

City of East Jordan, Michigan

BASIC FINANCIAL STATEMENTS

June 30, 2023

CITY OF EAST JORDAN, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COMMISSION

MAYOR

MARK PENZIEN

DEPUTY MAYOR

AMY SHERMAN

COMMISSIONER

PETER SLADICK

COMMISSIONER

THOMAS REID JR.

COMMISSIONER

MELYSSA LINDENTHAL

COMMISSIONER

DANIEL MILLER

APPOINTED OFFICERS

CITY ADMINISTRATOR

TOM CANNON

TREASURER

HEATHER JACKSON

CLERK

CHELTZI WILSON

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of East Jordan
Charlevoix County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of City of East Jordan, Michigan, as of and for the year ending June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of East Jordan, Michigan'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 City of East Jordan, Michigan, as of June 30, 2023, 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 East Jordan Housing Commission, which represents 15 percent, 14 percent, and 33 percent, respectively, of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the East Jordan Housing Commission, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of East Jordan, Michigan 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.

To the City Commission
City of East Jordan, Michigan

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of East Jordan, Michigan'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 judgement 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 procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of East Jordan, Michigan'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 City of East Jordan, Michigan'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.

To the City Commission
City of East Jordan, Michigan

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 10, pages 45 through 46 and pages 47 through 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 City of East Jordan, Michigan’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion based on our audit, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standard*, we have also issued our report dated December 5, 2023, on our consideration of City of East Jordan, Michigan’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 City of East Jordan, Michigan’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 of East Jordan, Michigan’s internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

December 5, 2023

Management's Discussion and Analysis

As management of the City of East Jordan, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year 2023 by \$15,253,259 (*net position*). Of this, (\$729,487) (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$479,828 or 25% of the total General Fund expenditures, which was an increase of \$126,498 or 36%.
- The current level of unrestricted net position of the governmental activities stands at (\$883,966), or about (32.2) % of expenses.
- Net position of the governmental activities decreased (\$72,406) or (1.6)%. Net position of the business-type activities decreased (\$300,463) or (2.69)%.

Overview of the Financial Statements

This discussion and analysis is intended to be an easily readable analysis of the City of East Jordan's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

This report consists of the Management's Discussion and Analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information and other information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, community development and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works including major and local street maintenance, community and economic development, health and welfare, and recreation and culture activities. The business-type activities of the City include sewer and water operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Housing Commission for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the component unit are separately issued and available by request at City Hall.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Major Street, and Local Street which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses Enterprise Funds to account for the following operations Water, Sewer, Tourist Park, and the EJ Harbor Marina Funds all of which are considered major funds of the City.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, Water, Tourist Park, and EJ Harbor Funds of which all are considered major funds of the City.

Notes to Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Required Supplementary Information provides information related to the City's pension plan and budgetary comparison information related to the City's major governmental funds.

Other Information provide in addition to the basic financial statements and accompanying notes, certain other supplementary information including the combining statements referred to earlier in connection with nonmajor governmental funds which are presented following the required supplementary information, as well as the schedule of federal expenditures and related notes.

Discretely Presented Component Units

The Downtown Development Authority (DDA) and the Housing Commission (Housing) are reported in a separate column to emphasize that they are legally separate from the City. The members of the governing Boards are appointed by the City Commission and the budgets and expenditures must be approved by the City Commission. The City also has the ability to significantly influence operations of these organizations. Separate financial statements of the DDA are available at the Downtown Development Authority, 201 Main Street, East Jordan, MI 49727. Separate financial statements of the Housing Commission are available at East Jordan Housing Commission, 451 Water Street, East Jordan, MI 49727.

City as Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2023 follows:

**City of East Jordan
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current Assets	\$ 1,561,130	\$ 1,392,183	\$ 1,832,289	\$ 1,635,929	\$ 3,393,419	\$ 3,028,112
Capital Assets	4,855,530	5,306,222	12,975,734	13,498,819	17,831,264	18,805,041
Total Assets	6,416,660	6,698,405	14,808,023	15,134,748	21,224,683	21,833,153
Deferred Outflows of Resources	411,684	245,098	116,124	69,135	527,808	314,233
Liabilities						
Current Liabilities	184,904	367,764	290,073	254,809	474,977	622,573
Noncurrent Liabilities	2,199,275	1,745,318	3,727,353	3,653,371	5,926,628	5,398,689
Total Liabilities	2,384,179	2,113,082	4,017,426	3,908,180	6,401,605	6,021,262
Deferred Inflows of Resources	76,149	389,999	21,478	109,997	97,627	499,996
Net Position						
Net Investment in Capital Assets	4,439,722	4,801,966	9,792,734	10,242,819	14,232,456	15,044,785
Restricted	812,260	633,564	938,030	901,099	1,750,290	1,534,663
Unrestricted	(883,966)	(995,108)	154,479	41,788	(729,487)	(953,320)
Total Net Position	\$ 4,368,016	\$ 4,440,422	\$ 10,885,243	\$ 11,185,706	\$ 15,253,259	\$ 15,626,128

Net position of the City decreased by (\$372,869) for the year ended June 30, 2023. Governmental activities decreased in net position by \$(72,406) primarily the result of increase in overall expenses in 2023. Business-type activities net position decreased by (\$300,463). This was primarily the result of an increase in the overall expenses of the business-type activities.

A condensed version of the Statement of Activities follows:

**City of East Jordan
Condensed Statement of Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for Services	\$ 216,282	\$ 219,595	\$ 1,834,271	\$ 1,627,481	\$ 2,050,553	\$ 1,847,076
Operating Grants and Contributions	915,139	795,939	40,000	15,172	955,139	811,111
General Revenues						
Property Taxes	1,211,752	1,073,800	-	-	1,211,752	1,073,800
State Shared Revenues	302,649	303,736	-	-	302,649	303,736
Investment Earnings	25,148	15,086	2,957	90	28,105	15,176
Miscellaneous	-	-	42,208	23,951	42,208	23,951
Total Revenues	2,670,970	2,408,156	1,919,436	1,666,694	4,590,406	4,074,850
Expenses						
General Government	513,608	478,320	-	-	513,608	478,320
Public Safety	857,113	856,887	-	-	857,113	856,887
Public Works	856,793	708,462	-	-	856,793	708,462
Community and Economic Development	61,105	57,789	-	-	61,105	57,789
Health and Welfare	25,987	12,824	-	-	25,987	12,824
Recreation and Culture	419,656	273,191	-	-	419,656	273,191
Sewer	-	-	786,094	745,397	786,094	745,397
Water	-	-	589,215	496,911	589,215	496,911
EJ Harbor Marina	-	-	433,315	326,665	433,315	326,665
Tourist Park	-	-	411,275	222,697	411,275	222,697
Interest Expense - Unallocated	9,114	15,732	-	-	9,114	15,732
Total Expenses	2,743,376	2,403,205	2,219,899	1,791,670	4,963,275	4,194,875
Changes in Net Position	(72,406)	4,951	(300,463)	(124,976)	(372,869)	(120,025)
Net Position - Beginning	4,440,422	4,435,471	11,185,706	11,310,682	15,626,128	15,746,153
Net Position - Ending	\$ 4,368,016	\$ 4,440,422	\$ 10,885,243	\$ 11,185,706	\$ 15,253,259	\$ 15,626,128

General Fund Budgetary Highlights

The City may amend its budget as new financial information or assumptions emerge during the year. The 2022/2023 budget was amended to reflect an increase in various activities than anticipated. Total revenues were under budget by \$40,175. Total expenditures were under budgeted by \$68,363.

Capital Asset and Debt Administration

Capital Assets

The City’s net investment in capital assets as of June 30, 2023, amounted to \$17,831,264. This investment, detailed in the following table, is invested in a broad range of capital assets including land, buildings, land improvements, machinery and equipment, streets, and business-type infrastructure.

**City of East Jordan
Capital Assets**
(net of depreciation, where applicable)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 380,685	\$ 380,685	\$ 65,717	\$ 65,717	\$ 446,402	\$ 446,402
Buildings	1,517,389	1,569,260	24,940	25,610	1,542,329	1,594,870
Land Improvements	762,330	788,269	746,003	819,316	1,508,333	1,607,585
Machinery and Equipment	630,839	703,394	167,652	122,031	798,491	825,425
Sewer Lagoons	-	-	480,310	506,994	480,310	506,994
Mains	-	-	4,001,642	4,143,216	4,001,642	4,143,216
Infrastructure	1,564,287	1,864,614	7,489,470	7,815,935	9,053,757	9,680,549
Total Capital Assets	\$ 4,855,530	\$ 5,306,222	\$ 12,975,734	\$ 13,498,819	\$ 17,831,264	\$ 18,805,041

Debt Outstanding

Significant long-term debt has been incurred for City infrastructure and equipment.

**City of East Jordan
Debt Outstanding**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ -	\$ 21,000	\$ 3,183,000	\$ 3,256,000	\$ 3,183,000	\$ 3,277,000
Installment Purchase Agreement	415,808	483,256	-	-	415,808	483,256
Net Pension Liability	1,770,551	1,241,610	608,579	459,393	2,379,130	1,701,003
Compensated Absences	82,936	87,905	9,774	10,978	92,710	98,883
Total Debt Outstanding	\$ 2,269,295	\$ 1,833,771	\$ 3,801,353	\$ 3,726,371	\$ 6,070,648	\$ 5,560,142

The City is not rated by Moody’s and Standard and Poor’s since our borrowing is not at their rating threshold. More detailed information of the City’s long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

To deal with swings in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City has also attempted to keep expenditures to a minimum because of anticipated revenue questions.

Component Units

Complete financial statement and management’s discussion and analysis may be obtained from the Downtown Development Authority and East Jordan Housing Commission.

Request for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information, please contact the City Administrator at 201 Main Street, PO Box 499, East Jordan, Michigan, 49727.

Basic Financial Statements

Statement of Net Position
June 30, 2023

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,302,599	\$ 783,423	\$ 2,086,022	\$ 673,581
Cash and Equivalents - Restricted	58,912	938,030	996,942	-
Accounts Receivable - Net	39,550	130,555	170,105	20
Internal Balances	42,817	(42,817)	-	-
Due From Governmental Units	113,222	-	113,222	-
Prepays and Inventory	4,030	23,098	27,128	1,269
Capital Assets Not Depreciated	380,685	65,717	446,402	49,307
Capital Assets (Net of Accumulated Depreciation)	4,474,845	12,910,017	17,384,862	2,880,802
TOTAL ASSETS	6,416,660	14,808,023	21,224,683	3,604,979
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	411,684	116,124	527,808	7,116
LIABILITIES:				
Accounts Payable	10,184	38,526	48,710	14,891
Accrued Liabilities	43,239	30,090	73,329	7,425
Accrued Interest	11,577	9,953	21,530	-
Customer Deposits	2,400	6,137	8,537	11,009
Unearned Revenue	47,484	131,367	178,851	1,457
Net Pension Liability - Due in more than one year	1,770,551	608,579	2,379,130	2,312
Installment Loans Payable - Due within one year	70,020	-	70,020	-
Installment Loans Payable - Due in more than one year	345,788	-	345,788	-
Bonds Payable - Due within one year	-	74,000	74,000	-
Bonds Payable - Due in more than one year	-	3,109,000	3,109,000	-
Compensated Absences - Due in more than one year	82,936	9,774	92,710	-
TOTAL LIABILITIES	2,384,179	4,017,426	6,401,605	37,094
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	76,149	21,478	97,627	6,761
NET POSITION:				
Net Investment in Capital Assets	4,439,722	9,792,734	14,232,456	2,930,109
Restricted	853,584	938,030	1,791,614	-
Unrestricted	(925,290)	154,479	(770,811)	638,131
TOTAL NET POSITION	\$ 4,368,016	\$ 10,885,243	\$ 15,253,259	\$ 3,568,240

Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Governmental Activities:								
General Government	513,608	30,422	194,030	-	(289,156)	-	(289,156)	-
Public Safety	857,113	167,849	201,762	-	(487,502)	-	(487,502)	-
Public Works	856,793	11,100	435,919	-	(409,774)	-	(409,774)	-
Community and Economic Development	61,105	-	58,313	-	(2,792)	-	(2,792)	-
Health and Welfare	25,987	-	15,050	-	(10,937)	-	(10,937)	-
Recreation and Culture	419,656	6,911	10,065	-	(402,680)	-	(402,680)	-
Interest Expense - Unallocated	9,114	-	-	-	(9,114)	-	(9,114)	-
Total Governmental Activities	2,743,376	216,282	915,139	-	(1,611,955)	-	(1,611,955)	-
Business-type activities:								
Sewer	786,094	580,177	20,000	-	-	(185,917)	(185,917)	-
Water	589,215	568,055	20,000	-	-	(1,160)	(1,160)	-
EJ Harbor Marina	433,315	425,957	-	-	-	(7,358)	(7,358)	-
Tourist Park	411,275	260,082	-	-	-	(151,193)	(151,193)	-
Total Business-type Activities	2,219,899	1,834,271	40,000	-	-	(345,628)	(345,628)	-
Total Primary Government	\$ 4,963,275	\$ 2,050,553	\$ 955,139	\$ -	(1,611,955)	(345,628)	(1,957,583)	-
Component Units:								
Public Works:								
East Jordan Housing Commission	\$ 192,847	\$ 123,581	\$ 40,269	\$ 55,900	-	-	-	26,903
Community and Economic Development:								
Downtown Development Authority	152,849	-	-	-	-	-	-	(152,849)
Total Component Units	345,696	123,581	40,269	55,900	-	-	-	(125,946)
Total	\$ 5,308,971	\$ 2,174,134	\$ 995,408	\$ 55,900	-	-	-	-
General Revenues:								
Property Taxes:								
Operating	-	-	-	-	1,211,752	-	1,211,752	212,134
State Shared Revenue	-	-	-	-	302,649	-	302,649	-
Investment Earnings	-	-	-	-	25,148	2,957	28,105	404
Miscellaneous	-	-	-	-	-	42,208	42,208	7,138
Total General Revenues	-	-	-	-	1,539,549	45,165	1,584,714	219,676
Changes in Net Position	-	-	-	-	(72,406)	(300,463)	(372,869)	93,730
Net Position - Beginning	-	-	-	-	4,440,422	11,185,706	15,626,128	3,474,510
Net Position - Ending	-	-	-	-	\$ 4,368,016	\$ 10,885,243	\$ 15,253,259	\$ 3,568,240

City of East Jordan, Michigan

Balance Sheet Governmental Funds June 30, 2023

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 441,049	\$ 479,211	\$ 25,021	\$ 347,071	\$ 1,292,352
Cash and Equivalents - Restricted	-	-	-	58,912	58,912
Accounts Receivable	39,550	-	-	-	39,550
Due from Other Funds	42,817	-	-	-	42,817
Due from Governmental Units	48,276	48,016	16,930	-	113,222
Prepays and Inventory	4,030	-	-	-	4,030
TOTAL ASSETS	\$ 575,722	\$ 527,227	\$ 41,951	\$ 405,983	\$ 1,550,883
LIABILITIES:					
Accounts Payable	\$ 7,901	\$ 11	\$ 11	\$ -	\$ 7,923
Accrued Liabilities	34,479	445	616	-	35,540
Customer Deposits	2,000	-	-	400	2,400
Unearned Revenue	47,484	-	-	-	47,484
TOTAL LIABILITIES	91,864	456	627	400	93,347
FUND BALANCES:					
Nonspendable	4,030	-	-	-	4,030
Restricted	-	526,771	41,324	285,489	853,584
Assigned	-	-	-	120,094	120,094
Unassigned	479,828	-	-	-	479,828
TOTAL FUND BALANCES	483,858	526,771	41,324	405,583	1,457,536
TOTAL LIABILITIES AND FUND BALANCES	\$ 575,722	\$ 527,227	\$ 41,951	\$ 405,983	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	4,591,819
Deferred outflow - pension items	411,684
Net pension obligation	(1,770,551)
Compensated absences liability	(79,186)
Long-term notes & bonds payable for governmental activities	(348,691)
Accrued interest expense	(10,018)
Deferred inflows - pension items	(76,149)
Internal service funds included in governmental activities	191,572
Net position of governmental activities	\$ 4,368,016

City of East Jordan, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2023

	General	Major Street	Local Street	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 1,064,916	\$ -	\$ -	\$ 146,836	\$ 1,211,752
Licenses and Permits	33,639	-	-	-	33,639
Federal Sources	143,382	-	-	-	143,382
State Revenues	413,186	301,005	123,685	-	837,876
Local Revenues	142,898	-	-	6,470	149,368
Fines & Forfeitures	685	-	-	831	1,516
Charges for Services	181,127	-	-	-	181,127
Interest and Rents	25,148	-	-	-	25,148
Other Revenue	67,967	1,470	580	17,145	87,162
TOTAL REVENUES	<u>2,072,948</u>	<u>302,475</u>	<u>124,265</u>	<u>171,282</u>	<u>2,670,970</u>
EXPENDITURES:					
General Government	485,268	-	-	22,792	508,060
Public Safety	813,491	-	-	-	813,491
Public Works	168,731	148,844	148,805	-	466,380
Community and Economic Development	59,165	-	-	-	59,165
Health and Welfare	17,161	-	-	-	17,161
Recreation and Cultural	361,458	-	-	-	361,458
Debt Service	20,000	-	-	21,441	41,441
TOTAL EXPENDITURES	<u>1,925,274</u>	<u>148,844</u>	<u>148,805</u>	<u>44,233</u>	<u>2,267,156</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)					
	<u>147,674</u>	<u>153,631</u>	<u>(24,540)</u>	<u>127,049</u>	<u>403,814</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	34,599	20,441	55,040
Transfers Out	(20,441)	(34,599)	-	-	(55,040)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,441)</u>	<u>(34,599)</u>	<u>34,599</u>	<u>20,441</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	127,233	119,032	10,059	147,490	403,814
FUND BALANCE BEGINNING OF YEAR	<u>356,625</u>	<u>407,739</u>	<u>31,265</u>	<u>258,093</u>	<u>1,053,722</u>
FUND BALANCE AT END OF YEAR	<u>\$ 483,858</u>	<u>\$ 526,771</u>	<u>\$ 41,324</u>	<u>\$ 405,583</u>	<u>\$ 1,457,536</u>

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023**

Net changes in fund balances - total governmental funds	\$ 403,814
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$355,295) exceeded capital outlay \$98,101 and gain on asset transfer \$584 in the current period.	(389,173)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments	32,327
An internal service fund is used by management to charge the costs of certain activities, such as equipment costs, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(76,021)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(48,504)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Compensated absences	4,270
Accrued Interest	881
	<hr/>
Changes in net position of governmental activities	<u>\$ (72,406)</u>

City of East Jordan, Michigan

Statement of Net Position Proprietary Funds June 30, 2023

	Business - type Activities Enterprise Funds				Governmental Activities	
	Sewer	Water	Tourist Park	EJ Harbor Marina	Total	Internal Service Fund
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 191,628	\$ 436,681	\$ 417	\$ 154,697	\$ 783,423	\$ 10,247
Cash and Equivalents - Restricted	474,830	463,200	-	-	938,030	-
Accounts Receivable - Net	52,794	69,272	2,908	5,581	130,555	-
Prepays and Inventory	-	-	2,060	21,038	23,098	-
Capital Assets Not Depreciated	21,626	36,322	7,769	-	65,717	-
Capital Assets (Net of Accumulated Depreciation)	7,301,063	4,797,593	99,010	712,351	12,910,017	263,711
TOTAL ASSETS	8,041,941	5,803,068	112,164	893,667	14,850,840	273,958
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Investment Experience and Contributions	52,782	47,506	15,836	-	116,124	-
LIABILITIES:						
Accounts Payable	1,578	748	9,573	26,627	38,526	2,261
Accrued Liabilities	7,894	7,172	7,678	7,346	30,090	7,699
Accrued Interest	4,493	5,460	-	-	9,953	1,559
Customer Deposits	-	237	5,900	-	6,137	-
Due to Other Funds	-	-	42,817	-	42,817	-
Unearned Revenue	-	-	79,039	52,328	131,367	-
Compensated Absences - Due in more than one year	5,589	3,661	493	31	9,774	3,750
Net Pension Obligation - Due in more than one year	272,820	248,331	87,428	-	608,579	-
Installment Loans Payable - Due within one year	-	-	-	-	-	58,101
Installment Loans Payable - Due in more than one year	-	-	-	-	-	9,016
Bonds Payable - Due within one year	44,000	30,000	-	-	74,000	-
Bonds Payable - Due in more than one year	1,920,000	1,189,000	-	-	3,109,000	-
TOTAL LIABILITIES	2,256,374	1,484,609	232,928	86,332	4,060,243	82,386
DEFERRED INFLOWS OF RESOURCES:						
Pension Assumptions and Experience	9,763	8,787	2,928	-	21,478	-
NET POSITION:						
Net Investment in Capital Assets	5,358,689	3,614,915	106,779	712,351	9,792,734	196,594
Restricted	474,830	463,200	-	-	938,030	-
Unrestricted	(4,933)	279,063	(214,635)	94,984	154,479	(5,022)
TOTAL NET POSITION	\$ 5,828,586	\$ 4,357,178	\$ (107,856)	\$ 807,335	\$ 10,885,243	\$ 191,572

City of East Jordan, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended June 30, 2023

	Business - type Activities Enterprise Funds				Total	Governmental Activities
	Sewer	Water	Tourist Park	EJ Harbor Marina		Internal Service Fund
OPERATING REVENUES:						
Charges for Services	\$ 580,177	\$ 568,055	\$ 260,082	\$ 425,957	\$ 1,834,271	\$ 317,651
Total Operating Revenues	580,177	568,055	260,082	425,957	1,834,271	317,651
OPERATING EXPENSES:						
Personnel Services	243,477	171,196	102,695	69,697	587,065	166,153
Contracted Services	3,425	6,692	2,281	936	13,334	627
Insurance	5,207	3,229	1,786	2,124	12,346	10,923
Equipment Rental	38,801	21,084	16,987	1,733	78,605	-
Supplies	22,351	11,234	12,934	234,799	281,318	51,921
Utilities	57,199	41,691	36,035	9,854	144,779	14,619
Repair and Maintenance	53,833	92,446	204,175	26,648	377,102	70,461
Depreciation	310,242	200,465	4,986	72,392	588,085	73,919
Miscellaneous	11,685	8,765	29,396	15,132	64,978	6,577
Total Operating Expenses	746,220	556,802	411,275	433,315	2,147,612	395,200
OPERATING INCOME (LOSS)	(166,043)	11,253	(151,193)	(7,358)	(313,341)	(77,549)
NON-OPERATING REVENUES (EXPENSES):						
Interest and Rents	1,483	1,474	-	-	2,957	-
Federal Grants	20,000	20,000	-	-	40,000	-
Miscellaneous Revenue	5,881	19,676	16,126	525	42,208	5,060
Interest Expense	(39,874)	(32,413)	-	-	(72,287)	(3,532)
Total Non-Operating Revenues (Expenses)	(12,510)	8,737	16,126	525	12,878	1,528
CHANGES IN NET POSITION	(178,553)	19,990	(135,067)	(6,833)	(300,463)	(76,021)
NET POSITION, JULY 1	6,007,139	4,337,188	27,211	814,168	11,185,706	267,593
NET POSITION, JUNE 30	\$ 5,828,586	\$ 4,357,178	\$ (107,856)	\$ 807,335	\$ 10,885,243	\$ 191,572

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

	Business - type Activities Enterprise Funds					Governmental Activities
	Sewer	Water	Tourist Park	EJ Harbor Marina	Total	Internal Service Fund
	CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 578,946	\$ 549,826	\$ 271,590	\$ 413,812	\$ 1,814,174	\$ -
Payments to Suppliers	(192,571)	(184,647)	(251,840)	(270,612)	(899,670)	(157,031)
Payments to Employees	(235,236)	(164,418)	(99,343)	(69,245)	(568,242)	(166,117)
Internal Activity - Payments/Receipts with Other Funds	-	-	-	-	-	319,861
Net Cash Provided (Used) by Operating Activities	<u>151,139</u>	<u>200,761</u>	<u>(79,593)</u>	<u>73,955</u>	<u>346,262</u>	<u>(3,287)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:						
Other Revenue	5,881	19,676	16,126	525	42,208	5,060
State & Federal Grants	20,000	20,000	-	-	40,000	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>25,881</u>	<u>39,676</u>	<u>16,126</u>	<u>525</u>	<u>82,208</u>	<u>5,060</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of Capital Assets	(35,000)	(30,000)	-	-	(65,000)	(12,400)
Interest Payments	(39,874)	(32,413)	-	-	(72,287)	(3,532)
Principal Payments	(44,000)	(29,000)	-	-	(73,000)	(56,121)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(118,874)</u>	<u>(91,413)</u>	<u>-</u>	<u>-</u>	<u>(210,287)</u>	<u>(72,053)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Income	1,483	1,474	-	-	2,957	-
Net Cash Provided (Used) by Investing Activities	<u>1,483</u>	<u>1,474</u>	<u>-</u>	<u>-</u>	<u>2,957</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	59,629	150,498	(63,467)	74,480	221,140	(70,280)
Balances - Beginning of the Year	606,829	749,383	63,884	80,217	1,500,313	80,527
Balances - End of the Year	<u>\$ 666,458</u>	<u>\$ 899,881</u>	<u>\$ 417</u>	<u>\$ 154,697</u>	<u>\$ 1,721,453</u>	<u>\$ 10,247</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (166,043)	\$ 11,253	\$ (151,193)	\$ (7,358)	\$ (313,341)	\$ (77,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	310,242	200,465	4,986	72,392	588,085	73,919
NonCash Pension Expense	6,216	5,597	1,865	-	13,678	-
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Accounts Receivable	(1,231)	(18,229)	(2,908)	(3,471)	(25,839)	2,210
Prepays and Inventory	-	-	(204)	8,006	7,802	-
Increase (Decrease) in Liabilities:						
Accounts Payable	1,258	494	51,958	12,608	66,318	(666)
Accrued Liabilities	2,025	1,123	1,393	525	5,066	734
Accrued Interest	(45)	-	-	-	(45)	(1,237)
Customer Deposits	-	-	700	(61,002)	(60,302)	-
Unearned Revenue	-	-	13,716	52,328	66,044	-
Compensated Absences	(1,283)	58	94	(73)	(1,204)	(698)
Net Cash Provided (Used) by Operating Activities	<u>\$ 151,139</u>	<u>\$ 200,761</u>	<u>\$ (79,593)</u>	<u>\$ 73,955</u>	<u>\$ 346,262</u>	<u>\$ (3,287)</u>

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
	Tax Collection
	<u> </u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 41,080
 TOTAL ASSETS	 \$ 41,080
 LIABILITIES:	
Due to Others	\$ 41,080
 TOTAL LIABILITIES	 \$ 41,080
 NET POSITION:	
Unrestricted	\$ -
 TOTAL NET POSITION	 \$ -

**Statement of Changes of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023**

	Custodial Funds
	Tax Collection
ADDITIONS:	
Taxes Collected for Other Governments	\$ 1,198,661
TOTAL ADDITIONS	1,198,661
DEDUCTIONS:	
Payment of Taxes to Other Governments	1,198,661
TOTAL DEDUCTIONS	1,198,661
Change in Net Position	-
Net Position, Beginning of Year	-
Net Position , End of Year	\$ -

Component Units

City of East Jordan, Michigan

Combining Balance Sheet Component Units June 30, 2023

	Downtown Development Authority	East Jordan Housing Commission 12/31/2022	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 534,225	\$ 139,356	\$ 673,581
Accounts Receivable	-	20	20
Prepays and Inventory	-	1,269	1,269
Capital Assets Not Depreciated	-	49,307	49,307
Capital Assets (Net of Accumulated Depreciation)	2,530,925	349,877	2,880,802
TOTAL ASSETS	3,065,150	539,829	3,604,979
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Items	-	7,116	7,116
LIABILITIES:			
Accounts Payable	-	14,891	14,891
Accrued Liabilities	169	7,256	7,425
Customer Deposits	-	11,009	11,009
Unearned Revenue	-	1,457	1,457
Net Pension Liability	-	2,312	2,312
TOTAL LIABILITIES	169	36,925	37,094
DEFERRED INFLOWS OF RESOURCES:			
Pension Items	-	6,761	6,761
NET POSITION:			
Net Investment in Capital Assets	2,530,925	399,184	2,930,109
Unrestricted	534,056	104,075	638,131
TOTAL NET POSITION	3,064,981	503,259	3,568,240
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,065,150	\$ 546,945	\$ 3,612,095

**Combining Statement of Revenues, Expenditures
and Changes in Net Position
Component Units
For the Year Ended June 30, 2023**

Functions/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	East Jordan Housing Commission 12/31/2022	Total
Public Works:							
East Jordan Housing Commission	\$ 192,847	\$ 123,581	\$ 40,269	\$ 55,900	\$ -	\$ 26,903	\$ 26,903
Community and Economic Development:							
Downtown Development Authority	152,849	-	-	-	(152,849)	-	(152,849)
Total Component Units	<u>\$ 345,696</u>	<u>\$ 123,581</u>	<u>\$ 40,269</u>	<u>\$ 55,900</u>	<u>(152,849)</u>	<u>26,903</u>	<u>(125,946)</u>
General Revenues:							
State Sources					212,134	-	212,134
Interest Income					-	404	404
Miscellaneous					3,852	3,286	7,138
Total General Revenues					<u>215,986</u>	<u>3,690</u>	<u>219,676</u>
Changes in Net Position					63,137	30,593	93,730
Net Position - Beginning					<u>3,001,844</u>	<u>472,666</u>	<u>3,474,510</u>
Net Position - Ending					<u>\$ 3,064,981</u>	<u>\$ 503,259</u>	<u>\$ 3,568,240</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of East Jordan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Jordan.

A. Reporting Entity

The City of East Jordan is governed by an elected seven-member Commission. The accompanying financial statements present the government and its component units, and entity for which the government is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units

The City of East Jordan Downtown Development Authority (the “DDA”) accounts for property taxes that are earmarked for improvements in a downtown area of the City. The component unit column in the combined financial statements includes the financial data of the City’s Downtown Development Authority. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing board of the DDA are appointed by the Mayor. The budgets and expenditures of the DDA must be approved by the City Commission. The City also has the ability to significantly influence operations of the DDA. Complete financial statements of the Downtown Development Authority can be obtained at the City of East Jordan, 201 Main Street, East Jordan, Michigan, 49727.

The East Jordan Housing Commission is a Public Housing Agency created by the City of East Jordan on February 7, 1967. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract, for qualified individuals in accordance with rules and regulation prescribed by the Department of Housing and Urban Development and other Federal agencies.

Jointly Governed Organization

Jordan Valley Emergency Medical Service Authority (the “Authority”) was created as a corporate instrumentality in 2014 under provisions of Act 47, Michigan Public Acts of 1988, as amended. The local governments comprising the Authority include the City of East Jordan, Jordan, Echo, South Arm and Banks Townships. The Authority provides ambulance services and equipment for these municipalities. The Authority is not included in any other governmental “reporting entity” as defined by GASB 61, since none of these governmental units appoint a majority of the Authority’s board, the board members have decision making authority, the authority to set rates, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor 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 use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Street Fund* accounts for the use of motor fuel taxes which are restricted by State statute for local street purposes.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the sewage collection system.

The *Water Fund* accounts for the activities of the water distribution system.

The *Tourist Park Fund* accounts for the activities of the City owned park.

The *EJ Harbor Marina Fund* accounts for the activities of the City owned marina.

Additionally, the City reports the following fund types:

Special Revenue Funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt Service Funds. These funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Project Funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund. This fund accounts for operations that provide machinery and equipment to other departments of the City on a cost-reimbursement basis.

Custodial Funds. These funds account for assets held for others in an expendable trust.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash is disbursed.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Equivalents

The City maintains an investment pool for certain City funds. Each fund's portion of the investment pool is displayed on the statement of net position/balance sheet as "Cash and Equivalents". The debt service and trust and agency funds cash resources are invested separately as required by law.

The City's cash and equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize and the City's investment policy allows the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

All receivables are reported at their gross value. The City has not established an allowance for uncollectible accounts since, in the opinion of management the amount is not significant.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reports as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through July 31; as of March 1, of the succeeding year, unpaid real property taxes are sold to and collected by Charlevoix County.

Property taxes for the DDA are derived by capturing the taxes assessed on the increase in taxable value of the property located within the DDA districts.

Property taxes are recognized in the fiscal year in which they are levied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaids Items

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist primarily of paper and office supplies. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 to 60 years
Land Improvements	15 to 30 years
Machinery and Equipment	3 to 15 years
Sewer Lagoons	25 years
Mains	50 to 75 years
Infrastructure	10 to 30 years

Interest incurred during capital asset construction periods is expensed in accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Unused vacation and sick leave are paid to employees upon termination under limits that vary by employee group.

All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee’s terminations as of year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the 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 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has pension items that qualify for reporting in this category.

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 has pension items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Inventories and Prepaid Items as being nonspendable as these items are not expected to be converted to cash within the next year. The City has \$4,030 in nonspendable fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has \$812,260 in restricted fund balance for debt service, and capital project funds.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has \$0 classified as committed fund balance.
- **Assigned:** This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds in the amount of \$120,094.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the City Manager prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through an ordinance passed by the City Commission.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the City Commission. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The City does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan 1968 Public Act 2, the Uniform Budgeting and Accounting Act requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

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

NOTE 3 - CASH AND EQUIVALENTS

At year end, the City’s cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents - Unrestricted	\$ 1,302,599	\$ 783,423	\$ 2,086,022	\$ 41,080	\$ 673,581
Cash and Equivalents – Restricted	<u>58,912</u>	<u>938,030</u>	<u>996,942</u>	-	-
Total	<u>\$ 1,361,511</u>	<u>\$ 1,721,453</u>	<u>\$ 3,082,964</u>	<u>\$ 41,080</u>	<u>\$ 673,581</u>

Cash and equivalents are restricted in the amount of \$996,942 for the following: \$14,305 for Special Revenue Funds, \$44,607 for Capital Projects Funds, and \$938,030 for Bond Reserves of Water and Sewer Funds.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Water and Sewer Funds restricted cash balances are outlined by loan and item below:

	<u>Required Balance</u>	<u>Actual Balance</u>
Water Fund - Restricted Cash		
Repair, Replacement and Improvement Accounts		
2011 Series Water Supply System Revenue Bonds	\$ 463,200	\$ 463,200
	<u>\$ 463,200</u>	<u>\$ 463,200</u>
Sewer Fund - Restricted Cash		
Bond Reserves		
2017 Series Sewer System Revenue Bonds	\$ 33,600	\$ 33,600
Repair, Replacement and Improvement Accounts		
2017 Series Sewer System Revenue Bonds	333,115	333,115
2011 Series Sewer System Revenue Bonds	108,115	108,115
	<u>\$ 474,830</u>	<u>\$ 474,830</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 3,081,847	\$ 41,080	\$ 673,556
Petty Cash and Cash on Hand	<u>1,117</u>	<u>-</u>	<u>25</u>
Total	<u>\$ 3,082,964</u>	<u>\$ 41,080</u>	<u>\$ 673,581</u>

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

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. Credit quality ratings of future money funds were not available from the financial institutions or are unrated.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$3,222,092 of the City’s bank balance of \$3,732,893 was exposed to credit risk because it was uninsured and uncollateralized.

Fair value measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

Statutory Authority:

Public Act 152, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
 - c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
 - d. Repurchase agreements consisting of instruments listed in subdivision (a).
 - e. Bankers’ acceptances of United States banks.
 - f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
 - g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
 - h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The City’s deposits and investment policy are in accordance with statutory authority. These deposits are in various financial institutions in varying amounts. All accounts are in the name of the City and specific funds. They are recorded in City records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - PROPERTY TAXES

City property taxes are attached as an enforceable lien on property as of December 31 of the prior year. Real property taxes not collected as of March 1 are transferred to Charlevoix County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

The taxable value of real and personal property located in the City at June 30, 2023 totaled \$58,928,252. The tax levy for that year was based on the following rates:

	<u>Millage Rate Used</u>
General Operating	17.4509 mills
Fire Equipment	1.5000 mills

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 380,685	\$ -	\$ -	\$ 380,685
<i>Capital assets being depreciated:</i>				
Buildings	2,710,969	-	-	2,710,969
Land Improvements	952,277	-	-	952,277
Machinery and Equipment	3,611,825	76,317	(26,433)	3,661,709
Infrastructure	<u>5,314,023</u>	<u>-</u>	<u>-</u>	<u>5,314,023</u>
Subtotal	<u>12,589,094</u>	<u>76,317</u>	<u>(26,433)</u>	<u>12,638,978</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,141,709)	(51,871)	-	(1,193,580)
Land Improvements	(164,008)	(25,939)	-	(189,947)
Machinery and Equipment	(2,908,431)	(143,302)	20,863	(3,030,870)
Infrastructure	<u>(3,449,409)</u>	<u>(297,071)</u>	<u>(3,256)</u>	<u>(3,749,736)</u>
Subtotal	<u>(7,663,557)</u>	<u>(518,183)</u>	<u>17,607</u>	<u>(8,164,133)</u>
Net Capital Assets Being Depreciated	<u>4,925,537</u>	<u>(441,866)</u>	<u>(8,826)</u>	<u>4,474,845</u>
Capital Assets, Net	<u>\$ 5,306,222</u>	<u>\$ (441,866)</u>	<u>\$ (8,826)</u>	<u>\$ 4,855,530</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities

General Government	\$	9,494
Public Safety		75,276
Public Works		303,721
Recreation and Culture		55,773
Internal Service		<u>73,919</u>

**Total Depreciation Expense -
Governmental Activities**

\$ 518,183

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 65,717	\$ -	\$ -	\$ 65,717
<i>Capital assets being depreciated:</i>				
Infrastructure	8,339,901	-	-	8,339,901
Sewer Lagoons	1,286,995	-	-	1,286,995
Buildings	75,852	-	-	75,852
Mains	7,491,247	-	-	7,491,247
Land Improvements	1,987,185	-	-	1,987,185
Machinery and Equipment	<u>265,762</u>	<u>65,000</u>	-	<u>330,762</u>
Subtotal	<u>19,446,942</u>	<u>65,000</u>	-	<u>19,511,942</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	(523,966)	(326,465)	-	(850,431)
Sewer Lagoons	(780,001)	(26,684)	-	(806,685)
Buildings	(50,242)	(670)	-	(50,912)
Mains	(3,348,031)	(141,574)	-	(3,489,605)
Land Improvements	(1,167,869)	(73,313)	-	(1,241,182)
Machinery and Equipment	<u>(143,731)</u>	<u>(19,379)</u>	-	<u>(163,110)</u>
Subtotal	<u>(6,013,840)</u>	<u>(588,085)</u>	-	<u>(6,601,925)</u>
Net Capital Assets Being Depreciated	<u>13,433,102</u>	<u>(523,085)</u>	-	<u>12,910,017</u>
Capital Assets, Net	<u>\$ 13,498,819</u>	<u>\$ (523,085)</u>	<u>\$ -</u>	<u>\$ 12,975,734</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities

Sewer	\$	310,242
Water		200,465
Tourist Park		4,986
E.J. Harbor Marina		<u>72,392</u>

**Total Depreciation Expense -
Business-type Activities**

\$ 588,085

NOTE 5 -CAPITAL ASSETS (Continued)

Impaired Capital Assets

A part of the City’s sewer lagoons are no longer in use by the City’s operations and are considered impaired capital assets. Fair value measurements of impaired capital assets are categorized based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure the fair value of the asset. 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. Based on a visual inspection and general state of disrepair and nonuse (Level 3 inputs), the sewer lagoons have been written down from \$506,994 to \$480,310.

Capital asset activity for the East Jordan Housing Commission for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning Balances 01/01/22</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balances 12/31/22</u>
East Jordan Housing Commission:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 49,307	\$ -	\$ -	\$ 49,307
<i>Capital assets being depreciated:</i>				
Buildings	1,297,335	58,944	-	1,356,279
Furniture, Equipment & Machinery - Dwelling	22,476	2,392	-	24,868
Furniture, Equipment & Machinery - Administration	<u>20,943</u>	<u>2,873</u>	<u>-</u>	<u>23,816</u>
Subtotal	<u>1,340,754</u>	<u>64,209</u>	<u>-</u>	<u>1,404,963</u>
<i>Less accumulated depreciation</i>	<u>(1,027,345)</u>	<u>(30,115)</u>	<u>2,374</u>	<u>(1,055,086)</u>
Net Capital Assets Being Depreciated	<u>313,409</u>	<u>34,094</u>	<u>2,374</u>	<u>349,877</u>
Capital Assets, Net	<u>\$ 362,716</u>	<u>\$ 34,094</u>	<u>\$ 2,374</u>	<u>\$ 399,184</u>

Depreciation expense in the amount of \$30,115 was charged to Public Works of the Business-type activities.

Capital asset activity for the City of East Jordan DDA for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
City of East Jordan DDA:				
<i>Capital assets being depreciated:</i>				
Land Improvements	\$ 2,556,965	\$ -	\$ -	\$ 2,556,965
Furniture and Equipment	<u>37,677</u>	<u>41,310</u>	<u>-</u>	<u>78,987</u>
Subtotal	<u>2,594,642</u>	<u>41,310</u>	<u>-</u>	<u>2,635,952</u>

NOTE 5 -CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation</i>				
Land Improvements	(31,962)	(63,923)	-	(95,885)
Furniture and Equipment	(5,384)	(3,758)	-	(9,142)
Subtotal	(37,346)	(67,681)	-	(105,027)
Net Capital Assets Being Depreciated	<u>2,557,296</u>	<u>(26,371)</u>	-	<u>2,530,925</u>
Capital Assets, Net	<u>\$ 2,557,296</u>	<u>\$ (26,371)</u>	<u>\$ -</u>	<u>\$ 2,530,925</u>

Depreciation expense in the amount of \$67,681 was charged to the City of East Jordan DDA.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS		DUE TO OTHER FUNDS
	General Fund	Tourist Park
		<u>\$ 42,817</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.

TRANSFERS IN		TRANSFERS OUT		
		General	Major Street	Totals
	Local Street	\$ -	\$ 34,599	34,599
	Nonmajor Governmental	<u>20,441</u>	-	<u>20,441</u>
	Total	<u>\$ 20,441</u>	<u>\$ 34,599</u>	<u>\$ 55,040</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) moves 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 authorizations.

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. City contractual agreements and installment purchase agreements are also general obligations of the City. Revenue bonds involve a pledge of specified income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
General Obligation Bonds:							
\$250,000 2007B Harbor Bonds	4.2%	2023	\$ 21,000	\$ -	\$ 21,000	\$ -	\$ -
Installment Purchase Agreements:							
\$41,296 2019 Chevy Truck	3.15%	2025	25,657	-	8,193	17,466	8,450
\$22,511 2019 Ford Escape	7.50%	2024	9,293	-	4,479	4,814	4,814
\$360,000 Marina Improvements	3.75%	2035	350,725	-	6,848	343,877	7,105
\$58,6000 Excavator	3.50%	2024	27,769	-	13,024	14,745	14,745
\$214,084 Street Sweeper	2.50%	2024	<u>69,812</u>	<u>-</u>	<u>34,906</u>	<u>34,906</u>	<u>34,906</u>
Total Governmental Activities – Long-Term Debt			<u>504,256</u>	<u>-</u>	<u>88,450</u>	<u>415,808</u>	<u>70,020</u>
Business-type Activities							
General Obligation Bonds:							
\$1,600,000 USDA WWTP Bonds	1.75%	2057	1,456,000	-	31,000	1,425,000	31,000
\$1,525,000 Water Capital Improvement Bonds	2.0% to 3.55%	2051	1,248,000	-	29,000	1,219,000	30,000
\$675,000 Sewer Capital Improvement Bonds	2.0% to 3.55%	2051	<u>552,000</u>	<u>-</u>	<u>13,000</u>	<u>539,000</u>	<u>13,000</u>
Total Business-type Activities – Long-Term Debt			<u>3,256,000</u>	<u>-</u>	<u>73,000</u>	<u>3,183,000</u>	<u>74,000</u>
Governmental Compensated Absences			87,905	-	4,969	82,936	-
Business-type Compensated Absences			<u>10,978</u>	<u>-</u>	<u>1,204</u>	<u>9,774</u>	<u>-</u>
Total Compensated Absences			<u>98,883</u>	<u>-</u>	<u>6,173</u>	<u>88,960</u>	<u>-</u>
Total Long-Term Debt			<u>\$ 3,859,139</u>	<u>\$ -</u>	<u>\$ 167,623</u>	<u>\$ 3,687,768</u>	<u>\$ 144,020</u>

NOTE 7 - LONG-TERM DEBT (Continued)

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

Year End June 30	Governmental Activities		Business-type Activities	
	Bonds/Installments Payable		Bonds/Installments Payable	
	Principal	Interest	Principal	Interest
2024	\$ 70,020	\$ 15,195	\$ 74,000	\$ 71,084
2025	34,334	12,913	77,000	69,415
2026	26,271	11,679	78,000	67,673
2027	27,256	10,694	79,000	65,905
2028	28,278	9,672	81,000	64,121
2029-2033	158,113	31,637	435,000	292,113
2034-2038	71,536	4,043	487,000	240,284
2039-2043	-	-	545,000	182,035
2044-2048	-	-	611,000	116,569
2049-2053	-	-	502,000	45,359
2054-2057	-	-	214,000	9,450
Total	\$ 415,808	\$ 95,833	\$ 3,183,000	\$ 1,224,008

Accumulated Sick and Vacation Pay

Employees of the City earn sick and vacation time at varying rates based on the following:

Under terms of the Police union contract employees may accumulate as much as forty (40) sick days, in a credit balance (320 hours). Employee will earn eight (8) days of sick on January 1 of each year, for every day earned that would put the employee over their 40-day cap employees will be paid out to the excess amount at their current pay rates. Upon separation of employment, the Employer will pay at one-half (1/2) the earned rate of pay for all then unused accrued sick days, except if separation is discharge for cause, in which case unused accrued sick day pay will be forfeited. Vacation pay will be paid out, along with the employee’s final paycheck, the vacation pay for which they qualify as of their anniversary date. Vacation is awarded based on years of service and is as follows for the Police union: 1 year – one week (40 hours); 2 years but less than five – two weeks (80 hours); after the fifth year eligible for one day of paid vacation for each succeeding year, with a maximum of 25 days of paid vacation time (200 hours).

Under terms of the DPW union contract each employee shall have the option of retaining not more than twenty-five (25) days of his or her sick leave for future use. The employer shall have no obligation to purchase any sick leave that may be subsequently banked by an employee. January 1 of each year all regular full-time employees shall be credited with eight (8) sick leave days. Employees may use these sick leave days, and those banked from the preceding year pursuant to Section 4 of the union contract. Effective with the first pay periods in January of each year, regular full-time employees will have all unused sick leave that was credited to him/her in that calendar year by placing those days into his/her sick leave bank, provided the bank will not exceed twenty-five (25) days. Vacation is earned as follows: 1 year but less than 8 – 2 weeks vacation; 7 years but less than 15 – 3 weeks vacation; 15 years of continuous employment 4 weeks. Employees shall be entitled to one additional day of paid vacation for each year of continuous service after 15 years of continuous service to a maximum of five (5) weeks (200 hours).

The accumulated sick and vacation pay liability is \$99,960 at June 30, 2023.

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it obtains coverage from commercial insurance companies. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0% and 2.5% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2023.

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.

01 – DPW: Open Division	
	<u>2022 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions	6%
Act 88:	Yes (Adopted 1/3/1967)

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

02 – Police: Open Division	
	<u>2022 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	6%
Act 88:	Yes (Adopted 1/3/1967)
10 – Dept Hds: Open Division	
	<u>2022 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	3 years
Employee Contributions	3%
Act 88:	Yes (Adopted 1/3/1967)
12 – Gnl Other: Open Division	
	<u>2022 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions	3%
Act 88:	Yes (Adopted 1/3/1967)

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>18</u>
	53

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The contribution rate as a percentage of payroll at July 1, 2022 is as follows:

DPW	17.35%
Police	22.79%
Dept Hds	38.68%
Gnl Other	12.89%

Net Pension Liability

The City’s net pension liability was measured as of December 31 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.00 percent in the long-term
Investment rate of return	7.00 percent net of investment and administrative 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	Long-Term Expected Real Rate of Return
Global Equity	60%	2.70%
Global Fixed Income	20%	0.40%
Private Investments	20%	1.40%

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2021	\$ 6,009,611	\$ 4,308,609	\$ 1,701,002
Service cost	113,634	-	113,634
Interest on total pension liability	427,066	-	427,066
Difference between expected and actual experience	(26,336)	-	(26,336)
Changes in assumptions	-	-	-
Employer contributions	-	244,123	(244,123)
Employee contributions	-	45,714	(45,714)
Net investment income	-	(445,673)	445,673
Benefit payments, including employee refunds	(351,715)	(351,715)	-
Administrative expense	-	(7,927)	7,927
Other changes	1	-	1
Net changes	162,650	(515,478)	678,128
Balances as of December 31, 2022	\$ 6,172,261	\$ 3,793,131	\$ 2,379,130

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City’s net pension liability	\$3,099,712	\$2,379,130	\$1,773,033

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

For the year ended June 30, 2023, the City recognized pension expense of \$319,048. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 97,627
Changes in assumptions	73,596	-
Net difference between projected and actual earnings on pension plan investments	325,480	-
Contributions subsequent to the measurement date	128,732	-
 Total	 <u>\$ 527,808</u>	 <u>\$ 97,627</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recorded in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$128,732, which will impact the net pension liability in fiscal year 2023, rather than pension expense:

<u>Year Ended June 30:</u>	
2024	\$ 3,792
2025	50,095
2026	96,453
2027	151,109

EAST JORDAN HOUSING COMMISSION

Description of Plan and Plan Assets

The Housing Commission participates in the City of East Jordan Employees Retirement Plan through the Municipal Employees' Retirement System (MERS). The City of East Jordan's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The defined benefit pension plan is an agent multiple-employer plan administered by the Retirement Board of MERS. Act No 127 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. 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.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The Housing Commission is invoiced by the City of East Jordan on a monthly basis for its required contributions. During the year, the Housing Commission and employees contributed \$4,901. The contribution requirements of plan members are established and may be amended by the City of East Jordan Board of Commissioners.

For the year ended December 31, 2022, the Housing Commission recorded deferred outflows of \$7,116, deferred inflows of \$6,761 and a net pension liability of \$2,312 for pension benefits offered to the employees of the Housing Commission.

NOTE 10 - DEFICIT UNRESTRICTED NET POSITION

An unrestricted net position deficit existed in the following funds as indicated:

Tourist Park	\$	214,635
Sewer		4,933
Internal Service		5,022

The Tourist Park already has a multiple year deficit elimination plan excepted with the State of Michigan.

NOTE 11 - IMPLEMENTATION OF GASB STATEMENT NO. 96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May of 2020, the GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, or an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended.

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the period ending June 30, 2023. There were no subscription-based information technology arrangements held by the City that meet the definition of recognition under GASB Statement No. 96, therefore, the financial statements have not been affected by such implementation.

Required Supplementary Information

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended June 30, 2023**

	Annual Actuarial Valuation Report as of December 31							
	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 113,634	\$ 106,919	\$ 110,144	\$ 109,965	\$ 99,302	\$ 91,207	\$ 84,621	\$ 85,816
Interest	427,066	433,748	410,759	385,261	396,988	384,902	379,944	388,061
Difference between expected and actual experience	(26,336)	(240,209)	(29,932)	14,609	(40,539)	8,030	(99,810)	(333,095)
Change in assumptions	-	220,781	153,153	152,846	-	-	-	204,201
Benefit payments, including refund of member contributions	(351,715)	(330,745)	(349,324)	(345,766)	(362,658)	(311,564)	(300,566)	(297,158)
Other Changes	1	(1)	-	20,277	-	1	-	-
Net change in total pension liability	162,650	190,493	294,800	337,192	93,093	172,576	64,189	47,825
Total pension liability - beginning	6,009,611	5,819,118	5,524,318	5,187,126	5,094,033	4,921,457	4,857,268	4,809,443
Total pension liability - ending	<u>\$ 6,172,261</u>	<u>\$ 6,009,611</u>	<u>\$ 5,819,118</u>	<u>\$ 5,524,318</u>	<u>\$ 5,187,126</u>	<u>\$ 5,094,033</u>	<u>\$ 4,921,457</u>	<u>\$ 4,857,268</u>
Plan fiduciary net position								
Contributions - employer	\$ 244,123	\$ 219,535	\$ 204,514	\$ 186,701	\$ 163,437	\$ 136,924	\$ 129,081	\$ 118,460
Contributions - employee	45,714	45,716	46,806	43,560	39,936	35,360	34,980	35,048
Net investment income	(445,673)	539,595	441,581	429,623	(132,516)	419,538	338,499	(44,225)
Benefit payments, including refunds of member contributions	(351,715)	(330,745)	(349,324)	(345,766)	(362,658)	(311,564)	(300,566)	(297,159)
Administrative expense	(7,927)	(6,187)	(7,004)	(7,400)	(6,668)	(6,652)	(6,688)	(7,036)
Other changes	-	-	(1)	(1)	(1)	1	-	(191,928)
Net change in plan fiduciary net position	(515,478)	467,914	336,572	306,717	(298,470)	273,607	195,306	(386,840)
Plan fiduciary net position - beginning	4,308,609	3,840,695	3,504,123	3,197,406	3,495,876	3,222,269	3,026,963	3,413,803
Plan fiduciary net position - ending	<u>\$ 3,793,131</u>	<u>\$ 4,308,609</u>	<u>\$ 3,840,695</u>	<u>\$ 3,504,123</u>	<u>\$ 3,197,406</u>	<u>\$ 3,495,876</u>	<u>\$ 3,222,269</u>	<u>\$ 3,026,963</u>
City's net pension liability - ending	<u>\$ 2,379,130</u>	<u>\$ 1,701,002</u>	<u>\$ 1,978,423</u>	<u>\$ 2,020,195</u>	<u>\$ 1,989,720</u>	<u>\$ 1,598,157</u>	<u>\$ 1,699,188</u>	<u>\$ 1,830,305</u>
Plan fiduciary net position as a percentage of the total pension liability	61%	72%	66%	63%	62%	69%	65%	62%
Covered - employee payroll	\$ 921,199	\$ 897,530	\$ 936,373	\$ 934,361	\$ 837,328	\$ 783,364	\$ 724,325	\$ 745,195
City's net pension liability as a percentage of covered-employee payroll	258%	190%	211%	216%	238%	204%	235%	246%

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended June 30, 2023**

	Annual Actuarial Valuation Report as of December 31							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 244,123	\$ 219,535	\$ 204,514	\$ 186,701	\$ 156,384	\$ 136,924	\$ 129,081	\$ 118,460
Contributions in relation to the actuarially determined contribution	<u>244,123</u>	<u>219,535</u>	<u>204,514</u>	<u>186,701</u>	<u>163,437</u>	<u>136,924</u>	<u>129,081</u>	<u>118,460</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 921,199	\$ 897,530	\$ 936,373	\$ 934,361	\$ 837,328	\$ 783,364	\$ 724,325	\$ 745,195
Contributions as a percentage of covered-employee payroll	27%	24%	22%	20%	20%	17%	18%	16%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%
Retirement age	Normal retirement age 60
Mortality	Pub-2010 and fully generational MP-2019

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 1,018,350	\$ 1,053,350	\$ 1,064,916	\$ 11,566
Licenses and Permits	32,000	32,000	33,639	1,639
Federal Sources	51,750	148,090	143,382	(4,708)
State Sources	579,200	379,200	413,186	33,986
Local Sources	75,500	75,929	142,898	66,969
Fines & Forfeitures	7,500	-	685	685
Charges for Services	113,900	169,400	181,127	11,727
Interest and Rents	160,000	14,000	25,148	11,148
Other Revenue	394,980	241,154	67,967	(173,187)
TOTAL REVENUES	2,433,180	2,113,123	2,072,948	(40,175)
EXPENDITURES:				
General Government:				
City Council	28,000	26,000	25,350	650
Administrator	81,083	82,083	81,472	611
Clerk	101,027	91,027	86,983	4,044
Attorney	20,509	20,509	19,726	783
Treasurer	70,526	71,526	70,899	627
Building and Grounds	103,205	111,641	108,385	3,256
Elections	6,750	6,750	5,257	1,493
Assessor	33,000	33,000	32,604	396
Data Processing	14,010	55,219	53,483	1,736
Board of Review	1,872	1,872	1,109	763
Total General Government	459,982	499,627	485,268	14,359
Public Safety:				
Police Department	566,259	538,404	525,483	12,921
Fire Department	227,305	276,028	259,752	16,276
Zoning Board/Commission	65,736	32,736	28,256	4,480
Total Public Safety	859,300	847,168	813,491	33,677
Public Works:				
Public Works	39,640	62,840	61,072	1,768
Street Lighting	40,000	39,000	38,648	352
Cemetery	45,624	35,424	30,258	5,166
Airport	18,576	38,576	38,753	(177)
Total Public Works	143,840	175,840	168,731	7,109
Community and Economic Development:				
Housing Commission and Paying Agents	-	59,165	59,165	-
Health and Welfare				
Emergency Medical Facility	-	17,161	17,161	-

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Parks and Recreation	551,622	246,378	234,785	11,593
Community and Skate Park	49,667	52,667	51,641	1,026
Civic Center Recreation Facility	5,280	20,280	19,938	342
Elm Pointe Recreation Facility	51,351	55,351	55,094	257
Total Recreation and Culture	<u>657,920</u>	<u>374,676</u>	<u>361,458</u>	<u>13,218</u>
Debt Service	20,000	20,000	20,000	-
TOTAL EXPENDITURES	<u>2,141,042</u>	<u>1,993,637</u>	<u>1,925,274</u>	<u>68,363</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>292,138</u>	<u>119,486</u>	<u>147,674</u>	<u>28,188</u>
OTHER FINANCING SOURCES (USES):				
Transfers (Out)	20,441	20,441	(20,441)	(40,882)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,441</u>	<u>20,441</u>	<u>(20,441)</u>	<u>(40,882)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 312,579</u>	<u>\$ 139,927</u>	127,233	<u>\$ (12,694)</u>
FUND BALANCE BEGINNING OF YEAR			<u>356,625</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 483,858</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 285,000	\$ 285,000	\$ 301,005	\$ 16,005
Other Revenue	-	-	1,470	-
	285,000	285,000	302,475	17,475
TOTAL REVENUES				
EXPENDITURES:				
Public Works	180,860	180,860	148,844	32,016
	180,860	180,860	148,844	32,016
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	104,140	104,140	153,631	49,491
OTHER FINANCING SOURCES (USES):				
Transfers Out	(34,599)	(34,599)	(34,599)	-
	(34,599)	(34,599)	(34,599)	-
NET CHANGE IN FUND BALANCES	\$ 69,541	\$ 69,541	119,032	\$ 49,491
FUND BALANCE BEGINNING OF YEAR			407,739	
FUND BALANCE AT END OF YEAR			\$ 526,771	

Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 105,000	\$ 118,000	\$ 123,685	\$ 5,685
Other Revenue	-	-	580	580
TOTAL REVENUES	105,000	118,000	124,265	6,265
EXPENDITURES:				
Public Works	153,058	153,058	148,805	4,253
TOTAL EXPENDITURES	153,058	153,058	148,805	4,253
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(48,058)	(35,058)	(24,540)	10,518
OTHER FINANCING SOURCES (USES):				
Transfers In	34,599	34,599	34,599	-
NET CHANGE IN FUND BALANCES	\$ (13,459)	\$ (459)	10,059	\$ 10,518
FUND BALANCE BEGINNING OF YEAR			31,265	
FUND BALANCE AT END OF YEAR			\$ 41,324	

Supplementary Information

**Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	Special Revenue Funds						Debt Service Fund
	Fire Equipment	Rehab I and II	D.A.R.E.	Perpetual Care Trust	Police Dpt. Trust	Fire Dpt. Trust	2007B GO Cap.
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 88,977	\$ 28,350	\$ 2,767	\$ -	\$ -	\$ -	
Cash and Equivalents - Restricted	-	-	-	-	12,758	1,547	-
TOTAL ASSETS	\$ 88,977	\$ 28,350	\$ 2,767	\$ -	\$ 12,758	\$ 1,547	\$ -
LIABILITIES:							
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:							
Restricted	-	-	-	-	12,758	1,547	-
Assigned	88,977	28,350	2,767	-	-	-	-
TOTAL FUND BALANCES	88,977	28,350	2,767	-	12,758	1,547	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,977	\$ 28,350	\$ 2,767	\$ -	\$ 12,758	\$ 1,547	\$ -

Capital Project Funds

	Street Improvement Tax	Bandshell	Fire & EMS Building Reserve	Industrial Complex	Totals
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 189,587	\$ 26,432	\$ -	\$ 10,958	\$ 347,071
Cash and Equivalents - Restricted	-	-	44,607	-	58,912
TOTAL ASSETS	\$ 189,587	\$ 26,432	\$ 44,607	\$ 10,958	\$ 405,983
LIABILITIES:					
Customer Deposits	-	400	-	-	400
FUND BALANCES:					
Restricted	189,587	26,032	44,607	10,958	285,489
Assigned	-	-	-	-	120,094
TOTAL FUND BALANCES	189,587	26,032	44,607	10,958	405,583
TOTAL LIABILITIES AND FUND BALANCES	\$ 189,587	\$ 26,432	\$ 44,607	\$ 10,958	\$ 405,983

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds						Debt Service Fund
	Fire Equipment	Rehab I and II	D.A.R.E.	Perpetual Care Trust	Police Dpt. Trust	Fire Dpt. Trust	2007B GO Cap.
REVENUES:							
Taxes	\$ 88,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Revenues	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	831	-	-
Other Revenues	-	-	-	2,080	-	-	-
TOTAL REVENUES	88,826	-	-	2,080	831	-	-
EXPENDITURES:							
General Government	-	-	-	2,080	1,967	-	-
Debt Service	-	-	-	-	-	-	21,441
TOTAL EXPENDITURES	-	-	-	2,080	1,967	-	21,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	88,826	-	-	-	(1,136)	-	(21,441)
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	-	-	20,441
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	20,441
NET CHANGE IN FUND BALANCES	88,826	-	-	-	(1,136)	-	(1,000)
FUND BALANCE BEGINNING OF YEAR	151	28,350	2,767	-	13,894	1,547	1,000
FUND BALANCE AT END OF YEAR	\$ 88,977	\$ 28,350	\$ 2,767	\$ -	\$ 12,758	\$ 1,547	\$ -

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Capital Project Funds				Totals
	Street Improvement Tax	Bandshell	Fire & EMS Building Reserve	Industrial Complex	
REVENUES:					
Taxes	\$ 58,010	\$ -	\$ -	\$ -	\$ 146,836
Local Revenues	-	-	6,470	-	6,470
Fines & Forfeitures	-	-	-	-	831
Other Revenues	-	10,065	-	5,000	17,145
TOTAL REVENUES	58,010	10,065	6,470	5,000	171,282
EXPENDITURES:					
General Government	-	9,058	-	9,687	22,792
Debt Service	-	-	-	-	21,441
TOTAL EXPENDITURES	-	9,058	-	9,687	44,233
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	58,010	1,007	6,470	(4,687)	127,049
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	-	20,441
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	20,441
NET CHANGE IN FUND BALANCES	58,010	1,007	6,470	(4,687)	147,490
FUND BALANCE BEGINNING OF YEAR	131,577	25,025	38,137	15,645	258,093
FUND BALANCE AT END OF YEAR	\$ 189,587	\$ 26,032	\$ 44,607	\$ 10,958	\$ 405,583

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

**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
City of East Jordan
Charlevoix County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Jordan, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of East Jordan, Michigan's basic financial statements, and have issued our report thereon dated December 5, 2023. Our report includes a reference to other auditors who audited the financial statements of the East Jordan Housing Commission, as described in our report on the City of East Jordan, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

To the City Commission
City of East Jordan

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying scheduled of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of East Jordan, Michigan'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

City of East Jordan, Michigan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of East Jordan, Michigan's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of East Jordan, Michigan'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 result 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, PLC
Certified Public Accountants
Kincheloe, Michigan

December 5, 2023

Noncompliance with State Statutes

Significant Deficiency

Deficit Unrestricted Net Position

Finding 2023-001

Criteria: The deficit in unrestricted net position/fund balance is contrary to the provisions of Section 15(2) of Public Act 2 of 1968, as amended.

Condition: The City's Tourist Park, Sewer and Internal Service has a deficit in unrestricted net position.

Cause: The Tourist Park fund has a negative unrestricted net position balances of \$214,635.

Effect: The City is in noncompliance with Public Act 2 of 1968, as amended.

Recommendation: We recommend that the City develop a plan to eliminate the deficit as soon as possible.

Planned Corrective Action: The City contacted the State and was told at that time a deficit reduction plan should not be filed until the State contacted them, through a letter, to submit a deficit reduction plan.

- *Contact Person(s) Responsible for Correction:*
Heather Jackson, Treasurer

- *Anticipated Completion Date:*
As soon as possible.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Commission
City of East Jordan
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Jordan, Michigan, for the year ended June 30, 2023, and have issued our report thereon dated December 5, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter to you dated August 8, 2023. Professional standards also require that we communicate to you the following information about 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 of East Jordan, Michigan are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the City of East Jordan, Michigan changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements* in 2023. The application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates for pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statements 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 units, financial statements taken as a whole.

Disagreement 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 5, 2023.

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 governmental unit'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.

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 governmental unit'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.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

There were no observations with suggestions for improvements we believe should be brought to your attention. We noted one significant deficiency involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

New Pronouncements

The GASB has issued the following statements and implementation guides:

1. Statement No. 99, "Omnibus 2023." The requirements related to leases, PPPs, and SBITAs will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
2. Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024.
3. Statement No. 101, "Compensated Absences." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024.

Earlier application of these statements is encouraged. For the original pronouncements and the implementation guides, please visit the GASB's website, www.gasb.org.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our 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 combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

December 5, 2023