commitments

The City had total construction commitments of \$27,539,290, of which \$1,921,177 was spent as of June 30, 2024.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund				Total
	Water Utility Fund	Nonmajor governmental funds		Nonmajor enterprise funds	
		Fund	funds	funds	
General Fund	\$ -	\$ 63,550	\$ 5,568	\$ 69,118	
Wastewater Utility Fund	<u>9,444</u>	<u>-</u>	<u>-</u>	<u>9,444</u>	
	<u><u>\$ 9,444</u></u>	<u><u>\$ 63,550</u></u>	<u><u>\$ 5,568</u></u>	<u><u>\$ 78,562</u></u>	

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Transfers In	Transfers Out				Total	
	Nonmajor governmental funds	Nonmajor enterprise funds				
		funds	funds			
General Fund	\$ -	\$ 49,149	\$ 49,149			
Nonmajor governmental funds	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>		
	<u><u>\$ 25,000</u></u>	<u><u>\$ 49,149</u></u>	<u><u>\$ 49,149</u></u>	<u><u>\$ 74,149</u></u>		

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. The primary purpose of the appropriation from the nonmajor enterprise fund is for debt service.

Note 6 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the general fund, wastewater utility fund and water utility fund.

City of Manistique
Notes to the Financial Statements
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Long-term obligation activity is summarized as follows:

	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Restated			Ending Balance	Due Within One Year					
				Beginning Balance	Additions	Reductions							
Governmental activities													
Bonds and notes payable													
Notes from direct borrowings and direct placements													
Note - 2020 Ford Interceptor	1/14/2025	0%	\$0	\$ 8,556	\$ -	\$ 8,556	\$ -	\$ -					
Note - Street Sweeper	6/30/2030	3.73%	\$10,550 - \$10,992	66,597	-	23,671	42,926	10,593					
Note - International Plow Trucks	2/9/2029	5.20%	\$0 - \$67,875	360,121	-	52,688	307,433	55,383					
Total notes from direct borrowings and direct placements				435,274	-	84,915	350,359	65,976					
Landfill postclosure costs				330,000	-	30,000	300,000	30,000					
Bonus retirement				61,242	2,648	8,143	55,747	-					
Compensated absences				232,981	63,650	27,273	269,358	-					
Total governmental activities				\$ 1,059,497	\$ 66,298	\$ 150,331	\$ 975,464	\$ 95,976					
	Maturity Date	Rate Ranges	Maturity Ranges	Beginning Balance			Ending Balance	Due Within One Year					
				Beginning Balance	Additions	Reductions							
Business-type activities													
Bonds and notes payable													
Notes from direct borrowings and direct placements													
Note - 2016 ambulance	8/26/2026	2.60%	\$15,995 - \$16,811	\$ 64,806	\$ -	\$ 15,590	\$ 49,216	\$ 15,995					
Note - Hockey boards	9/4/2024	3.35%	\$0	5,882	-	5,882	-	-					
Note - 2019 ambulance	1/22/2028	2.00%	\$16,726 - \$18,128	84,882	-	16,576	68,306	16,726					
Note - Street sweeper	6/30/2030	0.00%	\$1,437 - \$11,197	45,800	-	790	45,010	10,593					
Bonds - 2012 waste water	4/1/2052	2.000%	\$94,000 - \$168,000	3,690,000	-	92,000	3,598,000	94,000					
Bonds - 2016 waste water	4/1/2056	1.750%	\$13,000 - \$29,000	663,000	-	13,000	650,000	13,000					
Bonds - 2019A waste water	12/31/2059	1.750%	\$15,000 - \$33,000	815,000	-	15,000	800,000	15,000					
Bonds - 2019B waste water	12/31/2059	1.750%	\$3,000 - \$6,000	150,000	-	3,000	147,000	3,000					
Bonds - 2021 waste water	1/1/2062	1.375%	\$15,500 - \$25,500	785,000	-	15,500	769,500	15,500					
Bonds - 2010A water	7/1/2050	2.375%	\$71,000 - \$157,000	2,838,000	-	69,000	2,769,000	71,000					
Bonds - 2010B water	7/1/2050	2.375%	\$30,000 - \$1,153,000	1,181,000	-	28,000	1,153,000	29,000					
Bonds - 2010C water	7/1/2050	2.375%	\$14,000 - \$26,000	537,000	-	13,000	524,000	14,000					
Bonds - 2012 water	4/1/2052	2.000%	\$63,000 - \$2,423,000	2,484,000	-	61,000	2,423,000	62,000					
Bonds - 2016 water	4/1/2056	1.750%	\$8,000 - \$17,000	397,000	-	8,000	389,000	8,000					
Bonds 2019A water	12/1/2059	1.75%	\$13,000 - \$63,333	691,000	-	12,000	679,000	13,000					
Bonds - 2019B water	12/1/2059	1.750%	\$1,000 - \$8,000	63,000	-	1,000	62,000	1,000					
Bonds - 2023A water	1/1/2063	2.375%	\$10,000 - \$26,000	37,000	601,000	10,000	628,000	10,000					
Bonds - 2023B water	1/1/2063	1.500%	\$3,000 - \$7,000	161,000	-	3,000	158,000	3,000					
Total notes from direct borrowings and direct placements				14,693,370	601,000	382,338	14,912,032	394,814					
Bonus retirement				16,972	497	-	17,469	-					
Compensated absences				111,809	11,881	82	123,608	29,577					
Total business-type activities				\$ 14,822,151	\$ 613,378	\$ 382,420	\$ 15,053,109	\$ 424,391					
	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance			Ending Balance	Due Within One Year					
				Beginning Balance	Additions	Reductions							
Component units													
General obligation bonds													
2014 Tax Increment Revenue Bonds Marina	5/1/2029	4.50%	\$90,000 - \$105,000	\$ 575,000	\$ -	\$ 85,000	\$ 490,000	\$ 90,000					
DDA Bonds - 2016 Campground Bond Series A	11/1/2037	2.150% - 3.450%	\$140,000 - \$245,000	885,000	-	-	885,000	140,000					
DDA Bonds - 2016 Campground Bond Series B	11/1/2037	2.150% - 3.550%	\$140,000 - \$250,000	930,000	-	-	930,000	-					
DDA Bonds - 2016 Campground Bond Series C	11/1/2037	2.150% - 3.350%	\$145,000 - \$240,000	860,000	-	135,000	725,000	-					
DDA Bonds - 2016 Campground Bond Series D	11/1/2037	2.150% - 3.550%	\$10,000 - \$15,000	215,000	-	10,000	205,000	10,000					
DDA Bonds - 2019 Marina	12/1/2038	4.100%	\$30,000 - \$150,000	1,420,000	-	30,000	1,390,000	30,000					
Total general obligation bonds				4,885,000	-	260,000	4,625,000	270,000					
Compensated absences				1,693	940	-	2,633	73					
Total component units				\$ 4,886,693	\$ 940	\$ 260,000	\$ 4,627,633	\$ 270,073					

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

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Notes from Direct		Borrowings and Direct	Notes from Direct		Borrowings and Direct
	Placements	Interest		Placements	Interest	
Year Ending June 30,	Principal	Interest	Year Ending June 30,	Principal	Interest	
2025	\$ 65,976	\$ 17,273	2025	\$ 394,814	\$ 305,679	
2026	69,098	14,152	2026	403,927	296,869	
2027	72,331	10,919	2027	412,529	288,032	
2028	75,079	7,524	2028	406,325	279,023	
2029	67,875	3,969	2029	386,937	270,290	
2030-2034	-	218	2030-2034	2,065,500	1,227,465	
2035-2039	-	-	2035-2039	2,328,000	1,002,594	
2040-2044	-	-	2040-2044	2,626,000	748,363	
2045-2049	-	-	2045-2049	2,954,000	461,446	
2050-2054	-	-	2050-2054	2,022,500	160,896	
2051-2059	-	-	2051-2059	646,000	56,821	
2052-2064	-	-	2052-2064	265,500	8,620	
	<u>\$ 350,359</u>	<u>\$ 54,055</u>		<u>\$ 14,912,032</u>	<u>\$ 5,106,098</u>	

Year Ending June 30,	Component Units		
	Bonds		
	Principal	Interest	
Year Ending June 30,	Principal	Interest	
2025	\$ 270,000	\$ 157,611	
2026	280,000	149,245	
2027	290,000	140,117	
2028	295,000	130,444	
2029	310,000	120,339	
2030-2034	1,455,000	453,927	
2035-2039	1,725,000	147,264	
	<u>\$ 4,625,000</u>	<u>\$ 1,298,947</u>	

Note 7 - Restricted Assets

The 2010, 2012, 2016, 2019, and 2023 water infrastructure bonds and the 2012, 2016, 2019, and 2021 wastewater infrastructure bonds require an operation and maintenance fund be maintained to pay the reasonable and necessary current expenses of administration and operating and maintaining the system for the ensuing quarter. The amount recorded as unrestricted cash represents additional funds available for this purpose. The water and wastewater bonds also require reserves for other purposes as detailed below.

City of Manistique
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	Required Balance	Actual Balance
Business-Type Activities		
Water Utility		
2010 bond reserve, \$5,900 per quarter up to \$236,000	\$ 236,000	\$ 797,366
2012 bond reserve, \$3,000 per quarter up to \$120,000	120,000	149,067
2016 bond reserve, \$450 per quarter up to \$18,000	14,400	16,715
2019 bond reserve, \$759 per quarter up to \$30,360	12,903	16,538
2023 bond reserve, \$765 per quarter up to \$30,600	4,590	15,004
Waste Water Utility		
2012 bond reserve, \$4,375 per quarter up to \$175,000	175,000	655,947
2016 bond reserve, \$762.50 per quarter up to \$30,500	24,400	27,760
2019 bond reserve, \$960 per quarter up to \$38,400	16,320	25,936
2021 bond reserve, \$657 per quarter up to \$26,280	7,884	26,952
Total business-type activities	<u>\$ 611,497</u>	<u>\$ 1,731,285</u>

Note 8 - Net Investment in Capital Assets

The composition of net investment in capital assets as of year end, was as follows:

	Governmental Activities	Business-type Activities	Component Units
Capital assets			
Capital assets not being depreciated	\$ 2,379,543	\$ 2,540,316	\$ 54,680
Capital assets, net of accumulated depreciation	<u>4,692,423</u>	<u>38,768,476</u>	<u>1,910,495</u>
Total capital assets	<u>7,071,966</u>	<u>41,308,792</u>	<u>1,965,175</u>
Related debt			
Notes from direct borrowing and direct placements	<u>(350,359)</u>	<u>(14,912,032)</u>	<u>(4,625,000)</u>
Net investment in capital assets	<u>\$ 6,721,607</u>	<u>\$ 26,396,760</u>	<u>\$ (2,659,825)</u>

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and

City of Manistique
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administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at <http://www.mersofmich.com>.

Benefits provided – Benefits provided include plans with a multiplier of 2.50. The vesting period is 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service, or 55 with 15 years of service. Final average compensation is calculated based on a range of 3 to 5 years. Member contributions range from 0.00% to 3.00%.

Employees covered by benefit terms – At the December 31, 2023 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to, but not yet receiving benefits	4
Active employees	<u>25</u>
	<u>66</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 51.11% to 93.13% based on annual payroll for open divisions.

Net pension liability – The employer's net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 6.93%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the Pub-2010 Mortality Tables. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

City of Manistique
Notes to the Financial Statements
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The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

Discount rate – The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	\$ 19,597,361	\$ 8,134,733	\$ 11,462,628
Balances as of December 31, 2022			
Changes for the year			
Service cost	295,140	-	295,140
Interest on total pension liability	1,390,548	-	1,390,548
Change in assumptions	169,466	-	169,466
Experience differences	585,204	-	585,204
Employer contributions	-	3,511,802	(3,511,802)
Net investment income (loss)	-	1,079,736	(1,079,736)
Benefit payments and refunds	(1,129,885)	(1,129,885)	-
Administrative expense	-	(21,104)	21,104
Net changes	<u>1,310,473</u>	<u>3,440,549</u>	<u>(2,130,076)</u>
Balances as of December 31, 2023	\$ 20,907,834	\$ 11,575,282	\$ 9,332,552

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

City of Manistique
Notes to the Financial Statements
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	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 12,023,271</u>	<u>\$ 9,332,552</u>	<u>\$ 11,554,427</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2024 the employer recognized pension expense of \$1,626,248. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ 703,505	\$ (12,672)	\$ 690,833
Differences in assumptions	306,131	-	306,131
Net difference between projected and actual earning on plan investments	348,244	-	348,244
Contributions subsequent to the measurement date*	609,335	-	-
Total	\$ 1,967,215	\$ (12,672)	\$ 1,345,208

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in subsequent years.

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

<u>Year ended June 30,</u>
2025
2026
2027
2028
<hr/>
<hr/>

\$ 1,345,208

Defined Contribution Pension Plan

The Manistique Housing Commission participates in a SEP-IRA Deferred Compensated Pension Plan covering all employees that have completed 3 years of service. At December 31, 2023, there were 2 plan members. The employer's contribution percentage is 10% of eligible wages, which is determined on an annual basis and can be amended by the Board of Commissioners. Upon separation, accrued funds remain the property of that individual. Plan contributions were \$10,245 for the year ended December 31, 2023.

Note 11 - Other Postemployment Benefits

Plan description – The City provides its employees with post retirement health benefits through a single-employer plan. These benefits were negotiated through union contracts for the AFSCME, P.O.L.C. and Teamsters union contracts and approved separately for the non-union employees. Any employee hired by the City after January 1, 2007 is not eligible for post retirement health benefits.

The City's funding policy is to pay all premiums as they come due on a pay-as-you-go basis. Management of the Plan is vested with the City Council.

Benefits provided – The City pays health insurance premiums for employees who retire under the terms of employment contracts or City policy, until the retiree reaches age 65 or becomes eligible for Medicare. The City

City of Manistique
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will pay for both the retiree and the spouse of the retiree (subject to specific limits per the contracts for spouses) for employees hired prior to the following dates: AFSCME – January 1, 1998; P.O.L.C. – January 1, 1995; Teamsters and non-union – August 1, 1998. Employees hired after the dates in the preceding sentence and before January 1, 2007 are eligible for employee coverage only, subject to the age and Medicare limits noted above.

City retirees from all groups will receive the health insurance coverage as received by active employees at that time, with the total cost of the single person coverage being paid by the City.

Employees covered by benefit terms – At June 30, 2024, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>10</u>
	<u><u>19</u></u>

Contributions – The Plan was established and is being funded under the authority of the City Council. Retiree healthcare costs are paid by the City on a pay-as-you-go basis.

Investment policy – The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Employees Retirement System Board by a majority vote of its members. It is the policy of the Retirement System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation
Global equity	64.0%
Global fixed income	26.0%
Real assets	5.0%
Diversifying strategies	5.0%

Net OPEB liability – The net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00%
Salary increases	3.00%, average, including inflation
Investment rate of return	3.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.30% for 2024, decreasing to a rate of 5.00% for 2034

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

City of Manistique
Notes to the Financial Statements
June 30, 2024

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 – June 30, 2024.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2024 are summarized below along with the adopted asset allocation policy:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	5.80%
Fixed income	1.00%
Private equity	6.00%
Real estate	5.90%
Cash	0.00%

Discount rate – The discount rate used to measure the total OPEB liability was 3.65%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the 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.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	\$ 2,068,790	\$ 3,130	\$ 2,065,660
Balances as of June 30, 2023			
Changes for the year			
Service cost	64,924	-	64,924
Interest on total OPEB liability	87,229	-	87,229
Experience differences	(562,772)	-	(562,772)
Employer contributions	-	43,675	(43,675)
Net investment income (loss)	-	(3,130)	3,130
Benefit payments and refunds	(43,675)	(43,675)	-
Net changes	(454,294)	(3,130)	(451,164)
 Balances as of June 30, 2024	 \$ 1,614,496	 \$ -	 \$ 1,614,496

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 (2.65%) or 1% higher (4.65%) than the current discount rate.

City of Manistique
Notes to the Financial Statements
June 30, 2024

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 1,813,932</u>	<u>\$ 1,614,496</u>	<u>\$ 1,443,061</u>

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 1,432,548</u>	<u>\$ 1,614,496</u>	<u>\$ 1,825,304</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2024 the employer recognized OPEB expense of \$(475,250). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ -	\$ (43,873)	\$ (43,873.00)
Differences in assumptions	20,525	(99,881)	(79,356)
Net difference between projected and actual earning on plan investments	2,688	-	2,688
Total	\$ 23,213	\$ (143,754)	\$ (120,541)

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

<u>Year ended June 30,</u>	
2025	\$ (103,696)
2026	(18,951)
2027	1,458
2028	648
	<u>\$ (120,541)</u>

Note 12 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City of Manistique
Notes to the Financial Statements
June 30, 2024

Note 13 - Changes within the Financial Reporting Entity

The Major Streets Fund ("the Fund") was previously reported as a major fund within the governmental funds; however, the Fund no longer meets the quantitative threshold for presentation as a major fund.

The Downtown Development Authority ("the DDA") was previously reported as a blended component unit; however, the DDA has been determined to be a discretely presented component unit in the current year.

The Senior Center was previously reported as a discretely presented component unit, however the Senior Center does not meet the definition of a component unit of the City and has been removed from the financial statements.

	June 30, 2023 As Previously Reported	Change Within the Financial Reporting Entity	June 30, 2023 As Restated
Government-Wide			
Governmental Activities	<u>\$ (6,314,826)</u>	<u>\$ 4,855,975</u>	<u>\$ (1,458,851)</u>
Governmental Funds			
Major Funds:			
General Fund	\$ 678,870	\$ -	\$ 678,870
Major Street Fund	549,693	(549,693)	-
Downtown Development Authority	47,769	(47,769)	-
Nonmajor Funds	<u>321,997</u>	<u>549,693</u>	<u>871,690</u>
Total Governmental Funds	<u><u>\$ 1,598,329</u></u>	<u><u>\$ (47,769)</u></u>	<u><u>\$ 1,550,560</u></u>
Discretely Presented Component Units			
Downtown Development Authority	\$ -	\$ (4,855,975)	\$ (4,855,975)
Manistique Senior Center	<u>145,973</u>	<u>(145,973)</u>	<u>-</u>
Total Discretely Presented Component Units	<u><u>\$ 145,973</u></u>	<u><u>\$ (5,001,948)</u></u>	<u><u>\$ (4,855,975)</u></u>

Note 14 - Prior Period Adjustment

During the year ended December 31, 2024, the Manistique Housing Commission had restatements in the amount of \$1,756 which were necessary to properly account for the overstatement of accounts payable and accrued liabilities. The restatements had the following effect on beginning net position:

	June 30, 2023 As Previously Reported	Prior Period Adjustment	June 30, 2023 As Restated
Manistique Housing Commission	<u>\$ 2,457,655</u>	<u>\$ 1,756</u>	<u>\$ 2,459,411</u>

Note 15 - Subsequent Event

The City issued Wastewater and Sewage Disposal System Revenue Bond, Series 2024 of \$1,632,000 in the Wastewater Utility Fund on October 15, 2024.

City of Manistique
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes				
Property taxes	\$ 903,800	\$ 893,744	\$ 893,734	\$ (10)
Penalties and interest	18,000	23,752	23,752	-
Licenses and permits	38,500	38,500	34,815	(3,685)
Federal grants	-	3,801	4,876	1,075
State-shared revenue	450,586	450,586	443,191	(7,395)
State grants	21,400	50,902	1,435,132	1,384,230
Local contributions	128,000	194,428	203,728	9,300
Charges for services	980,359	962,030	872,248	(89,782)
Fines and forfeitures	3,000	8,651	8,169	(482)
Investment income	1,700	3,250	3,191	(59)
Other revenue	1,550	1,680	1,680	-
Total revenues	2,546,895	2,631,324	3,924,516	1,293,192
Expenditures				
General government				
City council	38,000	31,330	29,451	(1,879)
Community promotions	12,200	27,095	26,447	(648)
City manager	221,700	178,316	284,514	106,198
Payroll/utility clerk	55,500	50,500	79,023	28,523
City clerk	127,134	141,107	208,692	67,585
General administration	27,000	37,435	41,186	3,751
Board of review	300	300	222	(78)
City treasurer	127,180	160,999	262,439	101,440
City assessor	63,800	65,000	67,055	2,055
Elections	17,550	13,286	12,360	(926)
Building and grounds	51,900	53,900	53,647	(253)
City attorney	5,700	36,700	36,303	(397)
Human resources department	115,200	95,500	90,291	(5,209)
Total general government	863,164	891,468	1,191,630	300,162
Public safety				
Police	<u>1,149,790</u>	<u>1,122,566</u>	<u>1,806,312</u>	<u>683,746</u>
Public works				
Department of public works	442,100	474,500	854,436	379,936
Street lighting	15,000	18,000	17,364	(636)
Sanitary landfill	35,000	31,724	26,629	(5,095)
Cemetery	67,200	78,000	86,541	8,541
Total public works	559,300	602,224	984,970	382,746
Community and economic development				
Planning	<u>3,620</u>	<u>720</u>	<u>659</u>	<u>(61)</u>

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		
Recreation and culture				
Parks administration	\$ 14,300	\$ 23,200	\$ 24,698	\$ 1,498
Recreation/park facilities	<u>16,300</u>	<u>12,700</u>	<u>10,965</u>	<u>(1,735)</u>
Total recreation and culture	<u>30,600</u>	<u>35,900</u>	<u>35,663</u>	<u>(237)</u>
Capital outlay	<u>21,000</u>	<u>67,802</u>	<u>66,699</u>	<u>(1,103)</u>
Debt service				
Principal retirement	99,443	103,752	84,915	(18,837)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>18,837</u>	<u>18,837</u>
Total debt service	<u>99,443</u>	<u>103,752</u>	<u>103,752</u>	<u>-</u>
Total expenditures	<u>2,726,917</u>	<u>2,824,432</u>	<u>4,189,685</u>	<u>1,365,253</u>
Excess (deficiency) of revenues over expenditures	<u>(180,022)</u>	<u>(193,108)</u>	<u>(265,169)</u>	<u>(72,061)</u>
Other financing sources (uses)				
Transfers in	298,000	227,149	49,149	(178,000)
Transfers out	<u>(132,800)</u>	<u>(52,000)</u>	<u>-</u>	<u>(52,000)</u>
Sale of capital assets	<u>15,000</u>	<u>18,668</u>	<u>14,801</u>	<u>(3,867)</u>
Total other financing sources (uses)	<u>180,200</u>	<u>193,817</u>	<u>63,950</u>	<u>(233,867)</u>
Net change in fund balance	<u>178</u>	<u>709</u>	<u>(201,219)</u>	<u>(305,928)</u>
Fund balance - beginning of year	<u>678,870</u>	<u>678,870</u>	<u>678,870</u>	<u>-</u>
Fund balance - end of year	<u>\$ 679,048</u>	<u>\$ 679,579</u>	<u>\$ 477,651</u>	<u>\$ (305,928)</u>

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal year ended June 30,	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 295,140	\$ 253,662	\$ 237,046	\$ 214,627	\$ 213,051
Interest	1,390,548	1,315,402	1,289,123	1,218,173	1,209,684
Experience differences	585,204	529,204	(50,692)	(106,628)	(82,820)
Changes in assumptions	169,466	-	716,134	591,044	541,995
Benefit payments and refunds	(1,129,885)	(1,035,096)	(1,002,082)	(987,656)	(962,678)
Net change in total pension liability	1,310,473	1,063,172	1,189,529	929,560	919,232
Total pension liability - beginning	19,597,361	18,534,189	17,344,660	16,415,100	15,495,868
Total pension liability - ending (a)	<u>\$ 20,907,834</u>	<u>\$ 19,597,361</u>	<u>\$ 18,534,189</u>	<u>\$ 17,344,660</u>	<u>\$ 16,415,100</u>
Plan fiduciary net position					
Employer contributions	\$ 3,511,802	\$ 1,086,691	\$ 901,629	\$ 779,754	\$ 762,287
Employee contributions	-	-	-	-	-
Net investment income (loss)	1,079,736	(930,104)	1,122,909	913,525	891,487
Benefit payments and refunds	(1,129,885)	(1,035,098)	(1,002,083)	(987,656)	(962,676)
Administrative expense	(21,104)	(16,716)	(12,879)	(14,561)	(15,354)
Net change in plan fiduciary net position	3,440,549	(895,227)	1,009,576	691,062	675,744
Plan fiduciary net position - beginning	8,134,733	9,029,960	8,020,384	7,329,322	6,653,578
Plan fiduciary net position - ending (b)	<u>\$ 11,575,282</u>	<u>\$ 8,134,733</u>	<u>\$ 9,029,960</u>	<u>\$ 8,020,384</u>	<u>\$ 7,329,322</u>
Net pension liability (a-b)	<u>\$ 9,332,552</u>	<u>\$ 11,462,628</u>	<u>\$ 9,504,229</u>	<u>\$ 9,324,276</u>	<u>\$ 9,085,778</u>
Plan fiduciary net position as a percentage of total pension liability	55.36%	41.51%	48.72%	46.24%	44.65%
Covered payroll	\$ 1,807,247	\$ 1,550,139	\$ 1,558,242	\$ 1,517,975	\$ 1,509,566
Net pension liability as a percentage of covered employee payroll	516.40%	739.46%	609.93%	614.26%	601.88%

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal year ended June 30,	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 205,188	\$ 200,731	\$ 191,094	\$ 187,355	\$ 185,492
Interest	1,165,488	1,135,461	1,097,622	1,043,598	1,012,304
Experience differences	117,295	(77,550)	(6,573)	(133,638)	-
Changes in assumptions	-	-	-	719,280	-
Benefit payments and refunds	(916,219)	(854,844)	(773,119)	(722,591)	(700,200)
Net change in total pension liability	571,752	403,798	509,024	1,094,004	497,596
Total pension liability - beginning	14,924,116	14,520,318	14,011,294	12,917,290	12,419,694
Total pension liability - ending (a)	<u>\$ 15,495,868</u>	<u>\$ 14,924,116</u>	<u>\$ 14,520,318</u>	<u>\$ 14,011,294</u>	<u>\$ 12,917,290</u>
Plan fiduciary net position					
Employer contributions	\$ 679,013	\$ 599,042	\$ 570,404	\$ 573,211	\$ 540,668
Employee contributions	-	-	-	-	2,973
Net investment income (loss)	(274,427)	856,226	686,875	(95,138)	386,397
Benefit payments and refunds	(916,218)	(854,844)	(773,121)	(722,592)	(700,200)
Administrative expense	(13,729)	(13,573)	(13,569)	(13,897)	(14,170)
Net change in plan fiduciary net position	(525,361)	586,851	470,589	(258,416)	215,668
Plan fiduciary net position - beginning	7,178,939	6,592,088	6,121,499	6,379,915	6,164,247
Plan fiduciary net position - ending (b)	<u>\$ 6,653,578</u>	<u>\$ 7,178,939</u>	<u>\$ 6,592,088</u>	<u>\$ 6,121,499</u>	<u>\$ 6,379,915</u>
Net pension liability (a-b)	<u>\$ 8,842,290</u>	<u>\$ 7,745,177</u>	<u>\$ 7,928,230</u>	<u>\$ 7,889,795</u>	<u>\$ 6,537,375</u>
Plan fiduciary net position as a percentage of total pension liability	42.94%	48.10%	45.40%	43.69%	49.39%
Covered payroll	\$ 1,446,839	\$ 1,416,841	\$ 1,330,108	\$ 1,347,736	\$ 1,342,557
Net pension liability as a percentage of covered employee payroll	611.15%	546.65%	596.06%	585.41%	486.93%

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2015	\$ 572,270	\$ 572,270	\$ -	\$ 1,342,557	42.63%
6/30/2016	546,974	546,974	-	1,347,736	40.58%
6/30/2017	579,919	579,919	-	1,330,108	43.60%
6/30/2018	631,460	631,460	-	1,416,841	44.57%
6/30/2019	735,313	735,313	-	1,446,839	50.82%
6/30/2020	754,136	754,136	-	1,509,566	49.96%
6/30/2021	826,853	826,853	-	1,517,975	54.47%
6/30/2022	953,157	953,157	-	1,558,242	61.17%
6/30/2023	1,140,074	1,140,074	-	1,550,139	73.55%
6/30/2024	1,366,224	1,366,224	-	1,845,022	74.05%

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal year ended June 30,	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 64,924	\$ 64,924	\$ 102,341	\$ 97,422	\$ 92,228	\$ 68,936	\$ 66,598
Interest	87,229	82,198	53,314	63,191	65,080	70,104	70,019
Experience differences	(648,254)	(13,976)	(112,329)	(32,702)	(80,180)	(11,714)	-
Changes in assumptions	85,482	31,449	(345,485)	32,480	66,166	320,290	-
Benefit payments and refunds	(43,675)	(81,244)	(111,298)	(79,352)	(131,659)	(139,416)	(133,640)
Net change in total OPEB liability	(454,294)	83,351	(413,457)	81,039	11,635	308,200	2,977
Total OPEB liability - beginning	<u>2,068,790</u>	<u>1,985,439</u>	<u>2,398,896</u>	<u>2,317,857</u>	<u>2,306,222</u>	<u>1,998,022</u>	<u>1,995,045</u>
Total OPEB liability - ending (a)	<u>\$ 1,614,496</u>	<u>\$ 2,068,790</u>	<u>\$ 1,985,439</u>	<u>\$ 2,398,896</u>	<u>\$ 2,317,857</u>	<u>\$ 2,306,222</u>	<u>\$ 1,998,022</u>
Plan fiduciary net position							
Employer contributions	\$ 43,675	\$ 81,242	\$ 111,298	\$ 79,349	\$ 131,662	\$ 139,416	\$ 133,640
Net investment income (loss)	(3,130)	321	(432)	702	4	119	198
Benefit payments and refunds	(43,675)	(81,242)	(111,298)	(79,349)	(131,662)	(139,416)	(133,640)
Administrative expense	-	(15)	(16)	(15)	(13)	(18)	(12)
Net change in plan fiduciary net position	(3,130)	306	(448)	687	(9)	101	186
Plan fiduciary net position - beginning	<u>3,130</u>	<u>2,824</u>	<u>3,272</u>	<u>2,585</u>	<u>2,594</u>	<u>2,493</u>	<u>2,307</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ 3,130</u>	<u>\$ 2,824</u>	<u>\$ 3,272</u>	<u>\$ 2,585</u>	<u>\$ 2,594</u>	<u>\$ 2,493</u>
Net OPEB liability (a-b)	<u>\$ 1,614,496</u>	<u>\$ 2,065,660</u>	<u>\$ 1,982,615</u>	<u>\$ 2,395,624</u>	<u>\$ 2,315,272</u>	<u>\$ 2,303,628</u>	<u>\$ 1,995,529</u>
Plan fiduciary net position as a percentage of total OPEB liability	- %	0.15%	0.14%	0.14%	0.11%	0.11%	0.12%
Covered payroll	\$ 820,379	\$ 597,212	\$ 880,742	\$ 747,585	\$ 752,662	\$ 724,386	\$ 776,907
Net OPEB liability as a percentage of covered payroll	196.80%	345.88%	225.11%	320.45%	307.61%	318.01%	256.86%

See Accompanying Notes to Required Supplementary Information

City of Manistique
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$ 261,118	\$ 133,640	\$ 127,478	\$ 776,907	17.20%
2019	311,422	139,416	172,006	724,386	19.25%
2020	387,775	131,662	256,113	752,662	17.49%
2021	425,124	79,349	345,775	747,585	10.61%
2022	477,290	111,298	365,992	880,742	12.64%
2023	446,895	81,242	365,653	597,212	13.60%
2024	N/A *	43,675	N/A *	820,379	5.32%

* The actuary determined that for unfunded plans (plans without assets), the Actuarially Determined Contribution is set to N/A.

City of Manistique
Notes to the Required Supplementary Information
June 30, 2024

Pension Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios – MERS

The June 30, 2024, changes in assumptions are due to the following:

- The discount rate was increased from 7.00% to 7.18%.

Notes to the Schedule of Employer Contributions – MERS

- Valuation date: December 31, 2023
- Actuarially determined contribution rates are calculated as of December 31 that is 18 months prior to the beginning of the fiscal year for which the contributions are presented.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level percentage of payroll, open
- Remaining amortization period: 15 years
- Asset valuation method: 5-year smoothed market
- Inflation: 2.5 percent
- Salary increase: 3.0 percent
- Investment rate of return: 7 percent net of pension plan investment expense, including inflation
- Mortality rates: 106% of Pub-2010 juvenile mortality tables for ages 0-17, 106% of PubG-2010 employee mortality tables for ages 18-49, 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

OPEB Information

Notes to the Schedule of Changes in Total Net OPEB and Related Ratios

The June 30, 2024, changes in assumptions are due to the following:

- First valuation performed by Millman, Inc.

Notes to the Schedule of Employer Contributions

- Valuation date: June 30, 2024
- Actuarially determined contribution rates are calculated as of June 30 that is 12 months prior to the beginning of the fiscal year for which the contributions are presented.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level percentage of payroll, open
- Remaining amortization period: 10 years
- Asset valuation method: Ten year smoothed market
- Healthcare inflation rate: Pre-Medicare 7.30% graded down to 5.00% by an alternating 0.30% and 0.20% per year.
- Inflation: 2.5 percent
- Salary increase: 3.0 percent
- Investment rate of return: 3.65 percent net of pension plan investment expense, including inflation
- Mortality rates: Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

City of Manistique
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Special Revenue Funds				
	Major Street	Local Street	Blight & Beautification	Cedar Street Project	River Street Project
Assets					
Cash and cash equivalents	\$ 663,981	\$ 202,712	\$ 3,123	\$ 2,350	\$ -
Receivables					
Accounts	-	-	-	-	-
Due from other units of government	55,600	21,059	-	48,482	-
Restricted assets					
Investments	-	-	-	-	-
Total assets	<u>\$ 719,581</u>	<u>\$ 223,771</u>	<u>\$ 3,123</u>	<u>\$ 50,832</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 48,482	\$ -
Due to other funds	-	43,440	-	-	-
Payroll and other liabilities	1,964	1,329	-	-	-
Total liabilities	<u>1,964</u>	<u>44,769</u>	<u>-</u>	<u>48,482</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue - receivables	-	-	-	-	-
Fund balances					
Non-spendable					
Cemetery perpetual care principal	-	-	-	-	-
Restricted for					
Street system	717,617	179,002	-	-	-
Special projects	-	-	3,123	2,350	-
Capital projects	-	-	-	-	-
Cemetery care	-	-	-	-	-
Assigned for					
Sanitary landfill	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>717,617</u>	<u>179,002</u>	<u>3,123</u>	<u>2,350</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 719,581</u>	<u>\$ 223,771</u>	<u>\$ 3,123</u>	<u>\$ 50,832</u>	<u>\$ -</u>

City of Manistique
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024

	Capital Projects Funds						Permanent Fund		Total Nonmajor Governmental Funds	
	Special Revenue Funds									
	RRC Technical Assistance Grant	Riverwalk Pathway	GLFT Fishing Pier	ARPA Fund - Headworks CWSRF	Cemetery Trust					
Assets										
Cash and cash equivalents	\$ 3,386	\$ -	\$ 4,379	\$ -	\$ 78,875	\$ 600	\$ 958,806			
Receivables										
Accounts	-	-	-	-	-	600	600			
Due from other units of government	-	-	-	-	179,600	-	-	304,741		
Restricted assets										
Investments	-	-	-	-	-	172,675	172,675			
Total assets	\$ 3,386	\$ -	\$ 4,379	\$ 179,600	\$ 252,150	\$ 1,436,822				
Liabilities										
Accounts payable	\$ -	\$ 1,180	\$ -	\$ 179,600	\$ -	\$ 229,262				
Due to other funds	-	-	-	20,110	-	-	63,550			
Payroll and other liabilities	-	-	-	-	-	-	-	3,293		
Total liabilities	-	1,180	-	199,710	-	-	-	296,105		
Deferred inflows of resources										
Unavailable revenue - receivables	-	-	-	179,600	-	-	-	179,600		
Fund balances										
Non-spendable										
Cemetery perpetual care principal	-	-	-	-	-	247,425	247,425			
Restricted for										
Street system	-	-	-	-	-	-	896,619			
Special projects	-	-	-	-	-	-	5,473			
Capital projects	-	-	4,379	-	-	-	4,379			
Cemetery care						4,725	4,725			
Assigned for										
Sanitary landfill	3,386	-	-	-	-	-	3,386			
Unassigned (deficit)	-	(1,180)	-	(199,710)	-	-	(200,890)			
Total fund balances (deficit)	3,386	(1,180)	4,379	(199,710)	252,150	961,117				
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 3,386	\$ -	\$ 4,379	\$ 179,600	\$ 252,150	\$ 1,436,822				

City of Manistique
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds				
	Major Street	Local Street	Blight & Beautification	Cedar Street	River Street
				Project	Project
Revenues					
State grants	\$ 518,660	\$ 147,035	\$ 311,000	\$ 76,159	\$ 58,035
Charges for services	-	-	-	-	-
Investment income	5,679	687	-	-	-
Total revenues	524,339	147,722	311,000	76,159	58,035
Expenditures					
Current					
Public works	257,579	115,980	-	-	-
Community and economic development	-	-	311,000	-	-
Capital outlay	73,836	-	-	73,809	-
Total expenditures	331,415	115,980	311,000	73,809	-
Excess (deficiency) of revenues over expenditures	192,924	31,742	-	2,350	58,035
Other financing sources (uses)					
Transfers in	-	25,000	-	-	-
Transfers out	(25,000)	-	-	-	-
Total other financing sources and uses	(25,000)	25,000	-	-	-
Net change in fund balances	167,924	56,742	-	2,350	58,035
Fund balances - beginning of year, as previously presented	-	122,260	3,123	-	(58,035)
Change within financial reporting entity (major to nonmajor fund)	549,693	-	-	-	-
Fund balances - beginning of year (adjusted)	549,693	122,260	3,123	-	(58,035)
Fund balances (deficit) - end of year	\$ 717,617	\$ 179,002	\$ 3,123	\$ 2,350	\$ -

City of Manistique
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		Capital Projects Funds		Permanent Fund		Total Nonmajor Governmental Funds
	RRC Technical Assistance Grant	Riverwalk Pathway	GLFT Fishing Pier	ARPA Fund - Headworks CWSRF	Cemetery Trust		
Revenues							
State grants	\$ 8,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,119,264
Charges for services	-	-	-	-	-	3,900	3,900
Investment income	-	-	-	-	-	564	6,930
Total revenues	<u>8,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,464</u>	<u>1,130,094</u>
Expenditures							
Current							
Public works	-	1,180	-	18,000	-	-	392,739
Community and economic development	7,573	-	-	-	-	-	318,573
Capital outlay	-	-	-	181,710	-	-	329,355
Total expenditures	<u>7,573</u>	<u>1,180</u>	<u>-</u>	<u>199,710</u>	<u>-</u>	<u>-</u>	<u>1,040,667</u>
Excess (deficiency) of revenues over expenditures	<u>802</u>	<u>(1,180)</u>	<u>-</u>	<u>(199,710)</u>	<u>4,464</u>	<u>-</u>	<u>89,427</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	25,000
Transfers out	-	-	-	-	-	-	(25,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>802</u>	<u>(1,180)</u>	<u>-</u>	<u>(199,710)</u>	<u>4,464</u>	<u>-</u>	<u>89,427</u>
Fund balances - beginning of year, as previously presented	2,584	-	4,379	-	-	247,686	321,997
Change within financial reporting entity (major to nonmajor fund)	-	-	-	-	-	-	549,693
Fund balances - beginning of year (adjusted)	<u>2,584</u>	<u>-</u>	<u>4,379</u>	<u>-</u>	<u>-</u>	<u>247,686</u>	<u>871,690</u>
Fund balances (deficit) - end of year	<u>\$ 3,386</u>	<u>\$ (1,180)</u>	<u>\$ 4,379</u>	<u>\$ (199,710)</u>	<u>\$ 252,150</u>	<u>\$ 961,117</u>	

City of Manistique
Other Supplementary Information
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2024

	Manistique					
	Lakeshore		Recreation			
	Campground		Building		Marina	
Assets						
Current assets						
Cash and cash equivalents	\$ 164,478	\$ 34,233	\$ -	\$ 198,711		
Receivables						
Accounts	- -	4,375	3,254	7,629		
Prepaid items	- -	1,490	- -	1,490		
Total current assets	164,478	40,098	3,254	207,830		
Noncurrent assets						
Capital assets, net of accumulated depreciation	3,162,216	485,522	4,338,219	7,985,957		
Total assets	3,326,694	525,620	4,341,473	8,193,787		
Liabilities						
Current liabilities						
Accounts payable	5,393	3,082	2,165	10,640		
Due to other funds	- -	- -	5,568	5,568		
Payroll and other liabilities	8,052	- -	1,502	9,554		
Unearned revenue	124,842	10,000	- -	134,842		
Total liabilities	138,287	13,082	9,235	160,604		
Net position						
Net investment in capital assets	3,162,216	485,522	4,338,219	7,985,957		
Unrestricted	26,191	27,016	(5,981)	47,226		
Total net position	\$ 3,188,407	\$ 512,538	\$ 4,332,238	\$ 8,033,183		

City of Manistique
Other Supplementary Information
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2024

	Manistique	Recreation			
	Lakeshore	Campground	Building	Marina	Total
Operating revenue					
Customer fees	\$ 601,092	\$ 81,828	\$ 44,806	\$ 727,726	
Other revenue	2,251	23,155	-	25,406	
Total operating revenue	<u>603,343</u>	<u>104,983</u>	<u>44,806</u>	<u>753,132</u>	
Operating expenses					
Salaries	111,268	27,945	5,504	144,717	
Fringe benefits	7,805	2,929	344	11,078	
Supplies	39,063	9,071	-	48,134	
Contracted services	81,684	3,472	1,757	86,913	
Insurance	-	2,315	-	2,315	
Community promotion	-	2,187	-	2,187	
Utilities	68,738	36,305	21,853	126,896	
Repairs and maintenance	9,141	12,377	1,849	23,367	
Depreciation	75,642	34,954	99,867	210,463	
Miscellaneous	<u>200,152</u>	<u>46,481</u>	<u>18,441</u>	<u>265,074</u>	
Total operating expenses	<u>593,493</u>	<u>178,036</u>	<u>149,615</u>	<u>921,144</u>	
Operating income (loss)	<u>9,850</u>	<u>(73,053)</u>	<u>(104,809)</u>	<u>(168,012)</u>	
Nonoperating revenue (expenses)					
Investment income	-	451	1	452	
Interest expense	-	(192)	-	(192)	
Total nonoperating revenues (expenses)	<u>-</u>	<u>259</u>	<u>1</u>	<u>260</u>	
Income (loss) before transfers out	9,850	(72,794)	(104,808)	(167,752)	
Transfers out	<u>(49,149)</u>	<u>-</u>	<u>-</u>	<u>(49,149)</u>	
Change in net position	(39,299)	(72,794)	(104,808)	(216,901)	
Net position - beginning of year	<u>3,227,706</u>	<u>585,332</u>	<u>4,437,046</u>	<u>8,250,084</u>	
Net position - end of year	<u>\$ 3,188,407</u>	<u>\$ 512,538</u>	<u>\$ 4,332,238</u>	<u>\$ 8,033,183</u>	

City of Manistique
Other Supplementary Information
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2024

	Manistique	Recreation			
	Lakeshore	Building	Marina	Total	
	Campground				
Cash flows from operating activities					
Receipts from customers	\$ 631,649	\$ 118,819	\$ 44,390	\$ 794,858	
Receipts from other funds	-	-	5,568	5,568	
Payments to suppliers	(411,436)	(112,873)	(48,636)	(572,945)	
Payments to employees	(119,073)	(30,874)	(5,848)	(155,795)	
Net cash provided (used) by operating activities	101,140	(24,928)	(4,526)	71,686	
Cash flows from noncapital financing activities					
Transfers to other funds	(49,149)	-	-	(49,149)	
Cash flows from capital and related financing activities					
Principal and interest paid on long-term debt	-	(6,074)	-	(6,074)	
Cash flows from investing activities					
Interest received	-	451	2	453	
Net change in cash and cash equivalents	51,991	(30,551)	(4,524)	16,916	
Cash and cash equivalents - beginning of year	112,487	64,784	4,524	181,795	
Cash and cash equivalents - end of year	\$ 164,478	\$ 34,233	\$ -	\$ 198,711	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 9,850	\$ (73,053)	\$ (104,809)	\$ (168,012)	
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	75,642	34,954	99,867	210,463	
Changes in assets and liabilities					
Receivables (net)	-	3,836	(416)	3,420	
Prepaid items	-	(1,410)	-	(1,410)	
Accounts payable	(13,109)	1,258	(4,838)	(16,689)	
Accrued and other liabilities	451	(513)	102	40	
Due to other funds	-	-	5,568	5,568	
Unearned revenue	28,306	10,000	-	38,306	
Net cash provided (used) by operating activities	\$ 101,140	\$ (24,928)	\$ (4,526)	\$ 71,686	

City of Manistique
Other Supplementary Information
Statement of Net Position and Governmental Fund Balance Sheet
Component Unit - Downtown Development Authority
June 30, 2024

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 54,400	\$ -	\$ 54,400
Receivables			
Accounts	34,500	-	34,500
Prepaid items	3,567	-	3,567
Total assets	<u>\$ 92,467</u>	<u>\$ -</u>	<u>\$ 92,467</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 6,931	\$ -	\$ 6,931
Payroll and other liabilities	102	-	102
Interest payable	-	46,141	46,141
Current portion of long-term liabilities	-	270,000	270,000
Total current liabilities	<u>7,033</u>	<u>316,141</u>	<u>323,174</u>
Noncurrent liabilities			
Long-term liabilities	-	4,355,000	4,355,000
Total liabilities	<u>7,033</u>	<u>4,671,141</u>	<u>4,678,174</u>
Deferred inflows of resources			
Unavailable revenue - receivables	<u>34,500</u>	<u>(34,500)</u>	<u>-</u>
Fund balance			
Non-spendable			
Prepaid items	3,567	(3,567)	-
Unassigned	<u>47,367</u>	<u>(47,367)</u>	<u>-</u>
Total fund balance	<u>50,934</u>	<u>(50,934)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balance			
	<u>\$ 92,467</u>		
Net position			
Net investment in capital assets		(4,625,000)	(4,625,000)
Unrestricted		<u>39,293</u>	<u>39,293</u>
Total net position	<u>\$ (4,585,707)</u>	<u>\$ (4,585,707)</u>	

City of Manistique
Other Supplementary Information
Reconciliation of Fund Balance of the Governmental Fund
to Net Position of Governmental Activities
Component Unit - Downtown Development Authority
June 30, 2024

Fund balance - governmental fund	\$ 50,934
Total net position for governmental activities in the statement of net position is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	34,500
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued interest	(46,141)
Bonds, notes, premiums and discounts	<u>(4,625,000)</u>
Net position of governmental activities	<u>\$ (4,585,707)</u>

City of Manistique
Other Supplementary Information
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance
Component Unit - Downtown Development Authority
For the Year Ended June 30, 2024

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 389,363	\$ -	\$ 389,363
State grants	-	34,500	34,500
Local contributions	997,786	-	997,786
Investment income	1,237	-	1,237
Other revenue	52	-	52
 Total revenues	 1,388,438	 34,500	 1,422,938
 Expenditures / expense			
Current			
Community and economic development	967,492	-	967,492
Debt service			
Principal retirement	260,000	(260,000)	-
Interest and fiscal charges	157,781	27,397	185,178
 Total expenditures / expense	 1,385,273	 (232,603)	 1,152,670
 Net change in fund balance	 3,165	 267,103	 270,268
 Fund balance / net position - beginning of year	 -	 -	 -
 Change in reporting entity	 47,769	 (4,903,744)	 (4,855,975)
 Fund balance / net position - beginning of year (restated)	 47,769	 (4,903,744)	 (4,855,975)
 Fund balance / net position - end of year	 \$ 50,934	 \$ (4,636,641)	 \$ (4,585,707)

City of Manistique
Other Supplementary Information

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
Component Unit - Downtown Development Authority
For the Year Ended June 30, 2024**

Net change in fund balances - total governmental fund	\$ 3,165
Total change in net position reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Grants	34,500
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	(27,397)
Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Repayments of long-term debt	<u>260,000</u>
Change in net position of governmental activities	<u>\$ 270,268</u>



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December 20, 2024

City Council and Management
City of Manistique
Manistique, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manistique (the City) as of and for the year ended June 30, 2024. We are required to communicate certain matters to you in accordance with generally accepted auditing standards that are related to internal control and the audit.

Our communication includes the following:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Matters for Management's Consideration

Matters for management's consideration are not required to be communicated but we believe are valuable for management.

We discussed these matters with various personnel in the City during the audit and with management. We would also be pleased to meet with you to discuss these matters at your convenience.

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

Yeo & Yeo, P.C.

Auburn Hills, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 9, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the footnotes of the financial statements. The City has adopted the following Governmental Accounting Standards Board Statements effective July 1, 2023:

- Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections.

We noted no transactions entered into by the City during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- The useful lives of its capital assets. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service.
- Net pension liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Net other postemployment benefits (OPEB) liability, and related deferred outflows of resources and deferred inflows of resources. The estimate is based on an actuarial report.
- Allowance for doubtful accounts. Management's estimate is based on the judgement of collectability and aging of the accounts receivable balances.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition

Accounting Standards and Regulatory Updates

The Governmental Accounting Standards Board has released additional Statements. Details regarding these Statements are described in the footnotes of the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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

Description	Debit	Credit
Record capital asset disposals in the Waste Water Utility Fund		
Accumulated Depreciation	\$ 138,662	\$ -
Loss on disposal of asset	37,584	-
Utility plant in service	-	176,246
Adjust Ambulance Fund allowance for uncollectible accounts		
Bad debt expense	\$ 47,300	\$ -
Allowance for credit losses	-	47,300

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

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

Other Audit Findings or Issues

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

Other Reports

Other information that is required to be reported to you is included in the: Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program; Independent Auditors' Report on Internal Control Over Compliance; Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Grant Guidance; and the Schedule of Findings and Questioned Costs. Please read all information included in those reports to ensure you are aware of relevant information.

Report on Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and the remaining required supplementary information (RSI) as described in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Report on Other Supplementary Information

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

Appendix II

Matters for Management's Consideration

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2024, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of the following matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated December 20, 2024, on the financial statements of the City.

Information Technology

During the course of our audit, we obtained an understanding of internal controls over the information technology (IT) system. We noted certain control deficiencies that could prevent the creation of complete and accurate financial reporting. We recommend that the City implement a procedure to process changes in user access, such as when new employees are hired or when employees are terminated. We further recommend that multifactor authentication be required for all users who have access to the accounting software, and that the City considers cybersecurity training for all employees.

It was also noted that there is a lack of environmental controls in the server room, such as smoke detectors, backup generators, or fire suppression devices. This increases the risk of a failure due to environmental changes.

State Uniform Chart of Accounts

All local units of government in Michigan are required to use the Uniform Chart of Accounts. It was noted that some revenue accounts used by the City do not follow the chart of accounts, and as a result were misidentified as state grants when they were actually from federal sources. We recommend that the City review the Uniform Chart of Accounts and that moving forward, all accounts follow the required structure and coding.

Required Policies and Resolutions

As part of our audit, we review policies and procedures to ensure that they are in compliance with the laws and regulations of the State of Michigan. During our review of these policies and procedures, we identified that the City does not have approved policies for financial transaction device payments (acceptance of credit card payment), credit card transactions (usage of credit cards), and electronic transactions. We recommend the City draft and approve these policies immediately to ensure compliance with state laws and regulations. These will require three resolutions by City Council to approve the financial transaction device payments policy, credit card transaction policy, and the electronic transactions of public funds policy. Further information of the requirements of these resolutions and policies may be found at the following links:

Financial Transaction Device Payments

<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-ACT-280-OF-1995>

Credit Card Transactions

<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-ACT-266-OF-1995>

Electronic Transactions of Public Funds

<https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-ACT-738-OF-2002>

City of Manistique

Single Audit

June 30, 2024



YEO & YEO

BUSINESS SUCCESS
PARTNERS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Management and the City Council
City of Manistique
Manistique, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Manistique, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Manistique's basic financial statements, and have issued our report thereon dated December 20, 2024. Our report includes a reference to other auditors who audited the financial statements of the Manistique Housing Commission as described in our report on City of Manistique's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-004 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Manistique's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-003.

City of Manistique's Response to Findings and Corrective Action Plan

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

Purpose of this Report

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

Yeo & Yeo, P.C.
Auburn Hills, Michigan
December 20, 2024

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and the City Council
City of Manistique
Manistique, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Manistique's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Manistique's major federal programs for the year ended June 30, 2024. City of Manistique's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Manistique complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

The City of Manistique's basic financial statements include the operations of the Manistique Housing Commission, which received \$0 in federal awards. Our audit, described below, did not include the operations of the Manistique Housing Commission because the Manistique Housing Commission engaged other auditors and an audit in accordance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was not required based on the amount of federal contracts.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of City of Manistique and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Manistique's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Manistique's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Manistique's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Manistique's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Manistique, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Manistique's basic financial statements. We issued our report thereon dated December 20, 2024, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Manistique Housing Commission, which represents 97 percent of assets and 53 percent of revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for City of Manistique, are based solely on the report of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
December 20, 2024

City of Manistique
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor Pass-Through Grantor Program or Cluster Title	Pass-Through Grantor's Number	Federal Assistance Listing Number	Current Year Expenditures
U.S. Department of Agriculture			
Direct Award			
Water and Waste Disposal Systems for Rural Communities			
CSO Phase II Sewer Project	-	10.760	\$ 233,493
CSO Phase II Water Project	-	10.760	<u>1,687,684</u>
Total Water and Waste Disposal Systems for Rural Communities			<u>1,921,177</u>
U.S. Department of Treasury			
Direct Award			
COVID-19 ARPA Coronavirus Relief	-	21.027	1,075
Passed through the Michigan Department of Environment, Great Lakes, and Energy			
COVID-19 ARPA Coronavirus Relief			
WWTP Improvements	CW-5904A	21.027	<u>161,600</u>
Total COVID-19 ARPA Coronavirus Relief			<u>162,675</u>
U.S. Election Assistance Commission			
Direct Award			
HAVA Election Security Grants	-	90.404	<u>3,801</u>
Total federal awards			<u>\$ 2,087,653</u>

See accompanying notes to the schedule of expenditures of federal awards

City of Manistique
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Manistique under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Manistique, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Manistique.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual and accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance, OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, or OMB Circular A-122 *Cost Principles for Non-Profit Organizations* where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The City of Manistique has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Expenditures per the schedule of expenditures of federal awards	\$ 2,087,653
Due from other governments not received within 60 days	
WWTP Improvements	(161,600)
Federal revenue classified as a capital contribution on the financial statements	(1,078,600)
Water Utility and Wastewater Utility Funds grant that has debt and therefore no revenue	(601,000)
Timing difference between expenditure of funds and issuance of new debt for Water Utility and Wastewater Utility Funds grant that has debt and therefore no revenue	<u>(241,577)</u>
Federal revenue per the financial statements	<u>\$ 4,876</u>

Note 4 - Subrecipients

No amounts were provided to subrecipients.

City of Manistique
Schedule of Findings and Questioned Costs
June 30, 2024

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

City of Manistique
Schedule of Findings and Questioned Costs
June 30, 2024

Section II – Government Auditing Standards Findings

2024-001 Material Weakness in Internal Control over Financial Reporting – Financial Statement Close
2023-002

Criteria – Management is responsible for maintaining a control environment that includes policies, oversight and accountability for accounting procedures and practices. A strong control environment will aid in timely and accurate accumulation of financial information to aid in management's decisions and aid in compliance with Generally Accepted Accounting Principles and organization policies.

Condition – Management did not follow adequate procedure for closing the books at year end, which resulted in a large number of journal entries being posted after the trial balance was submitted for audit as well as untimely bank reconciliations.

Cause – This condition was a result of turnover in key financial positions.

Effect – Numerous and material journal entries were needed during the audit to correct balances and record various accruals at June 30, 2024.

Recommendation – We recommend the City implement procedures for year-end close to ensure all required entries are posted prior to the annual audit.

View of Responsible Officials – Management agrees with the finding.

Corrective Action Plan – See attached corrective action plan from management.

2024-002 Material Weakness in Internal Control over Financial Reporting – Material Audit Adjustments
2023-001

Criteria – The City is responsible for ensuring the financial statements are free of material misstatements.

Condition – Material audit adjustments were required to properly record activity in accordance with Generally Accepted Accounting Principles. Audit adjustments include the following:

- Record capital asset disposals in enterprise funds
- Adjust ambulance receivable allowance for credit losses

Cause – This condition was a result of turnover in key financial positions, as well as a lack of internal controls and procedures to perform year-end close and ensure all required entries are posted.

Effect – The financial statements would have contained material misstatements had the items not been identified by the independent auditors.

Recommendation – We recommend the City implement procedures to review balances and ensure balances are correct prior to audit fieldwork.

View of Responsible Officials – Management agrees with the finding.

Corrective Action Plan – See attached corrective action plan from management.

City of Manistique
Schedule of Findings and Questioned Costs
June 30, 2024

2024-003 Material Noncompliance – Material Budget Overages

2023-005

Criteria – The Uniform Budgeting and Accounting Act, MCL §141.438(3) indicates “...an administrative officer of a local unit shall not incur expenditures against an appropriation amount in excess of the amount appropriated by the legislative body”.

Condition – The City incurred material budget overages in the General Fund during the year.

Cause – The City has not established appropriate controls to ensure that the budget is maintained during the year. The budget was not properly monitored allowing the overages to exist.

Effect – The City was not in compliance with MCL §141.438.

Recommendation – We recommend the City implement procedures to ensure the budget is properly maintained and monitored throughout the year. This includes providing amendments throughout the year to the City Council for approval.

View of Responsible Officials – Management agrees with the finding.

Corrective Action Plan – See attached corrective action plan from management.

2024-004 Significant Deficiency in Internal Control over Financial Reporting – Grant Awards and
2023-003 Expenditure Tracking

Criteria – The Uniform Guidance requires that the City of Manistique “identify, in its accounts, all federal awards received and expended and the federal programs under which they are received. Federal program and award identification shall include, as applicable, the assistance list title and number, award number and year, name of federal agency, and name of the pass-through entity”. In addition, the City is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance”.

Condition – An accurate draft of the SEFA was not provided at the beginning of the audit fieldwork.

Cause – The City of Manistique’s internal controls did not identify the necessary elements to prepare a complete and reconciled SEFA.

Effect – The need for a single audit was identified by the independent auditors, not the City.

Recommendation – The City should evaluate its processes to ensure that the SEFA is prepared in accordance with the Uniform Guidance and reconciled to its accounting records.

View of Responsible Officials – Management agrees with the finding.

Corrective Action Plan – See attached corrective action plan from management.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

City of Manistique
Summary Schedule of Prior Audit Findings
June 30, 2024

Section IV – Prior Audit Findings

Government Auditing Standards Findings

2023-001 Material Weakness: Material Audit Adjustments (Repeat Matter)

Criteria – The City is required to have internal controls in place to properly record, process and report accounting data. Year-end journal entries should be recorded in accordance with generally accepted accounting principles (GAAP) prior to the start of the audit.

Status – This finding was uncorrected. See finding 2024-002.

2023-002 Material Weakness: Financial Closing and Reporting (Repeat Matter)

Criteria – In accordance with GAAP, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all City activities and/or funds.

Status – This finding was uncorrected. See finding 2024-001.

2023-003 Significant Deficiency: Tracking of Grant Awards and Expenditures

Criteria – The City is required to have internal controls in place to properly account for and record capital grants and contributions. In addition, the City should have internal controls in place to track grants received, properly classify grants by funding source, and ensure reimbursement requests are appropriately supported and receipted.

Status – This finding was uncorrected. See finding 2024-003.

2023-004 Compliance Finding: Bond Reserve Requirements

Criteria – The 2010, 2012, 2016, and 2019 water bonds along with the 2012, 2016, 2019, and 2021 wastewater bonds require an operating and maintenance account be maintained to pay the reasonable and necessary current expenses of administration and operating and maintaining the systems for the ensuing quarter.

Status – This finding was corrected.

2023-005 Compliance Finding: Excess Expenditures over Appropriations and Deficit Net Position

Criteria – The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, as amended. The Ambulance Fund has a deficit in unrestricted net position of \$366,216, the Waste Water Fund has a deficit in unrestricted net position of \$71,850, Campground Fund has a deficit in unrestricted net position of \$10,152, the Marina Fund has a deficit in unrestricted net position of \$1,041, and the River Street Project Fund has a negative unassigned fund balance of \$58,035.

Status – This finding was partially corrected. See finding 2024-004.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2023, as federal expenditures were below \$750,000.



CITY OF MANISTIQUE, MICHIGAN

300 NORTH MAPLE ST • PO BOX 515 • MANISTIQUE, MI 49854
(906) 341-2290 TDD (800) 649-3777

December 19, 2024

Federal Audit Clearinghouse
RE: City of Manistique, Michigan
Corrective Action Plan
Fiscal Year Ended June 30, 2024

Finding Number: 2024-001

Condition: Audit adjustments were required to properly classify and record activity to present the financial statements in accordance with generally accepted accounting principles.

Planned Corrective Action: The City will focus on having all entries posted prior to beginning of the audit.

Contact person responsible for corrective action: Finance Director – Corey Barr

Anticipated Completion Date: 6/30/2025

Finding Number: 2024-002

Condition: A prior period adjustment was required to properly record activity related to capital asset disposals and adjust receivable allowance for credit losses to present the financial statements in accordance with generally accepted accounting principles.

Planned Corrective Action: The City will develop internal controls and procedures related to capital asset disposals and the receivable allowance for credit losses.

Contact person responsible for corrective action: Finance Director – Corey Barr

Anticipated Completion Date: 6/30/2025

Finding Number: 2024-003

Condition: Our examination of procedures used by the City to adopt and maintain operating budgets for the City's budgetary funds revealed instances of non-compliance, expenditures incurred shall not be more than the amount appropriated.

Planned Corrective Action: The City will monitor the budgets during the year and amend the budgets *as soon as it can be determined* that an excess of expenditures over appropriations is going to occur.

Contact person responsible for corrective action: Finance Director – Corey Barr

Anticipated Completion Date: 6/30/2025

Finding Number: 2024-004

Condition: Our examination of procedures used by the City to adopt and maintain its processes to ensure that the SEFA is prepared and reconciled to its accounting records.

Planned Corrective Action: The City will monitor all Federal awards received and expended and the federal programs under with they are received. This will include all the information applicable.

Contact person responsible for corrective action: Finance Director – Corey Barr

Anticipated Completion Date: 6/30/2025

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