

City of East Jordan, Michigan

BASIC FINANCIAL STATEMENTS

June 30, 2021

CITY OF EAST JORDAN, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COMMISSION

MAYOR

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COMMISSIONER

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APPOINTED OFFICERS

CITY ADMINISTRATOR

TOM CANNON

TREASURER

HEATHER JACKSON

CLERK

CHELTZI WILSON

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of East Jordan, Michigan, as of and for the year ending June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the East Jordan Housing Commission, a component unit of the City of East Jordan, Michigan, which represents 12 percent, 12 percent, and 10 percent, respectively, of the assets, net position, and revenue of the aggregate discretely presented component units. 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, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the City Commission
City of East Jordan, Michigan

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of East Jordan, Michigan, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefits systems, and budgetary comparison information on pages 4 through 10, pages 48 through 49, and pages 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

To the City Commission
City of East Jordan, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of the 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 the City of East Jordan'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 14, 2021

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, 2021. 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 2021 by \$15,746,153 (*net position*). Of this, (\$1,263,109) (*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 \$264,389 or 15.6% of the total General Fund expenditures, which was an increase of \$109,748 or 71%
- The current level of unrestricted net position of the governmental activities stands at (\$1,088,901), or about (47.4)% of expenses.
- Net position of the governmental activities increased \$18,038 or .41%. Net position of the business-type activities decreased \$383,356 or (3.3)%.

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 legislative, general government, public safety, public works including major and local street maintenance, community and economic development, 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 fund, 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, 2021 follows:

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

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Assets						
Current Assets	\$ 668,458	\$ 917,517	\$ 1,460,017	\$ 1,312,575	\$ 2,128,475	\$ 2,230,092
Capital Assets	6,204,726	5,644,179	14,182,563	13,988,316	20,387,289	19,632,495
Total Assets	6,873,184	6,561,696	15,642,580	15,300,891	22,515,764	21,862,587
Deferred Outflows of Resources	155,493	204,040	43,858	57,551	199,351	261,591
Liabilities						
Current Liabilities	237,111	153,461	261,697	226,511	498,808	379,972
Noncurrent Liabilities	2,158,516	2,051,190	3,878,282	3,785,821	6,036,798	5,837,011
Total Liabilities	2,395,627	2,204,651	4,139,979	4,012,332	6,535,606	6,216,983
Deferred Inflows of Resources	5,617	125,614	1,583	35,428	7,200	161,042
Net Position						
Net Investment in Capital Assets	5,514,820	5,053,691	10,772,169	10,653,370	16,286,989	15,707,061
Restricted	327,258	470,681	745,055	831,520	1,072,313	1,302,201
Unrestricted	(1,214,645)	(1,088,901)	27,652	(174,208)	(1,186,993)	(1,263,109)
Total Net Position	\$ 4,627,433	\$ 4,435,471	\$ 11,544,876	\$ 11,310,682	\$ 16,172,309	\$ 15,746,153

Net position of the City decreased by \$370,373 for the year ended June 30, 2021. The governmental activities increased in net position by \$18,038 primarily the result of an increases in operating grant revenues, and decreases in Public Works expenditures in 2021. Business-type activities net position decreased by \$388,411. This was primarily the result of the impairment to the sewer lagoon in 2021.

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	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for Services	\$ 203,081	\$ 219,330	\$ 1,507,000	\$ 1,598,739	\$ 1,710,081	\$ 1,818,069
Operating Grants and Contributions	569,968	719,262	-	594	569,968	719,856
Capital Grants and Contributions	754,935	-	1,643,272	513	2,398,207	513
General Revenues						
Property Taxes	1,073,293	1,047,049	-	-	1,073,293	1,047,049
State Shared Revenues	250,379	287,042	-	-	250,379	287,042
Investment Earnings	13,187	11,105	1,330	177	14,517	11,282
Miscellaneous	59,593	39,739	23,033	45,177	82,626	84,916
Total Revenues	2,924,436	2,323,527	3,174,635	1,645,200	6,099,071	3,968,727
Expenses						
Legislative	24,817	22,248	-	-	24,817	22,248
General Government	502,547	448,845	-	-	502,547	448,845
Public Safety	856,579	856,333	-	-	856,579	856,333
Public Works	982,823	646,324	-	-	982,823	646,324
Community and Economic Development	53,208	54,361	-	-	53,208	54,361
Health and Welfare	12,970	11,194	-	-	12,970	11,194
Recreation and Culture	246,441	236,971	-	-	246,441	236,971
Sewer	-	-	646,698	748,680	646,698	748,680
Water	-	-	418,348	474,096	418,348	474,096
EJ Harbor Marina	-	-	256,873	265,351	256,873	265,351
Tourist Park	-	-	215,669	158,414	215,669	158,414
Other Nonmajor	-	-	-	-	-	-
Interest Expense - Unallocated	4,723	21,213	-	-	4,723	21,213
Total Expenses	2,684,108	2,297,489	1,537,588	1,646,541	4,221,696	3,944,030
Changes in Net Position before Transfers and General Expenses	240,328	26,038	1,637,047	(1,341)	1,877,375	24,697
Gain(loss) on Disposal of Assets	-	-	(273,670)	(395,070)	(273,670)	(395,070)
Transfers	(8,000)	(8,000)	8,000	8,000	-	-
Changes in Net Position	232,328	18,038	1,371,377	(388,411)	1,603,705	(370,373)
Net Position - Beginning (As Restated see Note 13)	4,395,105	4,417,433	10,173,499	11,699,093	14,568,604	16,116,526
Net Position - Ending	\$ 4,627,433	\$ 4,435,471	\$ 11,544,876	\$ 11,310,682	\$ 16,172,309	\$ 15,746,153

General Fund Budgetary Highlights

Charges for taxes, fines & forfeitures, and interest & rents was below expected budgetary level. Licenses & permits, federal, state, local sources, charges for services and other revenue came in over budget. Expenditures that exceeded budget are discussed in note 11.

Capital Asset and Debt Administration

Capital Assets

The City’s net investment in capital assets as of June 30, 2021, amounted to \$19,632,495. 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	
	2020	2021	2020	2021	2020	2021
Land	\$ 551,400	\$ 380,685	\$ 105,002	\$ 65,727	\$ 656,402	\$ 446,412
Construction in Progress	1,170,107	-	2,003,826	-	3,173,933	-
Buildings	1,667,965	1,618,551	26,950	26,280	1,694,915	1,644,831
Land Improvements	345,816	786,772	942,823	863,389	1,288,639	1,650,161
Machinery and Equipment	937,626	785,269	88,367	79,893	1,025,993	865,162
Sewer Lagoons	-	-	932,363	533,678	932,363	533,678
Mains	-	-	4,400,904	4,271,564	4,400,904	4,271,564
Infrastructure	1,531,812	2,072,902	5,682,328	8,147,785	7,214,140	10,220,687
Total Capital Assets	\$ 6,204,726	\$ 5,644,179	\$ 14,182,563	\$ 13,988,316	\$ 20,387,289	\$ 19,632,495

In 2021 the city completed construction on the CDBG Infrastructure project that construction had started on last fiscal year. This asset has been moved from construction in progress (CIP) to infrastructure within the governmental and business type activities in fiscal year 2021. The city also completed the construction on the boat launch project and the Loveday Field project both of which have been moved from construction in progress (CIP) to land improvements within the governmental activities in fiscal year 2021. The only project currently ongoing is the Joining Jordan project which is taking place in the Downtown Development Authority, a component unit of the city.

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	
	2020	2021	2020	2021	2020	2021
General Obligation Bonds	\$ 82,000	\$ 42,000	\$ 3,397,000	\$ 3,328,000	\$ 3,479,000	\$ 3,370,000
Installment Purchase Agreement	607,906	548,488	13,395	6,946	621,301	555,434
Net Pension Liability	1,490,579	1,457,997	529,616	520,426	2,020,195	1,978,423
Compensated Absences	77,449	88,941	13,720	9,395	91,169	98,336
Total Debt Outstanding	\$ 2,257,934	\$ 2,137,426	\$ 3,953,731	\$ 3,864,767	\$ 6,211,665	\$ 6,002,193

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

- The State of Michigan is projecting significant budget deficits.

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, 2021**

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 734,786	\$ 336,733	\$ 1,071,519	\$ 629,599
Cash and Equivalents - Restricted	42,087	831,520	873,607	9,225
Accounts Receivable - Net	24,858	125,792	150,650	12,976
Due From Governmental Units	111,195	-	111,195	289,430
Prepays and Inventory	4,591	18,530	23,121	2,489
Capital Assets Not Depreciated	380,685	65,727	446,412	2,423,657
Capital Assets (Net of Accumulated Depreciation)	5,263,494	13,922,589	19,186,083	243,570
TOTAL ASSETS	6,561,696	15,300,891	21,862,587	3,610,946
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	204,040	57,551	261,591	6,212
LIABILITIES:				
Accounts Payable	18,020	14,656	32,676	301,004
Accrued Liabilities	27,191	17,223	44,414	13,431
Accrued Interest	16,864	11,351	28,215	-
Customer Deposits	5,150	104,335	109,485	9,225
Unearned Revenue	-	-	-	756
Net Pension Liability - Due in more than one year	1,457,997	520,426	1,978,423	16,617
Installment Loans Payable - Due within one year	65,236	6,946	72,182	-
Installment Loans Payable - Due in more than one year	483,252	-	483,252	-
Bonds Payable - Due within one year	21,000	72,000	93,000	-
Bonds Payable - Due in more than one year	21,000	3,256,000	3,277,000	-
Compensated Absences - Due in more than one year	88,941	9,395	98,336	-
TOTAL LIABILITIES	2,204,651	4,012,332	6,216,983	341,033
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	125,614	35,428	161,042	318
NET POSITION:				
Net Investment in Capital Assets	5,053,691	10,653,370	15,707,061	2,667,227
Restricted	470,681	831,520	1,302,201	-
Unrestricted	(1,088,901)	(174,208)	(1,263,109)	608,580
TOTAL NET POSITION	\$ 4,435,471	\$ 11,310,682	\$ 15,746,153	\$ 3,275,807

Statement of Activities
For the Year Ended June 30, 2021

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:								
Legislative	\$ 22,248	\$ -	\$ -	\$ -	\$ (22,248)	\$ -	\$ (22,248)	\$ -
General Government	448,845	35,798	123,232	-	(289,815)	-	(289,815)	-
Public Safety	856,333	160,265	122,265	-	(573,803)	-	(573,803)	-
Public Works	646,324	16,025	409,272	-	(221,027)	-	(221,027)	-
Community and Economic Development	54,361	-	53,306	-	(1,055)	-	(1,055)	-
Health and Welfare	11,194	-	11,187	-	(7)	-	(7)	-
Recreation and Culture	236,971	7,242	-	-	(229,729)	-	(229,729)	-
Interest Expense - Unallocated	21,213	-	-	-	(21,213)	-	(21,213)	-
Total Governmental Activities	2,297,489	219,330	719,262	-	(1,358,897)	-	(1,358,897)	-
Business-type activities:								
Sewer	748,680	533,739	-	-	-	(214,941)	(214,941)	-
Water	474,096	610,586	-	513	-	137,003	137,003	-
EJ Harbor Marina	265,351	267,776	78	-	-	2,503	2,503	-
Tourist Park	158,414	186,638	516	-	-	28,740	28,740	-
Total Business-type Activities	1,646,541	1,598,739	594	513	-	(46,695)	(46,695)	-
Total Primary Government	\$ 3,944,030	\$ 1,818,069	\$ 719,856	\$ 513	(1,358,897)	(46,695)	(1,405,592)	-
Component Units:								
Public Works:								
East Jordan Housing Commission	\$ 157,799	\$ 114,337	\$ 64,119	\$ 41,200	-	-	-	61,857
Economic Development:								
Downtown Development Authority	149,757	-	-	1,776,154	-	-	-	1,626,397
Total Component Units	307,556	114,337	64,119	1,817,354	-	-	-	1,688,254
Total	\$ 4,251,586	\$ 1,932,406	\$ 783,975	\$ 1,817,867	-	-	-	-
General Revenues and Transfers:								
Property Taxes								
Operating					993,337	-	993,337	195,535
Debt					53,712	-	53,712	-
State Shared Revenue					287,042	-	287,042	-
Investment Earnings					11,105	177	11,282	432
Loss on Disposal of Assets					-	(395,070)	(395,070)	(14,172)
Miscellaneous					39,739	45,177	84,916	15,682
Transfers					(8,000)	8,000	-	-
Total General Revenues and Transfers					1,376,935	(341,716)	1,035,219	197,477
Changes in Net Position					18,038	(388,411)	(370,373)	1,885,731
Net Position - Beginning (As Restated See Note 13)					4,417,433	11,699,093	16,116,526	1,390,076
Net Position - Ending					\$ 4,435,471	\$ 11,310,682	\$ 15,746,153	\$ 3,275,807

**Balance Sheet
Governmental Funds
June 30, 2021**

	General	Major Street	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 242,239	\$ 270,420	\$ -	\$ 148,185	\$ 660,844
Cash and Equivalents - Restricted	-	-	-	42,087	42,087
Accounts Receivable	4,346	-	-	-	4,346
Due from Governmental Units	52,540	43,408	15,247	-	111,195
Due from Other Funds	850	-	-	-	850
Prepays and Inventory	4,591	-	-	-	4,591
TOTAL ASSETS	\$ 304,566	\$ 313,828	\$ 15,247	\$ 190,272	\$ 823,913
LIABILITIES:					
Accounts Payable	\$ 17,217	\$ 336	\$ 467	\$ -	\$ 18,020
Accrued Liabilities	13,519	515	471	-	14,505
Customer Deposits	4,850	-	-	300	5,150
Due to Other Funds	-	-	850	-	850
TOTAL LIABILITIES	35,586	851	1,788	300	38,525
FUND BALANCES:					
Nonspendable	4,591	-	-	-	4,591
Restricted	-	312,977	-	157,704	470,681
Assigned	-	-	-	32,268	32,268
Unassigned	264,389	-	13,459	-	277,848
TOTAL FUND BALANCES	268,980	312,977	13,459	189,972	785,388
TOTAL LIABILITIES AND FUND BALANCES	\$ 304,566	\$ 313,828	\$ 15,247	\$ 190,272	

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

Capital assets used by governmental activities	5,237,602
Deferred outflow - pension items	204,040
Net pension obligation	(1,457,997)
Compensated absences liability	(84,176)
Long-term notes & bonds payable for governmental activities	(412,784)
Accrued interest expense	(11,752)
Deferred inflows - pension items	(125,614)
Internal service funds included in governmental activities	300,764
Net position of governmental activities	\$ 4,435,471

City of East Jordan, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2021

	General	Major Street	Local Street	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 993,337	\$ -	\$ -	\$ 53,712	\$ 1,047,049
Licenses and Permits	32,843	-	-	-	32,843
Federal Sources	103,701	-	-	-	103,701
State Revenues	413,838	276,508	116,516	-	806,862
Local Revenues	85,741	-	-	10,000	95,741
Fines & Forfeitures	85	-	-	6,321	6,406
Charges for Services	180,081	-	-	-	180,081
Interest and Rents	11,105	-	-	-	11,105
Other Revenue	30,728	-	-	9,011	39,739
TOTAL REVENUES	1,851,459	276,508	116,516	79,044	2,323,527
EXPENDITURES:					
Legislative	22,248	-	-	-	22,248
General Government	416,406	-	-	8,055	424,461
Public Safety	747,328	-	-	-	747,328
Public Works	182,183	137,273	142,268	-	461,724
Community and Economic Development	52,806	-	-	-	52,806
Health and Welfare	11,194	-	-	-	11,194
Recreation and Cultural	207,469	-	-	-	207,469
Capital Outlay	26,333	1,619	-	-	27,952
Debt Service	25,176	-	-	42,588	67,764
TOTAL EXPENDITURES	1,691,143	138,892	142,268	50,643	2,022,946
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	160,316	137,616	(25,752)	28,401	300,581
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	63,445	40,851	104,296
Transfers Out	(48,851)	(63,445)	-	-	(112,296)
TOTAL OTHER FINANCING SOURCES (USES)	(48,851)	(63,445)	63,445	40,851	(8,000)
NET CHANGE IN FUND BALANCES	111,465	74,171	37,693	69,252	292,581
FUND BALANCE BEGINNING OF YEAR	157,515	238,806	(24,234)	120,720	492,807
FUND BALANCE AT END OF YEAR	\$ 268,980	\$ 312,977	\$ 13,459	\$ 189,972	\$ 785,388

**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, 2021**

Net changes in fund balances - total governmental funds	\$ 292,581
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 (\$334,574) exceeded capital outlay \$27,952 and gain on asset transfer \$39,285 in the current period.	(267,337)
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	46,551
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.	(4,168)
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.	(38,867)
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	(15,810)
Accrued Interest	5,088
Changes in net position of governmental activities	<u>\$ 18,038</u>

City of East Jordan, Michigan

Statement of Net Position Proprietary Funds June 30, 2021

	Business - type Activities Enterprise Funds					Governmental Activities
	Sewer	Water	Tourist Park	EJ Harbor	Total	Internal Service Fund
				Marina		
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 73,347	\$ 232,985	\$ 22,128	\$ 8,273	\$ 336,733	\$ 73,942
Cash and Equivalents-Restricted	443,962	387,558	-	-	831,520	-
Accounts Receivable - Net	53,899	68,412	-	3,481	125,792	20,512
Prepays and Inventory	-	-	1,984	16,546	18,530	-
Capital Assets Not Depreciated	21,626	36,332	7,769	-	65,727	-
Capital Assets (Net of Accumulated Depreciation)	7,882,690	5,105,967	106,038	827,894	13,922,589	406,577
TOTAL ASSETS	8,475,524	5,831,254	137,919	856,194	15,300,891	501,031
DEFERRED OUTFLOWS OF RESOURCES:						
Pension Investment Experience and Contributions	26,158	23,544	7,849	-	57,551	-
LIABILITIES:						
Accounts Payable	449	537	5,061	8,609	14,656	-
Accrued Liabilities	5,410	5,039	2,993	3,781	17,223	12,686
Accrued Interest	4,734	5,709	908	-	11,351	5,112
Customer Deposits	-	-	52,884	51,451	104,335	-
Compensated Absences - Due in more than one year	5,932	3,119	296	48	9,395	4,765
Net Pension Obligation - Due in more than one year	232,752	212,266	75,408	-	520,426	-
Installment Loans Payable - Due within one year	-	-	6,946	-	6,946	54,470
Installment Loans Payable - Due in more than one year	-	-	-	-	-	123,234
Bonds Payable - Due within one year	43,000	29,000	-	-	72,000	-
Bonds Payable - Due in more than one year	2,008,000	1,248,000	-	-	3,256,000	-
TOTAL LIABILITIES	2,300,277	1,503,670	144,496	63,889	4,012,332	200,267
DEFERRED INFLOWS OF RESOURCES:						
Pension Assumptions and Experience	16,104	14,492	4,832	-	35,428	-
NET POSITION:						
Net Investment in Capital Assets	5,853,316	3,865,299	106,861	827,894	10,653,370	228,873
Restricted	443,962	387,558	-	-	831,520	-
Unrestricted	(111,977)	83,779	(110,421)	(35,589)	(174,208)	71,891
TOTAL NET POSITION	\$ 6,185,301	\$ 4,336,636	\$ (3,560)	\$ 792,305	\$ 11,310,682	\$ 300,764

City of East Jordan, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended June 30, 2021

	Business - type Activities Enterprise Funds				Governmental Activities	
	Sewer	Water	Tourist Park	EJ Harbor Marina	Total	Internal Service Fund
OPERATING REVENUES:						
Charges for Services	\$ 533,739	\$ 610,586	\$ 186,638	\$ 267,776	\$ 1,598,739	\$ 431,537
Total Operating Revenues	533,739	610,586	186,638	267,776	1,598,739	431,537
OPERATING EXPENSES:						
Personnel Services	238,098	150,130	73,141	61,631	523,000	194,145
Contracted Services	48,541	12,729	2,732	3,580	67,582	1,650
Insurance	3,054	2,176	1,579	2,053	8,862	11,069
Equipment Rental	36,363	47,813	13,246	341	97,763	-
Supplies	13,567	7,343	6,517	118,867	146,294	35,315
Utilities	60,725	42,544	28,315	9,323	140,907	14,912
Repair and Maintenance	93,210	31,555	19,020	11,383	155,168	92,567
Depreciation	205,212	138,933	5,541	42,456	392,142	89,404
Miscellaneous	8,251	6,617	7,285	15,717	37,870	3,978
Total Operating Expenses	707,021	439,840	157,376	265,351	1,569,588	443,040
OPERATING INCOME (LOSS)	(173,282)	170,746	29,262	2,425	29,151	(11,503)
NON-OPERATING REVENUES (EXPENSES):						
Interest and Rents	93	84	-	-	177	-
Federal Grants	-	513	516	78	1,107	-
Miscellaneous Revenue	1,582	6,960	21	36,614	45,177	13,867
Loss on Disposal of Assets	(355,785)	-	-	(39,285)	(395,070)	-
Interest Expense	(41,659)	(34,256)	(1,038)	-	(76,953)	(6,532)
Total Non-Operating Revenues (Expenses)	(395,769)	(26,699)	(501)	(2,593)	(425,562)	7,335
Income (Loss) Before Transfers & Capital Contributions	(569,051)	144,047	28,761	(168)	(396,411)	(4,168)
Transfer In	-	-	-	8,000	8,000	-
CHANGE IN NET POSITION	(569,051)	144,047	28,761	7,832	(388,411)	(4,168)
FUND BALANCES BEGINNING OF YEAR (as Restated See Note 13)	6,754,352	4,192,589	(32,321)	784,473	11,699,093	304,932
NET POSITION, JUNE 30	\$ 6,185,301	\$ 4,336,636	\$ (3,560)	\$ 792,305	\$ 11,310,682	\$ 300,764

**Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2021**

	Business - type Activities Enterprise Funds					Governmental Activities
	Sewer	Water	Tourist Park	EJ Harbor	Total	Internal Service Fund
				Marina		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 531,173	\$ 601,703	\$ 209,540	\$ 279,139	\$ 1,621,555	\$ -
Payments to Suppliers	(267,090)	(240,195)	(72,769)	(161,005)	(741,059)	(159,491)
Payments to Employees	(232,552)	(145,439)	(71,782)	(60,831)	(510,604)	(187,611)
Internal Activity - Payments/Receipts with Other Funds	-	-	(36,328)	(38,309)	(74,637)	411,405
Net Cash Provided (Used) by Operating Activities	<u>31,531</u>	<u>216,069</u>	<u>28,661</u>	<u>18,994</u>	<u>295,255</u>	<u>64,303</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:						
Other Revenue	1,582	6,960	21	36,614	45,177	13,867
State & Federal Grants	-	513	516	78	1,107	-
Transfers In/(Out)	-	-	-	8,000	8,000	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>1,582</u>	<u>7,473</u>	<u>537</u>	<u>44,692</u>	<u>54,284</u>	<u>13,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of Capital Assets	(4,230)	(378,895)	-	(55,613)	(438,738)	(6,194)
Disposal(Adjustments) of Capital Assets	-	-	-	-	-	-
Interest Payments	(41,659)	(34,256)	(1,038)	-	(76,953)	(6,532)
Principal Payments	(41,000)	(28,000)	(6,448)	-	(75,448)	(52,867)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,889)</u>	<u>(441,151)</u>	<u>(7,486)</u>	<u>(55,613)</u>	<u>(591,139)</u>	<u>(65,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Income	93	84	-	-	177	-
Net Cash Provided (Used) by Investing Activities	<u>93</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>-</u>
Net Increase (Decrease) in Cash and Equivalents	(53,683)	(217,525)	21,712	8,073	(241,423)	12,577
Balances - Beginning of the Year	570,992	838,068	417	200	1,409,677	61,365
Balances - End of the Year	<u>\$ 517,309</u>	<u>\$ 620,543</u>	<u>\$ 22,129</u>	<u>\$ 8,273</u>	<u>\$ 1,168,254</u>	<u>\$ 73,942</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ (173,282)	\$ 170,746	\$ 29,262	\$ 2,425	\$ 29,151	\$ (11,503)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation Expense	205,212	138,933	5,541	42,456	392,142	89,404
NonCash Pension Expense	4,983	4,484	1,496	-	10,963	-
Change in Assets and Liabilities:						
(Increase) Decrease in Assets:						
Accounts Receivable	(2,566)	(8,783)	-	(522)	(11,871)	(20,132)
Prepays and Inventory	-	-	866	(8,350)	(7,484)	-
Increase (Decrease) in Liabilities:						
Accounts Payable	(2,742)	(89,418)	5,059	8,609	(78,492)	-
Accrued Liabilities	563	3,595	130	833	5,121	10,851
Accrued Interest	-	-	-	-	-	-
Due to Other Funds	-	-	(36,328)	(38,309)	(74,637)	-
Customer Deposits	-	(100)	22,902	11,885	34,687	-
Compensated Absences	(637)	(3,388)	(267)	(33)	(4,325)	(4,317)
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,531</u>	<u>\$ 216,069</u>	<u>\$ 28,661</u>	<u>\$ 18,994</u>	<u>\$ 295,255</u>	<u>\$ 64,303</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021**

	Custodial Funds		
	Tax Collection	Fire Insurance Escrow	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 38,185	\$ -	\$ 38,185
TOTAL ASSETS	\$ 38,185	\$ -	\$ 38,185
LIABILITIES:			
Due to Others	\$ 38,185	\$ -	\$ 38,185
TOTAL LIABILITIES	\$ 38,185	\$ -	\$ 38,185

**Statement of Changes of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021**

	Custodial Funds	
	Tax Collection	Fire Insurance Escrow
ADDITIONS:		
Taxes Collected for Other Governments	\$ 1,656,492	\$ -
TOTAL ADDITIONS	<u>1,656,492</u>	<u>-</u>
DEDUCTIONS:		
Payment of Taxes to Other Governments	1,655,380	-
Miscellaneous	-	12,746
TOTAL DEDUCTIONS	<u>1,655,380</u>	<u>12,746</u>
Change in Cash Balance	1,112	(12,746)
Cash, Beginning of Year	<u>37,073</u>	<u>12,746</u>
Cash , End of Year	<u><u>\$ 38,185</u></u>	<u><u>\$ -</u></u>

Component Units

City of East Jordan, Michigan

Combining Balance Sheet Component Units June 30, 2021

	Downtown Development Authority	East Jordan Housing Commission 12/31/2020	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 516,881	\$ 112,718	\$ 629,599
Cash and Equivalents - Restricted	-	9,225	9,225
Accounts Receivable	-	12,976	12,976
Due From Governmental Units	289,430	-	289,430
Prepays and Inventory	-	2,489	2,489
Capital Assets Not Depreciated	2,374,350	49,307	2,423,657
Capital Assets (Net of Accumulated Depreciation)	1,750	241,820	243,570
TOTAL ASSETS	3,182,411	428,535	3,610,946
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Items	-	6,212	6,212
LIABILITIES:			
Accounts Payable	289,430	11,574	301,004
Accrued Liabilities	295	13,136	13,431
Customer Deposits	-	9,225	9,225
Unearned Revenue	-	756	756
Net Pension Liability	-	16,617	16,617
TOTAL LIABILITIES	289,725	51,308	341,033
DEFERRED INFLOWS OF RESOURCES:			
Pension Items	-	318	318
NET POSITION:			
Net Investment in Capital Assets	2,376,100	291,127	2,667,227
Unrestricted	516,586	91,994	608,580
TOTAL NET POSITION	2,892,686	383,121	3,275,807
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,182,411	\$ 434,747	\$ 3,617,158

**Combining Statement of Revenues, Expenditures
and Changes in Net Position
Component Units
For the Year Ended June 30, 2021**

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 12/31/2020	Total
Public Works:							
East Jordan Housing Commission	\$ 157,799	\$ 114,337	\$ 64,119	\$ 41,200	\$ -	\$ 61,857	\$ 61,857
Economic Development:							
Downtown Development Authority	149,757	-	-	1,776,154	1,626,397	-	1,626,397
Total Component Units	<u>\$ 307,556</u>	<u>\$ 114,337</u>	<u>\$ 64,119</u>	<u>\$ 1,817,354</u>	<u>1,626,397</u>	<u>61,857</u>	<u>1,688,254</u>
General Revenues:							
State Sources					195,535	-	195,535
Interest Income					-	432	432
Gain (Loss) on Sale of Assets					(10,000)	(4,172)	(14,172)
Miscellaneous					11,838	3,844	15,682
Total General Revenues					<u>197,373</u>	<u>104</u>	<u>197,477</u>
Changes in Net Position					1,823,770	61,961	1,885,731
Net Position - Beginning					<u>1,068,916</u>	<u>321,160</u>	<u>1,390,076</u>
Net Position - Ending					<u>\$ 2,892,686</u>	<u>\$ 383,121</u>	<u>\$ 3,275,807</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 inter fund 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$4,591 in nonspendable fund balance.
- **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 \$470,681 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 \$32,268.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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 of 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.

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.

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.
- 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.

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

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 Public Act 621 of 1978 (the Budgeting 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	\$ 734,786	\$ 336,733	\$ 1,071,519	\$ 38,185	\$ 629,599
Cash and Equivalents – Restricted	<u>42,087</u>	<u>831,520</u>	<u>873,607</u>	-	<u>9,225</u>
Total	<u>\$ 776,873</u>	<u>\$ 1,168,253</u>	<u>\$ 1,945,126</u>	<u>\$ 38,185</u>	<u>\$ 638,824</u>

Cash and equivalents are restricted in the amount of \$882,832 for the following: \$10,421 for Special Revenue Funds, \$31,666 for Capital Projects Funds, \$831,520 for Bond Reserves of Water and Sewer Funds, and \$9,225 for Component Units.

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)	\$ 1,944,074	\$ 38,185	\$ 638,799
Petty Cash and Cash on Hand	<u>1,052</u>	-	<u>25</u>
Total	<u>\$ 1,945,126</u>	<u>\$ 38,185</u>	<u>\$ 638,824</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.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

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, \$2,225,121 of the City's bank balance of \$2,735,958 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.

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.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

- 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.
- i. 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 - 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	\$ 341,400	\$ -	\$ 39,285	\$ 380,685
Construction in Progress	<u>1,170,107</u>	<u>-</u>	<u>(1,170,107)</u>	<u>-</u>
Subtotal	<u>1,511,507</u>	<u>-</u>	<u>(1,130,822)</u>	<u>380,685</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,714,349	-	-	2,714,349
Land Improvements	507,778	733,399	(312,440)	928,737
Machinery and Equipment	3,581,326	11,409	(4,666)	3,588,069
Infrastructure	<u>4,542,138</u>	<u>459,445</u>	<u>312,440</u>	<u>5,314,023</u>
Subtotal	<u>11,345,591</u>	<u>1,204,253</u>	<u>(4,666)</u>	<u>12,545,178</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,046,384)	(49,414)	-	(1,095,798)
Land Improvements	(161,962)	(11,699)	31,696	(141,965)
Machinery and Equipment	(2,643,700)	(163,766)	4,666	(2,802,800)
Infrastructure	<u>(3,010,326)</u>	<u>(199,099)</u>	<u>(31,696)</u>	<u>(3,241,121)</u>
Subtotal	<u>(6,862,372)</u>	<u>(423,978)</u>	<u>4,666</u>	<u>(7,281,684)</u>
Net Capital Assets Being Depreciated	<u>4,483,219</u>	<u>780,275</u>	<u>-</u>	<u>5,263,494</u>
Capital Assets, Net	<u>\$ 5,994,726</u>	<u>\$ 780,275</u>	<u>\$ (1,130,822)</u>	<u>\$ 5,644,179</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$ 5,501
Public Safety	89,375
Public Works	215,585
Recreation and Culture	24,113
Internal Service	<u>89,404</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 423,978</u>

The beginning balance of land will not agree to the prior year's amount by the amount that was booked as a prior period adjustment in 2021, see note 13 for further detail.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Disposals</u>	<u>Adjustments/ Impairment</u>	<u>Ending Balances</u>
Business-type Activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 105,002	\$ -	\$ (39,285)	\$ 10	\$ 65,727
Construction in Progress	<u>2,158,043</u>	<u>-</u>	<u>(2,158,043)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,263,045</u>	<u>-</u>	<u>(2,197,328)</u>	<u>10</u>	<u>65,727</u>
<i>Capital assets being depreciated:</i>					
Infrastructure	5,682,328	2,541,168	-	116,405	8,339,901
Sewer Lagoons	2,144,991	-	-	(857,996)	1,286,995
Buildings	83,097	-	-	-	83,097
Mains	7,541,164	-	-	-	7,541,164
Land Improvements	2,047,977	55,613	-	(116,405)	1,987,185
Machinery and Equipment	<u>214,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,049</u>
Subtotal	<u>17,713,606</u>	<u>2,596,781</u>	<u>-</u>	<u>(857,996)</u>	<u>19,452,391</u>
<i>Less accumulated depreciation for:</i>					
Infrastructure	-	(167,380)	-	(24,736)	(192,116)
Sewer Lagoons	(1,212,628)	(42,900)	-	502,211	(753,317)
Buildings	(56,147)	(670)	-	-	(56,817)
Mains	(3,140,260)	(129,340)	-	-	(3,269,600)
Land Improvements	(1,105,154)	(43,378)	-	24,736	(1,123,796)
Machinery and Equipment	<u>(125,682)</u>	<u>(8,474)</u>	<u>-</u>	<u>-</u>	<u>(134,156)</u>
Subtotal	<u>(5,639,871)</u>	<u>(392,142)</u>	<u>-</u>	<u>502,211</u>	<u>(5,529,802)</u>
Net Capital Assets Being Depreciated	<u>12,073,735</u>	<u>2,204,639</u>	<u>-</u>	<u>(355,785)</u>	<u>13,922,589</u>
Capital Assets, Net	<u>\$ 14,336,780</u>	<u>\$ 2,204,639</u>	<u>\$ (2,197,328)</u>	<u>\$ (355,775)</u>	<u>\$ 13,988,316</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Business-type Activities		
Sewer		\$ 205,212
Water		138,933
Tourist Park		5,541
E.J. Harbor Marina		<u>42,456</u>
Total Depreciation Expense – Business-type Activities		<u>\$ 392,142</u>

The beginning balance of construction in progress will not agree to the prior year’s amount by the amount that was booked as a prior period adjustment in 2021, see note 13 for further detail.

Impaired Capital Assets

A part City’s of sewer lagoons are no long in use by the city’s operations and is 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 \$889,463 to \$533,678.

Capital asset activity for the East Jordan Housing Commission for the fiscal year ended December 31, 2020 was as follows:

	<u>Beginning Balances 01/01/20</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balances 12/31/20</u>
East Jordan Housing Commission:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 49,307	\$ -	\$ -	\$ 49,307
<i>Capital assets being depreciated:</i>				
Buildings	1,180,212	43,601	(15,044)	1,208,769
Furniture, Equipment & Machinery - Dwelling	21,340	150	-	21,490
Furniture, Equipment & Machinery - Administration	<u>16,347</u>	<u>3,376</u>	<u>-</u>	<u>19,723</u>
Subtotal	<u>1,217,899</u>	<u>47,127</u>	<u>(15,044)</u>	<u>1,249,982</u>
<i>Less accumulated depreciation</i>	<u>(1,001,276)</u>	<u>(21,930)</u>	<u>15,044</u>	<u>(1,008,162)</u>
Net Capital Assets Being Depreciated	<u>216,623</u>	<u>25,197</u>	<u>-</u>	<u>241,820</u>
Capital Assets, Net	<u>\$ 265,930</u>	<u>\$ 25,197</u>	<u>\$ -</u>	<u>\$ 291,127</u>

Depreciation expense in the amount of \$21,930 was charged to Public Works of the Business-type activities.

NOTE 4 - CAPITAL ASSETS (Continued)

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

	<u>Beginning Balances</u>	<u>Increase/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
City of East Jordan DDA:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 210,000	\$ -	\$ (210,000)	\$ -
Construction in Progress	<u>448,075</u>	<u>1,926,275</u>	<u>-</u>	<u>2,374,350</u>
Subtotal	<u>658,075</u>	<u>1,926,275</u>	<u>(210,000)</u>	<u>2,374,350</u>
<i>Capital assets being depreciated:</i>				
Furniture and Equipment	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<i>Less accumulated depreciation</i>	<u>(2,750)</u>	<u>(500)</u>	<u>-</u>	<u>(3,250)</u>
Net Capital Assets Being Depreciated	<u>2,250</u>	<u>(500)</u>	<u>-</u>	<u>1,750</u>
Capital Assets, Net	<u>\$ 660,325</u>	<u>\$ 1,925,775</u>	<u>\$ (210,000)</u>	<u>\$ 2,376,100</u>

Depreciation expense in the amount of \$500 was charged to the City of East Jordan DDA.

NOTE 5 - 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 December 31, 2020 totaled \$53,605,366. The tax levy for that year was based on the following rates:

	<u>Millage Rate Used</u>
General Operating	17.7953 mills

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 TO OTHER FUNDS		DUE FROM OTHER FUNDS
		<u>General Fund</u>
	Local Streets	\$ <u>850</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 OUT			
TRANSFERS IN		<u>General Fund</u>	<u>Major Street</u>	<u>Totals</u>
	Local Street	\$ -	\$ 63,445	\$ 63,445
	Nonmajor Governmental	40,851	-	40,851
	EJ Harbor Marina	<u>8,000</u>	<u>-</u>	<u>8,000</u>
	Total	<u>\$ 48,851</u>	<u>\$ 63,445</u>	<u>\$ 112,295</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:							
\$175,000 Capital Improvement Bonds for Streets	4.30%	2021	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -
\$250,000 2007B Harbor Bonds	4.2%	2023	62,000	-	20,000	42,000	21,000
Installment Purchase Agreements:							
\$41,296 2019 Chevy Truck	3.15%	2025	41,296	-	7,699	33,597	7,942
\$22,511 2019 Ford Escape	7.50%	2024	17,335	-	3,876	13,459	4,166
\$360,000 Marina Improvements	3.75%	2035	360,000	-	2,675	357,325	6,600
\$58,6000 Excavator	3.50%	2024	49,651	-	10,262	39,389	11,622
\$214,084 Street Sweeper	2.50%	2021	<u>139,624</u>	<u>-</u>	<u>34,906</u>	<u>104,718</u>	<u>34,906</u>
Total Governmental Activities – Long-Term Debt			<u>689,906</u>	<u>-</u>	<u>99,418</u>	<u>590,488</u>	<u>86,236</u>
Business-type Activities							
General Obligation Bonds:							
\$1,600,000 USDA WWTP Bonds	1.75%	2057	1,515,000	-	29,000	1,486,000	30,000
\$1,525,000 Water Capital Improvement Bonds	2.0% to 3.55%	2051	1,305,000	-	28,000	1,277,000	29,000
\$675,000 Sewer Capital Improvement Bonds	2.0% to 3.55%	2051	577,000	-	12,000	565,000	13,000
Installment Purchase Agreements:							
7 \$20,880 2019 Ford Truck	4.45%	2022	<u>13,394</u>	<u>-</u>	<u>6,448</u>	<u>6,946</u>	<u>6,946</u>
Total Business-type Activities – Long-Term Debt			<u>3,410,394</u>	<u>-</u>	<u>75,448</u>	<u>3,334,946</u>	<u>78,946</u>
Governmental Compensated Absences			77,449	11,492	-	88,941	-
Business-type Compensated Absences			<u>13,720</u>	<u>-</u>	<u>4,325</u>	<u>9,395</u>	<u>-</u>
Total Compensated Absences			<u>91,169</u>	<u>11,492</u>	<u>4,325</u>	<u>98,336</u>	<u>-</u>
Total Long-Term Debt			<u>\$ 4,191,469</u>	<u>\$ 11,492</u>	<u>\$ 179,191</u>	<u>\$ 4,023,770</u>	<u>\$ 165,182</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
2022	\$ 86,236	\$ 20,787	\$ 78,946	\$ 74,897
2023	88,453	17,815	73,000	72,730
2024	70,014	15,195	74,000	71,084
2025	34,334	12,913	77,000	69,415
2026	26,271	11,679	78,000	67,673
2027-2031	146,890	42,860	415,000	311,179
2032-2036	138,290	13,186	465,000	261,739
2037-2041	-	-	522,000	206,167
2042-2046	-	-	584,000	143,685
2047-2051	-	-	653,000	73,465
2052-2056	-	-	260,000	18,638
2057	-	-	55,000	963
Total	<u>\$ 590,488</u>	<u>\$ 134,435</u>	<u>\$ 3,334,946</u>	<u>\$ 1,371,635</u>

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 \$98,336 at June 30, 2021.

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, 2020.

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>2020 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>2020 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>2020 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>2020 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 December 31, 2020, 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	10
Active employees	<u>19</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 June 30, 2021 is as follows:

DPW	15.77%
Police	21.61%
Dept Hds	36.94%
Gnl Other	14.82%

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2020, 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 December 31, 2020 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	7.35 percent net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the Pub-2010 Annual Mortality Table.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study’s covering the period from December 31, 2009 through December 31, 2017 and December 31, 2014 through December 31, 2018.

Significant Changes from the Previous Actuarial Valuation:

- Mortality assumptions changed from RP-2014 Group Annuity Mortality Tables to the Pub-2010 Annual Mortality Tables.

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%	3.15%
Global Fixed Income	20%	0.25%
Private Investments	20%	1.45%

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.6%. 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, 2019	\$ 5,524,318	\$ 3,504,123	\$ 2,020,195
Service cost	110,144	-	110,144
Interest on total pension liability	410,759	-	410,759
Changes in benefits	-	-	-
Difference between expected and actual experience	(29,932)	-	(29,932)
Changes in assumptions	153,153	-	153,153
Employer contributions	-	204,514	(204,514)
Employee contributions	-	46,806	(46,806)
Net investment income	-	441,581	(441,581)
Benefit payments, including employee refunds	(349,324)	(349,324)	-
Administrative expense	-	(7,004)	7,004
Other changes	-	(1)	1
Net changes	294,800	336,572	(41,772)
Balances as of December 31, 2020	\$ 5,819,118	\$ 3,840,695	\$ 1,978,423

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 7.60%, 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 (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City’s net pension liability	\$2,646,482	\$1,978,423	\$1,419,599

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, 2021, the City recognized pension expense of \$260,562. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ 4,869	\$ 19,955
Changes in assumptions	153,050	-
Net difference between projected and actual earnings on pension plan investments		141,087
Contributions subsequent to the measurement date	<u>103,672</u>	<u>-</u>
 Total	 <u><u>\$ 261,591</u></u>	 <u><u>\$ 161,042</u></u>

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

<u>Year Ended June 30:</u>	
2021	\$ 67,079
2022	44,780
2023	(77,404)
2024	(37,578)

EAST JORDAN HOUSING COMMISSION

Description of Plan and Plan Assets

The Housing Commission 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 2.00% for employees times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2019.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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.

Open Division	2019 Valuation
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)

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Net Pension Liability

The employer’s Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension <u>Liability</u>
\$127,786	\$111,169	\$16,617

Actuarial assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 3% - 4%, Salary Increases: 3%, Investment rate of return: 7.35%, net of investment expense, including inflation.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2018	\$ 122,365	\$ 104,206	\$ 18,159
Service cost	2,544	-	2,544
Interest on total pension liability	9,061	-	9,061
Changes in benefits	-	-	-
Difference between expected and actual experience	338	-	338
Changes in assumptions	3,536	-	3,536
Employer contributions	-	1,749	(1,749)
Employee contributions	-	604	(604)
Net investment income	-	13,858	(13,858)
Benefit payments, including employee refunds	(8,825)	(8,825)	-
Administrative expense	-	(239)	239
Other changes	(1,233)	(184)	(1,049)
Net changes	5,421	6,963	(1,542)
Balances as of December 31, 2019	\$ 127,786	\$ 111,169	\$ 16,617

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Housing Commission's net change in pension liability	\$610,298	127,786	\$(511,143)

Pension Expense & Deferred Outflows

For the year ended 2019 the employer recognized pension expense of \$5,241. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 225	\$ 318
Changes in assumptions	2,357	-
Net difference between projected and actual earnings on pension plan investments	3,566	-
Contributions subsequent to the measurement date	64	-
Total	\$ 6,212	\$ 318

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The City has no post employment benefit plans at this time other than its pension plan.

NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City’s actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Community & Economic Dev.	\$ 100	\$ 52,806	\$ (52,706)
Major Street Transfers Out	33,445	53,445	(10,000)

NOTE 12 - DEFICIT UNRESTRICTED NET POSITION

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

Tourist Park	\$ 110,421
EJ Harbor Marina	35,589

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

NOTE 13 - RESTATEMENT

	<u>Governmental Activities Net Position</u>
Beginning net position as previously reported at July 1, 2020	\$ 4,627,433
Restatement of beginning net position: To recognize fixed assets that were improperly recorded in the prior years audit related to land.	<u>(210,000)</u>
Beginning net position as restated, July 1, 2020	<u>\$ 4,417,433</u>

	<u>Business-type Activities</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Beginning net position as previously reported at July 1, 2020	\$ 6,685,427	\$ 4,107,297
Restatement of beginning net position: To recognize fixed assets that were not recorded in the prior years audit related to construction in progress.	<u>68,925</u>	<u>85,292</u>
Net position as restated, July 1, 2020	<u>\$ 6,754,352</u>	<u>\$ 4,192,589</u>

Required Supplementary Information

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended June 30, 2021**

	Actuarial Date as of December 31					
	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 110,144	\$ 109,965	\$ 99,302	\$ 91,207	\$ 84,621	\$ 85,816
Interest	410,759	385,261	396,988	384,902	379,944	388,061
Difference between expected and actual experience	(29,932)	14,609	(40,539)	8,030	(99,810)	(333,095)
Change in assumptions	153,153	152,846	-	-	-	204,201
Benefit payments, including refund of member contributions	(349,324)	(345,766)	(362,658)	(311,564)	(300,566)	(297,158)
Other Changes	-	20,277	-	1	-	-
Net change in total pension liability	294,800	337,192	93,093	172,576	64,189	47,825
Total pension liability - beginning	5,524,318	5,187,126	5,094,033	4,921,457	4,857,268	4,809,443
Total pension liability - ending	<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	\$ 204,514	\$ 186,701	\$ 163,437	\$ 136,924	\$ 129,081	\$ 118,460
Contributions - employee	46,806	43,560	39,936	35,360	34,980	35,048
Net investment income	441,581	429,623	(132,516)	419,538	338,499	(44,225)
Benefit payments, including refunds of member contributions	(349,324)	(345,766)	(362,658)	(311,564)	(300,566)	(297,159)
Administrative expense	(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	336,572	306,717	(298,470)	273,607	195,306	(386,840)
Plan fiduciary net position - beginning	3,504,123	3,197,406	3,495,876	3,222,269	3,026,963	3,413,803
Plan fiduciary net position - ending	<u>\$ 3,840,695</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>\$ 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	66%	63%	62%	69%	65%	62%
Covered - employee payroll	\$ 936,373	\$ 934,361	\$ 837,328	\$ 783,364	\$ 724,325	\$ 745,195
City's net pension liability as a percentage of covered-employee payroll	211%	216%	238%	204%	235%	246%

**Required Supplementary Information
Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended June 30, 2021**

	Actuarial Date as of December 31					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 204,514	\$ 186,701	\$ 156,384	\$ 136,924	\$ 129,081	\$ 118,460
Contributions in relation to the actuarially determined contribution	204,514	186,701	163,437	136,924	129,081	118,460
Contribution deficiency (excess)	\$ -	\$ -	\$ (7,053)	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 936,373	\$ 934,361	\$ 837,328	\$ 783,364	\$ 724,325	\$ 745,195
Contributions as a percentage of covered-employee payroll	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	18 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%
Retirement age	In the 2019 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Assumptions were based on the Pub-2010 annual mortality tables.

Significant Changes from the Previous Actuarial Valuation:

Mortality assumption changed from the RP-2014 Group Annuity Mortality Tables to the Pub-2010 Annual Mortality Tables.

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,003,350	\$ 1,003,350	\$ 993,337	\$ (10,013)
Licenses and Permits	32,000	32,000	32,843	843
Federal Sources	-	-	103,701	103,701
State Sources	318,800	376,900	413,838	36,938
Local Sources	49,900	49,900	85,741	35,841
Fines & forfeitures	16,000	16,000	85	(15,915)
Charges for Services	164,100	164,100	180,081	15,981
Interest and Rents	22,300	22,300	11,105	(11,195)
Other Revenue	28,700	28,700	30,728	2,028
TOTAL REVENUES	1,635,150	1,693,250	1,851,459	158,209
EXPENDITURES:				
Legislative:				
City Council	26,860	22,860	22,248	612
General Government:				
Administrator	88,516	88,516	86,833	1,683
Clerk	101,774	91,974	89,497	2,477
Attorney	20,261	21,461	20,163	1,298
Treasurer	67,164	67,164	65,739	1,425
Building and Grounds	115,463	108,463	104,376	4,087
Elections	6,400	4,400	4,089	311
Assessor	32,700	32,300	32,206	94
Data Processing	11,910	11,910	11,986	(76)
Board of Review	1,572	1,572	1,517	55
Total General Government	445,760	427,760	416,406	11,354
Public Safety:				
Police Department	490,288	490,288	487,235	3,053
Fire Department	201,524	199,024	194,723	4,301
Zoning Board/Commission	45,904	65,904	65,370	534
Total Public Safety	737,716	755,216	747,328	7,888
Public Works:				
Public Works	42,840	60,840	61,546	(706)
Sidewalks	15,952	20,452	21,355	(903)
Street Lighting	40,000	50,000	43,083	6,917
Cemetery	43,445	46,445	46,469	(24)
Airport	11,060	9,060	9,730	(670)
Total Public Works	153,297	186,797	182,183	4,614
Community and Economic Development:				
Housing Commission and Paying Agents	-	100	52,806	(52,706)
Health and Welfare				
Emergency Medical Facility	-	-	11,194	(11,194)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Parks and Recreation	91,325	112,206	121,152	(8,946)
Community and Skate Park	40,976	35,976	34,132	1,844
Civic Center Recreation Facility	27,508	19,008	18,602	406
Elm Pointe Recreation Facility	29,971	30,471	33,583	(3,112)
Total Recreation and Culture	<u>189,780</u>	<u>197,661</u>	<u>207,469</u>	<u>(9,808)</u>
Capital Outlay	<u>7,115</u>	<u>26,333</u>	<u>26,333</u>	<u>-</u>
Debt Service	<u>25,176</u>	<u>25,176</u>	<u>25,176</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,585,704</u>	<u>1,641,903</u>	<u>1,691,143</u>	<u>(49,240)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>49,446</u>	<u>51,347</u>	<u>160,316</u>	<u>108,969</u>
OTHER FINANCING SOURCES (USES):				
Transfers (Out)	<u>(50,614)</u>	<u>(50,614)</u>	<u>(48,851)</u>	<u>1,763</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(50,614)</u>	<u>(50,614)</u>	<u>(48,851)</u>	<u>1,763</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,168)</u>	<u>\$ 733</u>	<u>111,465</u>	<u>\$ 110,732</u>
FUND BALANCE BEGINNING OF YEAR			<u>157,515</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 268,980</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 225,000	\$ 241,500	\$ 276,508	\$ 35,008
TOTAL REVENUES	225,000	241,500	276,508	35,008
EXPENDITURES:				
Public Works	162,628	151,128	137,273	13,855
Capital Outlay	4,000	2,000	1,619	381
TOTAL EXPENDITURES	166,628	153,128	138,892	14,236
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	58,372	88,372	137,616	20,772
OTHER FINANCING SOURCES (USES):				
Transfers In	10,000	-	-	-
Transfers Out	(33,445)	(53,445)	(63,445)	(10,000)
NET CHANGE IN FUND BALANCES	\$ 34,927	\$ 34,927	74,171	\$ 10,772
FUND BALANCE BEGINNING OF YEAR			238,806	
FUND BALANCE AT END OF YEAR			\$ 312,977	

Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
State Sources	\$ 74,000	\$ 86,000	\$ 116,516	\$ 30,516
TOTAL REVENUES	<u>74,000</u>	<u>86,000</u>	<u>116,516</u>	<u>30,516</u>
EXPENDITURES:				
Public Works	135,318	147,318	142,268	5,050
TOTAL EXPENDITURES	<u>135,318</u>	<u>147,318</u>	<u>142,268</u>	<u>5,050</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(61,318)</u>	<u>(61,318)</u>	<u>(25,752)</u>	<u>35,566</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	33,445	33,445	63,445	30,000
NET CHANGE IN FUND BALANCES	<u>\$ (27,873)</u>	<u>\$ (27,873)</u>	37,693	<u>\$ 65,566</u>
FUND BALANCE BEGINNING OF YEAR			<u>(24,234)</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 13,459</u>	

Other Information

	Special Revenue Funds						Debt Service Funds
	Fire Equipment	Rehab I and II	D.A.R.E.	Perpetual Care Trust	Police Dpt. Trust	Fire Dpt. Trust	2007A GO Cap.
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 151	\$ 28,350	\$ 2,767	\$ -	\$ -	\$ -	\$ -
Cash and Equivalents - Restricted	-	-	-	160	8,894	1,367	-
TOTAL ASSETS	\$ 151	\$ 28,350	\$ 2,767	\$ 160	\$ 8,894	\$ 1,367	\$ -
LIABILITIES:							
Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:							
Restricted	-	-	-	160	8,894	1,367	-
Assigned	151	28,350	2,767	-	-	-	-
TOTAL FUND BALANCES	151	28,350	2,767	160	8,894	1,367	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 151	\$ 28,350	\$ 2,767	\$ 160	\$ 8,894	\$ 1,367	\$ -

	Debt Service	Capital Project Funds				Totals
	Funds	Street Improvement Tax	Bandshell	Fire & EMS Building Reserve	Industrial Complex	
	2007B GO Cap.					
ASSETS:						
Cash and Equivalents - Unrestricted	\$ 1,000	\$ 76,237	\$ 24,035	\$ -	\$ 15,645	\$ 148,185
Cash and Equivalents - Restricted	-	-	-	31,666	-	42,087
TOTAL ASSETS	<u>\$ 1,000</u>	<u>\$ 76,237</u>	<u>\$ 24,035</u>	<u>\$ 31,666</u>	<u>\$ 15,645</u>	<u>\$ 190,272</u>
LIABILITIES:						
Customer Deposits	\$ -	\$ -	\$ 300	\$ -	\$ -	\$ 300
FUND BALANCES:						
Restricted	-	76,237	23,735	31,666	15,645	157,704
Assigned	1,000	-	-	-	-	32,268
TOTAL FUND BALANCES	<u>1,000</u>	<u>76,237</u>	<u>23,735</u>	<u>31,666</u>	<u>15,645</u>	<u>189,972</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,000</u>	<u>\$ 76,237</u>	<u>\$ 24,035</u>	<u>\$ 31,666</u>	<u>\$ 15,645</u>	<u>\$ 190,272</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021**

	Special Revenue Funds						Debt Service Funds
	Fire Equipment	Rehab I and II	D.A.R.E.	Perpetual Care Trust	Police Dpt. Trust	Fire Dpt. Trust	2007A GO Cap.
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local Revenues	-	-	-	-	-	-	-
Fines & Forfeitures	-	-	-	3,840	2,481	-	-
Other Revenues	-	-	-	-	-	29	-
TOTAL REVENUES	-	-	-	3,840	2,481	29	-
EXPENDITURES:							
General Government	-	-	-	4,160	-	-	-
Debt Service	-	-	-	-	-	-	20,404
TOTAL EXPENDITURES	-	-	-	4,160	-	-	20,404
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	-	-	(320)	2,481	29	(20,404)
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	-	-	18,667
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	18,667
NET CHANGE IN FUND BALANCES	-	-	-	(320)	2,481	29	(1,737)
FUND BALANCE BEGINNING OF YEAR	151	28,350	2,767	480	6,413	1,338	1,737
FUND BALANCE AT END OF YEAR	\$ 151	\$ 28,350	\$ 2,767	\$ 160	\$ 8,894	\$ 1,367	\$ -

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021**

	Debt Service Funds	Capital Project Funds			Totals	
		Street Improvement Tax	Bandshell	Fire & EMS Building Reserve		Industrial Complex
	2007B GO Cap.					
REVENUES:						
Taxes	\$ -	\$ 53,712	\$ -	\$ -	\$ -	\$ 53,712
Local Revenues	-	-	-	10,000	-	10,000
Fines & Forfeitures	-	-	-	-	-	6,321
Other Revenues	-	-	8,982	-	-	9,011
TOTAL REVENUES	-	53,712	8,982	10,000	-	79,044
EXPENDITURES:						
General Government	-	-	3,895	-	-	8,055
Debt Service	22,184	-	-	-	-	42,588
TOTAL EXPENDITURES	22,184	-	3,895	-	-	50,643
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(22,184)	53,712	5,087	10,000	-	28,401
OTHER FINANCING SOURCES (USES):						
Transfers In	22,184	-	-	-	-	40,851
TOTAL OTHER FINANCING SOURCES (USES)	22,184	-	-	-	-	40,851
NET CHANGE IN FUND BALANCES	-	53,712	5,087	10,000	-	69,252
FUND BALANCE BEGINNING OF YEAR	1,000	22,525	18,648	21,666	15,645	120,720
FUND BALANCE AT END OF YEAR	\$ 1,000	\$ 76,237	\$ 23,735	\$ 31,666	\$ 15,645	\$ 189,972

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
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DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**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 units, 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, 2021, 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 14, 2021. 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.

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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-002.

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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

City of East Jordan, Michigan's Response to Findings

The City of East Jordan, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of East Jordan, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 14, 2021



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORMED GUIDANCE**

To the City Commission
City of East Jordan, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of East Jordan, Michigan’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of East Jordan, Michigan’s major federal programs for the year ended June 30, 2021. City of East Jordan, Michigan’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The City of East Jordan, Michigan’s basic financial statements include the operations of the East Jordan Housing Commission, which expended \$64,119 in federal awards which is not included in the City of East Jordan, Michigan’s scheduled of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the East Jordan Housing Commission because the Housing Commission engaged other auditors to perform a separate financial audit and it did not meet the compliance requirements for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed \$750,000.

Managements Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of the City of East Jordan, Michigan’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of East Jordan, Michigan’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

To the City Commission
City of East Jordan, Michigan's

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of East Jordan, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of East Jordan, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of East Jordan, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of East Jordan, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of East Jordan, Michigan's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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



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

December 14, 2021

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture:				
Community Facilities Loan and Grants	10.766	Direct	NA	\$ 12,500
Total U.S. Department of Agriculture:				<u>12,500</u>
U.S. Department of Housing & Urban Development:				
Community Development Block Grants/State's Program and Non-Entitled Grants in Hawaii	14.228	MSF	MSC 218022-CPF	1,775,780
	14.228	MSF	MSC 217043-FRZ	513
Total U.S. Department of Housing & Urban Development:				<u>1,776,293</u>
U.S. Department of Justice:				
Coronavirus Emergency Supplemental Funding Program	16.034	MSP	CESF-071-2020	3,900
Total U.S. Department of Justice				<u>3,900</u>
U.S. Department of Treasury:				
Coronavirus Relief Fund	21.019	MDT	FRHPPP	23,000
Coronavirus Relief Fund	21.019	MDT	PSPHPR	50,515
Coronavirus Relief Fund	21.019	MDT	CLRGG	14,754
Total U.S. Department of Treasury				<u>88,269</u>
Total Expenditures of Federal Awards				<u>\$ 1,880,962</u>

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of East Jordan, Michigan under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of East Jordan, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of East Jordan, Michigan.

NOTE B - COGNIZANT AGENCY

The City has not been assigned a cognizant agency. Therefore, the City is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the City during 2021.

NOTE C - INDIRECT COST

For purposes of charging indirect costs to federal awards, the City has elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance, though in all federal grant received in the current fiscal year no indirect costs were charged to the grants.

NOTE D - RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal Sources per Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	\$ 103,701
Total Federal Sources per Statement of Revenues, Expenditures, and Changes in Fund Balance – Business-type Funds	1,107
Total Federal Revenue – Component Unit DDA	<u>1,776,154</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 1,880,962</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Noncompliance with State Statutes

Deficit Unrestricted Net Position

Finding 2021-001

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 EJ Harbor Marina has a deficit in unrestricted net position.

Cause: The EJ Harbor Marina fund has a negative unrestricted net position balances of \$35,589.

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 deficits 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.

Section II – Financial Statement Findings

Noncompliance with State Statues

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 2021-002

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

Condition: Our examination of procedures used by the City of East Jordan to adopt and maintain operating budgets for the City’s budgetary funds revealed the following instance of noncompliance with Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The City’s 2020/2021 General Appropriations Act (budget) provided for expenditures of the General Fund, and special revenue funds to be controlled to the activity level. As detailed, actual 2020/2021 expenditures exceeded the Board’s approved budget allocations see note 11 for further detail.

During the fiscal year ended June 30, 2021, expenditures were incurred in excess of amounts appropriated in the amended budget for the general and major street funds.

Cause: Unknown.

Effect: Condition violates State Law.

Recommendation: We recommend that the City and personnel responsible for administering the activities of the various funds of the City, develop budgetary control procedures for the general fund and special revenues funds, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Planned Corrective Action: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

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

- *Anticipated Completion Date:*
2021-2022 fiscal year.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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

PHILLIP J. WOLF, CPA
LESLIE A. BOHN, CPA
TORI N. KRUISE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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 units, each major fund, and the aggregate remaining fund information of the City of East Jordan, Michigan, for the year ended June 30, 2021, and have issued our report thereon dated December 14, 2021. 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. Professional standards also require that we communicate to you the following information about our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated October 28, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the City of East Jordan, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City of East Jordan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the City of East Jordan, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City of East Jordan, Michigan's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it does not provide a legal determination on the City of Jordan, Michigan's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining fund financial statements and schedule of federal awards, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters on October 28, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of East Jordan, Michigan are described in Note 1 to the financial statements. One new accounting policy was adopted regarding GASB Statement 84 and 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.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.
- Management's estimate of the Annual Required Contribution for pension benefits was based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

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 14, 2021.

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

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters 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.

Inventory (Prior Year)

It was noted during our examination of the inventory's that general ledger accounts are not updated to represent amounts recorded in monthly and daily inventory reports. We recommend that general ledger records be updated on at least a monthly basis to ensure accurate accounting records.

Status: Corrected.

Upcoming Standards

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org. If you have questions regarding the applicability, timing, or implementation, please contact us.

GASB 87 – Single Approach for Reporting Leases

Effective periods beginning after 6/15/2021 (your FY 2022) extend implementation by GASB 95

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction

Period, Effective for fiscal years beginning after December 15, 2020 (City's fiscal year 2022) extend implementation by GASB 95

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period.

Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 91 – Conduit Debt Obligations

Period, Effective for fiscal years beginning after December 15, 2021 (City's fiscal year 2023) extend implementation by GASB 95

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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 and schedule of federal awards, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires 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.

Conclusion

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.

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 14, 2021