

City of Petoskey

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

December 31, 2021

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Management's Discussion and Analysis

December 31, 2021

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

Financial Highlights

The City's net position increased by \$3,735,346 or 4.2% in 2021 with the increase made up of the following:

- Governmental net position increased by \$2,127,019.
- Business-type net position increased by \$1,099,976.
- Component units net position increased by \$508,351.

Total revenues and transfers for the year are \$30.7 million and are made up of the following:

- Governmental activities \$12.8 million.
- Business-type activities \$15.4 million.
- Component units activities \$2.5 million.

Total expenses for the year are \$27.0 million and are made up of the following:

- Governmental activities \$10.7 million.
- Business-type activities \$14.3 million.
- Component units activities \$2.0 million.

The General Fund on a current financial resources basis experienced a decrease of \$65,027 in fund balance resulting in a total fund balance at year-end of \$5,512,337.

Project Highlights

The City performed a complete reconstruction of Greenwood Road and included new asphalt, curb and gutter, storm water management, street lights and replacement of water and sewer mains.

The City resurfaced portions of the following streets as part of a mill and fill program; Washington, Franklin, Harvey, Lookout, West Jefferson and Connable.

The electric system received upgrades the Petoskey substation capacitor banks and conversion from overhead to underground residential service on portions of; Waukazoo, Rush, Beech and Pearl Streets.

Overview of Statements

The financial statements provide two views of the City's financial position. Government-wide statements are the top level which summarizes all City funds into two statements using the full accrual method of accounting. This method of accounting is similar to private sector for profit accounting.

Government-wide statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes: assets, liabilities, deferred outflows and inflows and the resulting difference between the two called net positions. Changes in net position can be reviewed to determine financial strength with increases to net position perceived as a sign of improving condition.

The Statement of Activities presents revenues and expenses (including depreciation) that are the underlying cause of changes in net position. Capital projects are excluded from this statement since they are included in the Statement of Net Position as additions to capital assets.

Financial Statement Presentation - continued

Fund financial statements under GASB Statement 34 separate funds into major and nonmajor categories. Major funds focus on funds with a large amount of financial activities which results in the inclusion of more detailed information. Governmental Funds for the City of Petoskey include the following major funds:

- General Fund
- Right of Way Fund

Non major funds are smaller funds with less activity and are consolidated into one column in the fund financial statements. Additional and more detailed information on nonmajor funds is presented after the notes to the financial statements.

Fund Type Statements

The City's funds are organized on the basis of individual funds with each fund having a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Funds are classified as governmental, proprietary or fiduciary in nature.

Governmental funds make up the funds included within the governmental activities column of the government-wide statements discussed above except for the internal service fund (Motor Pool) that is included in government-wide statements and is not a governmental fund. Governmental funds utilize a modified accrual basis of accounting that focuses on more available and spendable resources and expenses like debt payments and capital purchases. Long-term debt and depreciation are not recorded under the modified accrual basis of accounting.

This varies from the full accrual basis of accounting used in the government-wide statements that records the purchase of capital items as assets and depreciates them over time and records long-term debt as a liability reducing the principal portion from the liability when paid and only expensing interest. There are also other less significant differences between the two accounting methods.

Proprietary funds use the full accrual method of accounting for both government-wide and fund level financial statements. There are two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where costs for goods and services provided to the general public are recovered primarily through user charges. The City's enterprise funds include the Electric, Water and Sewer, and Downtown Management Parking Funds, although the Downtown Management Parking Fund is included as a component unit.

Internal service funds are like enterprise funds except that they only provide goods or services to City departments and agencies. The City's internal service fund is the Motor Pool Fund. Internal service funds are consolidated into the governmental activities in the government-wide statements and are presented separately in the fund level statements.

Component units are separate legal entities for which the City has some level of financial accountability and oversight control. Component units are shown in a separate column of the government-wide financial statements. The City's component units include the Tax Increment Finance Authority, Library and Downtown Management Parking Funds. The City also has a fiduciary component unit for the Defined Contribution Pension Trust Fund that is shown as a separate column of the fiduciary financial statements. Separate financial statements for the component units are not required and none are issued.

Financial Analysis

Summary of Net Position December 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other	\$ 13,254,617	\$ 11,779,545	\$ 24,261,050	\$ 23,200,751	\$ 37,515,667	\$ 34,980,296
Capital assets	24,100,903	24,243,870	39,011,428	40,270,288	63,112,331	64,514,158
Total assets	37,355,520	36,023,415	63,272,478	63,471,039	100,627,998	99,494,454
Deferred outflow of resources	763,176	622,820	217,870	256,630	981,046	879,450
Total assets and deferred outflows of resources	38,118,696	36,646,235	63,490,348	63,727,669	101,609,044	100,373,904
Liabilities						
Current liabilities	989,095	624,614	1,419,801	1,708,343	2,408,896	2,332,957
Non-current liabilities	1,251,075	3,340,984	8,692,895	10,222,808	9,943,970	13,563,792
Total liabilities	2,240,170	3,965,598	10,112,696	11,931,151	12,352,866	15,896,749
Deferred inflows of resources	1,748,789	677,919	682,678	201,520	2,431,467	879,439
Net position						
Invested in capital assets, net of related debt	23,743,927	23,778,149	29,666,345	29,984,315	53,410,272	53,762,464
Restricted	5,238,920	4,384,868	2,440,710	2,480,642	7,679,630	6,865,510
Unrestricted	5,146,890	3,839,701	20,587,919	19,130,041	25,734,809	22,969,742
Total net position	34,129,737	32,002,718	52,694,974	51,594,998	86,824,711	83,597,716
Total liabilities, deferred inflows of resources and net position	\$ 38,118,696	\$ 36,646,235	\$ 63,490,348	\$ 63,727,669	\$ 101,609,044	\$ 100,373,904

Total net position of the City is \$86,824,711 which includes \$53,410,272 in capital assets net of debt. Capital assets are largely made up of electric, water, sewer and street systems assets.

Common Effects to Net Position

There are a number of transactions in the normal course of business that will affect the comparability of the Summary of Net Position presentation.

The net result of business activities for the year will impact (increase/decrease) current assets and/or net position.

Borrowing capital will increase current assets and long-term debt.

Spending of borrowed proceeds on capital projects will reduce current assets and increase capital assets while having no impact on invested in capital assets, net of debt.

Spending non-borrowed current assets on capital projects will reduce current assets and increase capital assets while reducing unrestricted net position and increasing invested in capital assets net of debt.

Increases in the actuarial estimated future pension liability will increase long-term liabilities, and related deferred outflows of resources, and reduce unrestricted net position.

Principal payment on debt will reduce current assets, long-term debt and unrestricted net position while increasing invested in capital assets, net of related debt.

The reduction of capital assets due to annual depreciation will reduce capital assets and invested in capital assets, net of debt.

Financial Analysis - continued

Changes in Net Position
December 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,771,320	\$ 2,055,818	\$ 17,025,799	\$ 16,019,612	\$ 19,797,119	\$ 18,075,430
Operating grants and contributions	1,362,986	1,122,400	175,595	181,835	1,538,581	1,304,235
Capital grants and contributions	76,412	237,614	84,555	121,315	160,967	358,929
	<u>4,210,718</u>	<u>3,415,832</u>	<u>17,285,949</u>	<u>16,322,762</u>	<u>21,496,667</u>	<u>19,738,594</u>
General revenues:						
Property taxes	5,581,034	5,880,000	-	-	5,581,034	5,880,000
State shared revenue	623,961	552,383	-	-	623,961	552,383
Investment earnings	128,955	198,882	173,358	270,920	302,313	469,802
Unrealized gain (loss) on investments	(2,431)	(1,282)	(93,206)	44,233	(95,637)	42,951
	<u>6,331,519</u>	<u>6,629,983</u>	<u>80,152</u>	<u>315,153</u>	<u>6,411,671</u>	<u>6,945,136</u>
Total revenues	<u>10,542,237</u>	<u>10,045,815</u>	<u>17,366,101</u>	<u>16,637,915</u>	<u>27,908,338</u>	<u>26,683,730</u>
Expenses						
Program expenses						
Legislative	27,229	8,469	-	-	27,229	8,469
General government	1,890,194	1,910,886	-	-	1,890,194	1,910,886
Public safety	2,835,735	2,742,612	-	-	2,835,735	2,742,612
Public works	3,234,006	3,323,289	-	-	3,234,006	3,323,289
Health and social services	-	-	-	-	-	-
Recreation and culture	2,294,275	2,053,621	-	-	2,294,275	2,053,621
Other	1,646	1,740	-	-	1,646	1,740
Interest on long-term debt	70,155	77,386	-	-	70,155	77,386
Unallocated depreciation	320,378	304,593	-	-	320,378	304,593
Water and sewer	-	-	4,344,452	4,087,003	4,344,452	4,087,003
Electric	-	-	9,922,073	9,268,350	9,922,073	9,268,350
Total expenses	<u>10,673,618</u>	<u>10,422,596</u>	<u>14,266,525</u>	<u>13,355,353</u>	<u>24,940,143</u>	<u>23,777,949</u>
Changes in net position						
before transfers	(131,381)	(376,781)	3,099,576	3,282,562	2,968,195	2,905,781
Transfers	2,258,400	2,280,800	(1,999,600)	(2,033,500)	258,800	247,300
Changes in net position	2,127,019	1,904,019	1,099,976	1,249,062	3,226,995	3,153,081
Net position - beginning of year	32,002,718	30,098,699	51,594,998	50,345,936	83,597,716	80,444,635
Net position - end of year	<u>\$ 34,129,737</u>	<u>\$ 32,002,718</u>	<u>\$ 52,694,974</u>	<u>\$ 51,594,998</u>	<u>\$ 86,824,711</u>	<u>\$ 83,597,716</u>

Financial Analysis - continued

Total revenues of \$10,542,237 for governmental activities during 2021 were \$496,422 more than the \$10,045,815 during 2020. The operating grants and contributions in Governmental Activities totaled \$1,362,986 for 2021, an increase of \$240,586 from 2020's \$1,122,400. Capital grants and contributions decreased by \$161,202 from 2020's \$237,614 to \$76,412 in 2021. Property tax totaled \$5,281,034 in 2021, down \$298,966 from 2020's total of \$5,880,000. The remaining change is due to an approximate increase of \$715,500 in charges for services and a decrease of approximately \$71,000 in investment earnings.

GASB 68 requires employers to report net position benefits as a liability in the Statement of Net Position, which amounts to \$976,541 city wide (including Library) at year end 2021. Additional pension information required by GASB 68 may be found in Note M of the financial statements.

Charges for services in Business-type Activities totaled \$17,025,779 in 2021, an increase of \$1,006,187 from \$16,019,612 in 2020. Water and Sewer Fund monthly billing charges increased during the year by a total of \$132,879, while the Electric Fund monthly billing charges increased by \$852,029. Water usage realized a net decrease of approximately 30,000 cubic feet in 2021 compared to 2020, while sewer usage realized a net decrease of approximately 29,000 cubic feet, with the increase in revenue due to a rate increases. The increase in monthly billing charges to electric customers results from a increase in use of approximately 3,351,000 kWhs from the previous year.

Revenues from all sources total \$27,908,338, of which \$10,542,237 is from governmental activities and \$17,366,101 from business-type activities. Total revenues from governmental activities include \$5,581,034 in property taxes accounting for 53% of the funds and \$2,771,320, or 26% from charges for services. Business-type activity receives the vast majority of revenues through charges for services totaling \$17,025,779 during 2021.

Expenses under the full accrual basis of accounting for governmental activities totaled \$10,673,618 which includes depreciation on such items as buildings and infrastructure amounting to \$1,807,494. Total expense does not include capital asset items such as street and sidewalk improvements. Public safety accounts for \$2,835,735 or 27% of expenses while public works totals \$3,234,006 or 30%. Expenses for general government were \$1,890,194 or 18% of expenses and for recreation and cultural were \$2,294,275, or 21% of expenses.

Expenses for business-type activities total \$14,266,525 which consists of \$9,922,703 or 70% from the electric system and \$4,344,452 or 30% from the water and sewer systems. Within the electric system \$6,439,828 or 65% of the expense is for purchased power. Total water and sewer system costs of \$4,344,452 are broken down between the two at \$1,737,781 or 40% water and \$2,606,671 or 60% sewer.

General Fund Budgetary Highlights

Total General Fund revenues of \$6,830,234 were less than total budgeted revenues of \$6,529,800 by \$300,434. Actual revenues increased from 2020 by approximately \$80,500.

Total General Fund expenditures of \$9,140,961 were \$71,961 lower than total budgeted expenditures of \$9,069,000. Total expenditures for 2021 were higher than the 2020 total of \$8,459,207 by \$681,754.

Capital Assets and Debt Administration

Capital Assets

As of year-end the City of Petoskey had \$63,112,331 invested in capital assets as reflected in the following schedule:

December 31 (net of depreciation),

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and land rights	\$ 4,070,713	\$ 4,070,713	\$ -	\$ -	\$ 4,070,713	\$ 4,070,713
Land improvements	2,728,627	2,468,827	-	-	2,728,627	2,468,827
Buildings	2,580,126	2,739,088	-	-	2,580,126	2,739,088
Equipment	4,007,189	4,112,661	-	-	4,007,189	4,112,661
Streets and sidewalks	10,714,248	10,852,581	-	-	10,714,248	10,852,581
Electric system	-	-	13,592,985	14,350,422	13,592,985	14,350,422
Water system	-	-	10,704,227	10,655,765	10,704,227	10,655,765
Sewer system	-	-	14,714,216	15,264,101	14,714,216	15,264,101
Total capital assets	<u>\$ 24,100,903</u>	<u>\$ 24,243,870</u>	<u>\$ 39,011,428</u>	<u>\$ 40,270,288</u>	<u>\$ 63,112,331</u>	<u>\$ 64,514,158</u>

Capital Assets and Debt Administration

Major capital asset additions for 2021 include:

Governmental Activities

Buildings	\$ 362,736
Infrastructure	64,438
Land improvements	474,380
Equipment	780,440

Business-Type Activities

Electric system improvements	\$ 468,303
Water and Sewer system improvements	832,043
Water and Sewer building improvements	89,999

Bond Debt

The City had \$8,900,485 of face value in outstanding bond debt at year-end which is distributed in the following debt schedule:

Debt Schedule

December 31,

	<u>2021</u>	<u>2020</u>
Governmental Activities		
General obligation bonds:		
Municipal facilities - marina	\$ 340,485	\$ 443,734
Business-Type Activities		
Revenue bonds:		
Sewer system improvements	4,125,000	5,035,000
Water system improvements	4,435,000	4,630,000
	<u>8,560,000</u>	<u>9,665,000</u>
	<u>\$ 8,900,485</u>	<u>\$ 10,108,734</u>

Economic Factors

The City of Petoskey's three largest sources of revenue include property taxes, revenues received from the State of Michigan and utility charges. The economic forecast for the community is dependent on these three revenue sources.

The City's realized an 18% decline in total taxable value from 2010 through 2012 and in 2020 following 8 years the City has seen a 16% increase. In 2021 taxable values were \$547,185,220 which exceeded the previous high set in 2009. The City has not been able to take full advantage of the increases due to the State's low inflation rate multiplier for recent years. The 2021 inflation rate multiplier of 1.4% required a rollback of millage rates as will the 3.3% rate for 2022. Property values are continuing to rise each year in the City as well as the State, which is a positive economic indicator. With growth in property taxes restricted by the State's rate of inflation, these increases in taxable value will still help the City's overall financial condition.

Revenues received from the State, which include revenue sharing and transportation funds, are affected as well by current economic conditions along with allocations to local units established by the legislature. Revenue sharing amounts are dependent on the collection of sales tax, which tend to go down when the economy is slow with the reverse being true when the economy is good. Transportation funds are derived through gas taxes and while they are affected by the economy they are more affected by the price of oil and resulting gas prices that do not always follow certain economic conditions.

For 2021 these sources were affected overall very little by the pandemic. Revenue sharing for 2021 increased 13% from 2020 actual amounts and 32% more than 2021 budgeted amounts. Transportation funds received were 10% more than budgeted amounts and 13% more than 2020 actual amounts. As travel returned to more normal levels gas tax revenues grew and also returned to more normal levels. Revenues for 2022 are now expected to return to previously forecasted increased levels for both revenue sharing and gas tax.

Utility charges for electric, water and sewer services tend to fluctuate based on weather conditions more so than any other factor, but for 2020 the pandemic provided another factor due to restrictions placed on businesses, schools and travel. Early in the year usage increased for residential usage with commercial usage increasing as doors were reopened and northern Michigan was more opened for business than other portions of the state. In 2021 business slowly returned back to normal and so did the utility usage. For 2021 electric usage increased by 4%, while water usage decreased by 5% and sewer usage decreased by 6%.

Electric Fund charges for services increased 9%, which was offset by a corresponding 6% increase in purchased power expenses resulting in net income of \$196,799 while the budget called for a \$231,300 loss. Water and Sewer Fund revenues increased by 2% as usage decreased overall by 5% and there was an increase in rates. There are scheduled water and sewer utility rate changes for 2022 and 2023 and no scheduled increases in electric rates.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions regarding this report or need additional information, contact the Director of Finance at 101 E. Lake Street, Petoskey, MI 49770.

INDEPENDENT AUDITOR'S REPORT

Members of City Council and City Manager
City of Petoskey

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 Petoskey, Michigan (the "City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Petoskey, Michigan's basic financial statements as listed in the table on contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 and budgetary comparison information 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 - Combining Financial Statements

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

May 10, 2022

City of Petoskey

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
ASSETS						
Current assets						
Cash and equivalents	\$ 11,919,354	\$ 9,951,198	\$ 21,870,552	\$ 732,113	\$ 1,202,200	\$ 1,132,988
Investments	579,240	6,817,694	7,396,934	195,526	-	-
Receivables						
Special assessments	22,686	-	22,686	-	-	-
Accounts receivable	13,612	2,094,659	2,108,271	83,371	424	157
Due from fiduciary funds	286,324	-	286,324	-	37,926	-
Due from other governments	166,730	-	166,730	-	-	-
Inventory	266,671	1,372,910	1,639,581	-	-	-
	<u>13,254,617</u>	<u>20,236,461</u>	<u>33,491,078</u>	<u>1,011,010</u>	<u>1,240,550</u>	<u>1,133,145</u>
Total current assets						
Non-current assets						
Restricted cash and investments						
Customer deposits	-	216,141	216,141	-	-	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond covenants	-	1,913,156	1,913,156	-	-	-
MPPA energy restrictions	-	664,370	664,370	-	-	-
MPPA working capital advance	-	459,999	459,999	-	-	-
Capital assets	54,179,404	86,335,707	140,515,111	4,387,323	7,294,061	-
Less accumulated depreciation	<u>(30,078,501)</u>	<u>(47,324,279)</u>	<u>(77,402,780)</u>	<u>(2,244,444)</u>	<u>(3,809,388)</u>	<u>-</u>
	<u>24,100,903</u>	<u>43,036,017</u>	<u>67,136,920</u>	<u>2,142,879</u>	<u>3,484,673</u>	<u>-</u>
Total non-current assets						
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on debt refunding	1,292	-	1,292	6,502	6,373	-
Deferred outflows for pension obligation	<u>761,884</u>	<u>217,870</u>	<u>979,754</u>	<u>-</u>	<u>11,794</u>	<u>-</u>
	<u>763,176</u>	<u>217,870</u>	<u>981,046</u>	<u>6,502</u>	<u>18,167</u>	<u>-</u>
Total deferred outflows of resources						
Total assets and deferred outflows of resources	<u>\$ 38,118,696</u>	<u>\$ 63,490,348</u>	<u>\$101,609,044</u>	<u>\$ 3,160,391</u>	<u>\$ 4,743,390</u>	<u>\$ 1,133,145</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF NET POSITION- Continued

December 31, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	TIFA	Library	Downtown Management Parking
LIABILITIES						
Current liabilities						
Accounts payable	\$ 263,851	\$ 387,867	\$ 651,718	\$ 3,855	\$ 16,313	\$ 46,784
Accrued expenses	185,999	89,195	275,194	15,175	26,358	8,156
Unearned revenue	422,091	-	422,091	-	-	-
Accrued interest	2,839	-	2,839	-	-	-
Payable from restricted assets						
Current portion of revenue						
bonds	-	835,000	835,000	-	-	-
Accrued interest	-	107,739	107,739	-	-	-
Bonds payable, due within one year	<u>114,315</u>	<u>-</u>	<u>114,315</u>	<u>171,752</u>	<u>220,000</u>	<u>-</u>
Total current liabilities	<u>989,095</u>	<u>1,419,801</u>	<u>2,408,896</u>	<u>190,782</u>	<u>262,671</u>	<u>54,940</u>
Noncurrent liabilities						
Payable from restricted assets						
Customer deposits	-	216,141	216,141	-	-	-
Long-term accrued expenses	66,401	-	66,401	-	-	-
Estimated liability for landfill post-						
closure care costs	85,000	-	85,000	-	-	-
Land contract payable	-	240,833	240,833	-	-	-
Net pension obligation	855,721	107,246	962,967	-	13,574	-
Bonds payable, net	<u>243,953</u>	<u>8,128,675</u>	<u>8,372,628</u>	<u>1,537,253</u>	<u>1,585,000</u>	<u>-</u>
Total noncurrent liabilities	<u>1,251,075</u>	<u>8,692,895</u>	<u>9,943,970</u>	<u>1,537,253</u>	<u>1,598,574</u>	<u>-</u>
Total liabilities	<u>2,240,170</u>	<u>10,112,696</u>	<u>12,352,866</u>	<u>1,728,035</u>	<u>1,861,245</u>	<u>54,940</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on debt refunding	-	140,575	140,575	-	-	-
Deferred inflows for pension						
obligation	<u>1,748,789</u>	<u>542,103</u>	<u>2,290,892</u>	<u>-</u>	<u>28,896</u>	<u>-</u>
Total deferred inflows	<u>1,748,789</u>	<u>682,678</u>	<u>2,431,467</u>	<u>-</u>	<u>28,896</u>	<u>-</u>
NET POSITION						
Invested in capital assets, net of debt	23,743,927	29,666,345	53,410,272	440,376	1,686,046	-
Restricted						
Refuse collection	356,666	-	356,666	-	-	-
Marina	964,340	-	964,340	-	-	-
Streets and improvements	3,702,638	-	3,702,638	-	-	-
Downtown programs and services	215,276	-	215,276	-	-	-
Debt service	-	-	-	-	273,000	-
Sewage service covenants	-	770,923	770,923	-	-	-
Revenue bond indentures	-	970,417	970,417	-	-	-
MPPA energy expenses	-	664,370	664,370	-	-	-
TIFA expenses	-	-	-	991,980	-	-
Library	-	-	-	-	894,203	-
Unrestricted	<u>5,146,890</u>	<u>20,622,919</u>	<u>25,769,809</u>	<u>-</u>	<u>-</u>	<u>1,078,205</u>
Total net position	<u>34,129,737</u>	<u>52,694,974</u>	<u>86,824,711</u>	<u>1,432,356</u>	<u>2,853,249</u>	<u>1,078,205</u>
Total liabilities, deferred						
inflows of resources						
and net position	<u>\$ 38,118,696</u>	<u>\$ 63,490,348</u>	<u>\$101,609,044</u>	<u>\$3,160,391</u>	<u>\$ 4,743,390</u>	<u>\$ 1,133,145</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Functions/Program	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	TIFA	Library	Downtown Management Parking
Primary Government										
Governmental activities										
Legislative	\$ 27,229	\$ -	\$ -	\$ -	\$ (27,229)	\$ -	\$ (27,229)	\$ -	\$ -	\$ -
General government	1,890,194	187,657	-	-	(1,702,537)	-	(1,702,537)	-	-	-
Public safety	2,835,735	24,761	44,812	76,412	(2,689,750)	-	(2,689,750)	-	-	-
Public works	3,234,006	802,220	1,045,946	-	(1,385,840)	-	(1,385,840)	-	-	-
Recreation and cultural	2,294,275	1,756,682	272,228	-	(265,365)	-	(265,365)	-	-	-
Other	1,646	-	-	-	(1,646)	-	(1,646)	-	-	-
Interest on long-term debt	70,155	-	-	-	(70,155)	-	(70,155)	-	-	-
Unallocated depreciation	320,378	-	-	-	(320,378)	-	(320,378)	-	-	-
Total governmental activities	<u>10,673,618</u>	<u>2,771,320</u>	<u>1,362,986</u>	<u>76,412</u>	<u>(6,462,900)</u>	<u>-</u>	<u>(6,462,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities										
Water and sewer	4,344,452	6,028,368	175,595	84,555	-	1,944,066	1,944,066	-	-	-
Electric	9,922,073	10,997,431	-	-	-	1,075,358	1,075,358	-	-	-
Total business-type activities	<u>14,266,525</u>	<u>17,025,799</u>	<u>175,595</u>	<u>84,555</u>	<u>-</u>	<u>3,019,424</u>	<u>3,019,424</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 24,940,143</u>	<u>\$ 19,797,119</u>	<u>\$ 1,538,581</u>	<u>\$ 160,967</u>	<u>(6,462,900)</u>	<u>3,019,424</u>	<u>(3,443,476)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component Units										
TIFA	\$ 123,948	\$ -	\$ 9,000	\$ -	-	-	-	(114,948)	-	-
Library	1,359,619	152,616	545,345	-	-	-	-	-	(661,658)	-
Downtown Management Parking	469,172	747,778	-	-	-	-	-	-	-	278,606
Total component units	<u>\$ 1,952,739</u>	<u>\$ 900,394</u>	<u>\$ 554,345</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,948)</u>	<u>(661,658)</u>	<u>278,606</u>
General revenues										
Property taxes					5,581,034	-	5,581,034	410,636	852,101	-
State shared revenue					623,961	-	623,961	-	-	-
Unrestricted interest and investment earnings					128,955	173,358	302,313	1,493	5,750	1,120
Unrealized gain (loss) on investments					(2,431)	(93,206)	(95,637)	(5,238)	(711)	-
Transfers					2,258,400	(1,999,600)	258,800	(236,000)	-	(22,800)
Total general revenues and transfers					<u>8,589,919</u>	<u>(1,919,448)</u>	<u>6,670,471</u>	<u>170,891</u>	<u>857,140</u>	<u>(21,680)</u>
Change in net position					2,127,019	1,099,976	3,226,995	55,943	195,482	256,926
Net position, beginning of year					<u>32,002,718</u>	<u>51,594,998</u>	<u>83,597,716</u>	<u>1,376,413</u>	<u>2,657,767</u>	<u>821,279</u>
Net position, end of year					<u>\$ 34,129,737</u>	<u>\$ 52,694,974</u>	<u>\$ 86,824,711</u>	<u>\$ 1,432,356</u>	<u>\$ 2,853,249</u>	<u>\$ 1,078,205</u>

City of Petoskey

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2021

	General Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 5,399,776	\$ 887,845	\$ 4,004,932	\$ 10,292,553
Investments	579,240	-	-	579,240
Receivables				
Special assessments	-	-	22,686	22,686
Accounts receivable	8,959	29	3,178	12,166
Due from other funds	201,132	82,487	2,705	286,324
Due from other governments	-	-	166,730	166,730
Inventory	-	-	257,122	257,122
	<u>\$ 6,189,107</u>	<u>\$ 970,361</u>	<u>\$ 4,457,353</u>	<u>\$ 11,616,821</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 82,898	\$ -	\$ 102,985	\$ 185,883
Accrued expenditures	171,781	-	13,619	185,400
Unearned revenue	422,091	-	-	422,091
	<u>676,770</u>	<u>-</u>	<u>116,604</u>	<u>793,374</u>
FUND BALANCES				
Non-spendable				
Inventory	-	-	257,122	257,122
Restricted	1,321,006	970,361	2,947,553	5,238,920
Committed	-	-	1,136,074	1,136,074
Unassigned	4,191,331	-	-	4,191,331
	<u>5,512,337</u>	<u>970,361</u>	<u>4,340,749</u>	<u>10,823,447</u>
Total fund balances	<u>5,512,337</u>	<u>970,361</u>	<u>4,340,749</u>	<u>10,823,447</u>
Total liabilities and fund balances	<u>\$ 6,189,107</u>	<u>\$ 970,361</u>	<u>\$ 4,457,353</u>	<u>\$ 11,616,821</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

December 31, 2021

Total Fund Balance - Governmental Funds \$ 10,823,447

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position, these assets are capitalized and depreciated over their useful lives.

Governmental capital assets	46,534,965
Accumulated depreciation	(26,233,474)

Governmental funds report interest when due, whereas in the statement of net position, interest is accrued on outstanding bonds. (2,839)

Compensated absences (vacations and sick leave) are not due and payable in the current period and therefore, are not reported in the governmental funds' balance sheets. (66,401)

Long-term liabilities, including net pension obligation and bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Net pension obligation	(855,721)
Deferred outflows of resources for net pension obligation	761,884
Deferred inflows of resources for net pension obligation	(1,748,789)
Deferred loss on debt refunding	1,292
Governmental bonds payable, net	(358,268)
Landfill post-closure costs	(85,000)

Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 5,358,641

Net Position of Governmental Activities \$ 34,129,737

City of Petoskey

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2021

	General Fund	Right-of-Way Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,763,794	\$ 1,817,240	\$ -	\$ 5,581,034
Special assessments	-	-	110,698	110,698
Licenses and permits	21,165	-	-	21,165
Federal grants	76,412	-	-	76,412
State grants	751,773	-	1,045,946	1,797,719
Contributions from local units	189,228	-	-	189,228
Charges for services	1,756,682	-	-	1,756,682
Fines and forfeits	12,611	-	-	12,611
Interest and investment earnings	79,927	4,389	31,239	115,555
Other	178,642	-	359,498	538,140
	<u>6,830,234</u>	<u>1,821,629</u>	<u>1,547,381</u>	<u>10,199,244</u>
Total revenues				
EXPENDITURES				
Current				
Legislative	27,229	-	-	27,229
General government	2,003,359	-	-	2,003,359
Public safety	3,538,265	-	-	3,538,265
Public works	666,568	-	1,329,927	1,996,495
Health and welfare	15,344	-	-	15,344
Recreational and cultural	2,338,055	-	-	2,338,055
Other	-	1,646	-	1,646
Capital outlay	552,141	-	854,071	1,406,212
Debt service				
Principal	-	-	275,000	275,000
Interest and fiscal charges	-	-	76,425	76,425
	<u>9,140,961</u>	<u>1,646</u>	<u>2,535,423</u>	<u>11,678,030</u>
Total expenditures				
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,310,727)</u>	<u>1,819,983</u>	<u>(988,042)</u>	<u>(1,478,786)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,439,400	-	2,066,500	4,505,900
Operating transfers out	(216,500)	(1,700,000)	(458,000)	(2,374,500)
Transfers from component units	22,800	-	236,000	258,800
	<u>2,245,700</u>	<u>(1,700,000)</u>	<u>1,844,500</u>	<u>2,390,200</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	(65,027)	119,983	856,458	911,414
Fund balance, beginning of year	<u>5,577,364</u>	<u>850,378</u>	<u>3,484,291</u>	<u>9,912,033</u>
Fund balance, end of year	<u><u>\$ 5,512,337</u></u>	<u><u>\$ 970,361</u></u>	<u><u>\$ 4,340,749</u></u>	<u><u>\$ 10,823,447</u></u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES

Year ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 911,414

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation.

Expenditures for capital assets	1,207,614
Current year depreciation	(1,273,976)

Net change in the pension obligation and related deferred outflows and inflows of resources.	1,018,762
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Bonds proceeds are shown as other financing sources in the funds, but are shown as a long-term liability in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	103,249
Amortization of bond premium and deferred loss on refunding	5,496

Interest on long-term debt is recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	770
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In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time paid was less than the amounts earned.	20,822
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Internal service funds are used to charge costs of certain activities, such as insurance and motor vehicle usage, to various departments within the City. The net revenue (expense) of the internal service funds is included in governmental activities in the statement of activities.	<u>132,868</u>
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Change in Net Position of Governmental Activities \$ 2,127,019

City of Petoskey

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Electric System	Water and Sewer System	Totals	Activities - Internal Service Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current assets				
Cash and equivalents	\$ 5,544,143	\$ 4,407,055	\$ 9,951,198	\$ 1,626,801
Investments	3,385,076	3,432,618	6,817,694	-
Accounts receivable	1,431,428	663,231	2,094,659	1,446
Inventory	1,108,938	263,972	1,372,910	9,548
Total current assets	11,469,585	8,766,876	20,236,461	1,637,795
Noncurrent assets				
Restricted cash and investments				
Customer deposits	154,026	62,115	216,141	-
Sewage service covenants	-	770,923	770,923	-
Revenue bond covenants	-	1,913,156	1,913,156	-
MPPA energy charges	664,370	-	664,370	-
MPPA working capital advance	459,999	-	459,999	-
Capital assets	36,535,164	49,800,543	86,335,707	7,644,439
Less accumulated depreciation	(22,942,179)	(24,382,100)	(47,324,279)	(3,845,026)
Total noncurrent assets	14,871,380	28,164,637	43,036,017	3,799,413
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows for				
pension obligation	97,338	120,532	217,870	-
Total assets and deferred outflows of resources	\$ 26,438,303	\$ 37,052,045	\$ 63,490,348	\$ 5,437,208

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF NET POSITION - PROPRIETARY FUNDS - Continued

December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 343,553	\$ 44,314	\$ 387,867	\$ 77,968
Accrued expenses	<u>62,900</u>	<u>26,295</u>	<u>89,195</u>	<u>599</u>
Total current liabilities	<u>406,453</u>	<u>70,609</u>	<u>477,062</u>	<u>78,567</u>
CURRENT LIABILITIES (payable from restricted assets)				
Current portion of revenue bonds	-	835,000	835,000	-
Accrued interest	<u>-</u>	<u>107,739</u>	<u>107,739</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>942,739</u>	<u>942,739</u>	<u>-</u>
NONCURRENT LIABILITIES				
Payable from restricted assets				
Customer deposits	154,026	62,115	216,141	-
Land contract payable (net current portion)	240,833	-	240,833	-
Net pension obligation (asset)	(49,281)	156,527	107,246	-
Revenue bonds (net current portion and unamortized premiums)	<u>-</u>	<u>8,128,675</u>	<u>8,128,675</u>	<u>-</u>
Total noncurrent liabilities	<u>345,578</u>	<u>8,347,317</u>	<u>8,692,895</u>	<u>-</u>
Total liabilities	<u>752,031</u>	<u>9,360,665</u>	<u>10,112,696</u>	<u>78,567</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on debt refunding	-	140,575	140,575	
Deferred inflows for pension obligation	<u>255,474</u>	<u>286,629</u>	<u>542,103</u>	<u>-</u>
Total deferred inflows of resources	<u>255,474</u>	<u>427,204</u>	<u>682,678</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of debt	13,352,152	16,314,193	29,666,345	-
Restricted for sewage service covenants	-	770,923	770,923	-
Restricted for revenue bond indentures	-	970,417	970,417	-
Restricted for MPPA energy expenses	664,370	-	664,370	-
Unrestricted	<u>11,414,276</u>	<u>9,208,643</u>	<u>20,622,919</u>	<u>5,358,641</u>
Total net position	<u>25,430,798</u>	<u>27,264,176</u>	<u>52,694,974</u>	<u>5,358,641</u>
Total liabilities, deferred inflows, and net position	<u>\$ 26,438,303</u>	<u>\$ 37,052,045</u>	<u>\$ 63,490,348</u>	<u>\$ 5,437,208</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

Year ended December 31, 2021

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Totals</u>	Activities - Internal Service Fund
Operating revenue				
Charges for services	<u>\$ 10,342,389</u>	<u>\$ 6,028,368</u>	<u>\$ 16,370,757</u>	<u>\$ 1,132,640</u>
Operating expenses				
Purchased power	6,439,828	-	6,439,828	-
Personnel services	1,130,260	808,589	1,938,849	18,441
Contractual services	527,513	1,056,575	1,584,088	273,080
Supplies	6,838	16,487	23,325	118,976
Materials	226,384	289,218	515,602	-
Heat, light and power	1,086	242,298	243,384	-
Depreciation	1,225,740	1,423,465	2,649,205	533,518
Rent	<u>27,000</u>	<u>62,558</u>	<u>89,558</u>	<u>-</u>
Total operating expenses	<u>9,584,649</u>	<u>3,899,190</u>	<u>13,483,839</u>	<u>944,015</u>
OPERATING INCOME	<u>757,740</u>	<u>2,129,178</u>	<u>2,886,918</u>	<u>188,625</u>
Nonoperating revenues				
Unrestricted interest and investment earnings	68,910	104,448	173,358	13,400
Unrealized gain (loss) from investments	(27,169)	(66,037)	(93,206)	(2,431)
Rent	114,200	-	114,200	-
Sewage service covenant	-	175,595	175,595	-
Construction	177,819	6,305	184,124	-
Miscellaneous	<u>363,023</u>	<u>-</u>	<u>363,023</u>	<u>65,074</u>
Total nonoperating revenues	<u>696,783</u>	<u>220,311</u>	<u>917,094</u>	<u>76,043</u>
Nonoperating expenses				
Personnel services	32,134	-	32,134	-
Contractual services	197,938	-	197,938	-
Supplies	19,781	-	19,781	-
Materials	53,377	-	53,377	-
Heat, light and power	34,194	-	34,194	-
Interest	-	364,811	364,811	-
Other expenses	<u>-</u>	<u>80,451</u>	<u>80,451</u>	<u>-</u>
Total nonoperating expenses	<u>337,424</u>	<u>445,262</u>	<u>782,686</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>359,359</u>	<u>(224,951)</u>	<u>134,408</u>	<u>76,043</u>
INCOME BEFORE OPERATING TRANSFERS	<u>1,117,099</u>	<u>1,904,227</u>	<u>3,021,326</u>	<u>264,668</u>
Other financing uses				
Operating transfers in	100,000	-	100,000	-
Operating transfers out	<u>(1,020,300)</u>	<u>(1,079,300)</u>	<u>(2,099,600)</u>	<u>(131,800)</u>
Total transfers	<u>(920,300)</u>	<u>(1,079,300)</u>	<u>(1,999,600)</u>	<u>(131,800)</u>
Capital contributions	<u>-</u>	<u>78,250</u>	<u>78,250</u>	<u>-</u>
CHANGE IN NET POSITION	196,799	903,177	1,099,976	132,868
Net position, beginning of year	<u>25,233,999</u>	<u>26,360,999</u>	<u>51,594,998</u>	<u>5,225,773</u>
Net position, end of year	<u>\$ 25,430,798</u>	<u>\$ 27,264,176</u>	<u>\$ 52,694,974</u>	<u>\$ 5,358,641</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric System	Water and Sewer System	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 10,223,672	\$ 6,072,466	\$ 16,296,138	\$ 1,132,571
Cash payments to suppliers for goods and services	(7,392,532)	(1,630,717)	(9,023,249)	(321,473)
Cash payments to employees for services	(1,262,767)	(969,947)	(2,232,714)	(18,629)
Cash payments to other funds for services	(27,000)	(62,558)	(89,558)	-
	<u>1,541,373</u>	<u>3,409,244</u>	<u>4,950,617</u>	<u>792,469</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES				
Operating transfers in/(out) to other funds	(920,300)	(1,079,300)	(1,999,600)	(131,800)
Increase/(decrease) in customer deposits	(4,143)	3,168	(975)	-
Net cash provided (used) by rental, construction and miscellaneous nonoperating activities	263,280	201,393	464,673	-
	<u>(661,163)</u>	<u>(874,739)</u>	<u>(1,535,902)</u>	<u>(131,800)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(468,303)	(922,041)	(1,390,344)	(474,380)
Proceeds from sale of fixed assets	-	-	-	82,541
Principal paid on revenue bonds and contracts payable	(240,833)	(800,000)	(1,040,833)	-
Interest paid on revenue bonds and contracts payable	-	(415,098)	(415,098)	-
Capital contributed by customers	-	78,250	78,250	-
	<u>(709,136)</u>	<u>(2,058,889)</u>	<u>(2,768,025)</u>	<u>(391,839)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (purchase) of investments, net	(35,841)	131,062	95,221	(2,431)
Interest received	68,910	104,448	173,358	13,400
	<u>33,069</u>	<u>235,510</u>	<u>268,579</u>	<u>10,969</u>
NET CHANGE IN CASH	204,143	711,126	915,269	279,799
Cash, beginning of year	<u>5,494,026</u>	<u>5,452,110</u>	<u>10,946,136</u>	<u>1,347,002</u>
Cash, end of year	<u>\$ 5,698,169</u>	<u>\$ 6,163,236</u>	<u>\$ 11,861,405</u>	<u>\$ 1,626,801</u>
Financial Statement Presentation:				
Current assets	\$ 5,544,143	\$ 4,407,055	\$ 9,951,198	\$ 1,626,801
Restricted assets	154,026	1,756,181	1,910,207	-
	<u>\$ 5,698,169</u>	<u>\$ 6,163,236</u>	<u>\$ 11,861,405</u>	<u>\$ 1,626,801</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS- Continued

Year ended December 31, 2021

	Business-Type Activities - Enterprise Funds			Governmental
	Electric System	Water and Sewer System	Totals	Activities - Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 757,740	\$ 2,129,178	\$ 2,886,918	\$ 188,625
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,225,740	1,423,465	2,649,205	533,518
(Increase) decrease in accounts receivable	(118,718)	44,097	(74,621)	(69)
(Increase) decrease in inventory	(41,220)	(4,454)	(45,674)	10,330
Increase in prepaid expenses	(158,826)	-	(158,826)	-
Increase (decrease) in accounts payable	9,164	(21,685)	(12,521)	60,253
Increase (decrease) in accrued expenses	22,305	7,841	30,146	(188)
Increase (decrease) in net pension obligation and related deferred outflows	(154,812)	(169,198)	(324,010)	-
Total adjustments	783,633	1,280,066	2,063,699	603,844
Net cash provided by operating activities	\$ 1,541,373	\$ 3,409,244	\$ 4,950,617	\$ 792,469

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2021

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>
ASSETS		
Cash	\$ -	\$ 807,076
Investments	303,251	-
Receivables		
Taxes	<u>-</u>	<u>3,831,797</u>
Total assets	<u>\$ 303,251</u>	<u>\$ 4,638,873</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to other funds	\$ -	\$ 286,324
Due to component unit	-	37,926
Due to other governmental units	<u>-</u>	<u>4,314,623</u>
Total liabilities	-	4,638,873
NET POSITION		
Held in trust for pension benefits and other purposes	<u>303,251</u>	<u>-</u>
Total liabilities and net position	<u>\$ 303,251</u>	<u>\$ 4,638,873</u>

The accompanying notes are an integral part of these financial statements.

City of Petoskey

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended December 31, 2021

	Pension Trust Fund	Custodial Fund
ADDITIONS TO NET POSITION		
Contributions		
Employer	\$ 13,539	\$ -
Net investment earnings		
Interest and unrealized gains (losses)	37,413	-
Property tax collections for other governments	-	24,575,054
Total additions	50,952	24,575,054
DEDUCTIONS FROM NET POSITION		
Distributions/transfers out	-	24,575,054
NET CHANGE IN NET POSITION	50,952	-
Net position, beginning of year	252,299	-
Net position, end of year	\$ 303,251	\$ -

The accompanying notes are an integral part of these financial statements.

City of Petoskey

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Petoskey (the "City") was incorporated November 4, 1924, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (streets and sanitation), health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Financial Reporting Entity

The City's financial statements include the accounts of all City operations. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, *The Financial Reporting Entity*, the City is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization and (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based on this criteria, the City has identified the following blended and discretely presented component units requiring inclusion in the City's financial statements:

Blended Component Unit

City of Petoskey Building Authority - The City of Petoskey Building Authority is governed by a three-member board appointed by the City of Petoskey. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to provide financing for the construction of buildings, parking lots, recreational facilities and to acquire the necessary sites for such facilities for the City of Petoskey. Separate financial statements for the Building Authority are not required or issued.

Discretely Presented Component Units

Tax Increment Finance Authority ("TIFA") - The Tax Increment Finance Authority, which was established pursuant to the provisions of Public Act 450 of 1980, as amended, is governed by an eight-person board appointed by the City Council. The Finance Authority may issue debt subject to limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of all units' levies which may only be used for activities within the tax increment finance district. Separate financial statements for the Tax Increment Finance Authority are not required or issued.

NOTES TO FINANCIAL STATEMENTS - Continued

Library - The Petoskey District Library, which was established in 2009 pursuant to the provisions of the District Library Establishment Act MCL 397.171 et seq, is governed by a five-person board appointed by the City. The Library may issue debt, but the tax levy is currently subject to approval by the City Council. Separate financial statements for the District Library are not required or issued.

Downtown Management Board (Downtown Management/Parking) - The Downtown Management Board was established in February of 1994 pursuant to the provisions of Public Act 120 of 1961. By a resolution dated February 1, 2000, responsibilities for operating and maintaining the City's downtown area parking system and facilities were transferred to the Downtown Management Board. Separate financial statements for the Downtown Management Board are not required or issued.

Fiduciary Component Unit

Pension Trust Fund - The City provides pension benefits for management employees as designated by City Council through a defined contribution plan. The City is legally obligated to make contributions to the pension plan.

Government-Wide and Fund Financial Statements

The City of Petoskey's basic financial statements include both government-wide (reporting the City as a whole) and the fund financial statements (reporting the City's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. 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. The primary government is reported separately from legally separate component units for which the primary government is financially accountable.

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Internal service funds are consolidated into the governmental column when presented at the government-wide level. This is because the principal users of the internal service are the City's governmental activities. The net profit/loss in the internal service funds is allocated to the functional activity (public safety, public works, etc.) based upon usage.

In the government-wide statement of net position, both the governmental and business-type activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations, are recognized. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

NOTES TO FINANCIAL STATEMENTS - Continued

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the 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 as general revenue.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses and balances of resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net position; and statements of cash flows (i.e., fund financial statements) for the City's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund types fixed assets, liabilities, revenues or expenses/expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the City are prepared in accordance with Generally Accepted Accounting Principles ("GAAP"). The City applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

NOTES TO FINANCIAL STATEMENTS - Continued

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances payable. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on the accrual basis which is consistent with the accounting measurement objectives of the funds.

Fund Types and Major Funds

Activities in Major Funds

Governmental Funds

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Revenues are primarily derived from property taxes and State shared revenue.

Right-of-Way Fund - The Right-of-Way Fund is used to account for the disposition of tax revenues restricted for right-of-way associated costs. Transfers are made to other funds, primarily street funds, to reimburse their costs.

Proprietary (Enterprise) Funds

Electric Fund - The Electric Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing electricity to the general public are recovered through user charges.

Water and Sewer Fund - The Water and Sewer Fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges.

NOTES TO FINANCIAL STATEMENTS - Continued

Activities in Non-Major Funds

Governmental Funds

Special Revenue Funds - These funds are used to account for specific revenue (other than general special assessments, expendable trusts or major capital projects) derived from State and Federal grants, restricted or committed to be used for specific purposes, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Debt Service Funds - These funds are used to record revenues which are restricted or otherwise provided for the payment of principal and interest on general long-term debt.

Proprietary Funds

Internal Service Fund - The Motor Vehicle and Equipment fund accounts for the cost of acquiring, maintaining and providing equipment and services for the benefit of other funds, generally on a cost-reimbursement basis.

Fiduciary Funds

Trust and Custodial Funds - These funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Budgets and Budgetary Accounting

Budgets are adopted by the City Council for the primary government's General and Special Revenue Funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the functional level and control is exercised at the fund level.

The City does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Cash and Investments

The City pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amounts which reasonably estimates fair value. Short-term investments are reported at cost, which approximates fair value. Other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

NOTES TO FINANCIAL STATEMENTS - Continued

Property Taxes

Property taxes are levied and become a lien on property as of July 1 on the State taxable valuation of property in the City as of the preceding December 31. The City bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Custodial Fund. Property taxes are recognized as revenue in the year for which they are levied.

Taxes receivable are considered to be available to fund current operations, even if collection occurs beyond 60 days, if they are purchased by the Emmet County delinquent tax collection program.

Interfund Transactions and Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements. Outstanding balances on the government-wide statement of net position are captioned "internal balances".

Operating transfers in and out arise in the normal course of operations from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Governmental financing leases entered into between the building authority, as lessor, and the primary government and component units, as lessees, are not given effect in these financial statements. Rather, the bonded indebtedness secured by the leases are reported directly by the primary government activity or component unit lessee responsible for providing the funds to repay debt principal and interest.

Inventories

Inventory is valued at cost, which approximates market, using the first-in, first-out method. Inventory in the Special Revenue Funds consist of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased. Fund balance has been reserved for inventory in governmental funds.

NOTES TO FINANCIAL STATEMENTS - Continued

Capital Assets

Property, plant and equipment used in proprietary funds are stated in a manner consistent with the presentation in the entity-wide financial statements. Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the City when the initial individual costs are equal to or greater than the following amounts:

<u>Asset Type</u>	<u>Amount</u>
Land	\$ 1
Equipment	5,000
Buildings	50,000
Infrastructure	100,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	20 - 60 years
Building improvements	15 - 30 years
Land improvements	10 - 20 years
Water and sewer lines	50 - 75 years
Streets, curbs and gutters	10 - 30 years
Sidewalks	20 years
Vehicles	3 - 5 years
Furniture and equipment	10 - 20 years
Office equipment	5 - 7 years

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are expensed as incurred. Gains or losses on debt refunding are deferred and amortized over the life of the bonds, and shown as deferred outflows or inflows of resources, as applicable, in the government-wide and proprietary fund financial statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the bonds were issued. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences (Personal, Vacation and Sick Time)

All employees are entitled to 56 hours of personal time starting on December 1. The City reimburses all employees for any unused portion, on an annual basis. Vacation days not used during the year may not be accumulated. Unpaid sick time accrued represents sick time accumulated before December 1, 1990 and payable to eligible employees on termination. Due to contract years differing from the City's fiscal year, unpaid vacation time represents earned but unused vacation time.

All vacation, sick pay and other employee benefit amounts accrue when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they become current.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the government-wide and proprietary fund statements of net position and governmental funds balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognized unavailable receivables not received within 60 days of year-end and unavailable property taxes as deferred inflows of resources in the governmental fund financial statements. Deferred inflows and outflows of resources have been recognized concurrent with the City's pension obligation, and gains and losses on debt refunding.

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Council through approval of resolutions. Assigned fund balances is a limitation imposed by the Director of Finance as a designee of the Council, or unrestricted and unclassified balances held in governmental funds other than the General Fund. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Spending Policy

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use the restricted fund balance first, then the unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NOTES TO FINANCIAL STATEMENTS - Continued

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

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

Subsequent Events

The City has evaluated subsequent events and transactions for potential recognition and disclosure through May 10, 2022, the date the financial statements were available to be issued.

NOTE B - BUDGETARY COMPLIANCE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2021, the following functions incurred total expenditures in excess of amounts appropriated for expenditures:

<u>Fund</u>	<u>Final Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Public safety	\$ 3,442,600	\$ 3,538,265	\$ 95,665
Public works	665,900	666,568	668
Recreation and cultural	2,192,000	2,338,055	146,055

NOTE C - DEPOSITS AND INVESTMENTS

The funds of the City are deposited and invested as permitted under Act 20 P.A. 1943, as amended by Act 196 P.A. 1997. Pension trust funds are invested as permitted under Act 314 P.A. 1965, as amended.

At December 31, 2021, the City's cash and investments include the following:

	Primary Government		Component Unit		Fiduciary Funds	
	Deposits	Investments	Deposits	Investments	Deposits	Investments
Carrying amounts						
Cash and equivalents	\$ 16,128,654	\$ 5,741,898	\$ 3,067,301	\$ -	\$ 807,076	\$ -
Restricted cash and cash equivalents	1,910,207	-	-	-	-	-
Restricted investments	-	1,654,383	-	-	-	-
Investments	<u>500,000</u>	<u>6,896,934</u>	<u>-</u>	<u>195,526</u>	<u>-</u>	<u>303,251</u>
	<u>\$ 18,538,861</u>	<u>\$ 14,293,215</u>	<u>\$ 3,067,301</u>	<u>\$ 195,526</u>	<u>\$ 807,076</u>	<u>\$ 303,251</u>

Deposits

Michigan law permits the City to deposit in the accounts of Federally insured banks, credit unions and savings and loans associations located in Michigan.

Custodial Credit Risk

In the event of bank failure, the City's uninsured deposits may not be returned to it. As of December 31, 2021, \$22,329,024 of the City's deposits (including certificates of deposit) were exposed to custodial credit risk because they were uninsured and uncollateralized.

Investments

Michigan law permits the City to invest in the following vehicles (except pension trust funds, which have much greater flexibility):

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit, savings, deposit and money market accounts.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain obligations of the State of Michigan or its political subdivisions.
7. Certain mutual funds.
8. Certain investment pools.

Investments are recorded at fair market value and money market funds are recorded at amortized cost.

NOTES TO FINANCIAL STATEMENTS - Continued

Listed below are the City's investments subject to credit risk at December 31, 2021. The credit ratings are established by Standard and Poor's.

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Credit Ratings</u>
Certificates of deposit	\$ 3,232,989	
Municipal bonds	196,578	A
Municipal bonds	493,501	A+
Municipal bonds	1,690,019	AA
Municipal bonds	256,783	AA-
Municipal bonds	816,746	AA1
Treasury bonds	327,029	N/A
US government bonds	1,396,908	AA+
US government bonds - MPPA Investment Pools	336,290	N/A
Money market mutual funds	5,741,898	
Stock mutual funds	129,843	
Bond mutual funds	173,408	
Total portfolio	<u>\$ 14,791,992</u>	

Credit Risk and Custodial Credit Risk - Investments

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the type of securities allowed by law and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the City will do business.

The City's policy does not further limit its investment choices. The certificates of deposit are insured by the FDIC for up to \$250,000 at each bank. The City's investment in money market mutual funds is uncategoryed as to credit risk. There is no regulatory oversight of the MPPA Investment Pool and no overall credit quality rating of the pool.

As of December 31, 2021, \$8,550,094 of the City's investments were uninsured and uncollateralized, \$5,741,898 were collateralized by securities held by the pledging financial institutions and \$500,000 was insured by the Securities Investor Protection Corporation.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. As of December 31, 2021, the City held no investments not guaranteed by the U.S. Government and not invested in diversified mutual funds or external investment pools that represented more than 5% of the City's investments.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS - Continued

The City recognized an unrealized loss on investments of \$95,637 for the year ended December 31, 2021.

Maturity dates for investments held as of December 31, 2021 are as follows:

Investment Type	1 - 5 years	6 - 10 years	> 10 years	Total
Certificates of deposit	\$ 953,949	\$ 2,031,423	\$ 247,617	\$ 3,232,989
Municipal bonds	685,338	493,447	2,274,842	3,453,627
Treasury bonds	311,423	15,606	-	327,029
US government bonds	745,617	494,501	493,080	1,733,198
	\$ 2,696,327	\$ 3,034,977	\$ 3,015,539	8,746,843
Mutual funds				6,045,149
Total				\$ 14,791,992

NOTE D - FAIR VALUE OF INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements as of December 31, 2021:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Debt securities				
Municipal bonds	\$ -	\$ 3,453,627	\$ -	\$ 3,453,627
Treasury bonds	-	327,029	-	327,029
U.S. government bonds	-	1,733,198	-	1,733,198
Mutual funds	-	6,045,149	-	6,045,149
Total investments by fair market value	\$ -	\$ 11,559,003	\$ -	\$ 11,559,003

The City's investments in certificates of deposit and cash equivalents are not required to be classified by fair value.

NOTES TO FINANCIAL STATEMENTS - Continued

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

There have been no changes in the methodologies used at December 31, 2021.

U.S. government bonds, treasury bonds and municipal bonds: Valued at fair value using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Money Market funds: Valued at amortized cost which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE E - PROPERTY TAXES

The City is permitted by charter to levy taxes, subject to State Headlee and Truth in Taxation provisions, up to \$10 per \$1,000 of taxable valuation for general governmental services and in unlimited amounts for the payment of principal and interest on general obligation long-term debt. The City is also permitted by charter to levy taxes up to \$5 per \$1,000 of taxable valuation for right-of-way related items. The City is permitted by State law to levy up to \$1 per \$1,000 of taxable valuation for the public library and \$2 per \$1,000 of taxable valuation for refuse collection. If approved by a majority of the voters, the City may increase the tax levied by an additional \$1 per \$1,000 of taxable valuation for the public library. The 2021 State taxable valuation of the City of Petoskey totaled \$547,121,744.

The tax rates for the year ended December 31, 2021 were as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental services	7.3639 per \$1,000
Right-of-way	3.7920 per \$1,000
Library	0.8253 per \$1,000
Library (additional, approved by voters)	0.9157 per \$1,000
Refuse collection	0.4890 per \$1,000

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - TAX ABATEMENTS

The City had the following tax abatements for the year ended December 31, 2021:

Type	Tax Abated By	Property Owner	Gross Amount Abated
Payment in Lieu of Taxes Public Act 346 of 1966, as amended		Petoskey Riverview Ltd	
	City of Petoskey	Dividend Housing	\$ 26,894
	City of Petoskey	Keystone Management Group	<u>(8,779)</u>
			<u>\$ 18,115</u>

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables within the primary government are as follows for the year ended December 31, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 201,132	\$ -
Right-of-Way Fund	82,487	-
Other Nonmajor Governmental Funds	2,705	-
Fiduciary Funds - Custodial Funds	<u>-</u>	<u>286,324</u>
Total	<u>\$ 286,324</u>	<u>\$ 286,324</u>

The amounts of interfund receivables and payables between the primary government and the component units are as follows for the year ended December 31, 2021:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Library Component Unit	\$ 37,926	\$ -
Fiduciary Funds - Custodial Funds	<u>-</u>	<u>37,926</u>
Total	<u>\$ 37,926</u>	<u>\$ 37,926</u>

The interfund balances are mainly for property taxes, material and inventory usage, building rent and equipment.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE H - INTERFUND TRANSFERS

Operating transfers within the primary government are as follows for the year ended December 31, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,439,400	\$ 216,500
Right-of-Way Fund	-	1,700,000
Electric Fund	100,000	1,020,300
Water and Sewer Fund	-	1,079,300
Other Nonmajor Governmental Funds	2,066,500	458,000
Internal Service Fund	<u>-</u>	<u>131,800</u>
Total	<u>\$ 4,605,900</u>	<u>\$ 4,605,900</u>

Operating transfers between the primary government and the component units are as follows for the year ended December 31, 2021:

	<u>Transfers In</u>	<u>Transfers Out</u>
TIFA Component Unit	\$ -	\$ 236,000
Downtown Management Parking Component Unit	-	22,800
General Fund	22,800	-
Other Nonmajor Governmental Funds	<u>236,000</u>	<u>-</u>
Total	<u>\$ 258,800</u>	<u>\$ 258,800</u>

The operating transfers are mainly for right-of-way, debt service and general City operations.

Enterprise fund payments in lieu of taxes, classified as transfers to the General Fund above, were as follows for the year ended December 31, 2021:

Electric Fund	\$ 199,400
Water and Sewer Fund	<u>376,500</u>
	<u>\$ 575,900</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE I - CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended December 31, 2021:

Governmental Activities

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 4,070,713	\$ -	\$ -	\$ 4,070,713
Capital assets being depreciated				
Land improvements	3,923,978	362,736	(9,663)	4,277,051
Buildings	6,578,163	64,438	-	6,642,601
Equipment	8,683,951	474,380	(416,058)	8,742,273
Infrastructure	<u>29,785,700</u>	<u>780,440</u>	<u>(119,374)</u>	<u>30,446,766</u>
Subtotal	<u>48,971,792</u>	<u>1,681,994</u>	<u>(545,095)</u>	<u>50,108,691</u>
Less accumulated depreciation				
Land improvements	(1,455,151)	(102,936)	9,663	(1,548,424)
Buildings	(3,839,075)	(223,400)	-	(4,062,475)
Equipment	(4,571,290)	(562,385)	398,591	(4,735,084)
Infrastructure	<u>(18,933,119)</u>	<u>(918,773)</u>	<u>119,374</u>	<u>(19,732,518)</u>
Subtotal	<u>(28,798,635)</u>	<u>(1,807,494)</u>	<u>527,628</u>	<u>(30,078,501)</u>
Net capital assets being depreciated	<u>20,173,157</u>	<u>(125,500)</u>	<u>(17,467)</u>	<u>20,030,190</u>
Governmental activities net capital assets	<u>\$ 24,243,870</u>	<u>\$ (125,500)</u>	<u>\$ (17,467)</u>	<u>\$ 24,100,903</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Business-Type Activities

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 1,811,311	\$ -	\$ (11,804)	\$ 1,799,507
Capital assets being depreciated				
Land improvements	260,795	-	-	260,795
Buildings	27,973,358	89,999	(642)	28,062,715
Utility system improvements	54,578,066	1,300,346	-	55,878,412
Equipment	<u>512,777</u>	<u>-</u>	<u>(178,499)</u>	<u>334,278</u>
Subtotal	<u>83,324,996</u>	<u>1,390,345</u>	<u>(179,141)</u>	<u>84,536,200</u>
Less accumulated depreciation				
Land improvements	(114,751)	(10,432)	-	(125,183)
Buildings	(14,042,539)	(743,181)	642	(14,785,078)
Utility system improvements	(30,291,434)	(1,895,592)	74,324	(32,112,702)
Equipment	<u>(417,295)</u>	<u>-</u>	<u>115,979</u>	<u>(301,316)</u>
Subtotal	<u>(44,866,019)</u>	<u>(2,649,205)</u>	<u>190,945</u>	<u>(47,324,279)</u>
Net capital assets being depreciated	<u>38,458,977</u>	<u>(1,258,860)</u>	<u>11,804</u>	<u>37,211,921</u>
Business-type activities net capital assets	<u>\$ 40,270,288</u>	<u>\$ (1,258,860)</u>	<u>\$ -</u>	<u>\$ 39,011,428</u>

Depreciation expense was charged to programs of the primary government as follows for the year ended December 31, 2021:

Governmental activities

General government	\$ 3,320
Public safety	198,781
Public works	1,209,667
Recreation and cultural	75,348
Unallocated	<u>320,378</u>
Total governmental activities	<u>\$ 1,807,494</u>

Business-type activities

Electric	\$ 1,225,740
Water and sewer	<u>1,423,465</u>
Total business-type activities	<u>\$ 2,649,205</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Component Units

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets being depreciated				
Land improvements	\$ 3,491,092	\$ -	\$ -	\$ 3,491,092
Buildings	6,416,166	-	-	6,416,166
Equipment	<u>1,834,604</u>	<u>57,882</u>	<u>(118,360)</u>	<u>1,774,126</u>
Subtotal	<u>11,741,862</u>	<u>57,882</u>	<u>(118,360)</u>	<u>11,681,384</u>
Less accumulated depreciation				
Land improvements	(1,464,950)	(168,411)	-	(1,633,361)
Buildings	(3,076,474)	(182,371)	-	(3,258,845)
Equipment	<u>(1,236,397)</u>	<u>(43,589)</u>	<u>118,360</u>	<u>(1,161,626)</u>
Subtotal	<u>(5,777,821)</u>	<u>(394,371)</u>	<u>118,360</u>	<u>(6,053,832)</u>
Component units' net capital assets	<u>\$ 5,964,041</u>	<u>\$ (336,489)</u>	<u>\$ -</u>	<u>\$ 5,627,552</u>

NOTE J - LONG-TERM DEBT

The following is a summary of the City's long-term debt transactions for the year ended December 31, 2021:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
PRIMARY GOVERNMENT					
Governmental activities					
General obligation debt	\$ 443,734	\$ -	\$ 103,249	\$ 340,485	\$ 114,315
Compensated absences	<u>87,223</u>	<u>-</u>	<u>20,822</u>	<u>66,401</u>	<u>-</u>
Total governmental activities	<u>\$ 530,957</u>	<u>\$ -</u>	<u>\$ 124,071</u>	<u>\$ 406,886</u>	<u>\$ 114,315</u>
Business-type activities					
Revenue obligation debt	<u>\$ 9,665,000</u>	<u>\$ 4,125,000</u>	<u>\$ 5,230,000</u>	<u>\$ 8,560,000</u>	<u>\$ 835,000</u>
COMPONENT UNITS					
General obligation debt	<u>\$ 3,751,267</u>	<u>\$ 1,805,000</u>	<u>\$ 2,131,752</u>	<u>\$ 3,424,515</u>	<u>\$ 425,685</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Bonds payable at December 31, 2021 is composed of the following individual items:

General Obligation (Governmental Activities)

\$1,000,000, 2010 City of Petoskey Building Authority Improvement bonds; \$750,000 refunded with \$730,323, 2017 City of Petoskey Building Authority Improvement bonds; remaining annual installments of \$113,085 to \$114,315 through April 2024; interest rate of 3.00% to 4.00%. Funds for repayment have been provided by the Marina Bond Debt Fund.	\$ 340,485
Unamortized premium	<u>17,783</u>
Total governmental activities general obligation bonds	<u><u>\$ 358,268</u></u>

Deferred Loss on Debt Refunding

Unaccreted loss on refunding - \$730,323, 2017 Building Authority Improvement Bonds.	<u><u>\$ 1,292</u></u>
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Revenue Obligation (Business-type Activities)

\$6,330,000, 2011 Water and Sewer refunding bonds and \$2,755,000, 2011 Water and Sewer bonds; \$4,430,000 refunded with \$4,125,000, 2021 Water and Sewer refunding bonds, remaining annual installments of \$125,000 to \$720,000 through February 2031; interest rate of 3.00%.	\$ 4,125,000
Unamortized premium	350,316
\$5,000,000, 2017 Water and Sewer bonds; remaining annual installments of \$205,000 to \$365,000 through December 2037; interest rate of 3.00% to 3.25%.	4,435,000
Unamortized premium	<u>53,359</u>
Total business-type activities revenue obligation debt	<u><u>\$ 8,963,675</u></u>

Deferred Gain on Debt Refunding

Unaccreted gain on refunding - \$4,125,000, 2021 Water and Sewer refunding bonds	<u><u>\$ 140,575</u></u>
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NOTES TO FINANCIAL STATEMENTS - Continued

General Obligation (Component Unit)

\$2,900,000, 2010 Building Authority TIFA Bear River Valley Improvement bonds; \$2,300,000 refunded with \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement bonds; remaining annual installments of \$185,000 to \$230,000 through April 2029; interest rate of 3.00% to 4.00%. \$ 1,619,515

Unamortized premium 89,490

\$4,300,000, 2003 Building Authority Library Improvement bonds; \$3,425,000 refunded with \$3,520,000, 2012 Building Authority Library Improvement bonds; \$1,755,000 refunded with \$1,805,000, 2021 Building Authority Library Improvement refunding bonds, remaining annual installments of \$220,000 to \$285,000 through October 2028; interest rate of 1.139%. 1,805,000

Total component unit general obligation bonds \$ 3,514,005

Deferred Loss on Debt Refunding

Unaccrued loss on refunding - \$1,805,000, 2021 Building Authority Library Improvement refunding bonds \$ 6,373

Unaccrued loss on refunding - \$2,239,677, 2017 Building Authority TIFA Bear River Valley Improvement Bonds \$ 6,502

The annual requirements to amortize all general and revenue obligation bonds outstanding, as of December 31, 2021, are as follows:

Years Ending	Governmental Activities		Business-type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 114,315	\$ 9,631	\$ 835,000	\$ 246,051	\$ 425,685	\$ 80,291
2023	113,085	6,220	930,000	219,576	466,915	69,558
2024	113,085	2,262	935,000	191,601	461,915	59,472
2025	-	-	935,000	163,551	440,000	48,774
2026	-	-	935,000	135,501	430,000	38,468
2027-2031	-	-	1,995,000	462,255	1,200,000	49,510
2032-2036	-	-	1,630,000	188,772	-	-
2037	-	-	365,000	5,931	-	-
	<u>\$ 340,485</u>	<u>\$ 18,113</u>	<u>\$ 8,560,000</u>	<u>\$ 1,613,238</u>	<u>\$ 3,424,515</u>	<u>\$ 346,073</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE K - LAND CONTRACT PAYABLE

The City entered into a land contract during the year ended December 31, 2020 within the Electric System Fund. The value of land acquired through the contract totaled \$724,580. The City paid \$242,913 at initiation of the contract, leaving a total contract payable balance of \$481,667 at December 31, 2020. The terms of the contract called for the balance of the contract to be paid in equal annual installments during fiscal years ended December 31, 2021 and 2022. Thus, the remaining contract payable balance at December 31, 2021 totals \$240,833. No interest is charged.

NOTE L - RESTRICTED FUND BALANCES/RESTRICTED NET POSITION

Fund balances and net position are classified as follows for the year ended December 31, 2021:

<u>Governmental Funds</u>	<u>General Fund</u>	<u>Right-of-Way Fund</u>	<u>Other Non-Major Funds</u>	<u>Governmental Activities</u>
Restricted for:				
Refuse collection	\$ 356,666	\$ -	\$ -	\$ 356,666
Marina	964,340	-	-	964,340
Streets and improvements	-	970,361	2,732,277	3,702,638
Downtown programs and services	-	-	215,276	215,276
	<u>\$ 1,321,006</u>	<u>\$ 970,361</u>	<u>\$ 2,947,553</u>	<u>\$ 5,238,920</u>
<u>Enterprise Funds</u>	<u>Electric System Fund</u>	<u>Water and Sewer System Fund</u>	<u>Business-Type Activities</u>	
Restricted for:				
Sewage service covenants	\$ -	\$ 770,923	\$ 770,923	
Revenue bond indentures	-	970,417	970,417	
MPPA energy expenses	<u>664,370</u>	-	<u>664,370</u>	
	<u>\$ 664,370</u>	<u>\$ 1,741,340</u>	<u>\$ 2,405,710</u>	
<u>Fiduciary Funds</u>	<u>Employees Retirement Trust Fund</u>			
Restricted for:				
Employee pension benefits	<u>\$ 303,251</u>			

Component Units

Restricted for Tax Increment Finance Authority ("TIFA") - The Tax Increment Finance Authority has \$991,980 restricted for use within the TIFA district.

The Library has \$273,000 restricted for debt service and \$894,203 restricted for Library operations.

NOTE M - EMPLOYEE RETIREMENT AND BENEFIT SYSTEM

Municipal Employees Retirement Systems

Defined Benefit Plan

General Information about the Pension Plan

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

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.0% to 2.5%.

Vesting periods range from 6 to 10 years.

Normal retirement age is 60 with early retirement at 55 with 15 years of service, or 50 with 25 years of service.

Final average compensation is calculated based on 3 years. Members contributions range from 0.0% to 4.5%.

NOTES TO FINANCIAL STATEMENTS - Continued

Employees Covered by Benefit Terms

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>61</u>
Total covered employees	<u><u>153</u></u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the 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 10.82% to 26.30% based on annual payroll for open divisions.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% in the long-term, plus a percentage based on an age-related scale to reflect merit, longevity and promotional pay increases.

Investment rate of return: 7.35%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS - Continued

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2008-2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	60.0 %	3.15 %
Global fixed income	20.0 %	0.25 %
Private Investments	20.0 %	1.45 %

Discount Rate

The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS - Continued

Changes in Net Pension Liability - City

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2020	<u>\$30,541,267</u>	<u>\$27,009,637</u>	<u>\$ 3,531,630</u>
Changes for the Year			
Service cost	453,740	-	453,740
Interest on Total Pension Liability	2,266,762	-	2,266,762
Change in benefits	-	-	-
Difference between expected and actual experience	(310,575)	-	(310,575)
Changes in assumptions	707,643	-	707,643
Employer contributions	-	1,839,298	(1,839,298)
Employee contributions	-	127,371	(127,371)
Net investment income	-	3,837,794	(3,837,794)
Benefit payments, including employee refunds	(1,822,760)	(1,822,760)	-
Administrative expense	-	(44,121)	44,121
Other changes	46,746	(27,363)	74,109
Net changes	<u>1,341,556</u>	<u>3,910,219</u>	<u>(2,568,663)</u>
Balances as of December 31, 2021	<u>\$31,882,823</u>	<u>\$30,919,856</u>	<u>\$ 962,967</u>

Changes in Net Pension Liability - Library

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2020	<u>\$ 399,129</u>	<u>\$ 352,976</u>	<u>\$ 46,153</u>
Changes for the Year			
Service cost	6,396	-	6,396
Interest on Total Pension Liability	31,952	-	31,952
Change in benefits	-	-	-
Difference between expected and actual experience	(4,378)	-	(4,378)
Changes in assumptions	9,975	-	9,975
Employer contributions	-	25,927	(25,927)
Employee contributions	-	1,795	(1,795)
Net investment income	-	54,097	(54,097)
Benefit payments, including employee refunds	(25,694)	(25,694)	-
Administrative expense	-	(622)	622
Other changes	32,036	27,363	4,673
Net changes	<u>50,287</u>	<u>82,866</u>	<u>(32,579)</u>
Balances as of December 31, 2021	<u>\$ 449,416</u>	<u>\$ 435,842</u>	<u>\$ 13,574</u>

NOTES TO FINANCIAL STATEMENTS - Continued

Sensitivity of Net Position Liability to Changes in the Discount Rate

The following presents the Net Pension Liability, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
City net pension liability	\$ 4,548,273	\$ 962,967	\$ (2,068,741)
Library net pension liability	64,112	13,574	(29,161)

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

For the year ended December 31, 2021, the City recognized pension expense of \$497,236. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 155,014
Differences in assumptions	979,754	-
Excess (deficit) investment returns	-	2,135,878
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 979,754</u>	<u>\$ 2,290,892</u>

For the year ended December 31, 2021, the Library recognized pension expense of \$7,009. The Library reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 2,202
Differences in assumptions	11,794	-
Excess (deficit) investment returns	-	26,694
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 11,794</u>	<u>\$ 28,896</u>

NOTES TO FINANCIAL STATEMENTS - Continued

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

<u>Years Ending</u>	<u>City</u>	<u>Library</u>
2022	\$ 1,690	\$ 24
2023	(446,254)	(6,290)
2024	(508,546)	(7,168)
2025	<u>(358,028)</u>	<u>(3,668)</u>
Total	<u>\$ (1,311,138)</u>	<u>\$ (17,102)</u>

Defined Contribution Plans

Retirement

The City’s defined contribution plan provides certain retirement, death, and disability benefits to plan members and beneficiaries. The City’s plan covers nonunion employees and Department of Public Works unionized employees. The City participates in the Michigan Municipal Employees’ Retirement System (“MERS”), an agent multiple-employer, State-wide public employees’ pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that include financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

As of December 31, 2021, the City contributes up to 5% and matches up to an additional 5% for a total contribution rate of 10% for nonunion employees. The nonunion employees have the option to contribute 5% of earnings.

As of December 31, 2021, the City contributes up to 3% and matches up to an additional 2% for a total contribution rate of 5% for Department of Public Works unionized employees. The Department of Public Works unionized employees have the option to contribute 5% of earnings.

The plan currently covers 16 employees in total. During fiscal year ended December 31, 2021, the employees contributed \$14,804 and the City contributed \$43,012 to the plan.

Health Care Savings Program

The City also participates in the Municipal Employee’s Retirement System of Michigan (MERS) healthcare savings program for all unionized Public Safety Officers as implemented on August 1, 2021. In the healthcare savings program, benefits depend solely on the amounts contributed to the plan plus investment earnings. Employees participate from the date of employment. As established by City Council resolution, employees contribute 3% of their gross earnings to the program. The current year contributions were calculated based on covered payroll of \$581,467, resulting in employee contributions totaling \$17,444.

NOTE N - DEFINED CONTRIBUTION RETIREMENT PLAN

The City provides pension benefits for management employees as designated by City Council through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Designated employees are eligible to participate from the date of employment. The City's contributions for each employee (and interest allocated to each employee's account) are fully vested immediately.

The City's contributions were calculated using the eligible base salary amount of \$96,707, as established by City Council and governed by Federal regulations. The City made the required 14.00% contribution for the year, which totaled \$13,539.

At December 31, 2021, the City had \$303,251 within the Employees Retirement Trust Fund.

NOTE O - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In complying with the amended Section 457 requirements, these assets are for the exclusive benefit of participants and not subject to the claims of the City's general creditors. As such, they are not included in a custodial fund of the City.

NOTE P - COMMITMENTS AND CONTINGENCIES

Landfill Closure and Post-Closure Care Costs

An agreement with the State of Michigan requires that the City of Petoskey perform monitoring functions at a former landfill site for 30 years after closure. A liability is being recognized based on the estimated future post-closure costs that will be incurred over the remaining term of the agreement, which runs through August 2022. The estimated total current cost of the landfill post-closure care of \$85,000 is based on the amount that would be paid if the services to monitor the landfill were acquired as of December 31, 2021. However, the actual cost of post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Entitlement Commitments

Between 1979 and 2001, the Michigan Public Power Agency ("MPPA"), of which the City is a member, acquired ownership interests in the Detroit Edison Belle River Unit and other related assets, and the CT Project No. 1. The City's entitlement share of the Belle River Unit and CT Project No. 1 generating capacities are 4,137 (KW) and 4,392 (KW), respectively.

NOTES TO FINANCIAL STATEMENTS - Continued

The entitlements specify minimum annual payments on a "take-or-pay" basis for the generation and transmission capabilities of the units as follows:

<u>Years Ending December 31,</u>	<u>CT Project No. 1</u>
2022	\$ 229,200
2023	229,296
2024	229,415
2025	229,534
2026	<u>229,630</u>
Total	<u>\$ 1,147,075</u>

There is a possibility of refunds or subsidy payments to the City due to past fuel overcharges. However, since the amounts are unknown at this time, there are no provisions made in the financial statements.

The City entered into an agreement with MPPA in August 2011, to purchase up to .8 mega-watt hours of power per hour at prices ranging from \$41 to \$68 per mega-watt hour from 2012 to 2023.

NOTE Q - RISKS AND CONTINGENCIES

Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance for general liability and property, and participates in the Michigan Municipal League risk pool for claims relating to employee injuries/workers compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City purchases commercial health care insurance from Blue Cross/Blue Shield of Michigan for all eligible and participating employees and retirees, and has no risk in excess of policy coverage.

The shared-risk pool in which the City participates operates a common risk-sharing management program for various municipalities throughout the State. Member premiums are used to purchase commercial insurance coverage and to pay member claims in excess of deductible amounts.

COVID-19

On March 10, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a pandemic. The City believes it understands the risk associated with COVID-19. The City has implemented risk mitigation tactics related to their operations within and outside of the City in response to the risks caused by COVID-19. The extent to which the pandemic impacts operations will depend on future developments, which are highly uncertain at this time, and cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year ended December 31, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
	REVENUES				
Taxes	\$ 3,680,900	\$ 3,680,900	\$ 3,763,794	\$ -	\$ 82,894
Licenses and permits	21,500	21,500	21,165	-	(335)
Federal grants	19,000	79,000	76,412	60,000	(2,588)
State grants	637,400	637,400	751,773	-	114,373
Contributions from local units	29,500	129,500	189,228	100,000	59,728
Charges for services	1,473,200	1,723,200	1,756,682	250,000	33,482
Fines and forfeitures	13,100	13,100	12,611	-	(489)
Interest and investment earnings	135,000	135,000	79,927	-	(55,073)
Other	110,200	110,200	178,642	-	68,442
Total revenues	6,119,800	6,529,800	6,830,234	410,000	300,434
EXPENDITURES					
Legislative, general government, and health and welfare	2,099,600	2,099,600	2,045,932	-	53,668
Public safety	3,392,600	3,442,600	3,538,265	(50,000)	(95,665)
Public works	665,900	665,900	666,568	-	(668)
Recreation and cultural	2,192,000	2,192,000	2,338,055	-	(146,055)
Capital outlay	341,300	668,900	552,141	(327,600)	116,759
Total expenditures	8,691,400	9,069,000	9,140,961	(377,600)	(71,961)
REVENUES UNDER EXPENDITURES	(2,571,600)	(2,539,200)	(2,310,727)	32,400	228,473
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,439,400	2,439,400	2,439,400	-	-
Operating transfers out	(216,500)	(216,500)	(216,500)	-	-
Transfers from component units	22,800	22,800	22,800	-	-
Total other financing sources	2,245,700	2,245,700	2,245,700	-	-
NET CHANGE IN FUND BALANCES	(325,900)	(293,500)	(65,027)	32,400	228,473
Fund balance, beginning of year	5,577,364	5,577,364	5,577,364	-	-
Fund balance, end of year	\$ 5,251,464	\$ 5,283,864	\$ 5,512,337	\$ 32,400	\$ 228,473

City of Petoskey

BUDGETARY COMPARISON SCHEDULE FOR THE RIGHT-OF-WAY FUND

Year ended December 31, 2021

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual Total</u>
REVENUES					
Property taxes	\$ 1,779,200	\$ 1,779,200	\$ 1,817,240	\$ -	\$ 38,040
Interest	<u>6,900</u>	<u>6,900</u>	<u>4,389</u>	<u>-</u>	<u>(2,511)</u>
Total revenue	1,786,100	1,786,100	1,821,629	-	35,529
EXPENDITURES					
Other					
Contracted services	<u>2,000</u>	<u>2,000</u>	<u>1,646</u>	<u>-</u>	<u>354</u>
REVENUES OVER EXPENDITURES	1,784,100	1,784,100	1,819,983	-	35,883
OTHER FINANCING USES					
Operating transfers out	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	84,100	84,100	119,983	-	35,883
Fund balance, beginning of year	<u>850,378</u>	<u>850,378</u>	<u>850,378</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 934,478</u>	<u>\$ 934,478</u>	<u>\$ 970,361</u>	<u>\$ -</u>	<u>\$ 35,883</u>

City of Petoskey

SCHEDULE OF CHANGES IN THE CITY MERS NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service cost	\$ 453,740	\$ 447,361	\$ 465,716	\$ 467,813	\$ 502,133	\$ 507,633	\$ 482,076
Interest	2,266,762	2,107,613	2,168,625	2,087,596	2,174,753	2,017,084	1,933,518
Changes of benefit terms	-	(4,337)	-	-	(1,591,126)	(7,593)	-
Difference between expected and actual experience	(310,575)	307,927	(304,611)	177,290	(691,004)	384,444	-
Changes of assumption	707,643	894,972	-	-	-	1,314,664	-
Benefit payments including employee refunds	(1,822,760)	(1,744,858)	(1,707,560)	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Other	46,746	88,837	78,091	65,182	(17,001)	(126,712)	(40,561)
Net Change in Total Pension Liability	1,341,556	2,097,515	700,261	1,204,681	(1,121,158)	2,723,547	1,107,433
Total Pension Liability Beginning	<u>30,541,267</u>	<u>28,443,752</u>	<u>27,743,851</u>	<u>26,539,170</u>	<u>27,660,328</u>	<u>24,936,781</u>	<u>23,829,348</u>
Total Pension Liability Ending	<u><u>\$31,882,823</u></u>	<u><u>\$30,541,267</u></u>	<u><u>\$ 28,444,112</u></u>	<u><u>\$27,743,851</u></u>	<u><u>\$26,539,170</u></u>	<u><u>\$27,660,328</u></u>	<u><u>\$24,936,781</u></u>
Plan Fiduciary Net Position							
Contributions - employer	1,839,298	1,732,500	1,653,453	\$ 1,621,597	\$ 1,686,087	\$ 700,936	\$ 691,061
Contributions - employee	127,371	127,246	120,480	118,342	122,283	120,075	121,724
Net investment income	3,837,794	3,073,588	2,877,141	(879,908)	2,566,652	1,971,865	(271,928)
Benefit payments including employee refunds	(1,822,760)	(1,744,858)	(1,707,560)	(1,593,200)	(1,498,913)	(1,365,973)	(1,267,600)
Administrative expense	(44,121)	(48,012)	(49,509)	(42,942)	(40,507)	(38,931)	(39,863)
Other changes	(27,363)	(53,198)	(14,879)	96,974	15,329	(40,832)	-
Net Change in Plan Fiduciary Net Position	3,910,219	3,087,266	2,879,126	(679,137)	2,850,931	1,347,140	(766,606)
Plan Fiduciary Net Position Beginning	<u>27,009,637</u>	<u>23,922,371</u>	<u>21,043,245</u>	<u>21,722,382</u>	<u>18,871,451</u>	<u>17,524,311</u>	<u>18,290,917</u>
Plan Fiduciary Net Position Ending	<u><u>\$30,919,856</u></u>	<u><u>\$27,009,637</u></u>	<u><u>\$ 23,922,371</u></u>	<u><u>\$21,043,245</u></u>	<u><u>\$21,722,382</u></u>	<u><u>\$18,871,451</u></u>	<u><u>\$17,524,311</u></u>
Employer Net Pension Liability	<u><u>\$ 962,967</u></u>	<u><u>\$ 3,531,630</u></u>	<u><u>\$ 4,521,741</u></u>	<u><u>\$ 6,700,606</u></u>	<u><u>\$ 4,816,788</u></u>	<u><u>\$ 8,788,877</u></u>	<u><u>\$ 7,412,470</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97 %	88 %	84 %	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u><u>\$ 3,958,333</u></u>	<u><u>\$ 3,942,872</u></u>	<u><u>\$ 3,938,399</u></u>	<u><u>\$ 3,920,256</u></u>	<u><u>\$ 3,994,976</u></u>	<u><u>\$ 3,978,932</u></u>	<u><u>\$ 4,078,153</u></u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	24 %	90 %	115 %	171 %	121 %	221 %	182 %

City of Petoskey

SCHEDULE OF CHANGES IN THE LIBRARY MERS NET PENSION LIABILITY AND RELATED RATIOS

Years ended December 31,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service cost	\$ 6,396	\$ 5,846	\$ 5,037	\$ 4,725	\$ 7,336	\$ 7,835	\$ 6,300
Interest	31,952	27,544	23,451	21,087	31,774	31,133	25,268
Changes of benefit terms	-	(57)	-	-	(23,247)	(117)	-
Difference between expected and actual experience	(4,378)	4,024	(3,295)	1,791	(10,096)	5,934	-
Changes of assumption	9,975	11,696	-	-	-	20,291	-
Benefit payments including employee refunds	(25,694)	(22,803)	(18,469)	(16,093)	(21,900)	(21,083)	(16,566)
Other	32,036	65,240	20,674	(119,016)	(23,046)	57,045	(530)
Net Change in Total Pension Liability	50,287	91,490	27,398	(107,506)	(39,179)	101,038	14,472
Total Pension Liability Beginning	399,129	307,639	280,241	387,747	426,926	325,888	311,416
Total Pension Liability Ending	<u>\$ 449,416</u>	<u>\$ 399,129</u>	<u>\$ 307,639</u>	<u>\$ 280,241</u>	<u>\$ 387,747</u>	<u>\$ 426,926</u>	<u>\$ 325,888</u>
Plan Fiduciary Net Position							
Contributions - employer	25,927	22,641	17,883	\$ 16,380	\$ 24,634	\$ 10,819	\$ 9,031
Contributions - employee	1,795	1,663	1,303	1,195	1,787	1,853	1,591
Net investment income	54,097	40,167	31,118	(8,888)	37,500	30,435	(3,554)
Benefit payments including employee refunds	(25,694)	(22,803)	(18,469)	(16,093)	(21,900)	(21,083)	(16,566)
Administrative expense	(622)	(627)	(535)	(434)	(592)	(601)	(520)
Other changes	27,363	53,198	14,879	(96,974)	(15,330)	40,832	-
Net Change in Plan Fiduciary Net Position	82,866	94,239	46,179	(104,814)	26,099	62,255	(10,018)
Plan Fiduciary Net Position Beginning	352,976	258,737	212,558	317,372	291,273	229,018	239,036
Plan Fiduciary Net Position Ending	<u>\$ 435,842</u>	<u>\$ 352,976</u>	<u>\$ 258,737</u>	<u>\$ 212,558</u>	<u>\$ 317,372</u>	<u>\$ 291,273</u>	<u>\$ 229,018</u>
Employer Net Pension Liability	<u>\$ 13,574</u>	<u>\$ 46,153</u>	<u>\$ 48,902</u>	<u>\$ 67,683</u>	<u>\$ 70,375</u>	<u>\$ 135,653</u>	<u>\$ 96,870</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97 %	88 %	84 %	76 %	82 %	68 %	70 %
Covered Employee Payroll	<u>\$ 329,498</u>	<u>\$ 310,529</u>	<u>\$ 295,550</u>	<u>\$ 318,874</u>	<u>\$ 303,359</u>	<u>\$ 280,175</u>	<u>\$ 333,666</u>
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	4 %	15 %	17 %	21 %	23 %	48 %	29 %

City of Petoskey

SCHEDULE OF MERS EMPLOYER'S CONTRIBUTIONS

Years ended December 31,

	Actuarial Determined Contributions	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
City:					
2012	\$ 650,292	\$ 637,286	\$ 13,006	\$ 4,032,000	16 %
2013	697,426	683,477	13,949	4,408,000	16 %
2014	651,998	638,958	13,040	4,235,000	15 %
2015	691,061	691,061	-	4,075,153	17 %
2016	700,936	700,936	-	3,978,932	18 %
2017	686,087	1,686,087	(1,000,000)	3,994,976	42 %
2018	631,597	1,631,597	(1,000,000)	3,920,256	42 %
2019	653,453	1,653,453	(1,000,000)	3,938,399	42 %
2020	732,500	1,732,500	(1,000,000)	3,942,872	44 %
2021	839,298	1,839,298	(1,000,000)	3,958,333	46 %
Library:					
2015	9,031	9,031	-	333,666	3 %
2016	10,819	10,819	-	280,175	4 %
2017	24,634	24,634	-	303,359	8 %
2018	6,380	6,380	-	318,874	2 %
2019	17,883	17,883	-	295,550	6 %
2020	22,641	22,641	-	310,529	7 %
2021	27,363	27,363	-	329,498	8 %

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RP-2014 Annuity Mortality Table

Changes in actuarial methods and assumptions:

Salary increases were reduced from 3.75% to 3.00%.
Investment rate of return was reduced from 7.75% to 7.35%.

COMBINING FINANCIAL STATEMENTS

City of Petoskey

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

December 31, 2021

	Special Revenue Funds					Debt Service Funds			
	Major Street	Local Street	General Street	Downtown Management	Total Special Revenue	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total Debt Service	Total Non-Major Funds
ASSETS									
Current assets									
Cash	\$1,212,848	\$1,014,288	\$1,423,102	\$ 200,036	\$3,850,274	\$ 31,176	\$ 123,482	\$ 154,658	\$ 4,004,932
Receivables									
Special assessments	-	-	-	22,686	22,686	-	-	-	22,686
Accounts receivable	916	794	1,120	-	2,830	228	120	348	3,178
Due from other funds	-	-	-	2,705	2,705	-	-	-	2,705
Due from other governments	128,910	37,820	-	-	166,730	-	-	-	166,730
Inventory, at cost	-	-	257,122	-	257,122	-	-	-	257,122
Total assets	<u>\$1,342,674</u>	<u>\$1,052,902</u>	<u>\$1,681,344</u>	<u>\$ 225,427</u>	<u>\$4,302,347</u>	<u>\$ 31,404</u>	<u>\$ 123,602</u>	<u>\$ 155,006</u>	<u>\$ 4,457,353</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 3,768	\$ 176	\$ 88,890	\$ 10,151	\$ 102,985	\$ -	\$ -	\$ -	\$ 102,985
Accrued expenditures	4,920	3,824	4,875	-	13,619	-	-	-	13,619
Total liabilities	<u>8,688</u>	<u>4,000</u>	<u>93,765</u>	<u>10,151</u>	<u>116,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,604</u>
FUND BALANCES									
Non-spendable									
Inventory	-	-	257,122	-	257,122	-	-	-	257,122
Restricted									
Special revenue	-	-	-	215,276	215,276	-	-	-	215,276
Streets and improvements	1,333,986	1,048,902	349,389	-	2,732,277	-	-	-	2,732,277
Committed	-	-	981,068	-	981,068	31,404	123,602	155,006	1,136,074
Total fund balances	<u>1,333,986</u>	<u>1,048,902</u>	<u>1,587,579</u>	<u>215,276</u>	<u>4,185,743</u>	<u>31,404</u>	<u>123,602</u>	<u>155,006</u>	<u>4,340,749</u>
Total liabilities and fund balances	<u>\$1,342,674</u>	<u>\$1,052,902</u>	<u>\$1,681,344</u>	<u>\$ 225,427</u>	<u>\$4,302,347</u>	<u>\$ 31,404</u>	<u>\$ 123,602</u>	<u>\$ 155,006</u>	<u>\$ 4,457,353</u>

City of Petoskey

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year ended December 31, 2021

	Special Revenue Funds					Debt Service Funds			Total Other Non-Major Funds
	Major Street	Local Street	General Street	Downtown Management	Total	Building Authority Marina Bond Debt	Building Authority Bear River Valley Bond Debt	Total	
REVENUES									
State grants	\$ 778,604	\$ 267,342	\$ -	\$ -	\$ 1,045,946	\$ -	\$ -	\$ -	\$ 1,045,946
Special assessments	-	-	-	110,698	110,698	-	-	-	110,698
Interest and investment earnings	6,447	5,895	10,167	6,085	28,594	1,779	866	2,645	31,239
Other	-	351,163	-	8,335	359,498	-	-	-	359,498
Total revenues	<u>785,051</u>	<u>624,400</u>	<u>10,167</u>	<u>125,118</u>	<u>1,544,736</u>	<u>1,779</u>	<u>866</u>	<u>2,645</u>	<u>1,547,381</u>
EXPENDITURES									
Current									
Public works	412,608	226,636	604,907	85,776	1,329,927	-	-	-	1,329,927
Capital outlay	-	644,460	208,821	790	854,071	-	-	-	854,071
Principal	-	-	-	-	-	103,249	171,751	275,000	275,000
Interest	-	-	-	-	-	13,019	63,406	76,425	76,425
Total expenditures	<u>412,608</u>	<u>871,096</u>	<u>813,728</u>	<u>86,566</u>	<u>2,183,998</u>	<u>116,268</u>	<u>235,157</u>	<u>351,425</u>	<u>2,535,423</u>
REVENUES UNDER EXPENDITURES	<u>372,443</u>	<u>(246,696)</u>	<u>(803,561)</u>	<u>38,552</u>	<u>(639,262)</u>	<u>(114,489)</u>	<u>(234,291)</u>	<u>(348,780)</u>	<u>(988,042)</u>
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	500,000	1,450,000	-	1,950,000	116,500	-	116,500	2,066,500
Operating transfers out	-	-	(458,000)	-	(458,000)	-	-	-	(458,000)
Transfers from component units	-	-	-	-	-	-	236,000	236,000	236,000
Total other financing sources	<u>-</u>	<u>500,000</u>	<u>992,000</u>	<u>-</u>	<u>1,492,000</u>	<u>116,500</u>	<u>236,000</u>	<u>352,500</u>	<u>1,844,500</u>
NET CHANGE IN FUND BALANCE	372,443	253,304	188,439	38,552	852,738	2,011	1,709	3,720	856,458
Fund balance, beginning of year	<u>961,543</u>	<u>795,598</u>	<u>1,399,140</u>	<u>176,724</u>	<u>3,333,005</u>	<u>29,393</u>	<u>121,893</u>	<u>151,286</u>	<u>3,484,291</u>
Fund balance, end of year	<u><u>\$ 1,333,986</u></u>	<u><u>\$ 1,048,902</u></u>	<u><u>\$ 1,587,579</u></u>	<u><u>\$ 215,276</u></u>	<u><u>\$ 4,185,743</u></u>	<u><u>\$ 31,404</u></u>	<u><u>\$ 123,602</u></u>	<u><u>\$ 155,006</u></u>	<u><u>\$ 4,340,749</u></u>

City of Petoskey

COMBINING COMPONENT UNIT BALANCE SHEET/STATEMENT
OF NET POSITION

December 31, 2021

	Debt Service Funds			Reconciliation of Fund Balance Sheets to Statement of Net Position			Statement of Net Position
	2017 Marina Bonds	2017 Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Leases	Governmental Bonds Payable	Accrued Interest	
ASSETS							
Current assets							
Cash	\$ 31,176	\$ 123,482	\$ -	\$ -	\$ -	\$ -	\$ 154,658
Accounts receivable	228	120	-	-	-	-	348
Interest receivable	-	-	-	24,209	-	-	24,209
Lease contract receivable, current	-	-	-	540,000	-	-	540,000
Total current assets	31,404	123,602	-	564,209	-	-	719,215
Non-current assets							
Deferred charges - bond premium and discounts	-	-	-	-	(107,273)	-	(107,273)
Lease contract receivable	-	-	-	3,225,000	-	-	3,225,000
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on debt refunding	-	-	-	-	14,167	-	14,167
Total assets and deferred outflows of resources	\$ 31,404	\$ 123,602	\$ -	\$ 3,789,209	\$ (93,106)	\$ -	\$ 3,851,109
LIABILITIES AND FUND BALANCES/NET POSITION							
LIABILITIES							
Current liabilities							
Accrued interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,209	\$ 24,209
Accounts payable	-	-	-	-	-	-	-
Bonds payable, current	-	-	-	-	540,000	-	540,000
Total current liabilities	-	-	-	-	540,000	24,209	564,209
Non-current liabilities							
Bonds payable, net	-	-	-	-	3,225,000	-	3,225,000
Total liabilities	-	-	-	-	3,765,000	24,209	3,789,209
FUND BALANCE/NET POSITION							
Committed	31,404	123,602	-	3,789,209	(3,858,106)	(24,209)	61,900
Total liabilities and fund balances	\$ 31,404	\$ 123,602	\$ -	\$ 3,789,209	\$ (93,106)	\$ -	\$ 3,851,109

City of Petoskey

COMBINING COMPONENT UNIT STATEMENT OF REVENUES AND EXPENDITURES/STATEMENT OF ACTIVITIES

Year ended December 31, 2021

	Debt Service Funds			Reconciliation of Fund Statements of Revenues and Expenditures to the Statement of Activities			Statement of Activities
	Marina Bonds	Bear River Valley Bonds	Library Improvement Bonds	Governmental Financing Lease	Debt Service	Interest Expense	
Program revenues							
Lease income	\$ 116,500	\$ 236,000	\$ 254,298	\$ (440,235)	\$ -	\$ -	\$ 166,563
Expenditures/expenses							
Debt service	103,249	171,751	155,000	-	(430,000)	-	-
Interest and fees	13,019	63,406	49,298	-	136,658	(10,234)	252,147
Total expenditures/expenses	<u>116,268</u>	<u>235,157</u>	<u>254,298</u>	<u>-</u>	<u>(293,342)</u>	<u>(10,234)</u>	<u>302,147</u>
Net revenue	232	843	-	(440,235)	293,342	10,234	(135,584)
General revenues							
Interest and investment earnings	1,779	866	-	-	-	-	2,645
Revenues over (under) expenditures/ change in net position	2,011	1,709	-	(440,235)	293,342	10,234	(132,939)
Fund balance/net position, beginning of year	<u>29,393</u>	<u>121,893</u>	<u>-</u>	<u>4,229,444</u>	<u>(4,151,448)</u>	<u>(34,443)</u>	<u>194,839</u>
Fund balance/net position, end of year	<u><u>\$ 31,404</u></u>	<u><u>\$ 123,602</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,789,209</u></u>	<u><u>\$ (3,858,106)</u></u>	<u><u>\$ (24,209)</u></u>	<u><u>\$ 61,900</u></u>