

CITY OF MUNISING, MICHIGAN
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the City Commission of the
City of Munising, Michigan
301 E. Superior Street
Munising, Michigan 49862

Report on the Audit of the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Munising Housing Commission, which represent 50 percent, 54 percent, and 60 percent, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Munising Housing Commission, is based solely on the report for the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the

To the City Commission of the
City of Munising, Michigan

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Other Supplementary Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, based on our audit and the report of other auditors, the Other Supplementary is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 18, 2024

City of Munising, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Munising, Michigan's (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2024. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the City as a whole increased by \$698,904 as a result of this year's operations. Net position of our governmental activities increased by \$425,163 or 8 percent, and net position of our business-type activities increased by \$273,741 or 2 percent.
- During the year, the City had expenses for governmental activities that were \$3,744,689 and generated \$3,745,000 in general revenues and other program sources (excluding transfers).
- The City's business-type activities had expenses of \$3,037,838 and generated \$3,736,431 in revenues (excluding transfers).
- The General Fund reported a net increase in fund balance of \$222,318.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, as presented in the table of contents, provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins below. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net position* and changes in it. You can think of the City's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net position is an indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and marina activities are reported here.
- *Component units* – The City includes three separate legal entities in its report – the Downtown Development Authority, the Landfill Authority, and the Munising Housing Commission. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Position and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Pool Fund and Municipal Building Authority Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position as listed in the table of contents. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The City as a Whole

Table 1 provides a summary of the City's net position as of June 30, 2024 and 2023.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$4,238,354	\$3,807,183	\$4,716,396	\$4,631,654	\$8,954,750	\$8,438,837
Capital assets, net	7,364,364	7,479,105	25,798,457	25,854,492	33,162,821	33,333,597
Total Assets	11,602,718	11,286,288	30,514,853	30,486,146	42,117,571	41,772,434
Deferred outflows of resources	347,069	585,236	352,638	559,346	699,707	1,144,582
Current liabilities	410,174	388,374	44,114	47,074	454,288	435,448
Non-current liabilities	5,547,296	5,930,097	17,942,531	18,484,460	23,489,827	24,414,557
Total Liabilities	5,957,470	6,318,471	17,986,645	18,531,534	23,944,115	24,850,005
Deferred inflows of resources	444,082	429,981	93,147	-	537,229	429,981
Net Position:						
Net investment in capital assets	5,110,760	5,410,570	9,522,266	9,520,132	14,633,026	14,930,702
Restricted	735,660	758,526	1,112,389	688,932	1,848,049	1,447,458
Unrestricted	(298,185)	(1,046,024)	2,153,044	2,304,894	1,854,859	1,258,870
Total Net Position	\$5,548,235	\$5,123,072	\$12,787,699	\$12,513,958	\$18,335,934	\$17,637,030

Net position of the City's governmental activities stood at \$5,548,235. *Unrestricted* net position—the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at (\$298,185).

The (\$298,185) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The net position of our business-type activities stood at \$12,787,699. The City can generally only use this net position to finance continuing operations of the water and sewer and other enterprise operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2024 and 2023.

Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for services	\$801,927	\$843,229	\$3,185,709	\$2,976,452	\$3,987,636	\$3,819,681
Operating grants and contributions	635,125	697,536	100,000	100,000	735,125	797,536
Capital grants and Contributions	153,019	-	398,776	1,093,940	551,795	1,093,940
General Revenues:						
Property taxes	1,228,295	1,122,478	-	-	1,228,295	1,122,478
Unrestricted	853,204	789,183	-	-	853,204	789,183
Investment earnings	57,473	20,704	51,946	23,118	109,419	43,822
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	15,957	44,285	-	-	15,957	44,285
Total Revenues	<u>\$3,745,000</u>	<u>3,517,415</u>	<u>3,736,431</u>	<u>4,193,510</u>	<u>7,481,431</u>	<u>7,710,925</u>
Program Expenses:						
General government	644,728	772,838	-	-	644,728	772,838
Public safety	777,499	815,723	-	-	777,499	815,723
Public works	1,720,141	1,398,650	-	-	1,720,141	1,398,650
Community and economic dev.	67,203	93,573	-	-	67,203	93,573
Recreation and culture	537,011	532,849	-	-	537,011	532,849
Debt service	(1,893)	609	-	-	(1,893)	609
Sewer	-	-	1,639,601	1,630,804	1,639,601	1,630,804
Water	-	-	1,106,169	1,104,546	1,106,169	1,104,546
Marina	-	-	292,068	275,227	292,068	275,227
Total Expenses	<u>3,744,689</u>	<u>3,614,242</u>	<u>3,037,838</u>	<u>3,010,577</u>	<u>6,782,527</u>	<u>6,624,819</u>
Excess (deficiency) before transfers	311	(96,827)	698,593	1,182,933	698,904	1,086,106
Transfers	<u>424,852</u>	<u>551,500</u>	<u>(424,852)</u>	<u>(551,500)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>425,163</u>	<u>454,673</u>	<u>273,741</u>	<u>631,433</u>	<u>698,904</u>	<u>1,086,106</u>
Net position, beginning	5,123,072	4,471,570	12,513,958	12,079,354	17,637,030	16,550,924
Prior period adjustment	-	196,829	-	(196,829)	-	-
Net position, beginning, as restated	<u>5,123,072</u>	<u>4,668,399</u>	<u>12,513,958</u>	<u>11,882,525</u>	<u>17,637,030</u>	<u>16,550,924</u>
Net Position, Ending	<u>\$5,548,235</u>	<u>\$5,123,072</u>	<u>\$12,787,699</u>	<u>\$12,513,958</u>	<u>\$18,335,934</u>	<u>\$17,637,030</u>

The City's total revenues and transfers were \$7,481,431. The total cost of all programs and services was \$6,782,527 leaving an increase in net position of \$698,904. Our analysis below separately considers the operations of governmental and business-type activities:

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Governmental Activities

Operations for the City of Munising during the 2023-24 fiscal year was comparable to previous years.

At the beginning of the fiscal year the City had unearned revenue of \$213,425 from its distributions of the Coronavirus State & Local Fiscal Recovery Funds as part of the American Rescue Plan Act (ARPA). The City Commission has established a sub-committee entrusted with reviewing the needs of the community and providing recommendations to the City Commission on the best utilization of the funds by the December 31, 2024 obligation deadline. In the current fiscal year, the City spent \$14,427 for upgrading the audio/visual equipment for its Commission Meetings to allow better online access, spend \$63,719 related to road improvements on H-58, and distributed a total of \$11,880 of ARPA funds to various entities within the community. As of June 30, 2024, the balance available to expend in future fiscal years was \$123,400.

The popularity of the City's Tourist Park Campground remains stable and resulted in the Recreation and Culture governmental activity producing approximately \$223,000 in total income for the 2024 fiscal year compared to approximately \$214,000 in 2023 and \$275,000 in 2022. The campground is open from mid-May to mid-October. The online reservation system allows campers to book their stay starting December 1 of the preceding camping season. In fiscal year 2022 the City began work on installing new wells at Tourist Park Campground, however, due to unforeseen issues the wells were not completed until the current fiscal year.

In October 2023, the City transitioned its garbage collection process from a disposal tags system to curb side collection. Under the new Garbage Ordinance, the authorized City Hauler bills City residents directly. As a result, charges for services in the Public Works governmental activity decreased significantly as there was only roughly three months of that included the sale of disposal tags. This reduction in revenue was offset by energy savings from the City's transition to LED lights for all its streetlights near the beginning of the year.

In 2020, the City began a multi-year improvement project on the M-28 corridor which included various infrastructure improvements including replacing water and sewer lines, road resurfacing, and replacing sidewalks. Final cleanup happened in the spring/summer of 2023. This project was partially funded through USDA Rural Development grants and low-interest rate loans. The City received its final distribution on its USDA Sewer grant in the current fiscal year. As of June 30, 2024 the City still has funds available to draw on its USDA Water loan, which is discussed more in the following Business-Type Activities section.

In 2024, the City is in the preliminary stages of another USDA Rural Development project for street, water, and sewer improvements along Washington Street. As part of the project requirements, the City must upfront the costs associated with the preliminary engineering and application functions prior to the final approval and closing on any grant or loan dollars. These costs are being accounted for in the City's Capital Projects Fund. As of June 30, 2024, the City had expended approximately \$137,000 on this project.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety, and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	\$644,728	\$536,821
Public safety	777,499	772,519
Public works	1,720,141	1,002,631

Business-Type Activities

The business type funds within the City once again remained relatively stable when compared to the previous few years. Water and Sewer rates were once again increased at a rate equal to the utility CPI making this year the 5th consecutive year that method has been applied. Administration and utility managers continue to identify and invest in operational efficiency upgrades in an effort to strategically lower operating costs. The City will utilize the energy audit performed by the Michigan Rural Water Association as the guiding document for these upgrades.

As previously noted, the M-28 corridor project was started in 2020 and includes a large-scale underground utility replacement project. The Sewer portion of the project is being funded through a USDA loan of \$648,000 (which was completed in 2022) and a grant of \$2,500,000. In the current year the City received \$1,055,000 in federal grant funds for the Sewer portion of the project. The Water portion of the project is being funded solely through a USDA loan totaling \$4,650,000. As of June 30, 2024, the City has made draws on the loan totaling \$3,672,000.

The demand for services at the municipal marina was comparable to the prior year. Commercial and seasonable dock fees remain relatively stable, not fluctuating drastically from year to year. However, transient dock fees continue to see large increases over recent years due to the continued increase in tourism in the area during the summer months. Operational costs were stable except for gas prices, which can fluctuate greatly during the year. The Munising Bay Boating Access Site began engineering on a facility reconstruction phase that is slated for the 2024 construction season.

The combination of these factors caused the net position of the business-type activities to increase by \$273,741.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet listed in the table of contents) reported a *combined* fund balance of \$3,725,175, an increase of \$358,422 from the beginning of the year.

During the budget formulation period preceding a budget year, the City Commission and Administration utilize a series of assumptions and historic trends to formulate a realistic budget. Throughout the course of the fiscal year, the City revised the budget as actual revenues and expenditures were incurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

General Fund Budgetary Highlights

General Fund operations were comparable to the previous year. During the current year revenues came in under budget by \$155,124 which was offset by expenditures coming in under budget by \$560,281 leading to a net change in fund balance of \$481,834 prior to other financing sources and uses and an overall change in of \$222,318. The City budgets conservatively so the actual change in fund balance is \$447,238 greater than the budgeted decrease of \$224,920.

Although the City's operations for the most part are comparable to the previous year there were some items that had more significant impacts and revenues and expenditures as expounded upon below:

Revenues

The City's actual revenues came in lower than budgeted by \$155,124. Most of this difference can be directly attributed to a decrease in solid waste disposal tag revenue under charges for services, which accounted for \$122,994 of the overall decrease. Effective October 7, 2023, roughly one quarter of the way through the fiscal year, the City adopted a new Garbage Ordinance which changed solid waste operations from a disposal tag system to curbside pickup system. Under the new system the authorized City hauler contracts directly with City residents for services and as such the City was no longer collecting disposal tag revenue for the remainder of the fiscal year. This resulted in a decrease in budgeted revenue of \$139,395. However, this was partially offset from the popularity of the City of Munising Tourist Park campground, which came in over budget by \$16,857.

Intergovernmental revenues came in under budgeted amounts mainly due to a State grants budgeted at \$29,000 that were not received during the fiscal year. Additionally, the Metro Act monies are now being accounted for in the Local Street Fund rather than the General Fund. That accounts for an additional \$12,000 of over budgeting for revenues. This was mostly offset by the federal ARPA funds earned in the current year of \$11,880.

In December 2023, to limit the City's exposure to custodial credit risk, the City moved some of its deposits to different financial institutions, which offer different financial instruments than traditional certificates of deposit, which resulted in higher rates of return on its deposits. As a result, interest income was \$49,742 in the current year as compared to \$17,406 in the previous year. City staff will continue to look into additional ways in which to safeguard the City's assets while increasing its return on its depository accounts.

All other revenue area were relatively in line with budgeted amounts.

Expenditures

The City's actual expenditures came in lower than budgeted by \$560,281. Public Safety came in under budget mostly due to budgeting for a new police vehicle that was not received during the current year. Public Works was under budget partially due to the cemetery fence replacement project being fully budgeted but not completed during the current fiscal year; however, the main reason was energy savings due to the City switching its streetlights to LED at the beginning of the year. This led to utilities being over \$40,000 under budgeted amounts. Community and Economic Development had budgeted for \$193,000 in ARPA distributions for the year whereas only approximately \$12,000 was actually expended.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Major and Local Street Funds Budgetary Highlights

Major Street Fund

The Major Street Fund experienced an overall decrease in fund balance of \$38,108 or \$77,642 less than the budgeted decrease of \$115,750. Budgeted revenues were adjusted during the year based on actual distributions received from the State for Act 51 and Routine Maintenance reimbursements along with budgeting for grant funds. Actual revenues came in less than budgeted by \$64,257. This was mainly because of budging for a grant for \$70,400 that was not received in the current year. This was offset from savings in construction, routine maintenance, and highway M-28.

Currently, the City is in the preliminary stages of another USDA Rural Development project for street, water, and sewer improvements along Washington Street. The Major Street Fund transferred \$121,600 in the current year to the Capital Projects Fund for costs associated with this project.

Local Street Fund

The Local Street Fund experienced an overall increase in fund balance of \$32,373 or \$31,623 more than the budgeted increase of \$350. The overall increase is mainly the result of actual expenditures being less than budgeted, specifically in the winter maintenance department. The budget for winter maintenance had to be significantly adjusted during the year due to the lack of snow that was received in the current year. Additionally, the City's Metro Act monies, which were previously accounted for in the General Fund were accounted for in the Local Street Fund in the current year. All other operations were comparable to the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2024, the City had \$33,162,821 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total Primary Government	
	2024	2024	2024	2023
Land	\$20,000	\$12,275	\$32,275	\$32,275
Construction in progress	70,952	420,534	491,486	5,887,750
Land Improvements	779,393	-	779,393	637,014
Buildings and improvements	2,809,409	-	2,809,409	2,915,984
Infrastructure	3,196,016	-	3,196,016	3,238,471
Equipment and furnishings	487,598	-	487,598	565,373
Leased equipment	996	-	996	2,323
Sewer system and equipment	-	13,434,600	13,434,600	11,097,383
Water system and equipment	-	8,805,966	8,805,966	5,698,457
Marina	-	3,125,082	3,125,082	3,258,567
Total	\$7,364,364	\$25,798,457	\$33,162,821	\$33,333,597

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Governmental Activities

Governmental activities asset additions included downpayment towards a new cemetery fence that will be completed in the next fiscal year, audio/visual upgrades for the Commission meetings funded with ARPA money to allow better online access, two trailers, and Sand Point Road project. The City also resurfaced the parking lot at City Hall and resealed the parking lot at the Police/Fire Department. Additionally, the new wells and pumping system projects at Tourist Park that were started back in 2022 were finally completed and placed into service. The City has also begun preliminary engineering related to the Washington Street project which includes street, water, and sewer improvements.

There were no asset disposals for the governmental activities in the current year.

As part of the City's Capital Improvement Plan, fiscal year 2024/2025 asset additions include: continuation of Washington Street project, Grand Street, completion of the fencing at the cemetery and monument installation. The City placed an order for a new patrol vehicle in 2024, but it will not be received until 2025. Additionally, the City plans to replace a DPW truck.

Business-Type Activities

The City's M-28 corridor project was completed in the current year. This project included water and sewer line replacements along with street resurfacing and new sidewalks. The project was funded through USDA Sewer Grant and low-interest rate loans for Sewer and Water through USDA Rural Development. Those assets have been moved out of construction in progress and placed in service and will begin depreciating. As previously noted, the City still has Water loan funds available to be drawn in the amount of \$978,000. Those funds will be used in the coming fiscal years on additional infrastructure projects that were identified in the preliminary engineering report that accompanied the City's funding application.

Other current year asset additions included significant repairs to the vacuum truck and air blower replacement at the wastewater treatment plant. The City also began various projects during the year that were not completed before the end of the fiscal year. The City continued with the preliminary planning and engineering phase of the Munising Bay Boating Access Site reconstruction as part of its Michigan Department of Natural Resources waterways grant. As noted above the City also began preliminary engineering related to the Washington Street project, which includes Water and Sewer components. Lastly, in the spring the City began to replace the roof of the in-ground water storage tank, which was completed in the late summer.

Other than construction in progress that was placed into service, there were no asset disposals for the business-type activities in the current year.

As part of the City's Capital Improvement Plan, fiscal year 2024/2025 capital projects include: continuation of the Water and Sewer infrastructure related to the Washington Street project and completion of the Munising Bay Boating Access Site at Brown's Addition.

Further details on capital assets can be found in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At the end of fiscal year 2024, the City had \$17,950,554 in bonds, notes, and leases outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year end

	Governmental Activities	Business- Type Activities	Total Primary Government	
	2024	2024	2024	2023
General obligation bonds	\$1,627,480	\$557,520	\$2,185,000	\$2,422,000
Revenue bonds	-	15,483,794	15,483,794	15,720,578
Notes and contracts payable	197,700	82,800	280,500	337,000
Leases payable	1,260	-	1,260	2,895
Total	<u>\$1,826,440</u>	<u>\$16,124,114</u>	<u>\$17,950,554</u>	<u>\$18,482,473</u>

Governmental Activities

The City utilizes its Capital Projects Fund to record all capital project activity. During the year the Capital Projects Fund shows proceeds from borrowing of \$175,000; however, that debt is related to the Water Fund and accordingly is presented there as long-term liability as noted below.

The City did not issue any new debt in its governmental activities in the current fiscal year and made principal payments of \$189,310 on its bonds and notes, and \$1,635 on its leases payable.

During the year City made principal payments on its bonds and notes of \$189,310 for its governmental activities and \$515,974 for its business-type activities, respectively. Additionally, the City made principal payments

Business-Type Activities

As noted above, during the year the City made draws of \$175,000 on its USDA water loan. Although the City is still in the process of making draws on its USDA Water Loan it has begun making principal and interest payments on the debt. The principal payments are based on the prescribed bond amortization schedule whereas the interest payments are based on the amount of the outstanding debt while the City is still in the process of drawing down the loan. As of June 30, 2024, the City has \$978,000 left to be drawn on its USDA water loan.

The City made principal payments on its business-type activities of \$506,190 and amortized bond premiums of \$9,784.

Further details on long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

During the creation and finalization of the 2024-25 fiscal year budget, the City's elected and appointed officials considered many important internal and external factors. City administration continue to utilize relatively liberal increases in expenditures while also using conservative estimates for revenues across all funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City continues a positive financial trend across our governmental and business-type funds. The General Fund continues to see slight increases in Ad Valorem tax revenue and its Tourist Park Campground revenues. The City plans to continue this positive financial trend by applying similar budgeting techniques in the upcoming fiscal year.

The completion of the M-28 trunkline through the City corridor has allowed the City to focus the remaining USDA Rural Development funds on additional infrastructure projects. The Grand Island Lift station project was placed online in July of 2023 and has been operational for over a year. The watermain and street infrastructure was replaced on Varnum Street during the 2024 construction season, which has resulted increased reliability and flow rates in the Browns Addition neighborhood.

As always, the City is continually looking ahead for targeted infrastructure replacements and improvements. Currently City staff are working on the final segments of USDA Rural Development applications for the replacement of the water and sewer systems along Washington Street. The City was awarded \$2,000,000 in Congressionally Directed Spending funds which will be utilized to offset the street and multiuse path construction costs of the project.

Staff and City Officials continue to expand the City's Capital Improvement Plan as operational and infrastructure needs are identified. This basis will continue to grow as the facilities and infrastructure within the City continues to age.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 about this report or need additional financial information, contact the City Manager at City of Munising, 301 E. Superior Street, Munising, Michigan, 49862.

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City of Munising, Michigan

STATEMENT OF NET POSITION

June 30, 2024

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,769,688	\$ 2,915,115	\$ 6,684,803	\$ 832,164
Investments	-	-	-	-
Receivables, net	278,847	301,809	580,656	16,241
Primary government internal balances	-	-	-	-
Lease receivable	3,677	-	3,677	-
Other current assets	36,193	16,218	52,411	7,031
Non-current Assets:				
Restricted assets	145,027	1,483,254	1,628,281	33,568
Long-term receivable	-	-	-	-
Lease receivable	4,922	-	4,922	-
Advance to primary government	-	-	-	145,000
Capital Assets:				
Land and construction in progress	90,952	432,809	523,761	141,072
Other capital assets, net	7,273,412	25,365,648	32,639,060	1,780,905
TOTAL ASSETS	11,602,718	30,514,853	42,117,571	2,955,981
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	244,250	134,732	378,982	-
Employer contributions subsequent to measurement date	102,819	134,595	237,414	-
Deferred amount on bond refunding	-	83,311	83,311	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	347,069	352,638	699,707	-
LIABILITIES				
Current Liabilities:				
Accounts payable	206,324	23,064	229,388	42,753
Accrued liabilities	70,159	21,050	91,209	20,451
Other current liabilities	10,291	-	10,291	30,924
Unearned revenue	123,400	-	123,400	-
Non-current Liabilities:				
Portion due or payable within one year:				
Bonds payable	146,920	506,080	653,000	55,000
Notes payable	44,700	13,800	58,500	-
Lease liability	1,260	-	1,260	-
Advance from component unit	6,200	13,800	20,000	-
Employee benefits	24,989	9,478	34,467	-
Portion due or payable after one year:				
Bonds payable	1,480,560	15,535,234	17,015,794	300,000
Notes payable	153,000	69,000	222,000	-
Lease liability	-	-	-	-
Advance from component unit	38,750	86,250	125,000	-
Employee benefits	157,047	75,957	233,004	26,750
Net pension liability	3,493,870	1,632,932	5,126,802	-
TOTAL LIABILITIES	5,957,470	17,986,645	23,944,115	475,878
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts on leases	9,895	-	9,895	-
Deferred inflows related to pension	51,973	93,147	145,120	-
Deferred amount on bond refunding	382,214	-	382,214	-
TOTAL DEFERRED INFLOWS OF RESOURCES	444,082	93,147	537,229	-
NET POSITION				
Net investment in capital assets	5,110,760	9,522,266	14,633,026	1,776,977
Restricted	735,660	1,762,616	2,498,276	145,000
Unrestricted	(298,185)	1,502,817	1,204,632	558,126
TOTAL NET POSITION	\$ 5,548,235	\$ 12,787,699	\$ 18,335,934	\$ 2,480,103

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

City of Munising, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

Function / Programs	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	
Primary Government:								
Governmental Activities:								
General government	\$ 644,728	\$ 73,282	\$ 34,625	\$ -	\$ (536,821)	\$ -	\$ (536,821)	\$ -
Public safety	777,499	3,366	1,614	-	(772,519)	-	(772,519)	-
Public works	1,720,141	16,605	547,886	153,019	(1,002,631)	-	(1,002,631)	-
Community and economic development	67,203	-	-	-	(67,203)	-	(67,203)	-
Recreation and culture	537,011	708,674	51,000	-	222,663	-	222,663	-
Debt service	(1,893)	-	-	-	1,893	-	1,893	-
Total Governmental Activities	3,744,689	801,927	635,125	153,019	(2,154,618)	-	(2,154,618)	-
Business-Type Activities:								
Sewer	1,639,601	1,842,209	70,000	263,319	-	535,927	535,927	-
Water	1,106,169	1,171,468	30,000	126,512	-	221,811	221,811	-
Marina	292,068	172,032	-	8,945	-	(111,091)	(111,091)	-
Total Business-Type Activities	3,037,838	3,185,709	100,000	398,776	-	646,647	646,647	-
TOTAL PRIMARY GOVERNMENT	\$ 6,782,527	\$ 3,987,636	\$ 735,125	\$ 551,795	(2,154,618)	646,647	(1,507,971)	-
Component Units:								
Downtown Development Authority	\$ 366,884	\$ -	\$ 4,519	\$ -	-	-	-	(362,365)
Landfill Authority	19,983	20,429	-	-	-	-	-	446
Housing Commission	781,880	384,505	295,758	-	-	-	-	(101,617)
TOTAL COMPONENT UNITS	\$ 1,168,747	\$ 404,934	\$ 300,277	\$ -	-	-	-	(463,536)
General Revenues:								
Property taxes					1,228,295	-	1,228,295	471,019
Unrestricted intergovernmental sources					853,204	-	853,204	-
Interest and investment earnings					57,473	51,946	109,419	17,923
Gain / (loss) on sale of assets					-	-	-	500
Miscellaneous					15,957	-	15,957	70,585
TOTAL GENERAL REVENUES					2,154,929	51,946	2,206,875	560,027
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS					311	698,593	698,904	96,491
Transfers					424,852	(424,852)	-	-
CHANGE IN NET POSITION					425,163	273,741	698,904	96,491
Net position, beginning of year					5,123,072	12,513,958	17,637,030	2,383,612
NET POSITION, END OF YEAR					\$ 5,548,235	\$ 12,787,699	\$ 18,335,934	\$ 2,480,103

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

City of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2024

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,632,124	\$ 545,751	\$ 59,237	\$ 343,287	\$ 82,364	\$ 3,662,763
Cash and cash equivalents-restricted	133,691	-	-	11,336	-	145,027
Accounts receivable	12,033	-	-	-	-	12,033
Other receivables	16,734	-	-	-	-	16,734
Due from other governments	48,910	42,405	15,765	143,000	-	250,080
Due from other funds	-	-	-	-	-	-
Prepaid expenses	34,927	-	-	-	-	34,927
TOTAL ASSETS	2,878,419	588,156	75,002	497,623	82,364	4,121,564
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,878,419	\$ 588,156	\$ 75,002	\$ 497,623	\$ 82,364	\$ 4,121,564
LIABILITIES						
Accounts payable	\$ 52,053	\$ -	\$ -	\$ 154,271	\$ -	\$ 206,324
Accrued liabilities	54,907	709	758	-	-	56,374
Accrued sick and vacation leave	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to others	10,291	-	-	-	-	10,291
Unearned revenue	123,400	-	-	-	-	123,400
TOTAL LIABILITIES	240,651	709	758	154,271	-	396,389
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-
FUND BALANCE						
Non-spendable	34,927	-	-	-	-	34,927
Restricted	133,691	391,904	34,225	58,549	82,364	700,733
Committed	-	-	-	255,755	-	255,755
Assigned	-	195,543	40,019	-	-	235,562
Unassigned	2,469,150	-	-	29,048	-	2,498,198
TOTAL FUND BALANCE	2,637,768	587,447	74,244	343,352	82,364	3,725,175
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,878,419	\$ 588,156	\$ 75,002	\$ 497,623	\$ 82,364	\$ 4,121,564

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

City of Munising, Michigan

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

June 30, 2024

Total Fund Balances for Governmental Funds **\$ 3,725,175**

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

Capital assets and leased asset used in governmental activities are not financial resources and therefore are not reported in the funds (does not includes capital assets or leased assets of internal service funds).

Capital assets not being depreciated	\$ 70,952	
Capital assets being depreciated or amortized	9,737,113	
Accumulated depreciation and amortization	<u>(3,670,478)</u>	6,137,587

Lease receivables and deferred inflows related to leases used in governmental activities relate to future periods and as such are not reported in the funds.

Lease receivable within one year	3,677	
Lease receivable greater than one year	4,922	
Deferred amounts on leases	<u>(9,895)</u>	(1,296)

Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.

Net pension liability	(3,309,195)	
Deferred (outflows) of resources related to net pension liability	229,952	
Employer contributions subsequent to measurement date	88,788	
Deferred inflows of resources related to net pension liability	<u>(41,587)</u>	(3,032,042)

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, net of capital assets.

Net position	<u>927,866</u>	927,866
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	(137,680)	
Current portion of notes and contracts payable	(4,800)	
Current portion of lease	(1,260)	
Current portion of long-term payable to DDA	(4,800)	
Current portion of employee benefits	(24,775)	
Long-term bonds payable	(1,433,240)	
Long-term contracts and notes payable	(24,000)	
Long-term portion of lease	-	
Long-term payable to DDA	(30,000)	
Long-term portion of employee benefits	(154,947)	
Deferred gain on refunding	(382,214)	
Accrued interest on bonds	<u>(11,339)</u>	<u>(2,209,055)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 5,548,235	
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The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2024

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,223,120	\$ -	\$ -	\$ -	\$ 5,174	\$ 1,228,294
Licenses and permits	39,980	-	-	-	-	39,980
Federal grants	11,880	-	-	89,300	-	101,180
Intergovernmental revenues	873,601	469,682	141,923	-	1,614	1,486,820
Charges for services	736,456	-	-	-	-	736,456
Fines and forfeits	3,366	-	-	-	-	3,366
Interest income	49,742	6,461	488	-	782	57,473
Other revenues	91,431	-	-	-	-	91,431
TOTAL REVENUES	3,029,576	476,143	142,411	89,300	7,570	3,745,000
EXPENDITURES:						
Current operations:						
General government	649,157	-	-	-	-	649,157
Public safety	706,765	-	-	-	-	706,765
Public works	654,347	392,651	110,038	646,483	-	1,803,519
Community and economic development	67,203	-	-	-	-	67,203
Recreation and culture	470,271	-	-	-	-	470,271
Debt service:						
Principal retirement	-	-	-	-	147,040	147,040
Interest and fiscal charges	-	-	-	-	32,587	32,587
TOTAL EXPENDITURES	2,547,743	392,651	110,038	646,483	179,627	3,876,542
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	481,833	83,492	32,373	(557,183)	(172,057)	(131,542)
OTHER FINANCING SOURCES (USES):						
Proceeds from borrowing	-	-	-	175,000	-	175,000
Transfers in	30,000	-	-	516,452	179,627	726,079
Transfers (out)	(289,515)	(121,600)	-	-	-	(411,115)
TOTAL OTHER FINANCING SOURCES (USES)	(259,515)	(121,600)	-	691,452	179,627	489,964
CHANGE IN FUND BALANCE	222,318	(38,108)	32,373	134,269	7,570	358,422
Fund balance, beginning of year	2,415,450	625,555	41,871	209,083	74,794	3,366,753
FUND BALANCE, END OF YEAR	\$ 2,637,768	\$ 587,447	\$ 74,244	\$ 343,352	\$ 82,364	\$ 3,725,175

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

City of Munising, Michigan

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

For the Fiscal Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds		\$ 358,422
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlays	\$ 355,394	
Depreciation and amortization expense	<u>(470,135)</u>	(114,741)
Governmental funds do not report long-term lease receivables or amounts related to deferred inflows for leases.		
Change in long-term lease receivables	(4,681)	
Change in deferred amounts for leases	<u>4,636</u>	(45)
Repayment of principal on bonds, notes, and lease liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bonds	189,310	
Leases	<u>1,635</u>	190,945
Reduction of the Advance from Component Unit is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		6,200
Proceeds from the debt issues are an other financing source in the funds, but a debt issue increases to long-term liabilities in the statement of net position.		-
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,244
Deferred gain on refunding bonds is not recorded as revenue on governmental funds when incurred. However, for governmental activities it is shown in the statement of net position and amortized over the life of the bond.		
Amortization of deferred gain on refunding	<u>33,236</u>	33,236
In the capital project fund - the activity of the water/sewer project are recorded as revenue - loan proceeds and capital outlay expenditures. However, part of this activity is transferred to the Sewer Fund and Water Fund and recorded as loan payable and capital assets. Therefore this revenue and expenditure are not reported in governmental statement of activities		
Loan Proceeds	(175,000)	
Grant Proceeds	-	
Capital Outlay	<u>175,000</u>	-
Some expenses reported in the statement of activities, such as employee benefits are not reported as expenditures in governmental funds.		(30,452)
Net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		(63,930)
Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.		
Change in net position	81,446	
Capital Outlays	(102,227)	
Depreciation expense	112,165	
Principal payments on long-term debt	(47,070)	
Reduction of Advance from Component Unit	(1,400)	
Change in employee benefits	<u>1,370</u>	44,284
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 425,163	

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

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

June 30, 2024

	Business- Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,664,716	\$ 1,006,528	\$ 243,871	\$ 2,915,115	\$ 106,925
Accounts receivable	188,098	112,155	1,556	301,809	-
Due from other governmental units	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advance to other funds	26,891	-	-	26,891	-
Prepaid expenses	9,383	6,342	493	16,218	1,266
Non-current Assets:					
Restricted cash	888,745	594,509	-	1,483,254	-
Advance to other funds	259,930	-	-	259,930	-
Capital Assets:					
Land and construction in progress	41,048	314,084	77,677	432,809	20,000
Other capital assets, net	13,434,600	8,805,966	3,125,082	25,365,648	1,206,777
TOTAL ASSETS	16,513,411	10,839,584	3,448,679	30,801,674	1,334,968
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension	50,503	84,229	-	134,732	14,298
Employer contributions subsequent to measurement date	74,402	60,193	-	134,595	14,031
Deferred amount on bond refunding	47,970	35,341	-	83,311	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	172,875	179,763	-	352,638	28,329
LIABILITIES					
Current Liabilities:					
Cash overdrafts	-	-	-	-	-
Accounts payable	12,953	10,111	-	23,064	-
Accrued salaries	10,950	6,410	3,690	21,050	2,446
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Non-current Liabilities:					
Portion due or payable within one year:					
Bonds payable	292,120	213,960	-	506,080	9,240
Notes payable	8,200	5,600	-	13,800	39,900
Advance from other funds	-	-	26,891	26,891	-
Advance from component unit	8,200	5,600	-	13,800	1,400
Employee benefits	6,289	3,189	-	9,478	214
Portion due or payable after one year:					
Bonds payable	8,300,160	7,000,280	-	15,300,440	47,320
Premium on Bonds	170,388	64,406	-	234,794	-
Notes payable	41,000	28,000	-	69,000	129,000
Advance from other funds	-	-	259,930	259,930	-
Advance from component unit	51,250	35,000	-	86,250	8,750
Employee benefits	46,159	29,798	-	75,957	2,100
Net pension liability	866,980	765,952	-	1,632,932	184,675
TOTAL LIABILITIES	9,814,649	8,168,306	290,511	18,273,466	425,045
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension	52,987	40,160	-	93,147	10,386
NET POSITION					
Net investment in capital assets	4,774,718	1,831,610	2,915,938	9,522,266	991,167
Restricted for:					
Advance to other funds	286,821	-	-	286,821	-
USDA bond reserves	89,656	275,764	-	365,420	-
Capital improvement	799,049	311,326	-	1,110,375	-
Unrestricted	868,406	392,181	242,230	1,502,817	(63,301)
TOTAL NET POSITION	\$ 6,818,650	\$ 2,810,881	\$ 3,158,168	\$ 12,787,699	\$ 927,866

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

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
OPERATING REVENUES:					
Charges for services	\$ 1,841,242	\$ 1,167,536	\$ 169,578	\$ 3,178,356	\$ -
Rents and royalties	-	-	-	-	503,021
Other operating revenue	967	3,932	2,454	7,353	19,486
TOTAL OPERATING REVENUES	1,842,209	1,171,468	172,032	3,185,709	522,507
OPERATING EXPENSES:					
Sewer collection and treatment	855,944	-	-	855,944	-
Transmission and distribution	-	620,632	-	620,632	-
Administrative and general	94,372	96,625	154,563	345,560	433,110
Depreciation	483,142	259,456	133,485	876,083	112,165
TOTAL OPERATING EXPENSES	1,433,458	976,713	288,048	2,698,219	545,275
OPERATING INCOME (LOSS)	408,751	194,755	(116,016)	487,490	(22,768)
NON-OPERATING REVENUES (EXPENSES):					
Interest income	32,936	17,243	1,767	51,946	1,050
Interest expense	(206,143)	(129,456)	(4,020)	(339,619)	(6,724)
Gain (loss) on sale of assets	-	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(173,207)	(112,213)	(2,253)	(287,673)	(5,674)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	235,544	82,542	(118,269)	199,817	(28,442)
Federal grants for capital asset	89,300	-	-	89,300	-
State grants for capital assets	-	-	-	-	-
Capital contributions	174,019	126,512	8,945	309,476	-
Transfers from local units for debt	70,000	30,000	-	100,000	-
Transfers in	-	-	-	-	284,693
Transfers (out)	(302,502)	(122,350)	-	(424,852)	(174,805)
CHANGE IN NET POSITION	266,361	116,704	(109,324)	273,741	81,446
Net position, beginning of year	6,552,289	2,694,177	3,267,492	12,513,958	846,420
NET POSITION, END OF YEAR	\$ 6,818,650	\$ 2,810,881	\$ 3,158,168	\$ 12,787,699	\$ 927,866

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

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

For the Fiscal Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from fees and charges for services	\$ 1,846,221	\$ 1,166,510	\$ 168,130	\$ 3,180,861	\$ 503,021
Other operating revenues	967	3,932	2,454	7,353	(514)
Cash payments to employees for services	(557,803)	(414,907)	(50,045)	(1,022,755)	(115,201)
Cash payments to suppliers for goods and services	(334,877)	(248,309)	(111,197)	(694,383)	(306,072)
NET CASH PROVIDED BY OPERATING ACTIVITIES	954,508	507,226	9,342	1,471,076	81,234
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Increase (decrease) in cash overdraft	-	-	-	-	(67,529)
(Increase) decrease in advance to other funds	13,179	-	-	13,179	-
Payments from (to) other funds	(302,502)	(122,350)	-	(424,852)	109,888
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	(289,323)	(122,350)	-	(411,673)	42,359
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(450,726)	(360,377)	(8,945)	(820,048)	(102,227)
Federal grants for capital assets	89,300	-	-	89,300	-
State grants for capital assets	-	-	-	-	-
Capital contributions	174,019	126,512	8,945	309,476	-
Net book value of disposed assets	-	-	-	-	-
Net proceeds from borrowings	-	175,000	-	175,000	-
Proceeds from refunding bonds	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Deferred amounts on refunding	-	-	-	-	-
Premium on bond issuance	-	-	-	-	-
Payments on advance from other funds	-	-	(13,179)	(13,179)	-
Transfers from local units for debt	70,000	30,000	-	100,000	-
Transfers to DDA component unit for debt	(8,200)	(5,600)	-	(13,800)	(1,400)
Principal payments on revenue bonds and notes payable	(294,910)	(211,280)	-	(506,190)	(47,070)
Interest paid on debt	(211,244)	(130,667)	(4,020)	(345,931)	(6,724)
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(631,761)	(376,412)	(17,199)	(1,025,372)	(157,421)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	32,936	17,243	1,767	51,946	1,050
(Increase) decrease in restricted assets - net	(10,566)	(32,491)	-	(43,057)	20,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	22,370	(15,248)	1,767	8,889	21,050
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,794	(6,784)	(6,090)	42,920	(12,778)
Cash and cash equivalents, beginning of year	1,608,922	1,013,312	249,961	2,872,195	119,703
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,664,716	\$ 1,006,528	\$ 243,871	\$ 2,915,115	\$ 106,925
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 408,751	\$ 194,755	\$ (116,016)	\$ 487,490	\$ (22,768)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	483,142	259,456	133,485	876,083	112,165
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	4,979	(1,026)	(1,448)	2,505	-
(Increase) decrease in prepaid expenses	(675)	(595)	-	(1,270)	(29)
Increase (decrease) in accounts payable	1,150	592	(6,400)	(4,658)	-
Increase (decrease) in accrued salaries	721	1,256	(279)	1,698	394
Increase (decrease) in unearned revenue	-	-	-	-	(20,000)
Increase (decrease) in employee benefits	2,871	9,450	-	12,321	1,370
Increase (decrease) in net pension and related	53,569	43,338	-	96,907	10,102
NET ADJUSTMENTS	545,757	312,471	125,358	983,586	104,002
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 954,508	\$ 507,226	\$ 9,342	\$ 1,471,076	\$ 81,234

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

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City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2024

	Private- Purpose Trust Fund	Custodial Funds		
	Substandard Housing	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS				
Cash and cash equivalents	\$ 28,936	\$ 18,695	\$ 20,589	\$ 68,220
Due from others	-	-	-	-
TOTAL ASSETS	<u>28,936</u>	<u>18,695</u>	<u>20,589</u>	<u>68,220</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Due to others	-	-	20,589	20,589
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>20,589</u>	<u>20,589</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted for:				
Organizations and other governments	<u>28,936</u>	<u>18,695</u>	<u>-</u>	<u>47,631</u>
TOTAL NET POSITION	<u>\$ 28,936</u>	<u>\$ 18,695</u>	<u>\$ -</u>	<u>\$ 47,631</u>

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

City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Year Ended June 30, 2024

	Private- Purpose Trust Fund	Custodial Funds		
	Substandard Housing	Trust & Agency Fund	Tax Collection Fund	Total
ADDITIONS:				
Investment Income:				
Interest and dividends	\$ 273	\$ 17	\$ -	\$ 290
Net Investment Income (Loss)	<u>273</u>	<u>17</u>	<u>-</u>	<u>290</u>
Other Additions:				
Collections for organizations and other governments	-	-	-	-
Property tax collections for other governments	-	-	2,557,053	2,557,053
Total Other Additions	<u>-</u>	<u>-</u>	<u>2,557,053</u>	<u>2,557,053</u>
TOTAL ADDITIONS	<u>273</u>	<u>17</u>	<u>2,557,053</u>	<u>2,557,343</u>
DEDUCTIONS:				
Payments in accordance with trust agreements	-	-	-	-
Payments to organizations and other governments	-	1,130	-	1,130
Payments of property tax collections for other governments	-	-	2,557,053	2,557,053
TOTAL DEDUCTIONS	<u>-</u>	<u>1,130</u>	<u>2,557,053</u>	<u>2,558,183</u>
CHANGE IN NET POSITION	<u>273</u>	<u>(1,113)</u>	<u>-</u>	<u>(840)</u>
Net position, beginning of year	<u>28,663</u>	<u>19,808</u>	<u>-</u>	<u>48,471</u>
NET POSITION, END OF YEAR	<u><u>\$ 28,936</u></u>	<u><u>\$ 18,695</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 47,631</u></u>

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

City of Munising, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF NET POSITION

June 30, 2024

	Downtown Development Authority	Landfill Authority	Housing Commission	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 296,845	\$ 1,303	\$ 534,016	\$ 832,164
Investments	-	-	-	-
Receivables, net	3,156	4,435	8,650	16,241
Prepaid expenses	-	-	7,031	7,031
Non-current Assets:				
Cash and cash equivalents - restricted	3,887	1,094	28,587	33,568
Loan receivable	-	-	-	-
Advance to primary government	145,000	-	-	145,000
Capital Assets:				
Land and construction in progress	81,050	-	60,022	141,072
Other capital assets, net	958,255	-	822,650	1,780,905
TOTAL ASSETS	1,488,193	6,832	1,460,956	2,955,981
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts payable	-	-	42,753	42,753
Accrued liabilities	492	-	19,959	20,451
Due to other governments	-	-	-	-
Tenant security deposits	-	-	28,587	28,587
Unearned revenue	-	-	2,337	2,337
Non-current Liabilities:				
Portion due or payable within one year:				
Bond payable	55,000	-	-	55,000
Employee benefits	-	-	-	-
Portion due or payable after one year:				
Bond payable	300,000	-	-	300,000
Employee benefits	-	-	26,750	26,750
TOTAL LIABILITIES	355,492	-	120,386	475,878
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION				
Net investment in capital assets	894,305	-	882,672	1,776,977
Restricted	145,000	-	-	145,000
Unrestricted	93,396	6,832	457,898	558,126
TOTAL NET POSITION	\$ 1,132,701	\$ 6,832	\$ 1,340,570	\$ 2,480,103

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

City of Munising, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2024

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Landfill Authority	Housing Commission	Total
Downtown Development Authority Operations	\$ 366,884	\$ -	\$ 4,519	\$ -	\$ (362,365)	\$ -	\$ -	\$ (362,365)
Landfill Authority Operations	19,983	20,429	-	-	-	446	-	446
Housing Commission Operations	781,880	384,505	295,758	-	-	-	(101,617)	(101,617)
TOTAL COMPONENT UNITS	\$ 1,168,747	\$ 404,934	\$ 300,277	\$ -	(362,365)	446	(101,617)	(463,536)
General Revenues:								
Property taxes					471,019	-	-	471,019
Interest and investment earnings					6,656	62	11,205	17,923
Gain / (loss) on sale of assets					-	-	500	500
Miscellaneous					250	-	70,335	70,585
TOTAL GENERAL REVENUES					477,925	62	82,040	560,027
CHANGE IN NET POSITION					115,560	508	(19,577)	96,491
Net position, beginning of year					1,017,141	6,324	1,360,147	2,383,612
NET POSITION, END OF YEAR					\$ 1,132,701	\$ 6,832	\$ 1,340,570	\$ 2,480,103

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

CITY OF MUNISING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Munising, Michigan (the City) conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

Description

The City was chartered in 1915 under Public Act 279 of 1909, as amended, as a home rule city and is located in Alger County, Michigan. The City operates under a Commission (five member) - Manager Form of government. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed in the footnotes to the financial statements are included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and marina services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Debt Service Funds* – Debt Service Funds are used to account for the payment of interest and principal on long-term debt obligations.
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- *Internal Service Funds* – Internal Service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.
- The **Capital Projects Fund** accounts for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.
- The **Marina Fund** accounts for the activities related to operation of the Marina.

The City's internal service funds are presented in the proprietary funds' financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF ACCOUNTING

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

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds and private-purpose trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, employee benefits (accrued vacation and sick leave), and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the second Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of the City Charter.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

4. The City Commission adopts the budget by functional categories in the general fund and by total fund level for special revenue funds. Any transfers of appropriations between functions must be approved by the City Commission. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each fund's method of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The fair value measurements of investments are based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Investments

Investments are carried at market value.

Inventory

Inventory costs are recorded as expenditures when incurred.

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

	Depreciation Life – Years
Buildings and improvements	40 – 50
Land improvements	20 – 30
Plants, hydrants and tank	50 – 60
Water, sewer mains and meters	10 – 50
Equipment and Vehicles	5 – 15
Infrastructure	20 – 50

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to July 1, 2003.

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Noncurrent portions of long-term interfund loans receivable are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its Pension Plan.

The City's Defined Benefit Pension Plan has a plan year of January 1 to December 31 while the City has a fiscal year of July 1 to June 30. Under GASB 71, the contributions made to the plan subsequent to the measurement date are reported as deferred outflows of resources.

Deferred amount on bond refunding reported in the Statement of Net Position. A deferred amount on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Liabilities

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

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

Employee Benefits

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Defined Benefit 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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the following in this category.

The government reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

Deferred amount on bond refunding reported in the Statement of Net Position. A deferred amount on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The government reports deferred inflows of resources for lease transactions in which the City is a lessor for revenues that apply to future periods.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes attach as an enforceable lien on property as of July 1st. Taxes are levied not later than July 1st and are payable by August 20th without penalty.

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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 affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include but are not limited to the accounts receivable allowance for doubtful accounts, the useful lives of depreciable capital assets, the assumptions used to estimate accrued employee compensated absences, the assumptions based on historical trends and industry standards used in the actuarial valuations of the MERS pension plans, and the present value calculations for the leased assets and deferred inflows related to capital leases.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 18, 2024 the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:

Discretely Presented Component Units

The component unit column in the Statement of Net Position includes the financial data for the Downtown Development Authority/TIF District, the Landfill Authority, and the Munising Housing Commission. They are reported in a separate column to emphasize that they are legally separate from the City.

The purpose of the Downtown Development Authority/TIF entity is to foster development of the Downtown Business District. The purpose of the Landfill Authority is to control revenues and incur expenditures in connection with the Munising Landfill Closure. The purpose of the Munising Housing Commission is to provide low income housing programs to City residents.

The presentation of the financial statements of the Downtown Development Authority/TIF district and the Landfill Authority are complete, and there is no separately issued report for these entities.

The Munising Housing Commission issues a separate report. A complete financial statement for the Munising Housing Commission can be obtained directly from its Administrative Office at:

Munising Housing Commission
Administrative Office
200 City Park Drive OFC
Munising, Michigan, 49862

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Munising Public Schools are not included in the financial statements of the City.

NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents reported on the statement of net position are as follows:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and cash equivalents:				
Unrestricted	\$6,684,803	\$832,164	\$68,220	\$7,585,187
Restricted	1,628,281	33,568	-	1,661,849
Subtotal	<u>8,313,084</u>	<u>865,732</u>	<u>68,220</u>	<u>9,247,036</u>
Investments				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,313,084</u>	<u>\$865,732</u>	<u>\$68,220</u>	<u>\$9,247,036</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require, and the City does not have, a deposit policy for custodial credit risk. The carrying amount of the primary government, component units, and fiduciary funds deposits with financial institutions was \$9,247,036 and the bank balance was \$9,561,676. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the City in its name	\$1,503,593
Amount uninsured and collateralized with securities held by the pledging financial institutions trust department in the City's name	-
Amount uninsured and collateralized with securities held by the pledging financial institutions' trust department not in the City's name	500,000
Amount uninsured and uncollateralized	7,558,083
Total	<u>\$9,561,676</u>

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2024, the City had the following investments:

	Level	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Primary Government:						
None	1	\$-	\$-	\$-	\$-	\$-
TOTAL		<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

		Investment Maturities (in years)				
	Level	Fair Value	Less than 1	1-5	6-10	More than 10
Component Unit:						
None	1	\$-	\$-	\$-	\$-	\$-
TOTAL		\$-	\$-	\$-	\$-	\$-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The City has no investment policy that would further limit its investment choices.

NOTE D – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:

Receivables as of year-end for the government's individual major funds and aggregate non-major, internal service, and fiduciary funds, including applicable allowances for uncollectible accounts, are as follows:

Type	Governmental Activities	Business- Type Activities	Total Primary Government
Utilities receivable	\$-	\$301,809	\$301,809
Other receivables	12,033	-	155,033
Due from other government units	107,080	-	107,080
Delinquent property taxes	16,734	-	16,734
State grants receivable	-	-	-
Federal grants receivable	143,000	-	143,000
Total	<u>\$278,847</u>	<u>\$301,809</u>	<u>\$580,656</u>

Receivable balances have been disaggregated by type and presented separately on the financial statements. Only receivables with allowances uncollectible accounts as of June 30, 2024, including applicable allowances for uncollectible accounts, are presented as follows:

Gross utilities receivable	\$301,809
Less: allowance for uncollectible accounts	-
Net receivable	<u>\$301,809</u>

NOTE E – LEASES RECEIVABLE:

Lease Receivable

The City leases several of the lots in its Industrial Park to various businesses. The assets leased include land and building space. These agreements qualify as long-term agreements as the City will not surrender control of the assets at the end of the term and the noncancelable term of the agreement surpasses one year. Payments are generally fixed annual payments of \$1,200. The present values are discounted using an interest rate of 2.68 percent based on the City's borrowing rate. Below is a summary of these agreements.

<u>Lease</u>	<u>Term</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Industrial Park – Lot #1	56 months	\$1,240	\$1,094	\$65
Industrial Park – Lot #3	60 months	1,265	1,184	66
Industrial Park – Lot #4	56 months	3,621	1,191	85
Industrial Park – Lot #7	55 months	2,473	1,167	97
	Totals	<u>\$8,599</u>	<u>\$4,636</u>	<u>\$313</u>

NOTE F – RESTRICTED ASSETS:

General Fund

Restricted Cash – At the end of the year, the restricted balance for the Playground Project is \$10,291 and the balance for federal grants is \$123,400.

Capital Projects Fund

Restricted Cash – At the end of the year, the restricted balance for the USDA Sewer Project and USDA Water Project is \$0, and \$11,336, respectively.

Proprietary Funds

Certain resources set aside for the repayment of debt proceeds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Other resources have been internally designated by the City for future capital improvement projects. A summary of restricted balances for the Sewer and Water Funds as of June 30, 2024 are follows:

		Sewer	
		Required Balance	Actual Cash Balance
<u>USDA Bond Reserves</u>			
These accounts are required to be funded in accordance with the USDA bond agreement(s).			
I. Bond Interest and Redemption Accounts:			
(a) 2020 Sewer Bond, ½ of interest due on next payment and not less than ¼ of the principal due the next year.		\$5,160	\$5,200
II. Bond Reserve Accounts:			
(a) 2020 Sewer Bond, \$2,124 per year up to \$21,240		8,496	8,496
* III. Repair, Replacement & Improvement Reserve Account:			
(a) 2020 Sewer Bond, \$19,000 annually, beginning with fiscal year 2020/2021; no maximum		76,000	76,000
USDA Subtotal		89,656	89,696
<u>Other Restrictions</u>			
These accounts are related to other internal restrictions.			
IV. Capital Improvement – internal restriction for future capital project costs.		799,049	799,049
V. Advance to Other Funds – the funds advance to the Marina Fund are not available for other purposes, therefore, these amounts are presented as “restricted”.		286,821	-
Total		<u>\$1,175,526</u>	<u>\$888,745</u>

NOTE F – RESTRICTED ASSETS (Continued):

		Water	
		Required Balance	Actual Balance
<u>USDA Bond Reserves</u>			
These accounts are required to be funded in accordance with the USDA bond agreement(s).			
I. Bond Interest and Redemption Accounts:			
(a) 2014 Water Bond, ½ of interest due on next payment and not less than ¼ of the principal due the next year.		\$7,581	\$15,000
(b) 2020 Water Bond, ½ of interest due on next payment and not less than ¼ of the principal due the next year.		31,465	31,465
II. Bond Reserve Accounts:			
(a) 2014 Water Bond, \$3,000 per year up to \$30,000		30,000	30,000
(b) 2020 Water Bond, \$18,180 per year up to \$181,800		72,720	72,720
* III. Repair, Replacement and Improvement Reserve Account:			
(a) 2014 Water Bond, \$12,333 annually, beginning with fiscal year 2014/2015; no maximum		123,330	123,330
(b) 2020 Water Bond, \$2,667 annually, beginning with fiscal year 2020/2021; no maximum		10,668	10,668
USDA Subtotal		<u>275,764</u>	<u>283,183</u>
<u>Other Restrictions</u>			
These accounts are related to other internal restrictions.			
VI. Capital Improvement – internal restriction for future capital project costs.		311,326	311,326
Total		<u>\$587,090</u>	<u>\$594,509</u>

* Funds held within these accounts may be used for repairs, replacement, or improvements to the sewer or water system as applicable (i.e. “allowable expenditures”). Below is a reconciliation of the required balances:

	2020 Sewer Bond	2014 Water Bond	2020 Water Bond
Annual RRI amount	\$19,000	\$12,333	\$2,667
Times: Years of contributions	4	10	4
Subtotal	76,000	123,330	10,668
Less: Allowable expenditures	-	-	-
Required Balance	<u>\$76,000</u>	<u>\$123,330</u>	<u>\$10,668</u>

NOTE G – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS IN/OUT:

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Fund</u>	<u>Due To Other Funds</u>
Not Applicable	<u>\$-</u>	Not Applicable	<u>\$-</u>

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

The interfund transfers for the year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
		Sewer Fund	\$15,000
		Water Fund	15,000
General Fund	\$30,000	Subtotal	<u>30,000</u>
		Major Street Fund	121,600
		Sewer Fund	287,502
		Water Fund	107,350
Capital Projects Fund	516,452	Subtotal	<u>516,452</u>
		General Fund	46,188
		Municipal Building Fund	133,439
Non-major governmental	179,627	Subtotal	<u>179,627</u>
		General Fund	243,327
		Motor Pool Fund	41,366
Internal Service Funds	<u>284,693</u>	Subtotal	<u>284,693</u>
Total Primary Government	<u>\$1,010,772</u>	Total Primary Government	<u>\$1,010,772</u>

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

NOTE H – LONG-TERM ADVANCES TO/FROM OTHER FUNDS:

Advances within Primary Government

During fiscal year 2023, the City was awarded a Michigan Department of Natural Resources Waterways grant for reconstruction of the Munising Bay Boater Access Site (i.e. Brown's Addition Boat Launch). The grant requires the City to appropriate 50% of the overall project costs (estimated at \$800,000). To meet the local funding requirements, the Marina Fund borrowed \$300,000 from the Sewer Fund Leachate account at an interest rate of 2.68% per annum. The Marina Fund is scheduled to start making semi-annual payments of \$17,199, including interest, beginning in June 2024 and continuing through September 2033. The outstanding balance as of June 30, 2024, is \$286,821.

Advances from DDA to Primary Government

During fiscal year 2014, the DDA secured a bond in the amount of \$315,000 to be used to finance a portion of the City's Energy Project that is within the DDA's development area. The City's Capital Project's fund recorded \$315,000 in funds from the DDA. Upon completion of the project in fiscal year 2017 the amount owed to the DDA was split among the applicable funds affected by the Energy Improvement Project. As appropriate, an advance from the DDA is shown as a liability in the applicable funds. The amounts outstanding as of June 30, 2024, are as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental Activities:					
General Fund	\$39,600	\$-	(\$4,800)	\$34,800	\$4,800
Municipal Building	3,300	-	(400)	2,900	400
Motor Pool	8,250	-	(1,000)	7,250	1,000
Subtotal	51,150	-	(6,200)	44,950	6,200
Business-type Activities:					
Sewer Fund	67,650	-	(8,200)	59,450	8,200
Water Fund	46,200	-	(5,600)	40,600	5,600
Subtotal	113,850	-	(13,800)	100,050	13,800
Total	\$165,000	\$-	(\$20,000)	\$145,000	\$20,000

The advance to/from other funds will be reduced in conjunction with the DDA's principal payments on the debt.

NOTE I – CAPITAL ASSETS:

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$20,000	\$-	\$-	\$20,000
Construction in progress	99,940	70,952	(99,940)	70,952
Subtotal	119,940	70,952	(99,940)	90,952
Capital assets being depreciated/amortized:				
Land improvements	963,927	197,280	-	1,161,207
Buildings and improvements	4,811,480	14,427	-	4,825,907
Infrastructure	4,757,136	162,675	-	4,919,811
Equipment and vehicles	3,292,702	10,000	-	3,302,702
Leased equipment	6,637	-	-	6,637
Subtotal	13,831,882	384,382	-	14,216,264
Total Capital Assets	13,951,822	455,334	(99,940)	14,307,216
Less accumulated depreciation/amortization:				
Land improvements	(326,913)	(54,901)	-	(381,814)
Buildings and improvements	(1,895,496)	(121,002)	-	(2,016,498)
Infrastructure	(1,518,665)	(205,130)	-	(1,723,795)
Equipment and vehicles	(2,727,329)	(87,775)	-	(2,815,104)
Leased equipment	(4,314)	(1,327)	-	(5,641)
Total Accumulated Depreciation	(6,472,717)	(470,135)	-	(6,942,852)
Capital Assets, net	\$7,479,105	(\$14,801)	(\$99,940)	\$7,364,364

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General governmental	\$169,366
Public safety	45,503
Public works	66,821
Recreation and culture	76,280
Internal service funds charged to above activities	112,165
Total Depreciation Expense	<u>\$470,135</u>

Construction in Progress**Tourist Park Wells**

In the summer of 2022, the City began work on installing new wells and pumping system at Tourist Park Campground. There were various delays throughout the course of the project, but in the fall of 2023 the project was completed. Accordingly, the \$99,940 of project costs included in construction in progress were placed into service in the current year; total cost of the project was \$109,480.

NOTE I – CAPITAL ASSETS (Continued):*Cemetery Fencing*

As part of the City's Capital Improvement Plan the fencing at Maple Grove Cemetery was identified as needing of replacement; the proposed budget for the project was \$50,000. In the spring of 2024, the City began the fencing replacement project, which was completed in the fall. As of June 30, 2024, the City had incurred costs of \$13,250 related to this project.

Washington Street Project

During the fiscal year, the City began preliminary planning and engineering work on the Washington Street project. This project includes utility replacements for water and sewer along with street resurfacing. This project will be funded partially through Congressionally Direct Spending (CDS) funds and USDA Rural Development grants and loans. The City must front the costs associated with the preliminary engineering and application functions prior to the final approval and closing on any grant or loan dollars. The Major Street Fund's portion of these preliminary costs was \$121,600, which was transferred to the Capital Projects Fund. The total governmental activities portion of the project is approximated to be \$1,898,566. As of June 30, 2024, the City had incurred costs of \$57,702 related to this project.

A summary of changes in business-type activities capital assets is as follows:

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$12,275	\$-	\$-	\$12,275
Construction in progress	5,787,810	351,802	(5,719,078)	420,534
Subtotal	5,800,085	351,802	(5,719,078)	432,809
Capital assets being depreciated:				
Sewer plant and equipment	20,301,832	2,820,359	-	23,122,191
Water plant and equipment	10,978,910	3,366,965	-	14,345,875
Marina / Harbor Master building	4,545,068	-	-	4,545,068
Subtotal	35,825,810	6,187,324	-	42,013,134
Total Capital Assets	41,625,895	6,539,126	(5,719,078)	42,445,943
Less accumulated depreciation:				
Sewer plant and equipment	(9,204,449)	(483,142)	-	(9,687,591)
Water plant and equipment	(5,280,453)	(259,456)	-	(5,539,909)
Marina / Harbor Master building	(1,286,501)	(133,485)	-	(1,419,986)
Total Accumulated Depreciation	(15,771,403)	(876,083)	-	(16,647,486)
Capital Assets, net	\$25,854,492	\$5,663,043	(\$5,719,078)	\$25,798,457

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Sewer system	\$483,142
Water system	259,456
Marina	133,485
Total Depreciation Expense	<u>\$876,083</u>

NOTE I – CAPITAL ASSETS (Continued):

Construction in Progress

M-28 USDA Sewer and Water System Improvement Project

In 2022, the City secured loan and grant funding the US Department of Agriculture's Rural Development office to make Sewer and Water infrastructure upgrades through the M-28 corridor. Costs related to this project are being accounted for in the Capital Projects Fund. The assets and corresponding debt will be recorded in the appropriate fund.

The Sewer Improvement portion of the project is budgeted at a total cost of \$2,500,000 and is being funded with \$648,000 in the form of a federal loan and \$2,500,000 in the form of a federal grant. The City has finished construction on the project in the current year. Accordingly, the \$2,451,728 included in construction in progress was placed into service for a total project cost of the \$2,632,952.

The Water Improvement portion of the project is budgeted at a total cost of \$4,650,000 and funded solely by a federal loan. The actual cost came in under budget at and the \$3,308,397 of project costs included in construction in progress was placed into service in the current year. The residual unspent loan proceeds will be utilized for other additional infrastructure projects that were identified in the preliminary engineering report that accompanied the City's funding application.

Varnum Street – Water Main Replacement

In the spring the City began a project to replace the water main along Varnum Street. This project consists of the installation of roughly two blocks of 12-inch watermain. Once completed, the 12-inch main will run for the central water tank all the way to Browns Addition to provide sufficient flow and velocity for the west end of the City. Additional work was required at the Lynn/Varnum intersection due to the lack of a 12-inch connection not being installed as part of the original 2008 project. This project will be covered by the remaining USDA Rural Development Water Loan. The project started in the spring and was completed in the fall. As of June 30, 2024, the City had incurred costs of \$175,297 related to this project.

Brown's Addition Boater Access Site

In 2023, the City began conceptual design work for the Munising Boating Access Site (Brown's Addition Boat Launch). The estimated costs of the project is \$800,000 with \$400,000 being funded through a Michigan Department of Natural Resources Waterways Planning and Design grant and the remainder being funded through the Marina Fund. The project includes expansion of vehicle with trailer parking, pedestrian car parking, a launch apron, replacement of the docks with longer docks, and a potential fish cleaning station. As of June 30, 2024, the City reported project costs totaling \$77,677 as construction in progress.

Washington Street Project

During the fiscal year, the City began preliminary planning and engineering work on the Washington Street project. This project includes utility replacements for water and sewer along with street resurfacing. This project will partially be funded through Congressionally Direct Spending (CDS) funds and USDA Rural Development grants and loans. The City must front the costs associated with the preliminary engineering and application functions prior to the final approval and closing on any grant or loan dollars. The Sewer Fund and Water Fund's portions of these preliminary costs are \$143,550 and \$94,350, respectively, which was transferred to the Capital Projects Fund. The total business-type activities portion of the project

NOTE I – CAPITAL ASSETS (Continued):

is approximately \$2,18,132. Once USDA funds are secured the City can utilize those funds to reimburse the appropriate funding sources. As of June 30, 2024, the Sewer Fund and Water Fund reported construction in progress of \$41,048 and \$38,116, respectively.

In-ground Water Tank Roof

As part of the City's Capital Improvement Plan the roofing membranes of the three in-ground water storage tanks were identified as needing replacement. The existing membranes are thought to be original dating back 30 to 50 years. All three tanks are slated to be replaced concurrently to save on travel and material price. The proposed budget for the project was \$123,000. This project will be covered by the remaining USDA Rural Development Water Loan. The project started in the spring and was completed in the fall. As of June 30, 2024, the City had incurred costs of \$88,396 related to this project.

A summary of Component Unit's capital assets is as follows:

	Downtown Development Authority	Landfill Authority	Housing Commission	Total
COMPONENT UNITS:				
Capital assets not being depreciated:				
Land	\$81,050	\$-	\$58,572	\$139,622
Construction in progress	-	-	1,450	1,450
Subtotal	81,050	-	60,022	141,072
Capital assets being depreciated:				
Land improvements	210,492	-	-	210,492
Buildings and improvements	-	-	4,916,820	4,916,820
Infrastructure	1,064,551	-	-	1,064,551
Equipment and vehicles	28,933	-	307,905	336,838
Subtotal	1,303,976	-	5,224,725	6,528,701
Total Capital Assets	1,385,026	-	5,284,747	6,669,773
Total Accumulated Depreciation	(345,721)	-	(4,402,075)	(4,747,796)
Capital Assets, net	<u>\$1,039,305</u>	<u>\$-</u>	<u>\$882,672</u>	<u>\$1,921,977</u>

Depreciation expense for the component units was charged to the following functions:

Component Units:	
Downtown Development Authority	\$62,085
Landfill Authority	-
Housing Commission	89,815
Total Depreciation Expense	<u>\$151,900</u>

NOTE J – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the government activities:

Description	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
PRIMARY GOVERNMENT:					
<i>GOVERNMENTAL ACTIVITIES:</i>					
Bonds:					
2020 Capital Improvement Refunding Bonds maturing semi- annually to September 2035 in annual amounts bearing interest of 1.88%	\$1,483,000	\$-	(\$106,000)	\$1,377,000	\$106,000
2021 GOLT Refunding Bonds maturing serially to October 2029 and bearing interest from 0.400% to 1.550%	291,090	-	(40,610)	250,480	40,920
Bonds Subtotal	1,774,090	-	(146,610)	1,627,480	146,920
<i>Direct Borrowings:</i>					
Notes:					
2013 Energy Installment loan maturing serially to October 2028 in annual variable amounts and bearing interest of 4.40%	43,400	-	(6,200)	37,200	6,200
Street Sweeper loan maturing serially to October 2024 in annual variable amounts and bearing interest of 4.37%	21,500	-	(10,500)	11,000	11,000
Snowplow loan maturing serially to September 2024 and bearing interest of 4.375%	33,500	-	(16,000)	17,500	17,500
Grader loan maturing serially to April 2035 and bearing interest of 2.375%	142,000	-	(10,000)	132,000	10,000
Direct Borrowings Subtotal	240,400	-	(42,700)	197,700	44,700
Leases:					
Copier lease	2,895	-	(1,635)	1,260	1,260
Leases Subtotal	2,895	-	(1,635)	1,260	1,260
Employee Benefits:					
Accrued vacation	47,811	1,987	-	49,798	6,017
Accrued sick leave	103,773	568	(31,603)	72,738	1,472
Other accrued benefits	-	73,500	(14,000)	59,500	17,500
Employee Benefits Subtotal	151,584	76,055	(45,603)	182,036	24,989
TOTAL GOVERNMENTAL ACTIVITIES	\$2,168,969	\$76,055	(\$236,548)	\$2,008,476	\$217,869

NOTE J – LONG-TERM DEBT (Continued):

2020 Capital Improvement Refunding Bonds

On October 15, 2020, the City issued \$1,742,000 in Capital Improvement Refunding Bonds, Series 2020 with an interest rate of 1.88% for the purpose of refunding the 2005 General Obligation Limited Tax Bonds and the 2010 General Obligation Limited Tax Bonds.

The refunding portion of the 2005 General Obligation Limited Tax Bonds net proceeds of \$551,906, were paid to the refund bond escrow agent. As a result, the 2005 issue bonds maturing 2023 through 2035 are considered defeased and the liability for those bonds has been removed from the Governmental Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$431,350 of the bonds outstanding are considered defeased.

The refunding portion of the 2010 General Obligation Limited Tax Bonds net proceeds of \$1,154,575, were paid to the refund bond escrow agent. As a result, the 2010 issue bonds maturing 2023 through 2040 are considered defeased and the liability for those bonds has been removed from the Governmental Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$1,065,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of \$498,540. This difference has been deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$289,545.

2021 General Obligation Limited Tax Refunding Bonds

On July 8, 2021, the City issued \$1,067,000 in General Obligation Limited Tax Refunding Bonds, Series 2022 with an interest rate ranging from 0.400% to 1.550% for the purpose of refunding the 2013 General Obligation Limited Tax Bonds.

The refunding portion of the 2013 General Obligation Limited Tax Bonds net proceeds of \$1,057,131, were paid to the refund bond escrow agent. As a result, the 2013 issue bonds maturing 2023 through 2029 are considered defeased and the liability for those bonds has been removed from the Governmental Activities and Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$850,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of \$30,869. This difference is considered immaterial to the financial statements as a whole and has been recognized in the year of refunding rather than deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$96,194.

NOTE J – LONG-TERM DEBT (Continued):**Lease Payable**

In March 2020, the City leased a photocopier for a term of 60 months with monthly payments of \$169.99. There was no stated interest rate in the lease agreement. For purposes of GASB 87 the City imputed the interest rate based on a net present value of the photo copier at the beginning of the lease term. This lease is not renewable, and the City does not intend to acquire the equipment at the end of the five years. The lease does not cover maintenance and supply, which is a separate contract and billed quarterly.

Governmental Activities - Debt Service Requirements

The annual requirements to pay principal and interest (exclusive of employee benefits) are as follows:

Fiscal Year	Bonds		Direct Borrowings		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$146,920	\$28,144	\$44,700	\$5,263	\$1,260	\$89
2026	152,920	25,827	18,750	4,091	-	-
2027	158,230	23,332	18,750	3,488	-	-
2028	157,850	20,654	18,750	2,886	-	-
2029	159,470	17,896	19,750	2,285	-	-
2030-2034	665,090	50,936	63,000	6,222	-	-
2035-2039	187,000	3,525	14,000	332	-	-
Totals	<u>\$1,627,480</u>	<u>\$170,314</u>	<u>\$197,700</u>	<u>\$24,567</u>	<u>\$1,260</u>	<u>\$89</u>

The following is a summary of long-term debt transactions of the business-type activities:

Description	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
PRIMARY GOVERNMENT:					
<i>BUSINESS-TYPE ACTIVITIES:</i>					
Bonds:					
2020A Sewage Disposal System Revenue Refunding Bonds maturing serially to March 2048 in variable amounts bearing interest from 2.00% to 4.00%	\$7,870,000	\$-	(\$220,000)	\$7,650,000	\$225,000
Premium on 2020A Sewer Bonds	177,488	-	(7,100)	170,388	-
2020A Water Supply System Revenue Refunding Bonds maturing serially to March 2048 in variable amounts bearing interest from 2.00% to 4.00%	2,940,000	-	(80,000)	2,860,000	85,000
Premium on 2020A Water Bonds	67,090	-	(2,684)	64,406	-
2021 GOLT Refunding Bonds maturing serially to October 2029 and bearing interest from 0.400% to 1.550%	647,910	-	(90,390)	557,520	91,080
Bonds Subtotal	<u>11,702,488</u>	<u>-</u>	<u>(400,174)</u>	<u>11,302,314</u>	<u>401,080</u>

NOTE J – LONG-TERM DEBT (Continued):

Description	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
PRIMARY GOVERNMENT:					
<i>BUSINESS-TYPE ACTIVITIES:</i>					
Direct Borrowings:					
Bonds:					
2014 Water Supply System Junior Lien Revenue Bond, maturing serially to September 2055 in annual variable amounts and bearing interest of 2.125%	\$689,000	\$-	(\$15,000)	\$674,000	\$16,000
2020 Sewage Disposal System Junior Lien Revenue Bond, maturing serially to February 2061 in annual variable amounts and bearing interest of 1.25%	624,000	-	(13,000)	611,000	13,000
2020 Water Supply System Junior Lien Revenue Bond, maturing serially to September 2060 in annual variable amounts and bearing interest of 1.125%	3,353,000	175,000	(74,000)	3,454,000	76,000
Bonds Subtotal	4,666,000	175,000	(102,000)	4,739,000	105,000
Contracts and Notes:					
2013 Energy Installment loan maturing serially to October 2028 in annual variable amounts and bearing interest of 4.40%	96,600	-	(13,800)	82,800	13,800
Notes Subtotal	96,600	-	(13,800)	82,800	13,800
Direct Borrowings Subtotal	4,762,600	175,000	(115,800)	4,821,800	118,800
Employee Benefits:					
Accrued vacation	29,274	11,104	-	40,378	4,854
Accrued sick leave	43,840	2,859	(1,642)	45,057	4,624
Employee Benefits Subtotal	73,114	13,963	(1,642)	85,435	9,478
TOTAL BUSINESS-TYPE ACTIVITIES	\$16,538,202	\$188,963	(\$517,616)	\$16,209,549	\$529,358

2020A Sewage Disposal System Revenue Refunding Bonds

On December 22, 2020, the City issued \$8,505,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2020A with an interest rate of ranging from 2.00% to 4.00% for the purpose of refunding the 2008 Sewage Disposal System Junior Lien Revenue Bonds, 2009 Sewage Disposal System Junior Lien Revenue Bonds, and the 2014 Sewage Disposal System Junior Lien Revenue Bonds.

The refunding portion of the 2008 Sewage Disposal System Junior Lien Revenue Bonds net proceeds of \$7,228,552, were paid to the refund bond escrow agent. As a result, the 2008 issue bonds maturing 2022 through 2048 are considered defeased and the liability for those bonds has

NOTE J – LONG-TERM DEBT (Continued):

been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$6,587,000 of the bonds outstanding are considered defeased.

The refunding portion of the 2009 Sewage Disposal System Junior Lien Revenue Bonds net proceeds of \$247,000, were paid to the refund bond escrow agent. As a result, the 2009 issue bonds maturing 2022 through 2049 are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$221,000 of the bonds outstanding are considered defeased.

The refunding portion of the 2014 Sewage Disposal System Junior Lien Revenue Bonds net proceeds of \$1,468,414, were paid to the refund bond escrow agent. As a result, the 2014 issue bonds maturing 2022 through 2055 are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$1,375,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of (\$55,966). This difference has been deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$1,877,555.

2020A Water Supply System Revenue Refunding Bonds

On December 22, 2020, the City issued \$3,190,000 in Water Supply System Revenue Refunding Bonds, Series 2020A with an interest rate of ranging from 2.00% to 4.00% for the purpose of refunding the 2008 Water Supply System Junior Lien Revenue Bonds and the 2009 Water Supply System Junior Lien Revenue Bonds.

The refunding portion of the 2008 Water Supply System Junior Lien Revenue Bonds net proceeds of \$3,106,085, were paid to the refund bond escrow agent. As a result, the 2008 issue bonds maturing 2022 through 2048 are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$2,811,000 of the bonds outstanding are considered defeased.

The refunding portion of the 2009 Water Supply System Junior Lien Revenue Bonds net proceeds of \$267,148, were paid to the refund bond escrow agent. As a result, the 2009 issue bonds maturing 2022 through 2049 are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

NOTE J – LONG-TERM DEBT (Continued):

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On June 30, 2024, \$240,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of (\$41,233). This difference has been deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$758,375.

Business-Type Activities – Debt Service Requirements

The annual requirements to pay principal and interest (exclusive of employee benefits) are as follows:

Fiscal Year	Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
2025	\$401,080	\$261,459	\$118,800	\$74,561
2026	416,080	248,374	124,250	72,510
2027	426,770	234,505	126,250	70,360
2028	443,150	220,039	129,250	68,176
2029	459,530	204,796	131,250	65,961
2030-2034	2,100,910	832,394	610,000	304,949
2035-2039	2,220,000	614,750	680,000	263,540
2040-2044	2,450,000	383,128	759,000	217,420
2045-2049	2,150,000	115,599	851,000	165,824
2050-2054	-	-	947,000	108,280
2055-2059	-	-	936,000	49,204
2060-2064	-	-	387,000	5,910
Totals	\$11,067,520	\$3,115,044	\$5,799,800	\$1,466,695
	234,794 [#]		(978,000) [*]	
	<u>\$11,302,314</u>		<u>\$4,821,800</u>	

[#]Premiums on bonds

^{*}Amount to be drawn on USDA Water Loan

The following is a summary of long-term debt transactions all component units:

Description	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
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COMPONENT UNITS:

DOWNTOWN DEVELOPMENT AUTHORITY:

Direct Borrowings:

2013 Downtown Development Bonds
maturing serially to October 2029 in
annual variable amounts and bearing
interest 3.70%

\$165,000	\$-	(\$20,000)	\$145,000	\$20,000
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NOTE J – LONG-TERM DEBT (Continued):

Description	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
COMPONENT UNITS:					
<i>DOWNTOWN DEVELOPMENT AUTHORITY:</i>					
Direct Borrowings:					
2022 Downtown Development Bonds maturing serially to October 2029 in annual variable amounts and bearing interest 2.68%	\$250,000	\$-	(\$40,000)	\$210,000	\$35,000
Subtotal	415,000	-	(60,000)	355,000	55,000
<i>LANDFILL AUTHORITY:</i>					
None	-	-	-	-	-
<i>MUNISING HOUSING COMMISSION:</i>					
Employee Benefits	22,462	9,725	(5,437)	26,750	-
TOTAL COMPONENT UNITS	\$437,462	\$9,725	(\$65,437)	\$381,750	\$55,000

Component Units – Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2024 (exclusive of employee benefits) are as follows:

Fiscal Year	Direct Borrowings	
	Principal	Interest
2025	\$55,000	\$10,154
2026	60,000	8,383
2027	60,000	6,521
2028	55,000	4,750
2029	60,000	2,979
2030	65,000	1,024
Totals	\$355,000	\$33,811

Employee Benefits

The City's employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the employee's years of service.

The following is a summary of employee benefits:

	Governmental Activities	Business-type Activities	Component Unit
Employee Benefits:			
Current portion	\$24,989	\$9,478	\$-
Long-term portion	157,047	75,957	26,750
Total employee benefits	\$182,036	\$85,435	\$26,750

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Manager or the City Commission may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2024, fund balances are composed of the following:

	Governmental Funds				Total
	General Fund	Major Special Revenue Funds	Major Capital Projects Fund	Non-major Funds	
Non-spendable:					
Prepays	\$34,927	\$-	\$-	\$-	\$34,927
Restricted:					
Playground Project	10,291	-	-	-	10,291
Federal Grants	123,400	-	-	-	123,400
Capital Projects	-	-	47,213	-	47,213
Sewer Project	-	-	-	-	-
Water Project	-	-	11,336	-	11,336
Transportation Funds	-	426,129	-	-	426,129
Police Training	-	-	-	7,035	7,035
Brownfield	-	-	-	39,003	39,003
Cemetery Trust	-	-	-	36,326	36,326
Subtotal	133,691	426,129	58,549	82,364	700,733
Committed:					
Brown's Addition	-	-	255,755	-	255,755
Subtotal	-	-	255,755	-	255,755

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

Governmental Funds					
	General Fund	Major Special Revenue Funds	Major Capital Projects Fund	Non-major Funds	Total
Assigned:					
Major Street	\$-	\$195,543	\$-	\$-	\$195,543
Local Street	-	40,019	-	-	40,019
Capital Projects	-	-	-	-	-
Subtotal	-	235,562	-	-	235,562
Unassigned	2,469,150	-	29,048	-	2,498,198
Total fund balances	<u>\$2,637,768</u>	<u>\$661,691</u>	<u>\$343,352</u>	<u>\$82,364</u>	<u>\$3,725,175</u>

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Manager through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

NOTE L – CONTINGENT LIABILITIES:

Risk Management

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 currently participates with other municipalities in the Michigan Municipal Liability and Property Pool, a public entity risk pool operating as a common risk management and insurance program. The City pays an annual premium for its general liability and real and personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Landfill Closure

Through 1991, the City, area municipalities and other entities operated a local landfill. The landfill is closed, and now it is undergoing the post closure process. Necessary costs are being paid by the users in proportion to the amount of tonnage disposed at the landfill. The City's portion was estimated at 26.25% of the total.

The costs of closure are approximated at \$2,423,994. Based on the distribution of 26.25%, the City would be responsible for \$631,140 of this amount. This amount includes engineering and design of the cap, construction of the cap and hydro geological study. The City issued \$650,000 in bonds during fiscal year 1996-1997 to finance its share of the costs. No further costs associated with the closure process are expected.

The post closure costs associated with contingency reserves and 30 years of monitoring and maintenance are estimated at \$836,000 with the City's portion being \$220,000. These costs are to be paid as incurred as part of the City's general operating budget. During the fiscal year ending June 30, 2024, the City paid \$5,266 for these post closure costs.

NOTE M – DEFINED BENEFIT PENSION PLAN:

General Information about the Pension Plan

Plan Description

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

Benefits Provided

	2023 Valuation		
	Gnrl Other: Closed Division	Police: Closed Division	Supervisors: Closed Division
Benefit Multiplier:	2.50% (80% max)	2.50% (80% max)	2.25% (80% max)
Normal Retirement Age:	60	60	60
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	50/25	50/25	50/25
Early Retirement (Reduced):	55/15	55/15	55/15
Final Average Compensation:	5 years	5 years	5 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0%	0%	0%
DC Plan for New Hires:	7/1/2019	7/1/2019	7/1/2019
Act 88:	Yes (Adopted 12/2/1970)	Yes (Adopted 12/2/1970)	Yes (Adopted 12/2/1970)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	4
Active employees	13
Total	49

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.

The contribution rates as a percentage of payroll as of December 31, 2023 valuation are as follows:

Division:	Employer	Employee
01-Gnrl Other	\$23,758	0.00%
02-Police	10,143	0.00%
10-Supervisor	9,307	0.00%

NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):

Net Pension Liability

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

Actuarial assumptions

The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity; in the long-term

Investment Rate of Return: 6.93%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	6.89%	4.13%	2.50%	2.63%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
	<u>100.0%</u>		<u>6.93%</u>		<u>4.43%</u>

Discount rate

The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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

NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):

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.

Changes in Net Pension Liability

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Changes in Net Pension Liability			
Balances as of 12/31/2022	\$11,897,343	\$6,354,957	\$5,542,386
Changes for the Year:			
Service Costs	108,713	-	108,713
Interest on Total Pension Liability	842,883	-	842,883
Changes in benefits	-	-	-
Difference between expected and actual experience	(290,240)	-	(290,240)
Changes in assumption	90,684	-	90,684
Employer Contributions	-	482,403	(482,403)
Employee Contributions	-	-	-
Net investment Income	-	700,081	(700,081)
Benefit payments, including employee refunds	(651,441)	(651,441)	-
Administrative expense	-	(14,859)	14,859
Other changes	1	-	1
Net Changes	100,600	516,184	(415,584)
Balances as of 12/31/2023	\$11,997,943	\$6,871,141	\$5,126,802

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18) or 1% higher (8.18%) than the current rate.

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability at 12/31/2023	\$5,126,802	\$5,126,802	\$5,126,802
Change in Net Pension Liability (NPL)	1,428,285	-	(1,196,093)
Calculated Net Pension Liability	\$6,555,087	\$5,126,802	\$3,930,709

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2024, the employer recognized pension expense of \$170,939. The employer 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	\$-	(\$145,120)
Differences in assumptions	45,342	-
(Excess) Deficit Investment Returns	333,640	-
Subtotal	378,982	(\$145,120)
Contributions subsequent to the measurement date*	237,414	
Total	\$616,396	

**The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2025.*

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)	
Plan Year Ended December 31,	Amount
2024	(\$40,186)
2025	119,832
2026	204,297
2027	(50,081)
2028	-
Thereafter	-
Total	\$233,862

Payable to Pension Plan

At June 30, 2024, the City reported a payable of \$39,569 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

NOTE N – DEFINED CONTRIBUTION PENSION PLAN:

Employees hired on or after 7/1/2019 are eligible to participated in the City's Defined Contribution Pension Plan. In a defined contribution pension plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. The City established the MERS Defined Contribution Plan in accordance with Plan Section 4 for its eligible employees as defined in the MERS Defined Contribution Adoption Agreement, but subject to the Municipal Employees' Retirement System of Michigan Plan Document and authorized by 1996 PA 220.

At June 30, 2024, there were 6 plan members. The City is required to contribute 8% of covered employees' gross earnings into the MERS Defined Contribution Plan. In accordance with these requirements, the City contributed \$40,415 during the current year. Plan members have the option to match up to 2% of covered earnings in a MERS pre-tax 457 plan. Employee contributions to the MERS pre-tax 457 plan were \$25,557 during the current year. The employees immediately vest in the MERS pre-tax 457 portion of the plan; however, for the defined contribution portion of the plan, employees fully vest after 5 years.

NOTE O – DEFERRED COMPENSATION PLAN:

The City of Munising offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all City employees and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The City's plans are administered by the International City Manager's Association (ICMA), and the Variable Annuity Life Insurance Company (VALIC). ICMA, as Plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA program.

The total amount contributed to the Plan for the year ended June 30, 2024 was \$18,532 which consisted of \$9,903 from the City and \$8,629, from employees.

NOTE P – SINGLE AUDIT:

During the fiscal year, the City expended less than \$750,000 in federal awards during the fiscal year; therefore, the City is not required to have an audit in accordance with the Uniform Guidance.

NOTE Q – TAX ABATEMENTS:

For financial reporting purposes, GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues.

For the fiscal year ended June 30, 2024, there were no significant tax abatements made by the City; additionally, no significant tax abatements were disclosed to the City by other governmental units.

NOTE R – NEW GASB STANDARDS:

Management of the City has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the City by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

None.

Other Recently Issued Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62*. GASB 100 will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). This statement is effective for periods beginning after June 15, 2023. The City does not have activities that meet the criteria for GASB 100; therefore, GASB 100 is not applicable to the City.

NOTE S – UNRESTRICTED NET POSITION DEFICIT:

In accordance with Public Act 140 of 1970, the City is required to file a deficit elimination plan for all funds that have a deficit at the end of the fiscal year. For purposes of determining if a fund is in a deficit position, the Michigan Department of Treasury's Local Audit and Finance Division issued Numbered Letter 2016-1. For governmental funds, "unrestricted fund balance" is the sum of the Committed, Assigned, and Unassigned balances.

For proprietary funds, fiduciary funds, and discretely presented component units the Department of Treasury created a deficit test for determining if a fund is in a deficit position and the deficit amount for which a deficit elimination plan must be submitted. The test is summarized as below:

Step 1: Does the "unrestricted net position" or "total net position" have a deficit? If both are "no", no plan is necessary. If one is "yes", is the "deferred inflows of resources minus taxes and special assessments receivable" greater than either deficit? If "yes", no plan is necessary. If "no", proceed to Step 2.

Step 2: Calculated current assets minus current liabilities. For this calculation, current liabilities should not include the current portion of long-term obligations. If the answer is positive, no plan is necessary. If the answer is negative, proceed to Step 3.

Step 3: Compare A) the larger deficit between the "unrestricted net position" and the "total net position", and B) current assets minus current liabilities.

Step 4: Submit a plan to eliminate the smaller deficit between A and B.

As of June 30, 2024, the City had an unrestricted net position deficit in the Motor Pool Fund totaling \$167,031. Current assets minus current liabilities is positive; therefore, a deficit elimination plan is not required for the Motor Pool Fund in the current year.

NOTE T – EXPENDITURES OVER APPROPRIATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a unit of government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

During the year ended June 30, 2024, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund:			
General government			
Clerk	\$186,864	\$190,428	(\$3,564)
Other general government	31,000	37,065	(6,065)

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REQUIRED SUPPLEMENTAL INFORMATION

City of Munising, Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT CONTRIBUTION PENSION PLAN

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

	Plan Year Ending December 31,				
	2023	2022	2021	2020	2019
Change in total pension liability					
Service cost	\$ 108,713	\$ 123,923	\$ 118,439	\$ 118,497	\$ 114,329
Interest	842,883	806,369	791,283	746,303	736,578
Differences between expected and actual experience	(290,240)	-	(38,629)	(17,734)	(23,873)
Changes in assumption	90,684	207,820	420,350	306,605	338,513
Benefit payments, including refunds of member contributions	(651,441)	(602,285)	(564,642)	(558,972)	(551,191)
Other changes	1	(1)	-	-	1
Net change in total pension liability	<u>100,600</u>	<u>535,826</u>	<u>726,801</u>	<u>594,699</u>	<u>614,357</u>
Total pension liability, beginning	<u>11,897,343</u>	<u>11,361,517</u>	<u>10,634,716</u>	<u>10,040,017</u>	<u>9,425,660</u>
Total pension liability, ending (a)	<u>11,997,943</u>	<u>11,897,343</u>	<u>11,361,517</u>	<u>10,634,716</u>	<u>10,040,017</u>
Change in plan fiduciary net position					
Contributions - employer	482,403	468,883	438,660	390,498	325,317
Contributions - employee	-	-	-	-	-
Net investment income	700,081	(751,354)	909,618	743,976	728,034
Benefit payments, including refunds of member contributions	(651,441)	(602,285)	(564,642)	(558,972)	(551,191)
Administrative expense	(14,859)	(13,340)	(10,435)	(11,818)	(12,534)
Other changes	-	(1)	-	1	-
Net change in plan fiduciary net position	<u>516,184</u>	<u>(898,097)</u>	<u>773,201</u>	<u>563,685</u>	<u>489,626</u>
Plan fiduciary net position, beginning	<u>6,354,957</u>	<u>7,253,054</u>	<u>6,479,853</u>	<u>5,916,168</u>	<u>5,426,542</u>
Plan fiduciary net position, ending (b)	<u>6,871,141</u>	<u>6,354,957</u>	<u>7,253,054</u>	<u>6,479,853</u>	<u>5,916,168</u>
City's net pension liability, ending (a) - (b)	<u>\$ 5,126,802</u>	<u>\$ 5,542,386</u>	<u>\$ 4,108,463</u>	<u>\$ 4,154,863</u>	<u>\$ 4,123,849</u>

Plan fiduciary net position as a percentage of the total pension liability	57.27%	53.41%	63.84%	60.93%	58.93%
Covered-employee payroll	\$ 810,589	\$ 900,655	\$ 953,626	\$ 973,194	\$ 951,644
City's net pension liability as a percentage of covered payroll	632.48%	615.37%	430.83%	426.93%	433.34%

Notes to Schedule:

Above amounts are based on measurement date, which may not necessarily tie to the fiscal year.

<i>Benefit changes:</i>	NONE	NONE	NONE	NONE	NONE
<i>Changes in assumptions:</i>	2023	2022	2021	2020	2019

2023 - For purposes of the calculation a discount rate of 7.25% was used for the interest rate calculation on the total pension liability and on the investment projections. For the end of the year, the discount rate was changed to 7.18%.

2022 - A discount rate of 7.25% was used for the interest rate calculation on the total pension liability and on the investment projections. In February 2022, the MERS Retirement Board adopted a dedicated gains policy. Investment performance for the one-year period ending December 31, 2022 did not result in excess gains for use lowering the assumed rate of investment return. As a result, this assumption remains at 7.00%.

2021 - For purposes of the calculation a discount rate of 7.60% was used for the interest rate calculation on the total pension liability and on the investment projections. For the end of the year, the discount rate was changed to 7.25%.

2020 - As part of best practice, MERS performs an "Experience Study" at least every five years. The most recent study covering years 2014-2018 was completed in February 2020. As a result, the MERS Retirement Board approved adjustments to several assumptions, including updates to mortality rates, mortality improvement rates, and retirement and withdrawal rates. The updated demographic assumptions won't impact required contributions until fiscal year 2022.

2019 - The MERS Retirement Board adopted a reduction in the investment rate of return assumption from 7.75% to 7.35%, effective with the December 31, 2019 valuation, first impacting 2021 contribution amounts. Additionally, the Board changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.

City of Munising, Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

**DEFINED BENEFIT CONTRIBUTION PENSION PLAN
(Continued)**

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

	Plan Year Ending December 31,				
	2018	2017	2016	2015	2014
Change in total pension liability					
Service cost	\$ 112,954	\$ 119,348	\$ 115,800	\$ 109,228	\$ 105,649
Interest	705,489	683,189	667,519	620,561	597,655
Differences between expected and actual experience	106,258	(21,902)	(123,179)	45,818	-
Changes in assumption	-	-	-	492,430	-
Benefit payments, including refunds of member contributions	(522,364)	(474,985)	(457,110)	(441,439)	(413,462)
Other changes	1	(1)	1	(2)	-
Net change in total pension liability	<u>402,338</u>	<u>305,649</u>	<u>203,031</u>	<u>826,596</u>	<u>289,842</u>
Total pension liability, beginning	<u>9,023,322</u>	<u>8,717,673</u>	<u>8,514,642</u>	<u>7,688,046</u>	<u>7,398,204</u>
Total pension liability, ending (a)	<u>9,425,660</u>	<u>9,023,322</u>	<u>8,717,673</u>	<u>8,514,642</u>	<u>7,688,046</u>
Change in plan fiduciary net position					
Contributions - employer	294,993	276,474	251,568	234,705	204,180
Contributions - employee	-	-	-	-	-
Net investment income	(225,237)	705,638	566,578	(78,577)	327,766
Benefit payments, including refunds of member contributions	(522,364)	(474,985)	(457,110)	(441,439)	(413,462)
Administrative expense	(11,304)	(11,183)	(11,190)	(11,569)	(12,012)
Other changes	-	1	-	(1)	-
Net change in plan fiduciary net position	<u>(463,912)</u>	<u>495,945</u>	<u>349,846</u>	<u>(296,881)</u>	<u>106,472</u>
Plan fiduciary net position, beginning	<u>5,890,454</u>	<u>5,394,509</u>	<u>5,044,663</u>	<u>5,341,544</u>	<u>5,235,072</u>
Plan fiduciary net position, ending (b)	<u>5,426,542</u>	<u>5,890,454</u>	<u>5,394,509</u>	<u>5,044,663</u>	<u>5,341,544</u>
City's net pension liability, ending (a) - (b)	<u><u>\$ 3,999,118</u></u>	<u><u>\$ 3,132,868</u></u>	<u><u>\$ 3,323,164</u></u>	<u><u>\$ 3,469,979</u></u>	<u><u>\$ 2,346,502</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 57.57%	 65.28%	 61.88%	 59.25%	 69.48%
Covered-employee payroll	\$ 945,437	\$ 997,001	\$ 961,548	\$ 952,030	\$ 920,295
City's net pension liability as a percentage of covered payroll	422.99%	314.23%	345.61%	364.48%	254.97%

Notes to Schedule:

Above amounts are based on measurement date, which may not necessarily tie to the fiscal year.

<i>Benefit changes:</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Changes in assumptions:</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>2015</i>	<i>NONE</i>

2015 - Valuation year December 31, 2015 the mortality table was adjusted to reflect longer lifetimes. The assumed annual rate of investment return, net of all expenses, was lowered from 8.00% to 7.75%. The asset smoothing was changed from 10 to 5 years. Inflation was lowered to 2.5%. Salary increases was lowered from 4.50% to 3.75%.

City of Munising, Michigan
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
DEFINED BENEFIT CONTRIBUTION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency / (Excess)	Covered- Employee Payroll	Contribution as Percentage of Covered- Employee Payroll
2024	\$ 474,828	\$ 474,828	\$ -	\$ 810,589	58.58%
2023	487,428	487,428	-	979,891	49.74%
2022	450,684	450,684	-	1,003,110	43.23%
2021	426,636	426,636	-	986,989	36.67%
2020	354,360	354,360	-	966,388	30.86%
2019	294,993	294,993	-	956,007	27.20%
2018	276,474	276,474	-	1,016,294	25.80%
2017	251,568	251,568	-	975,132	25.68%
2016	234,075	234,075	-	911,674	21.84%
2015	204,180	204,180	-	934,820	22.72%

Notes to Schedule of Contributions

Valuation date December 31, 2021
Notes Actuarially determined contribution rates are calculated as of December 31, that is eighteen months prior to the beginning of the fiscal year of with the contributions are reported.

Other information There were no benefit changes during the year.
There were changes in actuarial assumptions or methods during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Retirement age	Varies depending on plan adoption
Investment rate of return	7.25%
Mortality rates	Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

City of Munising, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Variance with Original Budget Positive / (Negative)	Actual GAAP Basis	Variance with Final Budget Positive / (Negative)
	Original	Final			
REVENUES:					
Taxes	\$ 1,189,300	\$ 1,231,375	\$ 42,075	\$ 1,223,120	\$ (8,255)
Licenses and permits	44,600	47,000	2,400	39,980	(7,020)
Intergovernmental revenues	747,650	914,675	167,025	885,481	(29,194)
Charges for services	725,250	859,450	134,200	736,456	(122,994)
Fines and forfeits	2,600	6,000	3,400	3,366	(2,634)
Interest and rents	5,000	37,000	32,000	49,742	12,742
Other revenues	59,000	89,200	30,200	91,431	2,231
TOTAL REVENUES	2,773,400	3,184,700	411,300	3,029,576	(155,124)
EXPENDITURES:					
General government					
Legislative	25,005	29,183	(4,178)	27,652	1,531
Chief executive	182,200	195,578	(13,378)	191,271	4,307
Clerk	192,975	186,864	6,111	190,428	(3,564)
Board of review	2,200	2,100	100	1,683	417
Treasurer	119,675	134,414	(14,739)	122,856	11,558
Assessor	30,345	30,999	(654)	27,062	3,937
Elections	8,000	11,150	(3,150)	9,928	1,222
Attorney	49,800	49,800	-	41,212	8,588
Other general government	33,000	31,000	2,000	37,065	(6,065)
Total general government	643,200	671,088	(27,888)	649,157	21,931
Public safety					
Police department	731,840	716,190	15,650	628,803	87,387
Fire department	97,890	89,890	8,000	77,962	11,928
Total public safety	829,730	806,080	23,650	706,765	99,315
Public works					
Public works department	421,225	572,329	(151,104)	409,582	162,747
Sanitary landfill	17,500	17,500	-	5,266	12,234
Refuse collection	152,000	85,290	66,710	82,159	3,131
Cemetery	130,710	207,095	(76,385)	157,340	49,755
Total public works	721,435	882,214	(160,779)	654,347	227,867
Community and economic development					
Planning	6,450	6,350	100	2,144	4,206
Zoning	2,000	250	1,750	-	250
Economic development	232,242	246,242	(14,000)	65,059	181,183
Total community and economic development	240,692	252,842	(12,150)	67,203	185,639
Recreation and culture					
Parks and properties	81,800	88,300	(6,500)	74,290	14,010
Tourist park	172,000	296,200	(124,200)	294,056	2,144
Ice arena	56,500	111,300	(54,800)	101,925	9,375
Total recreation and culture	310,300	495,800	(185,500)	470,271	25,529
TOTAL EXPENDITURES	2,745,357	3,108,024	(362,667)	2,547,743	560,281
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,043	76,676	48,633	481,833	405,157
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	30,000	30,000	-	30,000	-
Transfers (out)	(263,142)	(331,596)	(68,454)	(289,515)	42,081
TOTAL OTHER FINANCING SOURCES (USES)	(233,142)	(301,596)	(68,454)	(259,515)	42,081
CHANGE IN FUND BALANCE	(205,099)	(224,920)	(19,821)	222,318	447,238
Fund balance, beginning of year	2,415,450	2,415,450	-	2,415,450	-
FUND BALANCE, END OF YEAR	\$ 2,210,351	\$ 2,190,530	\$ (19,821)	\$ 2,637,768	\$ 447,238

City of Munising, Michigan

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Variance with Original Budget Positive / (Negative)	Actual GAAP Basis	Variance with Final Budget Positive / (Negative)
	Original	Final			
REVENUES:					
Intergovernmental revenue	\$ 348,200	\$ 534,400	\$ 186,200	\$ 469,682	\$ (64,718)
Interest income	500	6,000	5,500	6,461	461
Other revenues	-	-	-	-	-
TOTAL REVENUES	348,700	540,400	191,700	476,143	(64,257)
EXPENDITURES:					
Public Works:					
Construction	177,600	282,600	(105,000)	179,400	103,200
Routine maintenance	36,800	38,000	(1,200)	24,076	13,924
Street/catch basin cleaning	8,500	11,600	(3,100)	10,062	1,538
Traffic services maintenance	7,400	18,850	(11,450)	17,913	937
Winter maintenance	152,000	59,000	93,000	54,470	4,530
General and administrative	2,750	2,750	-	1,952	798
Highway M-28	161,300	121,750	39,550	104,778	16,972
Total Public Works	546,350	534,550	11,800	392,651	141,899
TOTAL EXPENDITURES	546,350	534,550	11,800	392,651	141,899
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(197,650)	5,850	203,500	83,492	77,642
OTHER FINANCING SOURCES (USES):					
Transfers in	38,000	-	(38,000)	-	-
Transfers (out)	-	(121,600)	(121,600)	(121,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	38,000	(121,600)	(159,600)	(121,600)	-
CHANGE IN FUND BALANCE	(159,650)	(115,750)	43,900	(38,108)	77,642
Fund balance, beginning of year	625,555	625,555	-	625,555	-
FUND BALANCE, END OF YEAR	\$ 465,905	\$ 509,805	\$ 43,900	\$ 587,447	\$ 77,642

City of Munising, Michigan

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Variance with Original Budget Positive / (Negative)	Actual GAAP Basis	Variance with Final Budget Positive / (Negative)
	Original	Final			
REVENUES:					
Intergovernmental revenue	\$ 113,800	\$ 126,800	\$ 13,000	\$ 141,923	\$ 15,123
Interest income	100	500	400	488	(12)
Other revenues	-	-	-	-	-
TOTAL REVENUES	113,900	127,300	13,400	142,411	15,111
EXPENDITURES:					
Public Works:					
Construction	-	-	-	-	-
Routine maintenance	34,200	32,450	1,750	29,839	2,611
Street/catch basin cleaning	9,500	18,300	(8,800)	14,051	4,249
Traffic services maintenance	3,200	7,800	(4,600)	5,927	1,873
Winter maintenance	141,400	65,800	75,600	58,513	7,287
General and administrative	2,200	2,200	-	1,708	492
Total Public Works	190,500	126,550	63,950	110,038	16,512
TOTAL EXPENDITURES	190,500	126,550	63,950	110,038	16,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,600)	750	77,350	32,373	31,623
OTHER FINANCING SOURCES (USES):					
Transfers in	77,000	-	(77,000)	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	77,000	-	(77,000)	-	-
CHANGE IN FUND BALANCE	400	750	350	32,373	31,623
Fund balance, beginning of year	41,871	41,871	-	41,871	-
FUND BALANCE, END OF YEAR	\$ 42,271	\$ 42,621	\$ 350	\$ 74,244	\$ 31,623

OTHER SUPPLEMENTARY INFORMATION

City of Munising, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The MAJOR STREET FUND and LOCAL STREET FUND are major special revenue fund types.

MAJOR STREET FUND and LOCAL STREET FUND: Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

CAPITAL PROJECTS FUND

The function of the Capital Projects Fund is to record revenues and expenditures for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The modified accrual basis of accounting is used in recording Capital Projects Fund transactions.

City of Munising, Michigan

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Property taxes	\$ 1,186,500	\$ 1,179,230	\$ (7,270)
Penalties, interest and fees	44,700	43,703	(997)
Trailer taxes	175	187	12
Total Property Taxes	<u>1,231,375</u>	<u>1,223,120</u>	<u>(8,255)</u>
Licenses and Permits:			
Business licenses and franchises	32,000	24,780	(7,220)
Other licenses and permits	15,000	15,200	200
Total Licenses and Permits	<u>47,000</u>	<u>39,980</u>	<u>(7,020)</u>
Intergovernmental Revenue:			
Payments in lieu of taxes	21,625	27,083	5,458
State revenue sharing	300,000	297,636	(2,364)
LCSA appropriations	282,000	281,730	(270)
Federal grants	-	11,880	11,880
Recreational Marijuana taxes	178,000	177,259	(741)
Other intergovernmental revenue	133,050	89,893	(43,157)
Total Intergovernmental Revenue	<u>914,675</u>	<u>885,481</u>	<u>(29,194)</u>
Charges for Services:			
Industrial park leases	11,000	11,068	68
Tourist park fees	638,000	654,857	16,857
Ice arena fees	54,300	53,817	(483)
Solid waste disposal tags	156,000	16,605	(139,395)
Other charges for services	150	109	(41)
Total Charges for Services	<u>859,450</u>	<u>736,456</u>	<u>(122,994)</u>
Fines and Forfeits:			
Fines and forfeits income	6,000	3,366	(2,634)
Total Fines and Forfeits	<u>6,000</u>	<u>3,366</u>	<u>(2,634)</u>
Interest and Rents:			
Interest income	37,000	49,742	12,742
Total Interest and Rents	<u>37,000</u>	<u>49,742</u>	<u>12,742</u>
Other Revenues:			
Cemetery lots	22,200	22,125	(75)
Private contributions	51,000	51,000	-
Other	16,000	18,306	2,306
Total Other Revenues	<u>89,200</u>	<u>91,431</u>	<u>2,231</u>
TOTAL REVENUES	<u>3,184,700</u>	<u>3,029,576</u>	<u>(155,124)</u>

City of Munising, Michigan

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
EXPENDITURES:			
GENERAL GOVERNMENT:			
Legislative:			
Personal services	\$ 3,055	\$ 2,971	\$ 84
Supplies	100	27	73
Other services and charges	26,028	24,654	1,374
Capital outlay	-	-	-
Total Legislative	<u>29,183</u>	<u>27,652</u>	<u>1,531</u>
Chief Executive:			
Personal services	164,150	162,175	1,975
Supplies	400	113	287
Other services and charges	31,028	28,983	2,045
Capital outlay	-	-	-
Total Chief Executive	<u>195,578</u>	<u>191,271</u>	<u>4,307</u>
Clerk:			
Personal services	159,320	164,083	(4,763)
Supplies	6,900	6,012	888
Other services and charges	20,644	20,333	311
Capital outlay	-	-	-
Total Clerk	<u>186,864</u>	<u>190,428</u>	<u>(3,564)</u>
Board of Review:			
Personal services	500	424	76
Supplies	-	-	-
Other services and charges	1,600	1,259	341
Capital outlay	-	-	-
Total Board of Review	<u>2,100</u>	<u>1,683</u>	<u>417</u>
Treasurer:			
Personal services	110,100	102,294	7,806
Supplies	2,950	1,971	979
Other services and charges	21,364	18,591	2,773
Capital outlay	-	-	-
Total Treasurer	<u>134,414</u>	<u>122,856</u>	<u>11,558</u>
Assessor:			
Personal services	13,530	12,918	612
Supplies	1,800	693	1,107
Other services and charges	15,669	13,451	2,218
Capital outlay	-	-	-
Total Assessor	<u>30,999</u>	<u>27,062</u>	<u>3,937</u>

City of Munising, Michigan

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Elections:			
Personal services	\$ 2,800	\$ 2,704	\$ 96
Supplies	6,350	5,398	952
Other services and charges	2,000	1,826	174
Capital outlay	-	-	-
Total Elections	<u>11,150</u>	<u>9,928</u>	<u>1,222</u>
Attorney:			
Other services and charges	49,800	41,212	8,588
Total Attorney	<u>49,800</u>	<u>41,212</u>	<u>8,588</u>
Other General Government:			
Insurance	31,000	30,286	714
Other miscellaneous services and charges	-	6,779	(6,779)
Total Other General Government	<u>31,000</u>	<u>37,065</u>	<u>(6,065)</u>
TOTAL GENERAL GOVERNMENT	<u>671,088</u>	<u>649,157</u>	<u>21,931</u>
PUBLIC SAFETY:			
Police Department:			
Personal services	584,000	557,172	26,828
Supplies	8,500	7,766	734
Other services and charges	65,690	53,107	12,583
Capital outlay	58,000	10,758	47,242
Total Police Department	<u>716,190</u>	<u>628,803</u>	<u>87,387</u>
Fire Department:			
Personal services	43,400	36,178	7,222
Supplies	4,000	3,209	791
Other services and charges	40,090	37,674	2,416
Capital outlay	2,400	901	1,499
Total Fire Department	<u>89,890</u>	<u>77,962</u>	<u>11,928</u>
TOTAL PUBLIC SAFETY	<u>806,080</u>	<u>706,765</u>	<u>99,315</u>
PUBLIC WORKS:			
Public Works Department:			
Personal services	318,700	286,912	31,788
Supplies	10,300	8,849	1,451
Other services and charges	233,314	103,806	129,508
Capital outlay	10,015	10,015	-
Total Public Works Department	<u>572,329</u>	<u>409,582</u>	<u>162,747</u>
Sanitary Landfill:			
Other services and charges	17,500	5,266	12,234
Total Sanitary Landfill	<u>17,500</u>	<u>5,266</u>	<u>12,234</u>

City of Munising, Michigan

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Refuse Collection:			
Other services and charges	\$ 85,290	\$ 82,159	\$ 3,131
Total Refuse Collection	85,290	82,159	3,131
Cemetery:			
Personal services	97,400	89,772	7,628
Supplies	5,185	4,828	357
Other services and charges	47,510	47,570	(60)
Capital outlay	57,000	15,170	41,830
Total Cemetery	207,095	157,340	49,755
TOTAL PUBLIC WORKS	882,214	654,347	227,867
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning:			
Other services and charges	6,350	2,144	4,206
Capital outlay	-	-	-
Total Planning	6,350	2,144	4,206
Zoning:			
Other services and charges	250	-	250
Capital outlay	-	-	-
Total Zoning	250	-	250
Economic Development:			
Other services and charges	246,242	65,059	181,183
Capital outlay	-	-	-
Total Economic Development	246,242	65,059	181,183
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	252,842	67,203	185,639
RECREATION AND CULTURE:			
Parks and Recreation Department:			
Personal services	45,600	38,696	6,904
Supplies	4,500	2,818	1,682
Other services and charges	38,200	32,776	5,424
Capital outlay	-	-	-
Total Parks and Recreation Department	88,300	74,290	14,010
Tourist Park:			
Personal services	17,400	12,769	4,631
Supplies	9,000	7,397	1,603
Other services and charges	262,300	264,349	(2,049)
Capital outlay	7,500	9,541	(2,041)
Total Tourist Park	296,200	294,056	2,144

City of Munising, Michigan

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Ice Arena:			
Personal services	\$ -	\$ -	\$ -
Supplies	5,300	5,036	264
Other services and charges	106,000	96,889	9,111
Capital outlay	-	-	-
Total Ice Arena	<u>111,300</u>	<u>101,925</u>	<u>9,375</u>
TOTAL RECREATION AND CULTURE	<u>495,800</u>	<u>470,271</u>	<u>25,529</u>
TOTAL EXPENDITURES	<u>3,108,024</u>	<u>2,547,743</u>	<u>560,281</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>76,676</u>	<u>481,833</u>	<u>405,157</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from borrowing	-	-	-
Transfers in	30,000	30,000	-
Transfers (out)	<u>(331,596)</u>	<u>(289,515)</u>	<u>42,081</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(301,596)</u>	<u>(259,515)</u>	<u>42,081</u>
CHANGE IN FUND BALANCE	<u>(224,920)</u>	<u>222,318</u>	<u>447,238</u>
Fund balance, beginning of year	<u>2,415,450</u>	<u>2,415,450</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,190,530</u></u>	<u><u>\$ 2,637,768</u></u>	<u><u>\$ 447,238</u></u>

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS**

City of Munising, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The POLICE TRAINING FUND and BROWNFIELD REDEVELOPMENT AUTHORITY FUND are non-major special revenue fund types.

DEBT SERVICE FUNDS

The function of the Debt Service Funds is to account for the accumulation of resources and payment of general obligation principal and interest from the governmental resources. The modified accrual basis of accounting is used in recording the Debt Service Fund transactions.

ENERGY DEBT SERVICE FUND: This fund was initially established to account for the annual payments on the 2013 Limited Tax General Obligation Bonds. On July 8, 2021, the City issued the 2021 General Obligation Limited Tax Refunding Bonds, which were used to defease the 2013 bonds. This fund is now used to account for the annual governmental activities debt service payments on the 2021 General Obligation Limited Tax Refunding bonds.

BUILDING CONSTRUCTION DEBT SERVICE FUND: This fund was originally established to account for the annual payments on the retirement of the 2005 General Obligation Limited Tax Bonds and the 2010 General Obligation Limited Tax Bonds. On October 15, 2020, the City issued the 2020 Capital Improvement Refunding Bonds, which were used to defease the 2005 and 2010 bonds. This fund is used to account for the annual governmental activities debt service payments on the 2020 Capital Improvement Refunding Bonds.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions.

CEMETERY TRUST FUND: This fund is used to account for monies received for care of cemetery lots. The principal amount must be maintained intact and invested. Interest earnings are used to offset the City's cost of cemetery maintenance.

City of Munising, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2024

	Special Revenue Funds	Debt Service Funds	Permanent Funds Cemetery Trust Fund	Total
ASSETS				
Cash and cash equivalents	\$ 46,038	\$ -	\$ 36,326	\$ 82,364
Cash and cash equivalents-restricted	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
TOTAL ASSETS	<u>46,038</u>	<u>-</u>	<u>36,326</u>	<u>82,364</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 46,038</u>	<u>\$ -</u>	<u>\$ 36,326</u>	<u>\$ 82,364</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Non-spendable	-	-	-	-
Restricted	46,038	-	36,326	82,364
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	<u>46,038</u>	<u>-</u>	<u>36,326</u>	<u>82,364</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 46,038</u>	<u>\$ -</u>	<u>\$ 36,326</u>	<u>\$ 82,364</u>

City of Munising, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2024

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Trust Fund	Total
REVENUES:				
Property taxes	\$ 5,174	\$ -	\$ -	\$ 5,174
Federal grants	-	-	-	-
Intergovernmental revenue	1,614	-	-	1,614
Interest income	430	-	352	782
Other revenues	-	-	-	-
TOTAL REVENUES	7,218	-	352	7,570
EXPENDITURES:				
Current Operations:				
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Debt Service:				
Principal retirement	-	147,040	-	147,040
Interest and fiscal charges	-	32,587	-	32,587
TOTAL EXPENDITURES	-	179,627	-	179,627
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,218	(179,627)	352	(172,057)
OTHER FINANCING SOURCES (USES):				
Proceeds from borrowing	-	-	-	-
Transfers in	-	179,627	-	179,627
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	179,627	-	179,627
CHANGE IN FUND BALANCE	7,218	-	352	7,570
Fund balance, beginning of year	38,820	-	35,974	74,794
FUND BALANCE, END OF YEAR	\$ 46,038	\$ -	\$ 36,326	\$ 82,364

City of Munising, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2024

	Police Training Fund	Brownfield Redevelopment Authority Fund	Total
ASSETS			
Cash and cash equivalents	\$ 7,035	\$ 39,003	\$ 46,038
Accounts receivable	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	7,035	39,003	46,038
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,035	\$ 39,003	\$ 46,038
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
TOTAL LIABILITIES	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
FUND BALANCE			
Non-spendable	-	-	-
Restricted	7,035	39,003	46,038
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCE	7,035	39,003	46,038
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 7,035	\$ 39,003	\$ 46,038

City of Munising, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2024

	Police Training Fund	Brownfield Redevelopment Authority Fund	Total
REVENUES:			
Property taxes	\$ -	\$ 5,174	\$ 5,174
Intergovernmental revenue	1,614	-	1,614
Interest income	-	430	430
Other revenues	-	-	-
TOTAL REVENUES	<u>1,614</u>	<u>5,604</u>	<u>7,218</u>
EXPENDITURES:			
Current Operations:			
Public safety	-	-	-
Public works	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,614</u>	<u>5,604</u>	<u>7,218</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	1,614	5,604	7,218
Fund balance, beginning of year	<u>5,421</u>	<u>33,399</u>	<u>38,820</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 7,035</u></u>	<u><u>\$ 39,003</u></u>	<u><u>\$ 46,038</u></u>

City of Munising, Michigan

POLICE TRAINING FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Intergovernmental revenue	\$ 625	\$ 1,614	\$ 989
Other	-	-	-
TOTAL REVENUES	625	1,614	989
EXPENDITURES:			
Public Safety:			
Other services and charges	675	-	675
TOTAL EXPENDITURES	675	-	675
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(50)	1,614	1,664
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
CHANGE IN FUND BALANCE	(50)	1,614	1,664
Fund balance, beginning of year	5,421	5,421	-
FUND BALANCE, END OF YEAR	\$ 5,371	\$ 7,035	\$ 1,664

City of Munising, Michigan

BROWNFIELD REDEVELOPMENT AUTHORITY FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Property taxes	\$ 5,040	\$ 5,174	\$ 134
Intergovernmental revenue	-	-	-
Interest income	50	430	380
Other	-	-	-
TOTAL REVENUES	5,090	5,604	514
EXPENDITURES:			
Public Works:			
Other services and charges	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS REVENUES OVER (UNDER) EXPENDITURES	5,090	5,604	514
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
CHANGE IN FUND BALANCE	5,090	5,604	514
Fund balance, beginning of year	33,399	33,399	-
FUND BALANCE, END OF YEAR	\$ 38,489	\$ 39,003	\$ 514

City of Munising, Michigan

NON-MAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2024

	Energy Debt Service Fund	Building Construction Debt Service Fund	Total
REVENUES:			
Intergovernmental revenue	\$ -	\$ -	\$ -
Interest income	-	-	-
Other revenues	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Debt Service:			
Principal	41,040	106,000	147,040
Interest and other	5,148	27,439	32,587
TOTAL EXPENDITURES	46,188	133,439	179,627
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,188)	(133,439)	(179,627)
OTHER FINANCING SOURCES (USES):			
Transfers in	46,188	133,439	179,627
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	46,188	133,439	179,627
CHANGES IN FUND BALANCE	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

City of Munising, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

The major Enterprise Funds of the City are the SEWER, WATER FUND and MARINA FUND.

SEWER FUND: To account for the management of sewer related activities including billing, maintenance and construction.

WATER FUND: To account for the management of water related activities including billing, maintenance and construction.

MARINA FUND: To account for the activity at the City operated marina.

City of Munising, Michigan

SEWER FUND

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,664,716
Accounts receivable	188,098
Due from other governmental units	-
Due from other funds	-
Advance to other funds	26,891
Prepaid expenses	9,383

Non-current Assets:

Restricted cash	888,745
Advance to other funds	259,930

Capital Assets:

Land and construction in progress	41,048
Other capital assets, net	<u>13,434,600</u>

TOTAL ASSETS 16,513,411

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	50,503
Employer contributions subsequent to measurement date	74,402
Deferred amount on bond refunding	<u>47,970</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 172,875

Current Liabilities:

Cash overdrafts	-
Accounts payable	12,953
Accrued salaries	10,950
Due to other funds	-

Non-current Liabilities:

Portion due or payable within one year:

Bonds payable	292,120
Notes payable	8,200
Advance from component unit	8,200
Employee benefits	6,289

Portion due or payable after one year:

Bonds payable	8,300,160
Premium on Bonds	170,388
Notes payable	41,000
Advance from component unit	51,250
Employee benefits	46,159
Net pension liability	<u>866,980</u>

TOTAL LIABILITIES 9,814,649

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	<u>52,987</u>
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NET POSITION

Net investment in capital assets	4,774,718
Restricted for:	
Advance to other funds	286,821
USDA bond reserves	89,656
Capital Improvement	799,049
Unrestricted	<u>868,406</u>

TOTAL NET POSITION \$ 6,818,650

City of Munising, Michigan

SEWER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2024

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:			
Charges for services:			
Sales to customers	\$ 1,882,200	\$ 1,837,742	\$ (44,458)
Repairs, taps and permits	7,900	3,500	(4,400)
Other operating revenue	<u>3,000</u>	<u>967</u>	<u>(2,033)</u>
TOTAL OPERATING REVENUES	<u>1,893,100</u>	<u>1,842,209</u>	<u>(50,891)</u>
OPERATING EXPENSES:			
Sewer Collection:			
Personal services	82,450	64,377	18,073
Supplies	1,800	42	1,758
Professional services	11,000	2,284	8,716
Other services and charges	95,868	27,196	68,672
Building and equipment rental	<u>19,337</u>	<u>18,096</u>	<u>1,241</u>
Total Sewer Collection	<u>210,455</u>	<u>111,995</u>	<u>98,460</u>
Sewer Treatment:			
Personal services	451,850	489,522	(37,672)
Supplies	48,880	44,205	4,675
Professional services	78,000	76,711	1,289
Other services and charges	284,140	133,511	150,629
Building and equipment rental	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Sewer Treatment	<u>865,370</u>	<u>743,949</u>	<u>121,421</u>
Administrative and General:			
Personal services	60,500	61,065	(565)
Supplies	6,250	4,106	2,144
Professional services	14,000	8,645	5,355
Other services and charges	243,400	7,219	236,181
Building and equipment rental	<u>13,337</u>	<u>13,337</u>	<u>-</u>
Total Administrative and General	<u>337,487</u>	<u>94,372</u>	<u>243,115</u>
Depreciation	<u>480,500</u>	<u>483,142</u>	<u>(2,642)</u>
TOTAL OPERATING EXPENSES	<u>1,893,812</u>	<u>1,433,458</u>	<u>460,354</u>
OPERATING INCOME (LOSS)	<u>(712)</u>	<u>408,751</u>	<u>409,463</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	31,150	32,936	1,786
Interest expense	(202,482)	(206,143)	(3,661)
Gain (loss) on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(171,332)</u>	<u>(173,207)</u>	<u>(1,875)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(172,044)</u>	<u>235,544</u>	<u>407,588</u>
Federal grants for capital assets	-	89,300	89,300
State grants for capital assets	-	-	-
Capital contributions	-	174,019	174,019
Transfers from local units for debt	70,000	70,000	-
Transfers in	17,199	-	(17,199)
Transfers (out)	<u>(381,503)</u>	<u>(302,502)</u>	<u>79,001</u>
CHANGE IN NET POSITION	<u>(466,348)</u>	<u>266,361</u>	<u>732,709</u>
Net position, beginning of year	<u>6,552,289</u>	<u>6,552,289</u>	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ 6,085,941</u></u>	<u><u>\$ 6,818,650</u></u>	<u><u>\$ 732,709</u></u>

City of Munising, Michigan

WATER FUND

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,006,528
Accounts receivable	112,155
Due from other governmental units	-
Due from other funds	-
Prepaid expenses	6,342

Non-current Assets:

Restricted cash	594,509
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Capital Assets:

Land and construction in progress	314,084
Other capital assets, net	8,805,966

TOTAL ASSETS 10,839,584

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	84,229
Employer contributions subsequent to measurement date	60,193
Deferred amount on bond refunding	35,341

TOTAL DEFERRED OUTFLOWS OF RESOURCES 179,763

LIABILITIES

Cash overdrafts	-
Accounts payable	10,111
Accrued salaries	6,410
Due to other funds	-

Non-current Liabilities:

Portion due or payable within one year:

Bonds payable	213,960
Notes payable	5,600
Advance from component unit	5,600
Employee benefits	3,189

Portion due or payable after one year:

Bonds payable	7,000,280
Premium on Bonds	64,406
Notes payable	28,000
Advance from component unit	35,000
Employee benefits	29,798
Net pension liability	765,952

TOTAL LIABILITIES 8,168,306

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pension	40,160
-------------------------------------	--------

NET POSITION

Net investment in capital assets	1,831,610
Restricted for:	
USDA bond reserves	275,764
Capital improvement	311,326
Unrestricted	392,181

TOTAL NET POSITION \$ 2,810,881

City of Munising, Michigan

WATER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Charges for Services:			
Sales to customers	\$ 1,123,552	\$ 1,155,366	\$ 31,814
Repairs, taps and permits	13,500	12,170	(1,330)
Other operating revenue	3,700	3,932	232
TOTAL OPERATING REVENUES	1,140,752	1,171,468	30,716
OPERATING EXPENSES:			
Transmission and Distribution:			
Personal services	375,750	409,788	(34,038)
Supplies	17,000	12,872	4,128
Professional services	62,100	59,366	2,734
Other services and charges	157,107	89,430	67,677
Building and equipment rental	53,337	49,176	4,161
Total Transmission and Distribution	665,294	620,632	44,662
Administrative and General:			
Personal services	58,200	59,163	(963)
Supplies	5,500	4,210	1,290
Professional services	10,000	8,499	1,501
Other services and charges	182,100	11,416	170,684
Building and equipment rental	13,337	13,337	-
Total Administrative and General	269,137	96,625	172,512
Depreciation	265,400	259,456	5,944
TOTAL OPERATING EXPENSES	1,199,831	976,713	223,118
OPERATING INCOME (LOSS)	(59,079)	194,755	253,834
NON-OPERATING REVENUES (EXPENSES):			
Interest income	15,550	17,243	1,693
Interest expense	(137,527)	(129,456)	8,071
TOTAL NON-OPERATING REVENUES (EXPENSES)	(121,977)	(112,213)	9,764
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(181,056)	82,542	263,598
Federal grants for capital assets	-	-	-
State grants for capital assets	-	-	-
Capital contributions	-	126,512	126,512
Transfers from local units for debt	30,000	30,000	-
Transfers in	-	-	-
Transfers (out)	(490,265)	(122,350)	367,915
CHANGE IN NET POSITION	(641,321)	116,704	758,025
Net position, beginning of year	2,694,177	2,694,177	-
NET POSITION, END OF YEAR	\$ 2,052,856	\$ 2,810,881	\$ 758,025

City of Munising, Michigan

MARINA FUND

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$	243,871
Accounts receivable		1,556
Due from other governmental units		-
Due from other funds		-
Advance to other funds		-
Prepaid expenses		493

Non-current Assets:

Capital Assets:

Land and construction in progress		77,677
Other capital assets, net		3,125,082

TOTAL ASSETS 3,448,679

DEFERRED OUTFLOWS OF RESOURCES

-

LIABILITIES

Current Liabilities:

Cash overdrafts		-
Accounts payable		-
Accrued salaries		3,690
Due to other funds		-

Non-current Liabilities:

Portion due or payable within one year:

Bonds payable		-
Notes payable		-
Advance from other funds		26,891
Employee benefits		-

Portion due or payable after one year:

Bonds payable		-
Premium on Bonds		-
Notes payable		-
Advance from other funds		259,930
Employee benefits		-

TOTAL LIABILITIES 290,511

DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Net investment in capital assets 2,915,938

Restricted for:

Capital improvement		-
Unrestricted		242,230

TOTAL NET POSITION \$ 3,158,168

City of Munising, Michigan

MARINA FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for Services:			
Dock fees	113,000	107,007	(5,993)
Boat ramp fees	16,000	14,826	(1,174)
Gas sales and other	51,500	47,745	(3,755)
Other operating revenue	3,300	2,454	(846)
TOTAL OPERATING REVENUES	183,800	172,032	(11,768)
OPERATING EXPENSES:			
Administrative and General:			
Personal services	52,680	49,766	2,914
Supplies	49,500	49,603	(103)
Professional services	7,400	6,952	448
Other services and charges	47,650	44,823	2,827
Building and equipment rental	4,000	3,419	581
Total Administrative and General	161,230	154,563	6,667
Depreciation	133,500	133,485	15
TOTAL OPERATING EXPENSES	294,730	288,048	6,682
OPERATING INCOME (LOSS)	(110,930)	(116,016)	(5,086)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,500	1,767	267
Interest expense	-	(4,020)	(4,020)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,500	(2,253)	(3,753)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(109,430)	(118,269)	(8,839)
Federal grants for capital assets	-	-	-
State grants for capital assets	-	-	-
Capital contributions	-	8,945	8,945
Transfer in	-	-	-
Transfers (out)	(117,199)	-	117,199
CHANGE IN NET POSITION	(226,629)	(109,324)	117,305
Net position, beginning of year	3,267,492	3,267,492	-
NET POSITION, END OF YEAR	\$ 3,040,863	\$ 3,158,168	\$ 117,305

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City of Munising, Michigan

INTERNAL SERVICE FUNDS

The function of Internal Service Funds is to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

MOTOR POOL FUND: To operate as a self-supporting fund, which will be responsible for the maintenance and purchasing of vehicles and equipment utilized in various departments of the City.

MUNICIPAL BUILDING AUTHORITY FUND: To accumulate the expenses and revenues associated with the operation of the Municipal Building.

City of Munising, Michigan

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2024

	Motor Pool Fund	Municipal Building Authority Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,043	\$ 103,882	\$ 106,925
Accounts receivable	-	-	-
Prepaid expenses	1,266	-	1,266
Non-current Assets:			
Restricted Assets:			
ARPA	-	-	-
Capital Assets:			
Land and construction in progress	-	20,000	20,000
Other capital assets, net	1,062,753	144,024	1,206,777
TOTAL ASSETS	1,067,062	267,906	1,334,968
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	14,298	-	14,298
Employer contributions subsequent to measurement date	14,031	-	14,031
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,329	-	28,329
LIABILITIES			
Current Liabilities:			
Accounts payable	-	-	-
Accrued salaries	2,294	152	2,446
Unearned revenue	-	-	-
Long-term Liabilities:			
Portion due or payable within one year:			
Bonds payable	6,600	2,640	9,240
Notes payable	39,500	400	39,900
Advance from other funds	1,000	400	1,400
Employee benefits	214	-	214
Portion due or payable after one year:			
Bonds payable	33,800	13,520	47,320
Notes payable	127,000	2,000	129,000
Advance from other funds	6,250	2,500	8,750
Employee benefits	2,100	-	2,100
Net pension liability	184,675	-	184,675
TOTAL LIABILITIES	403,433	21,612	425,045
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	10,386	-	10,386
NET POSITION			
Net investment in capital assets	848,603	142,564	991,167
Restricted	-	-	-
Unrestricted	(167,031)	103,730	(63,301)
TOTAL NET POSITION	\$ 681,572	\$ 246,294	\$ 927,866

City of Munising, Michigan

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2024

	Motor Pool Fund	Municipal Building Authority Fund	Total
OPERATING REVENUES:			
Rents and royalties	\$ 302,016	\$ 201,005	\$ 503,021
Other operating revenue	-	19,486	19,486
TOTAL OPERATING REVENUES	<u>302,016</u>	<u>220,491</u>	<u>522,507</u>
OPERATING EXPENSES:			
Administrative and general	301,762	131,348	433,110
Depreciation	105,892	6,273	112,165
TOTAL OPERATING EXPENSES	<u>407,654</u>	<u>137,621</u>	<u>545,275</u>
OPERATING INCOME (LOSS)	<u>(105,638)</u>	<u>82,870</u>	<u>(22,768)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	-	1,050	1,050
Gain (loss) on sale of assets	-	-	-
Interest expense	(6,295)	(429)	(6,724)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,295)</u>	<u>621</u>	<u>(5,674)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(111,933)</u>	<u>83,491</u>	<u>(28,442)</u>
Federal grant for capital assets	-	-	-
Transfers in	151,254	133,439	284,693
Transfers (out)	(41,366)	(133,439)	(174,805)
CHANGE IN NET POSITION	<u>(2,045)</u>	<u>83,491</u>	<u>81,446</u>
Net position, beginning of year	<u>683,617</u>	<u>162,803</u>	<u>846,420</u>
NET POSITION, END OF YEAR	<u><u>\$ 681,572</u></u>	<u><u>\$ 246,294</u></u>	<u><u>\$ 927,866</u></u>

City of Munising, Michigan

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2024

	Motor Pool Fund	Municipal Building Authority Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fees and charges for services	\$ 302,016	\$ 201,005	\$ 503,021
Other operating revenues	-	(514)	(514)
Cash payments to employees for services	(93,854)	(21,347)	(115,201)
Cash payments to suppliers for goods and services	(196,133)	(109,939)	(306,072)
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,029	69,205	81,234
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in cash overdraft	(67,529)	-	(67,529)
Increase (decrease) in advance from other funds	(1,000)	(400)	(1,400)
Payments from (to) other funds	109,888	-	109,888
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	41,359	(400)	40,959
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(102,227)	(102,227)
Federal grants for capital assets	-	-	-
Net book value of asset disposals	-	-	-
Proceeds from sale of capital assets	-	-	-
Net proceeds from borrowings	-	-	-
Principal payments on revenue bonds and notes payable	(44,050)	(3,020)	(47,070)
Interest paid on revenue bonds and notes payable	(6,295)	(429)	(6,724)
NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(50,345)	(105,676)	(156,021)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	-	1,050	1,050
(Increase) decrease in restricted assets - net	-	20,000	20,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	21,050	21,050
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,043	(15,821)	(12,778)
Cash and cash equivalents, beginning of year	-	119,703	119,703
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,043	\$ 103,882	\$ 106,925
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (105,638)	\$ 82,870	\$ (22,768)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	105,892	6,273	112,165
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
(Increase) decrease in prepaid expenses	(29)	-	(29)
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in accrued salaries	332	62	394
Increase (decrease) in unearned revenue	-	(20,000)	(20,000)
Increase (decrease) in employee benefits	1,370	-	1,370
Increase (decrease) in net pension and related	10,102	-	10,102
NET ADJUSTMENTS	117,667	(13,665)	104,002
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 12,029	\$ 69,205	\$ 81,234

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City of Munising, Michigan

MOTOR POOL FUND

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 3,043
Accounts receivable	-
Prepaid expenses	1,266

Non-current Assets:

Capital Assets:

Land and construction in progress	-
Other capital assets, net	1,062,753

TOTAL ASSETS 1,067,062

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension	14,298
Employer contributions subsequent to measurement date	14,031

TOTAL DEFERRED OUTFLOWS OF RESOURCES 28,329

LIABILITIES

Current Liabilities:

Accounts payable	-
Accrued salaries	2,294

Long-term Liabilities:

Portion due or payable within one year:

Bonds payable	6,600
Notes payable	39,500
Advance from other funds	1,000
Employee benefits	214

Portion due or payable after one year:

Bonds payable	33,800
Notes payable	127,000
Advance from other funds	6,250
Employee benefits	2,100
Net pension liability	184,675

TOTAL LIABILITIES 403,433

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension	10,386
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NET POSITION

Net investment in capital assets	848,603
Unrestricted	(167,031)

TOTAL NET POSITION \$ 681,572

City of Munising, Michigan

MOTOR POOL FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Rents and royalties	\$ 324,400	\$ 302,016	\$ (22,384)
Other operating revenue	-	-	-
TOTAL OPERATING REVENUES	<u>324,400</u>	<u>302,016</u>	<u>(22,384)</u>
OPERATING EXPENSES:			
Administrative and General:			
Personal services	110,800	105,658	5,142
Supplies	60,300	52,996	7,304
Professional services	9,300	10,452	(1,152)
Other services and charges	206,000	110,546	95,454
Building and equipment rental	22,110	22,110	-
Depreciation	88,600	105,892	(17,292)
TOTAL OPERATING EXPENSES	<u>497,110</u>	<u>407,654</u>	<u>89,456</u>
OPERATING INCOME (LOSS)	<u>(172,710)</u>	<u>(105,638)</u>	<u>67,072</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	50	-	(50)
Interest expense	(5,230)	(6,295)	(1,065)
Gain (loss) on sale of assets	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(5,180)</u>	<u>(6,295)</u>	<u>(1,115)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(177,890)</u>	<u>(111,933)</u>	<u>65,957</u>
Federal grant for capital assets	-	-	-
Transfers in	193,254	151,254	(42,000)
Transfers (out)	<u>(50,994)</u>	<u>(41,366)</u>	<u>9,628</u>
CHANGE IN NET POSITION	<u>(35,630)</u>	<u>(2,045)</u>	<u>33,585</u>
Net position, beginning of year	<u>683,617</u>	<u>683,617</u>	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ 647,987</u></u>	<u><u>\$ 681,572</u></u>	<u><u>\$ 33,585</u></u>

City of Munising, Michigan
MUNICIPAL BUILDING AUTHORITY FUND
STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 103,882
Accounts receivable	-
Prepaid expenses	-
Non-current Assets:	
Restricted Assets:	
ARPA	-
Capital Assets:	
Land and construction in progress	20,000
Other capital assets, net	144,024
TOTAL ASSETS	267,906

DEFERRED OUTFLOWS OF RESOURCES	-
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LIABILITIES

Current Liabilities:	
Accounts payable	-
Accrued salaries	152
Unearned revenue	-
Long-term Liabilities:	
Portion due or payable within one year:	
Bonds payable	2,640
Notes payable	400
Advance from other funds	400
Employee benefits	-
Portion due or payable after one year:	
Bonds payable	13,520
Notes payable	2,000
Advance from other funds	2,500
Employee benefits	-
TOTAL LIABILITIES	21,612

DEFERRED INFLOWS OF RESOURCES	-
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NET POSITION

Net investment in capital assets	142,564
Unrestricted	103,730
TOTAL NET POSITION	\$ 246,294

City of Munising, Michigan

MUNICIPAL BUILDING AUTHORITY FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2024

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Rents and royalties	\$ 201,000	\$ 201,005	\$ 5
Other operating revenue	21,000	19,486	(1,514)
TOTAL OPERATING REVENUES	222,000	220,491	(1,509)
OPERATING EXPENSES:			
Administrative and General:			
Personal services	24,700	21,409	3,291
Supplies	4,000	3,187	813
Professional services	23,500	22,857	643
Other services and charges	207,931	80,881	127,050
Building and equipment rental	3,500	3,014	486
Depreciation expense	2,000	6,273	(4,273)
TOTAL OPERATING EXPENSES	265,631	137,621	128,010
OPERATING INCOME (LOSS)	(43,631)	82,870	126,501
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,150	1,050	(100)
Interest expense	-	(429)	(429)
Gain (loss) on sale of assets	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,150	621	(529)
INCOME (LOSS) BEFORE TRANSFERS	(42,481)	83,491	125,972
Transfers in	133,439	133,439	-
Transfers (out)	(137,289)	(133,439)	3,850
CHANGE IN NET POSITION	(46,331)	83,491	129,822
Net position, beginning of year	162,803	162,803	-
NET POSITION, END OF YEAR	\$ 116,472	\$ 246,294	\$ 129,822

COMPLIANCE SECTION



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

To the City Commission of the
City of Munising, Michigan
301 E. Superior Street
Munising, Michigan 49862

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Munising, Michigan (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2024. Our report includes a reference to other auditors who audited the financial statements of Munising Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on a separately by those auditors.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

To the City Commission of the
City of Munising, Michigan

identified certain deficiencies in internal control, described in the accompanying Report to Management as item 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management as item 2024-002.

City's Response to Findings

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

Purpose of This Report

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 18, 2024

COMMUNICATIONS SECTION



City of Munising, Michigan
Report to Management
For the Year Ended June 30, 2024

To the City Commission and Management of the
City of Munising, Michigan
301 E. Superior Street
Munising, Michigan 49862

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Munising, Michigan (the City) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider following deficiencies in internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2024-001 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

Condition: The City has engaged us to assist with the preparation of the financial statements and footnotes required in the annual audit report to ensure the financial statements are in accordance with GAAP

To the City Commission and Management of the
City of Munising, Michigan

Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the City does not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: Written communication is required by professional standards.

Recommendation: We do not recommend any changes to this situation at this time.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Devin Olson, City Manager
- Corrective Action Planned:
 - See separate Corrective Action Plan
- Anticipated Completion Date:
 - Not applicable

INSTANCES OF NON-COMPLIANCE

2024-002 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEAT)

Condition: The City's actual expenditures and budgeted expenditures for the Governmental Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended June 30, 2024, the City incurred functional expenditures which were in excess of the amounts appropriated as enumerated upon in the notes to the financial statements.

Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The City is not in compliance with State law.

Recommendation: The City should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Devin Olson, City Manager
 - Kirsten Seaberg, Treasurer
- Corrective Action Planned:
 - See separate Corrective Action Plan
- Anticipated Date of Completion:
 - June 30, 2025

To the City Commission and Management of the
City of Munising, Michigan

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The City's written response to the significant deficiencies identified in our audit has been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the City Commission, others within the City, and governmental oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 18, 2024



CITY OF MUNISING, MICHIGAN

301 EAST SUPERIOR STREET • MUNISING, MICHIGAN 49862

CITY MANAGER
PHONE (906) 387-2095

CITY CLERK
PHONE (906) 387-2246
FAX (906) 387-4512

Corrective Action Plan For the Fiscal Year June 30, 2024

December 18, 2024

In response to the findings disclosed in the audited financial statements for the year ended June 30, 2024:

2024-001 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

Corrective Action Plan:

The City has evaluated the possibility of preparing the financial statements and has concluded that currently the City staff does not have sufficient time and/or personnel available to prepare the financial statements and footnotes. Management is involved with preparing the Management's Discussion and Analysis. Additionally, management reviews and approves the financial statements prepared by Anderson, Tackman & Company, PLC prior to issuance and submission to the Michigan Department of Treasury. We do not foresee the need for any changes to this procedure at this time.

Contact Person(s) Responsible for Correction:

Devin Olson, City Manager

Anticipated Completion Date:

Not applicable

2024-002 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEAT)

Corrective Action Plan:

The budget will be more closely monitored and budget amendments made accordingly.

Contact Person(s) Responsible for Correction:

Devin Olson, City Manager
Kirsten Seaberg, Treasurer

Anticipated Completion Date:

June 30, 2025

THIS INSTITUTION IS AN EQUAL OPPORTUNITY PROVIDER, AND EMPLOYER

"A GREAT PLACE TO BE"



City of Munising, Michigan
Communication with Those Charged with Governance
For the Year Ended June 30, 2024

December 18, 2024

To the City Commission of the
City of Munising, Michigan
301 E. Superior Street
Munising, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Munising, Michigan (the City) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 4, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimates of the City's intangible right-to-use lease assets (and amortization thereof) and lease liabilities are based on amounts disclosed in the leasing documents. The City uses the straight-line method for amortizing the intangible right-to-use lease assets. We evaluated the methods, assumptions, and

data used to record the leased assets, accumulated amortization of such assets and the amortization expense of said assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lease receivable (and the corresponding deferred inflows amounts on leases) is based on the present value of the future lease payments to be received discounted by the City's incremental borrowing rate assumed to be 2.86%. We evaluated the methods, assumptions, and data used to develop the amounts in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the methods, assumptions, and data used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the methods, assumptions, and data used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the methods, assumptions, and data used to develop the City's Net Pension Liability, based on information provided by the Gabriel Roeder Smith, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's deferred gain and/or loss on refunding is based on amounts disclosed in the bond closing documents and the requirements of GASB 7 or GASB 23, as applicable. We evaluated the methods, assumptions, and data used to record the gains and/or losses on refunding (and the amortization thereof), based on information provided by the bonding counsel, in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's premiums on bonds (and amortization thereof) is based on amounts disclosed in the bond closing documents. We evaluated the methods, assumptions, and data used to record the premiums on bonds, based on information provided by the bonding counsel, in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosures of the City's defeased bonds include significant amounts as reported in the notes to the financial statements. Disclosures related to the defeasance of debt reported in the general long-term debt account group are made

To the City Commission of the
City of Munising, Michigan

in accordance with GASB 7, including reporting 1) gain or loss on refunding, 2) balance of defeased bonds as of the end of the fiscal year, and 3) economic gain or loss. Disclosures related to the defeasance of debt reported in proprietary funds are made in accordance with GASB 23, including 1) gain or loss on refunding, 2) balance of defeased bonds as of the end of the fiscal year, and 3) economic gain or loss.

The disclosure of the City's Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. Gabriel Roeder Smith was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2024.

Management Consultations with Other Independent Accountants

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

To the City Commission of the
City of Munising, Michigan

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management as item 2024-001 that we consider to be a significant deficiency.

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management as item 2024-002.

Matters Disclosed by Component Auditor

There were no matters brought to our attention by the component auditor for the Munising Housing Commission for the year ended December 31, 2023.

Upcoming Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has released pronouncements may be applicable to the City in the future. We encourage management to review the information included in the Attachment and determine which pronouncements, if any, may be applicable to the City in the future.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as listed in the table of contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing

To the City Commission of the
City of Munising, Michigan

it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants

ATTACHMENT – UPCOMING GASB STANDARDS

For the Year Ended June 30, 2024

The Governmental Accounting Standards Board (the Board) routinely issues pronouncements to enhance accounting and financial reporting. Below are synopses of currently issued standards that may be applicable to the City in the future. More information related to these standards can be found at www.gasb.org including full copies of the standards along with implementation guides and technical bulletins. We encourage management to review the following pronouncements to determine which standard(s) may be applicable to the City.

GASB 101: Compensated Absences

Effective for fiscal years beginning after December 15, 2023 (City's fiscal year 2025)

The Board believes the unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

We do not expect this standard to have a significant effect on the City.

GASB 102: Certain Risk Disclosures

Effective for fiscal years beginning after June 15, 2024 (City's fiscal year 2025)

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The Board believes the requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better

ATTACHMENT – UPCOMING GASB STANDARDS

For the Year Ended June 30, 2024

information with which to understand and anticipate certain risks to a government's financial condition.

We do not expect this standard to have any significant effect on the City's financial statements.

GASB 103: Financial Reporting Model Improvements

Effective for fiscal years beginning after June 15, 2025 (City's fiscal year 2026)

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid "boilerplate" discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the

To the City Commission of the
City of Munising, Michigan

ATTACHMENT – UPCOMING GASB STANDARDS

For the Year Ended June 30, 2024

relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. The requirement for presentation of major component unit information will improve comparability.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

We expect this standard to have a significant effect on the presentation of the City's financial statements.