



June 30, 2022

CITY OF MANISTEE, MICHIGAN

ORGANIZATION

MEMBERS OF THE CITY COUNCIL

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LYNDA BEATON

MAYOR PRO-TEM

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CITY MANAGER

WILLIAM GAMBILL

CHIEF FINANCIAL OFFICER

EDWARD BRADFORD

CLERK

HEATHER PEFLEY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Manistee
Manistee, MI 49660

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the City of Manistee, Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Manistee, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Manistee, Michigan, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Manistee Housing Commission, which represent 88 percent, 87 percent, and 81 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit as of June 30, 2022, and the respective changes in financial position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Manistee Housing Commission, is based solely on the report of the other auditors.

Basis for Opinions

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

To the City Council
City of Manistee

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

To the City Council
City of Manistee

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of employee retirement and benefit systems and budgetary comparison information on pages 4-13, 60-63 and 64-67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manistee, Michigan’s basic financial statements. The accompanying combining major funds, nonmajor funds and component unit financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining major funds, nonmajor funds and component unit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022 on our consideration of the City of Manistee, 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 Manistee, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manistee, Michigan’s internal control over financial reporting and compliance.



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

December 9, 2022

Management's Discussion and Analysis

As management of the City of Manistee, 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, 2022. 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 2022 by \$42,301,190 (*net position*). Of this, \$6,751,797 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$274,636 or 0.6%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,679,773, a decrease of \$2,201,518.
- At the end of the current fiscal year, the total fund balance of the General Fund was \$2,779,299, an increase of \$918,506. Unassigned fund balance was \$2,471,541 or 37.4% of total General Fund expenditures and transfers out.
- The City's total long-term debt (including vested employee benefits excluding pensions) increased by \$10,225,034.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) other information.

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 them 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 City'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 result in cash flows in future fiscal periods (for example, earned but unused vacation leave).

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 the legislative, general government, public safety, public works, community and economic development, recreation and culture, and other. The business-type activities of the City include water and sewer operations, marina, and boat ramp.

The government-wide financial statements include not only the City (known as the *primary government*), but also three legally separate authorities – the Downtown Development Authority, the Friends of the Ramsdell and the Manistee Housing Commission – for which the City is financially accountable. Financial information for these *component units* is reported in the other information to these financial statements.

The government-wide financial statements can be found on pages 14-15 of this report.

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 balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains twelve 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 balances for the General, Major and Local Streets, Oil and Gas Funds, and Capital Project Fund, each of 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.

By May 15th of each year the City adopts an annual appropriated budget for general and special revenue funds for the coming fiscal year, which begins July 1st. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets for the major funds.

The basic governmental fund financial statements can be found on pages 16-17 and a reconciliation of governmental funds can be found on page 18 of this report.

Proprietary funds. The City maintains two different types 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 its water and sewer and marina and boat ramp operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its motor pool. Because the service benefits the General, Major and Local Streets, and Water and Sewer Fund functions, the services have been allocated between the governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer Fund, which is considered to be major fund of the City. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 22-23 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-59 of this report.

Required supplementary information. Required supplementary information related to the City's employee retirement and benefit systems and budgetary comparison information related to the City's major governmental funds can be found on pages 60-67 of this report.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information including the combining statements referred to earlier in connection with nonmajor governmental and proprietary funds which are presented immediately following the notes to the financial statements. Combining fund statements can be found on pages 68-77 of this report.

Component Units. Individual component unit financial statements can be found on pages 78-79.

Government-wide Financial Statements

A condensed version of the Statement of Net Position at June 30, 2022 follows:

City of Manistee
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current Assets	\$ 19,181,260	\$ 21,296,234	\$ 5,484,545	\$ 5,526,262	\$ 24,665,805	\$ 26,822,496
Capital Assets	22,867,459	21,701,336	37,275,449	25,090,151	60,142,908	46,791,487
Total Assets	42,048,719	42,997,570	42,759,994	30,616,413	84,808,713	73,613,983
Deferred Outflows of Resources	1,552,163	1,196,481	116,573	96,660	1,668,736	1,293,141
Liabilities						
Current Liabilities	1,601,537	1,706,796	2,996,544	2,274,781	4,598,081	3,981,577
Noncurrent Liabilities	10,540,834	10,985,421	27,661,175	17,210,314	38,202,009	28,195,735
Total Liabilities	12,142,371	12,692,217	30,657,719	19,485,095	42,800,090	32,177,312
Deferred Inflows of Resources	1,285,215	595,119	94,574	52,979	1,379,789	648,098
Net Position						
Net Investment in Capital Assets	17,140,087	15,706,160	8,791,743	7,069,806	25,931,830	22,775,966
Restricted	9,617,563	9,880,829	-	-	9,617,563	9,880,829
Unrestricted	3,419,266	5,319,726	3,332,531	4,105,193	6,751,797	9,424,919
Total Net Position	\$ 30,176,916	\$ 30,906,715	\$ 12,124,274	\$ 11,174,999	\$ 42,301,190	\$ 42,081,714

The largest portion of the City's net position, \$25,931,830 (61%), reflects its net investment in capital assets (for example land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot themselves be used to liquidate these liabilities.

A portion of the City's net position of \$9,617,563 (23%) represents resources that are subject to external restrictions on how they may be used both for the City as a whole, as well as for its separate governmental and business-type activities. The balance in restricted net position reflects the charter-protected Oil and Gas fund, the City's Bond Debt reserve, as well as other external restrictions. The remaining balance of unrestricted net position of \$6,751,797 (16%) may be used to meet the City's ongoing obligations to citizens and creditors.

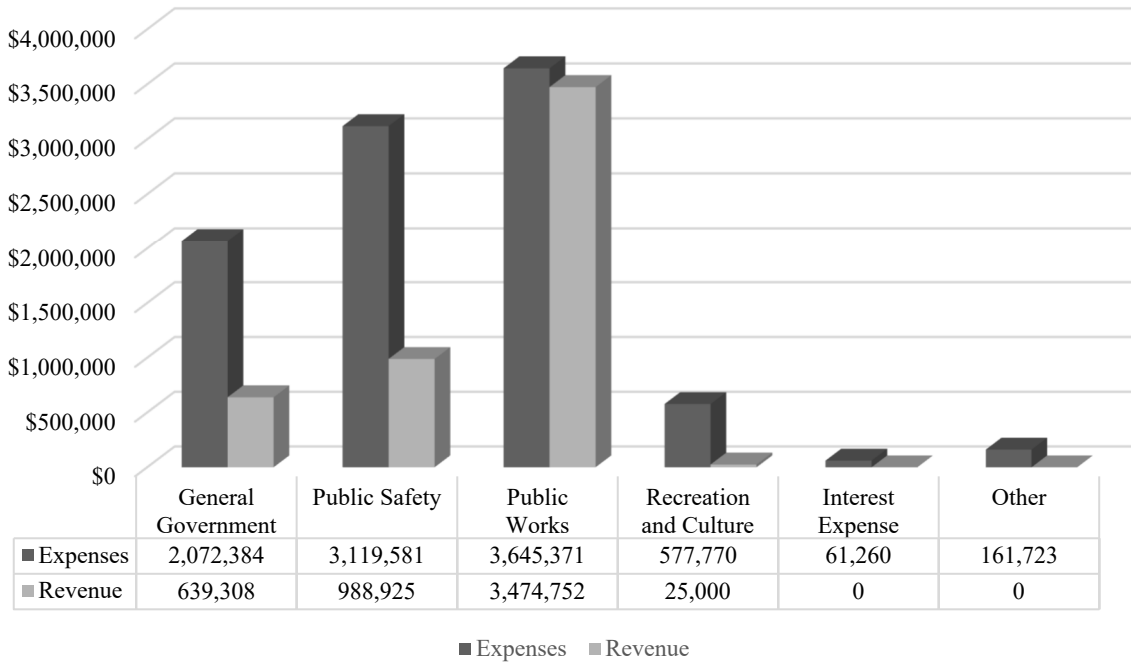
A condensed version of the Statement of Activities follows:

City of Manistee
Condensed Statement of Changes in Net Position

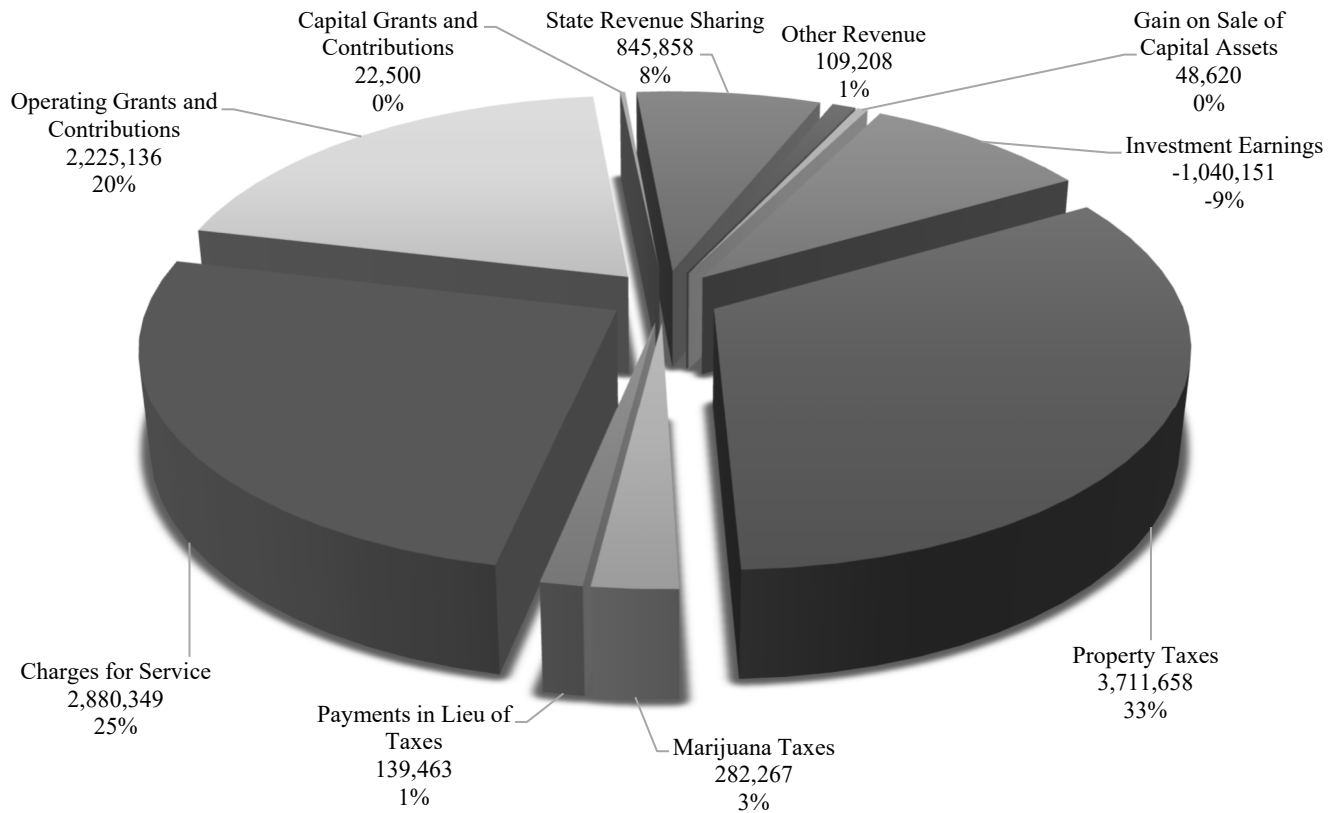
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 2,880,349	\$ 2,591,437	\$ 4,797,811	\$ 4,509,374	\$ 7,678,160	\$ 7,100,811
Operating Grants and Contributions	2,225,136	1,821,612	-	165,003	2,225,136	1,986,615
Capital Grants and Contributions	22,500	-	303,802	-	326,302	-
General Revenues						
Property Taxes	3,711,658	3,636,745	-	-	3,711,658	3,636,745
Marijuana Taxes	282,267	28,011	-	-	282,267	28,011
Payments in Lieu of Taxes	139,463	130,520	-	-	139,463	130,520
State Revenue Sharing	845,858	609,373	-	-	845,858	609,373
Other Revenue	109,208	114,510	275,998	-	385,206	114,510
Gain on Sale of Capital Assets	48,620	37,066	-	-	48,620	37,066
Investment Earnings	(1,040,151)	2,676,659	2,666	1,050	(1,037,485)	2,677,709
Total Revenues	9,224,908	11,645,933	5,380,277	4,675,427	14,605,185	16,321,360
Expenses						
General Government	2,072,384	1,811,265	-	-	2,072,384	1,811,265
Public Safety	3,119,581	2,805,220	-	-	3,119,581	2,805,220
Public Works	3,645,371	3,147,542	-	-	3,645,371	3,147,542
Recreation and Culture	577,770	670,191	-	-	577,770	670,191
Interest Expense	61,260	206,068	-	-	61,260	206,068
Other	161,723	151,800	-	-	161,723	151,800
Boat Ramp	-	-	29,380	30,015	29,380	30,015
Marina	-	-	326,739	237,353	326,739	237,353
Water and Sewer	-	-	4,336,341	4,029,065	4,336,341	4,029,065
Total Expenses	9,638,089	8,792,086	4,692,460	4,296,433	14,330,549	13,088,519
Changes in Net Position before Transfers	(413,181)	2,853,847	687,817	378,994	274,636	3,232,841
Transfers	(261,458)	(65,000)	261,458	65,000	-	-
Changes in Net Position	(674,639)	2,788,847	949,275	443,994	274,636	3,232,841
Net Position - Beginning, Restated	30,851,555	28,117,868	11,174,999	10,731,005	42,026,554	38,848,873
Net Position - Ending	\$ 30,176,916	\$ 30,906,715	\$ 12,124,274	\$ 11,174,999	\$ 42,301,190	\$ 42,081,714

Governmental activities. Governmental activities decreased the City’s ending net position by \$(674,639).

Expenses and Revenues – Governmental Activities

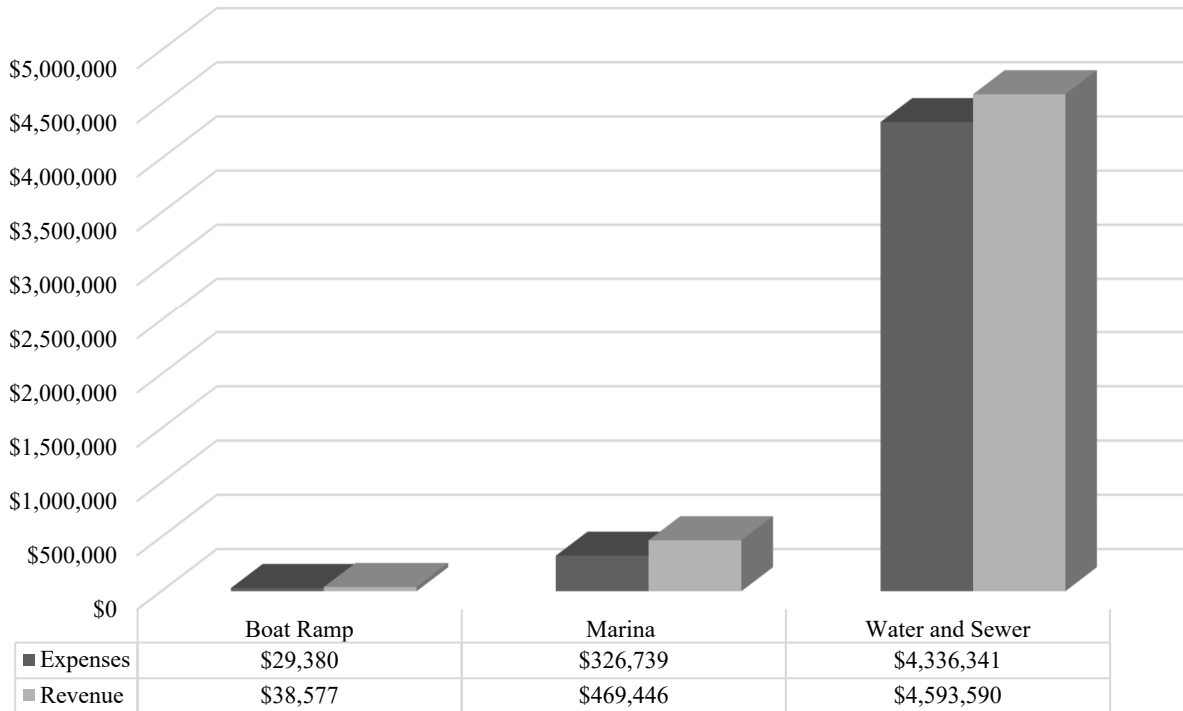


Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the ending City’s net position by \$949,275.

Expenses and Revenues – Business-type Activities



Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. *Unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$2,779,299 of which \$2,471,541 was unassigned. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures, including transfers out.

The Oil and Gas Fund has a total fund balance of \$12,054,018, which decreased by \$1,529,881 during the year. This decrease is due to declines in the market. The City Charter prevents the principal of this fund to be spent without a vote of the people.

Proprietary funds. The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer and Boat Ramp and Marina Funds at the end of the year amounted to \$3,332,531 and net investment in capital assets, net of related debt amounted to \$8,791,743. The Water and Sewer Funds had an increase of \$531,673, while the Boat Ramp and Marina have a combined increase of \$417,602.

General Fund Budgetary Highlights

During the year, General Fund budget variance of expenditures was underspent by \$275,105 when comparing final budget to actual. This was primarily due to less actual expenditures than anticipated for general government, public safety, and public works. General Fund revenues were more than anticipated by \$927,284. Further detail on budgetary highlights is found in the required supplementary information section of the audit report.

Capital Asset and Debt Administration

Capital Assets

The City’s net investment in capital assets as of June 30, 2022, amounted to \$60,142,908. This investment in capital assets includes land, land improvements, infrastructure, buildings and improvements, furniture and equipment, vehicles, and construction in progress. The total net increase in the City’s investment in capital assets after depreciation for the current fiscal year was \$13,351,421. The following table summarizes the capital assets of the City as of year end:

**City of Manistee
Capital Assets**
(Net of depreciation, where applicable)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,600,271	\$ 4,697,561	\$ 51,974	\$ 51,974	\$ 4,652,245	\$ 4,749,535
Construction in Progress	2,243,234	878,150	20,113,920	7,607,227	22,357,154	8,485,377
Land Improvements	2,648,866	2,741,120	778,136	832,947	3,427,002	3,574,067
Infrastructure	7,385,316	7,209,752	15,051,619	15,276,615	22,436,935	22,486,367
Buildings and Improvements	3,382,035	3,645,574	1,030,204	1,021,829	4,412,239	4,667,403
Vehicles	1,015,580	947,496	-	-	1,015,580	947,496
Furniture and Equipment	1,592,157	1,581,683	249,596	299,559	1,841,753	1,881,242
Total Capital Assets, Net	\$ 22,867,459	\$ 21,701,336	\$ 37,275,449	\$ 25,090,151	\$ 60,142,908	\$ 46,791,487

Additional information on the City’s capital assets can be found in Note 6 to the financial statements section of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt of \$34,122,110. Of this amount, \$8,665,001 comprises debt backed by the full faith and credit of the government. The remainder of the City’s debt represents loans and bonds secured solely by specified revenue sources (i.e., revenue bonds). The City’s total long-term debt (excluding vested employee benefits, capital leases, and net pension obligations) increased by \$10,237,250. The large increase in debt was due to the sewer utility wet weather corrective action program project, which was financed by USDA Rural Development bonds.

The following table summarizes the City’s outstanding debt as of the end of the year:

**City of Manistee
Outstanding Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Bonds Payable	\$ 4,435,148	\$ 4,761,403	\$ 28,275,043	\$ 17,742,375	\$ 32,710,191	\$ 22,503,778
Notes Payable	1,292,224	1,232,641	119,695	147,309	1,411,919	1,379,950
Capital Leases	-	1,132	-	-	-	1,132
Total Long-Term Debt	\$ 5,727,372	\$ 5,995,176	\$ 28,394,738	\$ 17,889,684	\$ 34,122,110	\$ 23,884,860

Economic Factors and Next Year’s Budgets and Rates

Property values increased and are expected to continue to rise over the next few years. Real-estate sales are strong and the market is currently very active. Unfortunately, the large number of sales has caused Headlee rollbacks for both FY22 and FY23, limiting the growth of tax revenue. State revenue sharing is also increasing, which is welcomed after many years of decline or slow growth.

Developer interest in the City is near all-time highs, with a major hotel under construction and several other projects on the pipeline.

The City of Manistee continues to provide a full range of municipal services. The last decade saw aggressive City efforts to control costs through headcount reductions and healthcare reforms. Strategic restructuring of various departments occurred to optimize efficiency and better utilize human resources. Room for future headcount reduction and/or increased efficiencies is rather limited without addressing service level expenditures. However, we are optimistic that we have turned the corner on contraction and will be able to grow modestly as our revenues recover.

The City’s pension is quite manageable compared to many communities across the State because of modest benefits. Recent MERS investment results and revised actuarial assumptions will result in higher pension costs moving forward; although pension reforms for new hires have been implemented.

The FY23 budget anticipates modest growth, and several large infrastructure projects.

Component Units

Complete financial statements and management's discussion and analysis may be obtained from the Manistee Downtown Development Authority and the Manistee 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 should be addressed to:

City of Manistee
Attn: Finance Director
70 Maple Street
Manistee, Michigan 49660 or;

via email at ebradford@manisteemi.gov or;

by visiting our website www.manisteemi.gov

Basic Financial Statements

Statement of Net Position
June 30, 2022

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 2,093,265	\$ 1,937,121	\$ 4,030,386	\$ 1,810,521
Cash and Equivalents - Restricted	1,105,478	1,719,868	2,825,346	54,031
Investments - Unrestricted	3,256,159	501,409	3,757,568	-
Investments - Restricted	11,657,171	1,003,761	12,660,932	-
Accounts Receivable	118,669	564,183	682,852	6,685
Interest Receivable	25,165	-	25,165	-
Internal Balances	488,426	(488,426)	-	-
Due From Governmental Units	344,538	203,000	547,538	94,641
Notes Receivable	-	-	-	2,720,639
Prepaid Items and Inventory	92,389	43,629	136,018	67,484
Capital Assets (Not Depreciated)	6,843,505	20,165,894	27,009,399	360,272
Capital Assets (Net of Accumulated Depreciation)	16,023,954	17,109,555	33,133,509	749,964
TOTAL ASSETS	42,048,719	42,759,994	84,808,713	5,864,237
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Items	1,552,163	116,573	1,668,736	37,313
LIABILITIES:				
Accounts Payable	474,217	1,646,080	2,120,297	134,061
Accrued Liabilities	156,025	35,817	191,842	32,569
Due to Other Governmental Units	-	-	-	37,862
Customer Deposits	193,516	63,075	256,591	17,817
Unearned Revenue	-	-	-	650
Accrued Interest Payable	32,924	75,583	108,507	-
Net Pension Liability - Due in more than one year	5,241,775	380,826	5,622,601	27,457
Bonds Payable - Due within one year	327,529	1,147,481	1,475,010	-
Bonds Payable - Due in more than one year	4,107,619	27,127,562	31,235,181	-
Notes Payable - Due within one year	417,326	28,508	445,834	-
Notes Payable - Due in more than one year	874,898	91,188	966,086	380,344
Capital Leases - Due within one year	-	-	-	5,661
Capital Leases - Due in more than one year	-	-	-	9,691
Vested Employee Benefits - Due within one year	-	-	-	39,027
Vested Employee Benefits - Due in more than one year	316,542	61,599	378,141	22,119
TOTAL LIABILITIES	12,142,371	30,657,719	42,800,090	707,258
DEFERRED INFLOWS OF RESOURCES:				
Pension Items	1,285,215	94,574	1,379,789	28,731
NET POSITION:				
Net Investment in Capital Assets	17,140,087	8,791,743	25,931,830	714,540
Restricted	9,617,563	-	9,617,563	-
Unrestricted	3,415,646	3,332,531	6,748,177	4,451,021
TOTAL NET POSITION	\$ 30,173,296	\$ 12,124,274	\$ 42,297,570	\$ 5,165,561

Statement of Activities
For the Year Ended June 30, 2022

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	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,076,004	\$ 378,408	\$ 260,900	\$ -	\$ (1,436,696)	\$ -	\$ (1,436,696)	\$ -
Public Safety	3,119,581	199,480	789,445	-	(2,130,656)	-	(2,130,656)	-
Public Works	3,645,371	2,299,961	1,174,791	-	(170,619)	-	(170,619)	-
Recreation and Culture	577,770	2,500	-	22,500	(552,770)	-	(552,770)	-
Interest Expense	61,260	-	-	-	(61,260)	-	(61,260)	-
Other	161,723	-	-	-	(161,723)	-	(161,723)	-
Total Governmental Activities	9,641,709	2,880,349	2,225,136	22,500	(4,513,724)	-	(4,513,724)	-
Business-type Activities:								
Boat Ramp	29,380	38,577	-	-	-	9,197	9,197	-
Marina	326,739	266,446	-	203,000	-	142,707	142,707	-
Water and Sewer	4,336,341	4,492,788	-	100,802	-	257,249	257,249	-
Total Business-type Activities	4,692,460	4,797,811	-	303,802	-	409,153	409,153	-
Total Primary Government	\$ 14,334,169	\$ 7,678,160	\$ 2,225,136	\$ 326,302	(4,513,724)	409,153	(4,104,571)	-
Component Units:								
Public Works:								
Manistee Housing Commission	\$ 1,811,622	\$ 614,992	\$ 1,130,472	\$ 5,774	-	-	-	(60,384)
Recreation and Culture:								
Friends of the Ramsdell	610,256	227,857	193,765	10,568	-	-	-	(178,066)
Economic Development:								
Downtown Development Authority	254,681	80,422	10,500	-	-	-	-	(163,759)
Total Component Units	\$ 2,676,559	\$ 923,271	\$ 1,334,737	\$ 16,342	-	-	-	(402,209)
Total								
General Revenues, Special Items and Transfers:								
Property Taxes	-	-	-	-	3,711,658	-	3,711,658	327,019
Marijuana Taxes	-	-	-	-	282,267	-	282,267	-
Payments in Lieu of Taxes	-	-	-	-	139,463	-	139,463	-
State Revenue Sharing	-	-	-	-	845,858	-	845,858	-
Investment Earnings	-	-	-	-	(1,040,151)	2,666	(1,037,485)	1,982
Rental Income	-	-	-	-	37,299	-	37,299	31,024
Gain on Sale of Capital Assets	-	-	-	-	48,620	-	48,620	-
Net Gain (Loss) on Transfer of Items to RAD	-	-	-	-	-	-	-	2,402,212
Other Revenue	-	-	-	-	71,909	275,998	347,907	476,540
Transfers	-	-	-	-	(261,458)	261,458	-	-
Total General Revenues and Transfers	-	-	-	-	3,835,465	540,122	4,375,587	3,238,777
Changes in Net Position	-	-	-	-	(678,259)	949,275	271,016	2,836,568
Net Position - Beginning (As Restated - See NOTE 12)	-	-	-	-	30,851,555	11,174,999	42,026,554	2,328,993
Net Position - Ending	-	-	-	-	\$ 30,173,296	\$ 12,124,274	\$ 42,297,570	\$ 5,165,561

See accompanying notes to financial statements.

Balance Sheet
Governmental Funds
June 30, 2022

	General	Major Street	Local Street	Permanent Fund Oil and Gas	Capital Project Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and Equivalents - Unrestricted	\$ 29,549	\$ 229,977	\$ 75,737	\$ 53,371	\$ 628,806	\$ 550,834	\$ 1,568,274
Cash and Equivalents - Restricted	220,618	-	-	871,857	13,003	-	1,105,478
Investments - Unrestricted	1,673,852	675,098	753,702	-	-	1,296	3,103,948
Investments - Restricted	642,513	-	-	11,014,658	-	-	11,657,171
Accounts Receivable	36,737	-	-	-	-	81,932	118,669
Interest Receivable	-	-	-	25,165	-	-	25,165
Due from Other Funds	449,209	31,252	50,347	-	-	-	530,808
Due from Governmental Units	149,711	154,821	40,006	-	-	-	344,538
Long-term Advance from Other Funds	-	-	-	88,967	-	-	88,967
Prepaid Items	87,140	-	-	-	-	1,722	88,862
TOTAL ASSETS	\$ 3,289,329	\$ 1,091,148	\$ 919,792	\$ 12,054,018	\$ 641,809	\$ 635,784	\$ 18,631,880
LIABILITIES:							
Accounts Payable	\$ 78,890	\$ 131,006	\$ 16,603	\$ -	\$ 49,582	\$ 195,136	\$ 471,217
Customer Deposits	193,516	-	-	-	-	-	193,516
Accrued Payroll and Related Liabilities	156,025	-	-	-	-	-	156,025
Due to Other Funds	81,599	-	-	-	-	49,750	131,349
TOTAL LIABILITIES	510,030	131,006	16,603	-	49,582	244,886	952,107
FUND BALANCES:							
Nonspendable	87,140	-	-	-	-	1,722	88,862
Restricted	193,516	960,142	903,189	7,361,975	-	198,741	9,617,563
Committed	27,102	-	-	-	592,227	19,059	638,388
Assigned	-	-	-	4,692,043	-	171,376	4,863,419
Unassigned	2,471,541	-	-	-	-	-	2,471,541
TOTAL FUND BALANCES	2,779,299	960,142	903,189	12,054,018	592,227	390,898	17,679,773
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,289,329	\$ 1,091,148	\$ 919,792	\$ 12,054,018	\$ 641,809	\$ 635,784	
Reconciliation to amounts reported for governmental activities in the statement of net position:							
Capital assets used by governmental activities							20,717,912
Vested employee benefits liability							(316,542)
Net pension liability and pension items							(4,974,827)
Long-term notes and bonds payable for governmental activities							(4,883,546)
Accrued interest payable							(22,025)
Internal service funds included in governmental activities							1,972,551
Net position of governmental activities							\$ 30,173,296

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2022**

	General	Major Street	Local Street	Permanent Fund Oil and Gas	Capital Project Fund Capital Improvement	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:							
Taxes	\$ 3,912,906	\$ -	\$ -	\$ -	\$ -	\$ 220,482	\$ 4,133,388
Licenses and Permits	180,380	-	-	-	-	-	180,380
Federal Sources	642,512	-	-	-	-	88,144	730,656
State Sources	1,104,844	863,020	259,026	-	-	55,977	2,282,867
Local Sources	-	-	-	-	-	79,971	79,971
Charges for Services	1,688,490	197,982	-	-	-	769,026	2,655,498
Fines and Forfeitures	30,241	-	-	-	-	-	30,241
Investment Earnings	4,187	1,636	1,827	(1,047,804)	-	3	(1,040,151)
Rental Income	37,299	-	-	-	-	-	37,299
Other Revenue	34,645	-	14,230	-	12,700	24,564	86,139
TOTAL REVENUES	7,635,504	1,062,638	275,083	(1,047,804)	12,700	1,238,167	9,176,288
EXPENDITURES:							
General Government	1,636,429	-	-	67,878	-	-	1,704,307
Public Safety	2,683,030	-	-	-	-	183,485	2,866,515
Public Works	1,426,266	618,050	142,884	-	-	714,732	2,901,932
Recreation and Cultural	443,607	-	-	-	-	26,000	469,607
Other Expenditures	161,723	-	-	-	-	-	161,723
Capital Outlay	12,713	435,989	490,360	-	1,349,088	217,110	2,505,260
Debt Service	251,063	-	50,179	-	183,304	5,148	489,694
TOTAL EXPENDITURES	6,614,831	1,054,039	683,423	67,878	1,532,392	1,146,475	11,099,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	1,020,673	8,599	(408,340)	(1,115,682)	(1,519,692)	91,692	(1,922,750)
OTHER FINANCING SOURCES (USES):							
Sale of General Capital Assets	82,690	-	-	-	-	-	82,690
Operating Transfers In	-	10,000	222,914	-	414,199	2,167	649,280
Operating Transfers Out	(184,857)	(50,224)	-	(414,199)	(341,458)	(20,000)	(1,010,738)
TOTAL OTHER FINANCING SOURCES (USES)	(102,167)	(40,224)	222,914	(414,199)	72,741	(17,833)	(278,768)
NET CHANGE IN FUND BALANCES	918,506	(31,625)	(185,426)	(1,529,881)	(1,446,951)	73,859	(2,201,518)
FUND BALANCE BEGINNING OF YEAR	1,860,793	991,767	1,088,615	13,583,899	2,039,178	317,039	19,881,291
FUND BALANCE AT END OF YEAR	\$ 2,779,299	\$ 960,142	\$ 903,189	\$ 12,054,018	\$ 592,227	\$ 390,898	\$ 17,679,773

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022**

Net changes in fund balances - total governmental funds \$ (2,201,518)

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 exceeded capital outlay and gain on disposals in the current period. 1,215,471

Repayment principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.
Principal payments 423,117

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. 143,090

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:

Vested employee benefits 16,511
OPEB liability (24,462)
Change in net pension liability and pension items (253,917)
Accrued interest payable 3,449

Changes in net position of governmental activities \$ (678,259)

**Statement of Net Position
Proprietary Funds
June 30, 2022**

	Water and Sewer	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Fund
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,600,678	\$ 336,443	\$ 1,937,121	\$ 524,991
Cash and Equivalents - Restricted	1,719,868	-	1,719,868	-
Investments - Unrestricted	501,409	-	501,409	152,211
Investments - Restricted	1,003,761	-	1,003,761	-
Accounts Receivable	563,838	345	564,183	-
Due from Other Governmental Units	-	203,000	203,000	-
Prepaid Items	22,962	203	23,165	3,527
Inventory	-	20,464	20,464	-
Capital Assets (Not Depreciated)	19,702,770	463,124	20,165,894	13,739
Capital Assets (Net of Accumulated Depreciation)	15,609,059	1,500,496	17,109,555	2,135,808
TOTAL ASSETS	40,724,345	2,524,075	43,248,420	2,830,276
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Items	116,573	-	116,573	-
LIABILITIES:				
Accounts Payable	1,627,866	18,214	1,646,080	3,000
Customer Deposits	62,075	1,000	63,075	-
Accrued Payroll and Related Liabilities	31,313	4,504	35,817	-
Accrued Interest Payable	74,290	1,293	75,583	10,899
Due to Other Funds	-	399,459	399,459	-
Long-term Advance from Other Funds	-	88,967	88,967	-
Vested Employee Benefits - Due in more than one year	61,599	-	61,599	-
Net Pension Liability	380,826	-	380,826	-
Notes Payable - Due within one year	-	28,508	28,508	323,893
Notes Payable - Due in more than one year	-	91,188	91,188	519,933
Bonds Payable - Due within one year	1,147,481	-	1,147,481	-
Bonds Payable - Due in more than one year	27,127,562	-	27,127,562	-
TOTAL LIABILITIES	30,513,012	633,133	31,146,145	857,725
DEFERRED INFLOWS OF RESOURCES:				
Pension Items	94,574	-	94,574	-
TOTAL DEFERRED INFLOWS OF RESOURCES	94,574	-	94,574	-
NET POSITION:				
Net Investment in Capital Assets	7,036,786	1,754,957	8,791,743	1,305,721
Unrestricted	3,196,546	135,985	3,332,531	666,830
TOTAL NET POSITION	\$ 10,233,332	\$ 1,890,942	\$ 12,124,274	\$ 1,972,551

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2022**

	Water and Sewer	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES:				
Charges for Services	\$ 4,492,788	\$ 305,023	\$ 4,797,811	\$ 456,000
State Grants	100,802	-	100,802	-
Total Operating Revenues	<u>4,593,590</u>	<u>305,023</u>	<u>4,898,613</u>	<u>456,000</u>
OPERATING EXPENSES:				
Personnel Services	839,100	34,085	873,185	-
Contracted Services	64,320	307	64,627	-
Insurance	25,102	1,187	26,289	42,186
Administration	641,000	14,500	655,500	-
Supplies	131,235	138,153	269,388	-
Communications	12,477	520	12,997	-
Utilities	204,118	25,764	229,882	-
Repair and Maintenance	648,420	15,917	664,337	4,202
Depreciation	1,185,791	94,788	1,280,579	374,136
Miscellaneous	86,890	23,785	110,675	-
Total Operating Expenses	<u>3,838,453</u>	<u>349,006</u>	<u>4,187,459</u>	<u>420,524</u>
OPERATING INCOME (LOSS)	<u>755,137</u>	<u>(43,983)</u>	<u>711,154</u>	<u>35,476</u>
NON-OPERATING REVENUES (EXPENSES):				
Gain on Sale of Capital Assets	-	-	-	8,060
Investment Earnings	2,666	-	2,666	369
Interest Expense	(497,888)	(7,113)	(505,001)	(18,815)
Other Revenue	271,758	4,240	275,998	18,000
Total Non-Operating Revenues (Expenses)	<u>(223,464)</u>	<u>(2,873)</u>	<u>(226,337)</u>	<u>7,614</u>
Income (Loss) Before Contributions and Transfers	531,673	(46,856)	484,817	43,090
Operating Transfers In	-	261,458	261,458	100,000
Capital Grants - State	-	203,000	203,000	-
CHANGES IN NET POSITION	531,673	417,602	949,275	143,090
NET POSITION, JULY 1	<u>9,701,659</u>	<u>1,473,340</u>	<u>11,174,999</u>	<u>1,829,461</u>
NET POSITION, JUNE 30	<u>\$ 10,233,332</u>	<u>\$ 1,890,942</u>	<u>\$ 12,124,274</u>	<u>\$ 1,972,551</u>

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

	Water and Sewer	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Other Revenue	\$ 4,730,688	\$ 101,997	\$ 4,832,685	\$ 459
Payments to Suppliers	(1,156,349)	(221,499)	(1,377,848)	(45,392)
Payments to Employees	(843,223)	(33,515)	(876,738)	-
Receipts from (payments to) Interfund Services Provided	-	-	-	456,000
Net Cash Provided (Used) by Operating Activities	<u>2,731,116</u>	<u>(153,017)</u>	<u>2,578,099</u>	<u>411,067</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments to (received from) Other Funds	(15,833)	399,459	383,626	136,208
Advances to (received from) Other Funds	-	(41,694)	(41,694)	-
Other Revenue	271,758	4,240	275,998	18,000
Operating Transfers In	-	261,458	261,458	100,000
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>255,925</u>	<u>623,463</u>	<u>879,388</u>	<u>254,208</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital Grants Received	-	203,000	203,000	-
Purchase of Capital Assets	(13,049,725)	(416,152)	(13,465,877)	(129,000)
Proceeds from Disposal of Capital Assets	-	-	-	51,917
Bond Proceeds	11,799,000	-	11,799,000	-
Note Proceeds	-	-	-	99,195
Principal Paid on Capital Debt	(1,237,493)	(27,613)	(1,265,106)	(238,687)
Interest Paid on Capital Debt	(497,888)	(7,113)	(505,001)	(18,815)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,986,106)</u>	<u>(247,878)</u>	<u>(3,233,984)</u>	<u>(235,390)</u>
Net Increase (Decrease) in Cash and Equivalents	935	222,568	223,503	429,885
Balances - Beginning of the Year	<u>3,319,611</u>	<u>113,875</u>	<u>3,433,486</u>	<u>95,106</u>
Balances - End of the Year	<u>\$ 3,320,546</u>	<u>\$ 336,443</u>	<u>\$ 3,656,989</u>	<u>\$ 524,991</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 755,137	\$ (43,983)	\$ 711,154	\$ 35,476
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	1,185,791	94,788	1,280,579	374,136
Amortization of Bond Premiums	(28,839)	-	(28,839)	-
(Increase) Decrease in:				
Accounts Receivable	128,481	(26)	128,455	459
Inventory	-	(10,026)	(10,026)	-
Prepaid Items	3,044	(61)	2,983	(136)
Due from Other Governmental Units	7,542	(203,000)	(195,458)	-
Deferred Outflows	(19,913)	-	(19,913)	-
Increase (Decrease) in:				
Accounts Payable	669,438	9,019	678,457	3,000
Customer Deposits	1,075	-	1,075	-
Accrued Payroll & Related Liabilities	1,507	570	2,077	-
Accrued Interest Payable	13,570	(298)	13,272	(1,868)
Vested Employee Benefits	3,162	-	3,162	-
Net Pension Liability	(30,474)	-	(30,474)	-
Deferred Inflows	41,595	-	41,595	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,731,116</u>	<u>\$ (153,017)</u>	<u>\$ 2,578,099</u>	<u>\$ 411,067</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital asset additions financed by notes payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,805</u>

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

	Custodial Funds		
	Delinquent Tax	Current Tax Collection	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ -	\$ -	\$ -
TOTAL ASSETS	\$ -	\$ -	\$ -
LIABILITIES:			
Due to Governmental Units	\$ -	\$ -	\$ -
TOTAL LIABILITIES	\$ -	\$ -	\$ -
NET POSITION:			
Unrestricted	\$ -	\$ -	\$ -
TOTAL NET POSITION	\$ -	\$ -	\$ -

**Statement of Changes of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022**

	Custodial Funds		Total
	Delinquent Tax	Current Tax Collection	
ADDITIONS:			
Contributions			
Taxes Collected for Other Governments	5,019	5,986,119	5,991,138
Excess Taxes Collected from Taxpayers	9	-	9
TOTAL ADDITIONS	5,028	5,986,119	5,991,147
DEDUCTIONS:			
Payment of Taxes to Other Governments	4,989	5,986,119	5,991,108
Return of Tax Payments to Taxpayer	39	-	39
TOTAL DEDUCTIONS	5,028	5,986,119	5,991,147
Change in Net Position	-	-	-
Net Position, Beginning of Year	-	-	-
Net Position, End of Year	\$ -	\$ -	\$ -

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Manistee 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 Manistee.

A. Reporting Entity

The City of Manistee (the “City”) is governed by a City Council elected by the community at large. The legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning and general administrative services. The City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 and Statement No. 61, regarding the definition of the reporting entity.

Discretely Presented Component Units

Friends of the Ramsdell

In accordance with GASB Statement No. 61, the financial statements of the Friends of the Ramsdell are included as a discretely presented component unit in the financial statements of the City. A complete financial statement of the Friends of the Ramsdell is included within these financial Statements.

The Friends of the Ramsdell financial statements are prepared in accordance with the accounting standards established by the Financial Accounting Standards Board and accordingly, a reporting model different from that of the City (Governmental Accounting Standards Board) is used. The Friends of Ramsdell financial statements included within reflect both models.

Manistee City Housing Commission

The Mayor, with approval of the City Council, appoints the members of the governing board of the Commission. The Commission’s fiscal year end is December 31, 2021. A complete financial statement of the Housing Commission can be obtained from the Executive Director, City of Manistee Housing Commission, Century Terrace, Manistee, Michigan 49660.

Downtown Development Authority (“DDA”)

The City Manager, with approval of the City Council, appoints the members of the governing board of the DDA. The City also has the ability to significantly influence the operations of the DDA. A complete financial statement of the DDA can be obtained from the City Finance Director, City of Manistee, 70 Maple Street, Manistee, Michigan 49660-0358.

Blended Component Units

Brownfield Redevelopment Authority

The Mayor, with approval of the City Council, appoints the members of the governing board of the Brownfield Redevelopment Authority. The Brownfield Redevelopment Authority is reported as a blended component unit as a part of the City of Manistee’s financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide Fund Financial Statements

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

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

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

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

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

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by State statute 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 *Oil and Gas Fund* accounts for the use of money derived from oil and gas royalties which have been endowed in a permanent fund by action of the electors of the City of Manistee. The income from the endowment was previously pledged in prior bond financing arrangements as part of the revenue stream to the Water and Sewer Utility. This pledge is still in effect; however, the City has adjusted water and sewer rates to allow the water and sewer utility to be self-sufficient without this revenue stream and funds calculated pursuant to an endowment spending rule are being used for capital improvements, including streets.

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)

The City reports the following major proprietary funds:

The *Water and Sewer Fund* is the City's major proprietary fund. It accounts for the activities of the City's water distribution, sewage disposal and treatment system. In addition, a combining statement listed the water and sewer operations separately in order to satisfy USDA Rural Development requirements.

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.

Enterprise Funds. These funds account for the operations of the Boat Ramp and Marina funds.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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'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. Pooled investment income for all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

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 1st on the taxable valuation of property located in the City as of the preceding December 31st, the lien date. Property taxes are payable without penalty and interest through August 20th as of March 1st of the succeeding year, unpaid real property taxes are sold to and collected by Manistee County.

Assessed values are established annually by the City, and subject to acceptance by the County, are equalized by the state at an estimated 50% of current market value. Real and personal property in the City for the 2021 taxable value was assessed at \$203,697,648.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government’s general operating tax rate for fiscal year 2022 was 17.5533 mills, with an additional 1.1500 mills levied for the City Refuse Fund.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this agreement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

Inventories and Prepaids Items

Inventories are valued at cost on the first in, first out basis for proprietary fund types. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets

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

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

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Other Infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

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

Note Receivable

The note receivable reported by the Manistee Housing Commission is reported at its original issue amount less principal repaid. Interest is recognized according to the terms of the specific note. An allowance for the loan loss is determined based on a specific assessment of the note that is delinquent or determined to be doubtful to be collected. A note is considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for loan losses in the period that determination is made. As of December 31, 2021, no amounts were deemed to be uncollectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension and fringe expense, information about the fiduciary net position of the Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plan administrators. 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.

Vested Employee Benefits (Vacation, Personal, and Sick Leave)**Primary Government**

Vacation and sick days for the City's salaried and some hourly employees are determined by the City's personnel policies, and the remaining City's hourly employees are determined by the union agreement between the City and the employees' union. The liability for these amounts will be included in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Housing Commission

It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provision of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to received sick pay benefits.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Long-Term Obligations

In the government-wide financial statements and also in the proprietary fund type statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are amortized using the straight-line method, which approximates the effective interest method, over the related debt repayment period. Unamortized bond discount costs or premiums are offset against or added to bonds payable. Bond issuance costs are expensed when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year. The City has \$88,862 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 \$9,617,563 in restricted fund balance.
- **Committed**: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by the City Council. These amounts cannot be used for any other purpose unless the City Council 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 committed \$592,227 for capital project funds and \$46,161 for other projects.
- **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 Council 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 \$4,863,419.
- **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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the City Council to approve a budget for the General Fund and all Special Revenue Funds. The Manager prepares a budget in accordance with the Act which is adopted by the Board at a public hearing each May. All budgets lapse at fiscal year end.

NOTE 3 - CASH AND INVESTMENTS

At year end, the City’s cash and investments 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>Component Units</u>
Cash and Equivalents -				
Unrestricted	\$ 2,093,265	\$ 1,937,121	\$ 4,030,386	\$ 1,810,521
Restricted	1,105,478	1,719,868	2,825,346	54,031
Investments -				
Unrestricted	3,256,159	501,409	3,757,568	-
Restricted	<u>11,657,171</u>	<u>1,003,761</u>	<u>12,660,932</u>	<u>-</u>
Total	<u>\$ 18,112,073</u>	<u>\$ 5,162,159</u>	<u>\$ 23,274,232</u>	<u>\$ 1,865,552</u>

The breakdown between cash and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 6,853,432	\$ 1,864,152
Petty Cash and Cash on Hand	2,300	1,400
Investments	<u>16,418,500</u>	<u>-</u>
Total	<u>\$ 23,274,232</u>	<u>\$ 1,865,552</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

Cash and Investments– Restricted:

The following funds have restricted cash and investments for various purposes:

PRIMARY GOVERNMENT

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund:	Riverwalk Improvements	\$ 27,102
	American Rescue Plan Act	642,513
	Escrow Account	193,516
Oil and Gas Fund:	Trust Purposes	11,886,515
Capital Improvement Fund:	Capital Improvements	13,003
Sewer Fund:	Bond Reserves (See NOTE 4)	682,495
	Capital Improvements	214
	Construction Contingency	476,193
Water Fund:	Capital Improvements	<u>1,564,727</u>
TOTAL		<u>\$ 15,486,278</u>

COMPONENT UNIT

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Friends of the Ramsdell:	Capital Improvements and Scholarships	\$ 40,394
Manistee Housing Commission:	Projects – Low Rent Public Housing Tenant Security Deposits	12,141
	State/Local – MSHDA DVG Tenant Security Deposits	<u>1,496</u>
TOTAL		<u>\$ 54,031</u>

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments

	<u>Fair Value</u>	<u>Maturities in Years</u>				<u>Ratings</u>	<u>Concentration</u>
		<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>		
Investments:							
US Treasury Securities	\$ 1,433,346	\$ 148,500	\$ 812,964	\$ 471,882	\$ -	AAA	9%
Equity Securities	7,157,141	-	-	-	-	N/A	41%
ETF's	288,150	-	-	-	-	N/A	2%
Fixed Income	1,937,938	274,137	978,348	478,086	207,367	AA+	11%
Money Market*	871,857	-	-	-	-	N/A	5%
Other Assets	198,082	-	-	-	-	N/A	1%
MI Class Pooled	<u>5,403,843</u>	-	-	-	-	AAAm	<u>31%</u>
Total Investments	<u>\$ 17,290,357</u>						<u>100%</u>

*Money Market investments are deemed short term investments and reported as cash and equivalents on the face of the financial statements.

The City categorizes its fair value measurements of investments 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.

The City has the following fair value measurements as of year end:

- The Charles Schwab oil and gas fund is valued using quoted market prices (Level 1 inputs).
- MI Class Pooled investments are measured at fair value in accordance with Paragraph 41 of Statement 79 and Paragraph 11 of Statement 31, and therefore are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.
- The City does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Interest rate risk. State law limits the allowable investments and maturities of some of the allowable investments as identified above. The City’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure of fair value losses arising from decreasing interest rates.

Credit risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City’s investment policy does not have specific limits in excess of state law or investment credit risk.

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, \$6,397,158 of the City’s bank balance of \$6,897,158 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Concentration of credit risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City’s investment policy also does not have specific limits in concentration of credit risk. None of the investments held by the City exceeds five percent of the City’s total investments.

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.

The City has the following fair value measurements as of June 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Various Investments	<u>\$ 11,014,657</u>	<u>\$ 11,014,657</u>	<u>\$ -</u>	<u>\$ -</u>

Statutory Authority:

P.A. 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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- 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.

The Oil and Gas funds are invested pursuant to Section 7 MCL 129.97.

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 - BOND RESERVES

	<u>June 30, 2022</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
<u>Sewer Fund</u>		
Bond Debt Reserves		
USDA Rural Development Bonds		
2015 Water & Sewer Bonds and	\$ 111,147	\$ 111,147
2017 SRF Water & Sewer Refunding Bonds	446,717	446,717
Repair, Replacement and Improvements		
USDA Rural Development Bonds	<u>124,631</u>	<u>124,631</u>
TOTAL	<u>\$ 682,495</u>	<u>\$ 682,495</u>

NOTE 5- NOTES RECEIVABLE

COMPONENT UNIT

Manistee Housing Commission:

The Commission’s notes receivable balance at December 31, 2021 is comprised of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
CT HV	<u>\$ -</u>	<u>\$ 2,715,147</u>	<u>\$ -</u>	<u>\$ 2,715,147</u>

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,697,561	\$ -	\$ (97,290)	\$ 4,600,271
Construction in Progress	<u>878,150</u>	<u>1,460,898</u>	<u>(95,814)</u>	<u>2,243,234</u>
Subtotal	<u>5,575,711</u>	<u>1,460,898</u>	<u>(193,104)</u>	<u>6,843,505</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	5,568,060	40,514	-	5,608,574
Infrastructure	13,730,327	813,809	95,814	14,639,950
Buildings and Improvements	8,977,742	18,154	-	8,995,896
Vehicles	3,341,682	293,701	(496,983)	3,138,400
Furniture and Equipment	<u>4,109,272</u>	<u>301,990</u>	<u>(201,011)</u>	<u>4,210,251</u>
Subtotal	<u>35,727,083</u>	<u>1,468,168</u>	<u>(602,180)</u>	<u>36,593,071</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(2,826,940)	(132,768)	-	(2,959,708)
Infrastructure	(6,520,575)	(734,059)	-	(7,254,634)
Buildings and Improvements	(5,332,168)	(281,693)	-	(5,613,861)
Vehicles	(2,394,186)	(232,155)	503,521	(2,122,820)
Furniture and Equipment	<u>(2,527,589)</u>	<u>(241,120)</u>	<u>150,615</u>	<u>(2,618,094)</u>
Subtotal	<u>(19,601,458)</u>	<u>(1,621,795)</u>	<u>654,136</u>	<u>(20,569,117)</u>
Net Capital Assets Being Depreciated	<u>16,125,625</u>	<u>(153,627)</u>	<u>51,956</u>	<u>16,023,954</u>
Capital Assets – Net	<u>\$ 21,701,336</u>	<u>\$ 1,307,271</u>	<u>\$ (141,148)</u>	<u>\$ 22,867,459</u>

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

Governmental Activities	
General Government	\$ 349,235
Public Safety	55,417
Public Works	740,412
Recreation and Culture	102,595
Internal Service	<u>374,136</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,621,795</u>

NOTE 6 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 51,974	\$ -	\$ -	\$ 51,974
Construction in Progress	<u>7,607,227</u>	<u>12,935,605</u>	<u>(428,912)</u>	<u>20,113,920</u>
Subtotal	<u>7,659,201</u>	<u>12,935,605</u>	<u>(428,912)</u>	<u>20,165,894</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	1,161,032	-	-	1,161,032
Building and Improvements	1,775,920	71,330	-	1,847,250
Infrastructure	39,820,134	458,942	428,912	40,707,988
Equipment	<u>1,364,042</u>	<u>-</u>	<u>-</u>	<u>1,364,042</u>
Subtotal	<u>44,121,128</u>	<u>530,272</u>	<u>428,912</u>	<u>45,080,312</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(328,085)	(54,811)	-	(382,896)
Building and Improvements	(754,091)	(62,955)	-	(817,046)
Infrastructure	(24,543,519)	(1,112,850)	-	(25,656,369)
Equipment	<u>(1,064,483)</u>	<u>(49,963)</u>	<u>-</u>	<u>(1,114,446)</u>
Subtotal	<u>(26,690,178)</u>	<u>(1,280,579)</u>	<u>-</u>	<u>(27,970,757)</u>
Net Capital Assets Being Depreciated	<u>17,430,950</u>	<u>(750,307)</u>	<u>428,912</u>	<u>17,109,555</u>
Capital Assets – Net	<u>\$ 25,090,151</u>	<u>\$ 12,185,298</u>	<u>\$ -</u>	<u>\$ 37,275,449</u>

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

Business-type Activities	
Water and Sewer	\$ 1,020,771
Nonmajor Enterprise	<u>259,808</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,280,579</u>

NOTE 6 - CAPITAL ASSETS (Continued)

Capital asset activity for the Friends of Ramsdell for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Friends of Ramsdell:				
<i>Capital assets being depreciated:</i>				
Building Improvement	\$ 19,900	\$ 73,475	\$ -	\$ 93,375
<i>Less accumulated depreciation:</i>				
Building Improvement	(11,940)	(7,246)	-	(19,186)
Net Capital Assets Being Depreciated	<u>7,960</u>	<u>66,229</u>	<u>-</u>	<u>74,189</u>
Capital Assets - Net	<u>\$ 7,960</u>	<u>\$ 66,229</u>	<u>\$ -</u>	<u>\$ 74,189</u>

Depreciation expense for the year ended June 30, 2022 was \$7,246.

Capital asset activity for the Manistee Housing Commission as of December 31, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Manistee Housing Commission:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 360,272	\$ -	\$ -	\$ 360,272
<i>Capital assets being depreciated:</i>				
Buildings	10,552,257	-	(7,909,103)	2,643,154
Furniture and Equipment – Dwell	281,641	4,648	-	286,289
Furniture and Equipment – Admin.	396,424	10,698	-	407,122
Leasehold Improvements	<u>117,198</u>	<u>-</u>	<u>(91,063)</u>	<u>26,135</u>
Subtotal	<u>11,347,520</u>	<u>15,346</u>	<u>(8,000,166)</u>	<u>3,362,700</u>
<i>Less accumulated depreciation:</i>				
Buildings	(8,563,505)	(242,755)	6,734,275	(2,071,985)
Furniture and Equipment – Dwell	(255,229)	(7,888)	-	(263,117)
Furniture and Equipment – Admin.	(295,021)	(35,554)	-	(330,575)
Leasehold Improvements	<u>(91,593)</u>	<u>(3,691)</u>	<u>74,036</u>	<u>(21,248)</u>
Subtotal	<u>(9,205,348)</u>	<u>(289,888)</u>	<u>6,808,311</u>	<u>(2,686,925)</u>
Net Capital Assets Being Depreciated	<u>2,142,172</u>	<u>(274,542)</u>	<u>(1,191,855)</u>	<u>675,775</u>
Capital Assets - Net	<u>\$ 2,502,444</u>	<u>\$ (274,542)</u>	<u>\$ (1,191,855)</u>	<u>\$ 1,036,047</u>

Depreciation expense for the year ended December 31, 2021 was \$289,888.

NOTE 7 - 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			
	General	Major Street	Local Street	Total
General	\$ -	\$ 31,252	\$ 50,347	\$ 81,599
Nonmajor Governmental	49,750	-	-	49,750
Nonmajor Enterprise	399,459	-	-	399,459
Total	\$ 449,209	\$ 31,252	\$ 50,347	\$ 530,808

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.

ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
	Oil and Gas
Nonmajor Enterprise	\$ 88,967

TRANSFERS IN	TRANSFERS OUT					
	General	Major Street	Oil and Gas	Capital Project	Nonmajor Governmental	Total
Major Street	\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Local Street	82,690	50,224	-	80,000	10,000	222,914
Capital Project	-	-	414,199	-	-	414,199
Nonmajor Governmental	2,167	-	-	-	-	2,167
Nonmajor Enterprise	-	-	-	261,458	-	261,458
Internal Service	100,000	-	-	-	-	100,000
Total	\$ 184,857	\$ 50,224	\$ 414,199	\$ 341,458	\$ 20,000	\$ 1,010,738

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

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 8 - LONG-TERM DEBT

PRIMARY GOVERNMENT

The City 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>Transfers/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>							
Bonds:							
2013 General Obligation Refunding Bond	2.00 to 2.50%	2024	\$ 760,000	\$ -	\$ 235,000	\$ 525,000	\$ 255,000
Michigan Economic Development Corporation Loan	0.0%	2022	5,616	-	5,616	-	-
2020 Capital Improvement and Refunding Bond	2.00 to 3.00%	2040	3,718,826	-	70,062	3,648,764	72,529
Notes Payable:							
Braun Ambulance	2.70%	2022	55,885	-	27,473	28,412	28,412
Ramsdell Theatre - HVAC	3.64%	2027	538,512	-	90,114	448,398	93,433
2019 Loader	3.59%	2023	77,644	-	38,138	39,506	39,506
2019 Vactor Truck	3.79%	2025	241,898	-	57,143	184,755	59,309
2019 Plow Truck	2.85%	2023	82,136	-	40,546	41,590	41,590
2020 Plow Truck	2.36%	2024	121,365	-	39,499	81,866	40,447
2020 Plow Truck	1.67%	2024	109,585	-	35,888	73,697	36,525
2022 Ambulance	0.93%	2028	-	225,000	-	225,000	36,638
2022 Plow Truck	1.25%	2026	-	169,000	-	169,000	41,466
Subtotal			<u>5,711,467</u>	<u>394,000</u>	<u>639,479</u>	<u>5,465,988</u>	<u>744,855</u>
2020 Capital Improvement and Refunding Bond Premiums			<u>282,577</u>	<u>-</u>	<u>21,193</u>	<u>261,384</u>	<u>-</u>
Vested Employee Benefits - net			<u>333,053</u>	<u>267,974</u>	<u>284,485</u>	<u>316,542</u>	<u>-</u>
Total Governmental Activities			<u>6,327,097</u>	<u>661,974</u>	<u>945,157</u>	<u>6,043,914</u>	<u>744,855</u>
<u>Business-type Activities</u>							
Bonds:							
2006 SRF Water & Sewer Bonds	1.63%	2027	\$ 897,270	\$ -	\$ 150,000	\$ 747,270	\$ 150,000
2010 SRF Water & Sewer Bonds	2.50%	2031	371,075	-	35,000	336,075	35,000
2010 DWRP Water & Sewer Bonds	2.50%	2031	265,000	-	25,000	240,000	25,000
2011 DWRP Water & Sewer Bonds	2.50%	2031	252,555	-	22,555	230,000	25,000
2011 SRF Water & Sewer Bonds	2.50%	2031	740,774	-	65,000	675,774	70,000

NOTE 7 - LONG-TERM DEBT (Continued)

	Interest Rate	Principal Matures	Beginning Balance	Additions	Transfers/ Reductions	Ending Balance	Due Within One Year
Business-type Activities							
Bonds:							
2015 Water & Sewer Revenue Bonds	3.00% - 3.25%	2036	2,680,000	-	90,000	2,590,000	100,000
2017 Water & Sewer Refunding Bonds	2.32 to 4.00%	2038	1,925,000	-	75,000	1,850,000	70,000
2020 USDA Revenue Bonds Series A	1.625%	2060	3,959,000	399,000	196,000	4,162,000	81,000
2020 USDA Revenue Bonds Series B	1.625%	2060	297,000	-	5,000	292,000	6,000
2021 USDA Revenue Bonds Series A	1.125%	2060	819,000	8,281,000	181,000	8,919,000	184,000
2021 USDA Revenue Bonds Series B	1.125%	2060	445,000	3,119,000	178,000	3,386,000	179,000
2020 Capital Improvement and Refunding Bond	2.00 to 3.00%	2040	4,706,175	-	214,938	4,491,237	222,481
Note Payable:							
Marina Debt	3.24%	2026	147,309	-	27,613	119,696	28,508
Subtotal			17,505,158	11,799,000	1,265,106	28,039,052	1,175,989
2021 Capital Improvement and Refunding Bond Premiums			384,526	-	28,839	355,687	-
Vested Employee Benefits - net			58,437	46,128	42,966	61,599	-
Total Business-type Activities			17,948,121	11,845,128	1,336,911	28,456,338	1,175,989
Total Long-Term Debt – Primary Government			<u>\$24,275,218</u>	<u>\$12,507,102</u>	<u>\$ 2,282,068</u>	<u>\$34,500,252</u>	<u>\$ 1,920,844</u>

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

Fiscal:	Governmental Activities		Business-type Activities	
	Bonds/Installment Notes Payable		Bonds/Installment Notes Payable	
	Principal	Interest	Principal	Interest
2023	744,855	95,617	1,175,989	566,632
2024	659,739	75,312	1,196,683	542,153
2025	497,055	108,716	1,278,490	465,362
2026	446,572	93,764	1,320,646	438,752
2027	359,877	81,931	1,290,925	409,347
2028-2032	1,338,159	281,045	6,365,057	1,577,076
2033-2037	759,067	153,663	5,135,928	894,552
2038-2042	660,664	36,071	3,030,334	539,191
2043-2047	-	-	1,795,000	398,583
2048-2052	-	-	1,914,000	277,409
2053-2057	-	-	2,041,000	147,798
2058-2062	-	-	1,495,000	27,818
TOTALS	<u>\$ 5,465,988</u>	<u>\$ 926,119</u>	<u>\$ 28,039,052</u>	<u>\$ 6,284,673</u>

NOTE 8 - LONG-TERM DEBT (Continued)

Vested Employee Benefits

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

SICK LEAVE

Under the terms of the various union’s collective bargaining units and nonunion groups, sick leave is accumulated at the rate of one day for each month of service, with a maximum accumulation. Employees who have accumulated more than the maximum days will not be allowed additional accumulation. Upon retirement or death, employees will be paid out 100% of days accumulated up to the maximum days.

As a result of separation for any other reason, the employees will lose all accumulated sick leave. The amount of accumulated sick time as of June 30, 2022 was \$166,505.

VACATIONS

All full-time employees are granted vacation based on their years of service with the City and in accordance with personnel policies and union contracts. Annual earned vacation maxes out at five weeks.

The amount of accumulated vacation time as of June 30, 2022 was \$211,636.

Current Refunding

On August 5, 2021, the City issued \$8,425,000 in limited tax general obligation bonds with an issuance premium of \$667,104. These bonds had an interest rate of 3.0%. The proceeds of these bonds were used to advance refund \$3,455,000 of outstanding series 2010 limited tax general obligation bond with an interest range of 2.0% to 4.65%. As a result, the bonds are considered to be paid in full, and the liability for the bonds has been removed from long-term debt. The current refunding reduced total debt service payments over the next 11 years by approximately \$587,122, which represents an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$538,181.

COMPONENT UNIT – MANISTEE HOUSING COMMISSION

MSHDA Mortgages – In 2007, the Commission, through MSHDA, a government agency, borrowed \$326,000 maturing December 2047 and in 2008 borrowed \$174,000 maturing December 2048. These are three forgivable mortgages that are non-interest bearing and secured by property and buildings. If the properties mortgaged are continuously used in the Domestic Violence program, the mortgages are forgivable over the 40-year term; 25% for each 10 years that the houses stay in the program. The Commission is required by the loan agreement to deposit money each year in a reserve account to cover maintenance and repairs for the homes over the term of the loans. The amount deposited in the reserve account as of December 31, 2021 was \$66,000.

Note obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Housing Commission					
Mortgage 1 MSHDA	\$ 124,500	\$ -	\$ -	\$ 124,500	\$ -
Mortgage 2 MSHDA	120,000	-	-	120,000	-
Mortgage 3 MSHDA	130,500	-	-	130,500	-
Total Notes Payable	375,000	-	-	375,000	-

NOTE 8 - LONG-TERM DEBT (Continued)

Note obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Housing Commission					
Vested Employee Benefits	57,178	27,698	(23,730)	61,146	39,027
Total Component Unit Long-Term Debt	\$ 432,178	\$ 27,698	\$ (23,730)	\$ 436,146	\$ 39,027

Since the MSHDA mortgage payables are forgivable over 40 years there are no future debt service requirements for notes payable as of December 31, 2021. \$125,000 or 25% was forgiven. The balance as of December 31, 2021 was \$375,000.

COMPONENT UNIT – FRIENDS OF THE RAMSDELL

	Interest Rate	Principal Matures	Beginning Balance	Additions	Transfers/ Reductions	Ending Balance	Due Within One Year
Note Payable:							
Ramsdell Sign	4.90%	2024	\$ 10,432	-	\$ (5,088)	\$ 5,344	-
Total Component Unit Long-Term Debt			\$ 10,432	\$ -	\$ (5,088)	\$ 5,344	\$ -

Future debt service requirements for the Friends of the Ramsdell are as follows:

	Principal	Interest
2023	\$ -	\$ -
2024	5,344	265
Total	\$ 5,344	\$ 265

NOTE 9 - LEASES

COMPONENT UNIT – MANISTEE HOUSING COMMISSION

Capital Lease – Housing Commission – In November 2009, the Commission entered into an equipment lease-purchase agreement to acquire equipment under an energy performance contract to update the heating and efficiency of several properties. The total amount of the contract is \$1,228,854, which began in January 2010 and was all committed as of December 31, 2010. Principal payments commenced March 2010. Interest from inception to March 2010 was added to principal. The agreement ends in July 2030. The balance as of December 31, 2021 is \$0. The interest rate is 6.123% as of December 31, 2021. The current portion is \$0 and interest expense is \$59,578.

Capital Lease – Housing Commission – In March 2016, the Commission entered into an equipment lease-purchase agreement to acquire equipment. The total amount of the contract is \$25,036, with interest rate of 5.95%. Principal payments commenced April 2016. The agreement ends in March 2022. The balance as of December 31, 2021 is \$0. The current portion is \$0 and interest expense is \$13.

NOTE 9- LEASES (Continued)

Capital Lease – Housing Commission – In July 2019, the Commission entered into an equipment lease-purchase agreement to acquire equipment. The total amount of the contract is \$27,783, with interest rate of 6.25%. Principal payments commenced August 2021. The agreement ends in July 2024. The balance as of December 31, 2021 is \$15,352. The current portion is \$5,661 and interest expense is \$1,141.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
EPC Capital Lease	\$ 923,066	\$ -	\$ (923,066)	\$ -	\$ -
Equipment Lease Purchases	22,091	-	(6,739)	15,352	5,661
Total Capital Leases	<u>\$ 945,157</u>	<u>\$ -</u>	<u>\$ (929,805)</u>	<u>\$ 15,352</u>	<u>\$ 5,661</u>

Payments under the above agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 5,661	\$ 790	\$ 6,451
2023	6,015	436	6,451
2024	3,676	87	3,763
2025	-	-	-
2026	-	-	-
2027-2031	-	-	-
2032-2056	-	-	-
Total Capital Lease Payments	<u>\$ 15,352</u>	<u>\$ 1,313</u>	<u>\$ 16,665</u>

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks of losses related to property loss, 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 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PRIMARY GOVERNMENT

Municipal Employees Retirement Defined Benefit Plan

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 multiplied by the sum of 1.5% to 2.8% (depending on division) times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2021.

NOTE 11 - 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. MERS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. The accrual basis of accounting is used for all funds. Contributions are recognized when due, pursuant to statutory requirements. Benefits are recognized in the month they are earned and withdrawals are recognized in the month they are due and payable. Investments are recognized at fair value.

01 – Non-Union: Closed to new hires	
	2021 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
02 – POAM: Closed to new hires, linked to Division 21	
	2021 Valuation
Benefit Multiplier:	2.80% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
	50/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
05 – IAFF: Closed to new hires, linked to Division 13	
	2021 Valuation
Benefit Multiplier:	2.80% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Employee Contributions	4%
D-2:	D-2 (25%)
Act 88:	Yes (Adopted 1/1/2005)

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

10 – USWA: Close to new hires, linked to Division 11	
	2021 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
11 – USWA hired after 7/1/2012: Open Division, linked to Division 10, 12	
	2021 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
12 – USWA hired after 7/1/2011: Open Division, linked to Division 11	
	2021 Valuation
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	8 Years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
13 – IAFF on/af 7/1/18: Open Division, linked to Division 05	
	2021 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	3 years
Employee Contributions:	4%
D-2:	D2 (25%)
Act 88:	Yes (Adopted 1/1/2005)

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

20 – COAM: Closed to new hires, linked to Division 22	
	<u>2021 Valuation</u>
Benefit Multiplier:	2.80% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25 55/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
21 – POAM after 07/01/2015: Open Division, linked to Division 02	
	<u>2021 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25 55/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)
22 – COAM after 07/01/2015: Open Division, linked to Division 20	
	<u>2021 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	50/25 55/15
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	4%
Act 88:	Yes (Adopted 1/1/2005)

Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>50</u>
	127

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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.

The contribution rate as a monthly level dollar amount at July 1, 2021 is as follows:

Non-Union	\$	14,743
POAM	\$	10,998
IAFF	\$	16,302
USWA	\$	6,331
USWA hired after 7/1/12	\$	1,742
USWA hired after 7/1/11	\$	158
IAFF on/af 7/1/18	\$	1,024
COAM	\$	4,760
POAM after 7/1/15	\$	1,998
COAM after 7/1/15	\$	1,820

Net Pension Liability

The City’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00% net of investment and administrative expense, including inflation

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

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

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

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

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	2.70%
Global Fixed Income	20.00%	0.40%
Private Investments	20.00%	1.40%

Discount Rate. The discount rate used to measure the total pension liability is 7.25% for 2021. 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, 2020	\$ 22,835,450	\$ 17,351,460	\$ 5,483,990
Service cost	319,836	-	319,836
Interest on total pension liability	1,688,953	-	1,688,953
Changes in benefits	-	-	-
Difference between expected and actual experience	245,268	-	245,268
Changes in assumptions	833,564	-	833,564
Employer contributions	-	626,838	(626,838)
Employee contributions	-	124,031	(124,031)
Net investment income	-	2,407,995	(2,407,995)
Benefit payments, including employee refunds	(1,544,609)	(1,544,609)	-
Administrative expense	-	(27,625)	27,625
Other changes	1	-	1
Net changes	1,543,013	1,586,630	(43,617)
Balances as of December 31, 2021	\$ 24,378,463	\$ 18,938,090	\$ 5,440,373

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
City’s net pension liability	\$8,114,160	\$5,440,373	\$3,182,973

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

Significant changes from the previous actuarial valuation. Rate of return assumption changed 7.35% to 7.00%, net of expenses.

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

For the year ended December 31, 2021, the City recognized pension expense of \$1,043,585. At June 30, 2022, 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
Difference between expected and actual experience	\$ 338,708	\$ -
Changes in assumptions	967,366	-
Net difference between projected and actual earnings on pension plan investments	-	(1,351,053)
Contributions subsequent to the measurement date	359,256	-
Total	\$ 1,665,330	\$ (1,351,053)

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date of \$359,256, which will impact the net pension liability in fiscal year 2023, rather than pension expense:

<u>Year Ended June 30:</u>	
2023	\$ 615,120
2024	(45,668)
2025	(390,331)
2026	<u>(224,100)</u>
Total	<u>\$ (44,979)</u>

City of Manistee Fixed Defined Benefit Plan

The City of Manistee offers eligible employees who retire from the City a \$250 per month stipend from normal retirement age until age 65. This cash benefit is intended to aid the retiree in buying health insurance on the open market or exchange, but there is no requirement that it be used for that and the stipend is reported as taxable income to the employee. Employees hired after July 1, 2012 in the four City-union groups are not eligible for this benefit. Non-union employees hired after July 1, 2018 are not eligible for this benefit.

Certain information contained in this note is based on information for the Defined Benefit Plan measured as of July 1, 2021, which is the most recent valuation date for which complete information related to the year ended June 30, 2022 is available, which was calculated in accordance with GASB Statement Number 73.

Fiduciary Investment and Control: The plan is unfunded. Benefits are paid to retirees monthly.

Participants Covered by the Benefit Terms: The following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	5
Inactive participants entitled to but not yet receiving benefit payments	-
Active participants	<u>32</u>
	37

Contributions: Benefits are paid monthly to the retirees. There is no pre-funding of the pension obligation.

Trust Assets: None.

Measurement of Total Pension Liability: The total pension liability at the June 30, 2022 measurement date was determined using an actuarial valuation as of July 1, 2021.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Actuarial Assumptions: The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal, as a percent of Salary
Inflation:	N/A
Salary Scale:	2.00%
Mortality rates were based on:	SOA RP-2014 Total Dataset Mortality with Scale MP-2021 (Base Rate 2006)

As prescribed by GASB No. 73, the discount rate will be based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. To comply with this provision, the *Bond Buyer 20-Bond General Obligation Index* will be used. The discount rate of 2.16% is the July 1, 2021 value of this index.

Changes in the Total Pension Liability: The following table presents the changes to the total pension liability during the fiscal year.

	<u>June 30, 2021</u>
Pension Liability Beginning of Year, July 1st	\$ 200,658
Changes for the Year	
Service cost	5,263
Interest	4,035
Assumption changes	-
Difference between actual and expected experience	-
Benefit payments	<u>(27,728)</u>
Pension Liability End of Year, June 30th	<u>\$ 182,228</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate: The following presents the total pension liability of the City as of the June 30, 2022 measurement date, calculated using the discount rate of 2.16%, as well as what the City 's total pension liability would be if it were not calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

<u>Period</u>	<u>1% Decrease (1.16%)</u>	<u>Current (2.16%)</u>	<u>1% Increase (3.16%)</u>
Net pension liability, June 30, 2022	\$192,864	\$182,228	\$174,275

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Net Pension Expense:

	<u>June 30, 2021</u>
Service cost	\$ 5,263
Interest	4,035
Amortization of Deferred Charges:	
Difference between expected and actual experience	(3,879)
Changes of assumptions or other inputs	<u>(1,174)</u>
Net Pension Expense	<u>\$ 4,245</u>

Summary of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (18,617)
Changes in assumptions	3,406	(10,119)
Net difference between projected and actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 3,406</u>	<u>\$ (28,736)</u>

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

<u>Year Ended June 30:</u>	
2023	\$ (5,053)
2024	(5,053)
2025	(5,053)
2026	(5,387)
2027	(4,784)
Thereafter	<u>-</u>
Total	<u>\$ (25,330)</u>

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

COMPONENT UNIT – MANISTEE HOUSING COMMISSION

Municipal Employees Retirement System Defined Benefit Plan

Description of Plan and Plan Assets

The 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 1.5% to 2.8% (depending on division) 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.

	<u>2020 Valuation</u>
Benefit Multiplier:	1.50%
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 4/1/2005)

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>7</u>
	14

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Contributions

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

Employer contributions range from \$11,734 to \$13,464 based on annual payroll for open divisions. The plan is closed to new employees. The Commission has an annual employer contribution amount of \$11,040. Employees contribute 6% of their payroll. The amount of employee contributions was \$17,996 as of December 31, 2020.

Net Pension Liability

The employer'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 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3-4	%
Salary increases	3.75	% in the long-term
Investment rate of return	7.75	%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.60% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employee 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	\$ 651,299	\$ 598,470	\$ 52,829
Service cost	22,386	-	22,386
Interest on total pension liability	49,137	-	49,137
Changes in benefits	-	-	-
Difference between expected and actual experience	2,392	-	2,392
Changes in assumptions	11,620	-	11,620
Employer contributions	-	15,900	(15,900)
Employee contributions	-	17,996	(17,996)
Net investment income	-	78,222	(78,222)
Benefit payments, including employee refunds	(31,902)	(31,902)	-
Administrative expense	-	(1,211)	1,211
Other changes	-	-	-
Net changes	53,633	79,005	(25,372)
Balances as of December 31, 2020	\$ 704,932	\$ 677,475	\$ 27,457

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commission, calculated using the discount rate of 7.60%, as well as what the Commission’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%)
Net Pension Liability	\$104,193	\$27,457	\$(37,852)

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 11 - 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 December 31, 2020, the Commission recognized pension expense of \$25,473. At December 31, 2020, the Commission 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
Difference between expected and actual experience	\$ 1,647	\$ 3,307
Changes in assumptions	17,666	-
Net difference between projected and actual earnings on pension plan investments	-	25,424
Contributions subsequent to the measurement date	18,000	-
Total	\$ 37,313	\$ 28,731

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in Net Pension Liability for the year ending 2022.

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 December 31:</u>	
2022	20,637
2023	7,972
2024	(13,191)
Thereafter	(6,836)
Total	\$ 8,582

NOTE 12 - TAX ABATEMENTS:

The City of Manistee, entered into certain agreements during the year that involve tax abatements; the following table outlines the key information regarding the entities involved and the type and amounts of City taxes abated during the year ending June 30, 2022.

Contracted Entity	Program	Statutory Authority	Tax Abated	Total	Commitment by Contracted Entity
Fab Lite, Inc.	IFT	ACT 198	Prop. Tax	\$ 36,581	Development
Reitz Park Village Limited Dividend	Pilots Housing	ACT 346	Prop. Tax	Unknown	Development
Manistee Place Limited Dividend	Pilots Housing	ACT 347	Prop. Tax	Unknown	Development
North Channel Investors	OPRA	ACT 146	Prop. Tax	31,709	Development
Fricanos Manistee River LLC	OPRA	ACT 146	Prop. Tax	TBD	Development
Stephen Glagola	OPRA	ACT 146	Prop. Tax	TBD	Development
American Materials LLC	REN	ACT 376	Prop. Tax	212,350	Development
Total Abated				<u>\$ 280,640</u>	

NOTE 13 - RESTATEMENT:

	Governmental Activities
Beginning net position as previously stated at July 1, 2021	\$ 30,906,715
Adjustment for land disposed of in prior years	<u>(55,160)</u>
Beginning net position as restated at June 30, 2019	<u>\$ 30,851,555</u>

COMPONENT UNIT – FRIENDS OF THE RAMSDELL

The Organization recorded an adjustment to correct net position, which was understated for capital assets expensed during fiscal year ended June 30, 2021 in error. The adjustment increased the reported net assets amount by \$55,475. This adjustment was to expenses, which was overstated.

NOTE 14 - CONTINGENT LIABILITY FOR POLLUTION REMEDIATION:

In 2022, elevated levels of Per- and polyfluoroalkyl substances (PFAS) was detected at an old, abandoned City landfill site that is currently being used for City composting operations. At this time, Michigan Department of Environment, Great Lakes, and Energy (EGLE) is investigating the matter, which had preliminary costs of approximately \$100,000. There there is no reasonable estimate of the long-term cleanup costs or how costs would be funded. It is the City’s opinion that any related costs will not have a material adverse effect on the City’s financial condition.

NOTE 15 - CHANGES IN ACCOUNTING PRINCIPLES

For 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Analysis of various provisions of this accounting principle resulted in no significant changes in the way the City recognizes current leases, and therefore no changes to the beginning net assets or presentation and disclosure were required.

Required Supplementary Information

Required Supplementary Information
MERS Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended December 31

	2015	2016	2017	2018	2019	2020	2021	2022
Total pension liability								
Service cost	\$ 290,722	\$ 293,554	\$ 305,785	\$ 303,716	\$ 299,088	\$ 320,834	\$ 327,457	\$ 319,836
Interest	1,309,986	1,319,718	1,433,368	1,483,502	1,532,814	1,563,938	1,609,819	1,688,953
Changes in benefits	-	(2,973)	-	-	-	-	-	-
Difference between expected and actual experience	-	50,037	11,166	10,443	(157,178)	503,559	98,612	245,268
Change in assumptions	-	780,329	-	-	-	623,945	511,342	833,564
Benefit payments, including refund of member contributions	(939,727)	(1,028,824)	(1,094,230)	(1,150,988)	(1,286,772)	(1,306,251)	(1,459,760)	(1,544,609)
Other changes	-	35,381	-	39,918	-	-	(2)	1
Net change in total pension liability	660,981	1,447,222	656,089	686,591	387,952	1,706,025	1,087,468	1,543,013
Total pension liability - beginning	16,203,122	16,864,103	18,311,325	18,967,414	19,654,005	20,041,957	21,747,982	22,835,450
Total pension liability - ending	\$ 16,864,103	\$ 18,311,325	\$ 18,967,414	\$ 19,654,005	\$ 20,041,957	\$ 21,747,982	\$ 22,835,450	\$ 24,378,463
Plan fiduciary net position								
Contributions - employer	\$ 196,069	\$ 216,916	\$ 284,796	\$ 367,062	\$ 437,921	\$ 489,516	\$ 518,940	\$ 626,838
Contributions - employee	603,192	132,242	144,382	148,063	131,806	126,115	123,764	124,031
Net investment income	913,523	(219,279)	1,584,820	1,959,571	(620,444)	2,002,703	1,991,334	2,407,995
Benefit payments, including refund of member contributions	(939,727)	(1,028,824)	(1,094,230)	(1,150,988)	(1,286,772)	(1,306,251)	(1,459,760)	(1,544,609)
Administrative expense	(33,619)	(32,521)	(31,310)	(31,062)	(31,217)	(34,485)	(32,119)	(27,625)
Net change in plan fiduciary net position	739,438	(931,466)	888,458	1,292,646	(1,368,706)	1,277,598	1,142,159	1,586,630
Plan fiduciary net position - beginning	14,311,333	15,050,771	14,119,305	15,007,763	16,300,409	14,931,703	16,209,301	17,351,460
Plan fiduciary net position - ending	\$ 15,050,771	\$ 14,119,305	\$ 15,007,763	\$ 16,300,409	\$ 14,931,703	\$ 16,209,301	\$ 17,351,460	\$ 18,938,090
City's net pension liability - ending	\$ 1,813,332	\$ 4,192,020	\$ 3,959,651	\$ 3,353,596	\$ 5,110,254	\$ 5,538,681	\$ 5,483,990	\$ 5,440,373
Plan fiduciary net position as a percentage of the total pension liability	89%	77%	79%	83%	75%	75%	76%	78%
Covered - employee payroll	\$ 2,760,014	\$ 2,781,946	\$ 2,836,757	\$ 2,934,617	\$ 2,827,295	\$ 3,112,115	\$ 3,067,854	\$ 2,977,296
City's net pension liability as a percentage of covered-employee payroll	66%	151%	140%	114%	181%	178%	179%	183%

Required Supplementary Information
MERS Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended June 30, 2022

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 196,069	\$ 243,437	\$ 284,796	\$ 355,152	\$ 413,100	\$ 489,516	\$ 518,940	\$ 626,838
Contributions in relation to the actuarially determined contribution	196,069	243,437	284,796	355,152	413,100	489,516	518,940	626,838
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 2,760,014	\$ 2,781,946	\$ 2,836,757	\$ 2,934,617	\$ 2,827,295	\$ 3,112,115	\$ 3,067,854	\$ 2,977,296
Contributions as a percentage of covered-employee payroll	7%	9%	10%	12%	15%	16%	17%	21%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3% plus merit and longevity
Investment rate of return	7.00%
Retirement age	In the 2019, actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Pub-2010 and fully generational MP-2019

Significant Changes from the Previous Actuarial Valuation:

Investment rate of return changes from 7.35% to 7.00%.

Discount rate changes from 7.60% to 7.25%

**Required Supplementary Information
City Employee Retirement and Benefit Systems
Schedule of Changes in Pension Liability
For the Year Ended June 30, 2022**

	2019	2020	2021	2022
Total pension liability				
Service cost	\$ 6,650	\$ 7,335	\$ 5,152	\$ 5,263
Interest	10,167	9,025	4,442	4,035
Changes in benefits	-	-	-	-
Difference between expected and actual experience	-	-	(26,375)	-
Change in assumptions	7,146	-	(14,337)	-
Benefit payments, including refund of member contributions	(29,198)	(27,429)	(29,210)	(27,728)
Other changes	-	-	-	-
Net change in total pension liability	(5,235)	(11,069)	(60,328)	(18,430)
Total pension liability - beginning	277,290	272,055	260,986	200,658
Total pension liability - ending	<u>\$ 272,055</u>	<u>\$ 260,986</u>	<u>\$ 200,658</u>	<u>\$ 182,228</u>
Plan fiduciary net position				
Contributions - employer	\$ 29,198	\$ 27,429	\$ 29,210	\$ 27,728
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refund of member contributions	(29,198)	(27,429)	(29,210)	(27,728)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net pension liability - ending	<u>\$ 272,055</u>	<u>\$ 260,986</u>	<u>\$ 200,658</u>	<u>\$ 182,228</u>
Plan fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%
Covered - employee payroll	\$ 1,700,000	\$ 1,734,000	\$ 1,962,195	\$ 2,011,250
City's net pension liability as a percentage of covered-employee payroll	16.31%	15.69%	11.23%	9.98%

**Required Supplementary Information
City Employee Retirement and Benefit Systems
Schedule of Employer Contributions
For the Year Ended June 30, 2022**

	2019	2020	2021	2022
Actuarially determined contribution	\$ 29,198	\$ 27,429	\$ 29,210	\$ 27,728
Contributions in relation to the actuarially determined contribution	(29,198)	(27,429)	(29,210)	(27,728)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 1,700,000	\$ 1,734,000	\$ 1,962,195	\$ 2,011,250
Contributions as a percentage of covered-employee payroll	1.72%	1.58%	1.49%	1.38%

Notes to Schedule:

Actuarially determined contribution rates are calculated as of July 1, 2021:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal, as a percent of Salary
Discount rate	2.16%
Duration of benefits	Payable until age 65 or Medicare eligibility, whichever occurs sooner.
Inflation	N/A
Salary increases	2.00%
Mortality	SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Rate 2006)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,776,100	\$ 3,776,100	\$ 3,912,906	\$ 136,806
Licenses and Permits	199,000	199,000	180,380	(18,620)
Federal Sources	70,000	70,000	642,512	572,512
State Sources	944,225	944,225	1,104,844	160,619
Charges for Services	1,650,210	1,650,210	1,688,490	38,280
Fines and Forfeitures	20,000	20,000	30,241	10,241
Investment Earnings	3,237	3,237	4,187	950
Rental Income	31,448	31,448	37,299	5,851
Other Revenue	14,000	14,000	34,645	20,645
TOTAL REVENUES	6,708,220	6,708,220	7,635,504	927,284
EXPENDITURES:				
General Government:				
City Council	39,056	47,556	45,427	2,129
Manager	251,392	251,392	243,331	8,061
Clerk	213,143	213,143	212,073	1,070
Board of Review	2,762	2,762	1,879	883
Finance/Treasurer	367,052	367,052	342,927	24,125
Building and Grounds	180,615	193,715	205,371	(11,656)
Assessor	103,731	103,731	99,599	4,132
Elections	17,136	20,836	17,767	3,069
Attorney	93,550	111,550	95,752	15,798
General	349,850	379,850	372,303	7,547
Total General Government	1,618,287	1,691,587	1,636,429	55,158
Public Safety:				
Police Department	1,440,871	1,440,871	1,382,362	58,509
Fire Department	1,195,371	1,218,367	1,202,081	16,286
Planning & Zoning	101,162	101,162	98,587	2,575
Total Public Safety	2,737,404	2,760,400	2,683,030	77,370
Public Works:				
Public Works	1,541,917	1,541,917	1,426,266	115,651
Total Public Works	1,541,917	1,541,917	1,426,266	115,651
Recreation and Culture:				
Parks and Recreation	421,656	430,006	443,607	(13,601)
Total Recreation and Culture	421,656	430,006	443,607	(13,601)
Debt Service	251,063	251,063	251,063	-
Capital Outlay	12,713	12,713	12,713	-

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Expenditures:				
Appropriations	202,250	202,250	161,723	40,527
Total Other Expenditures	202,250	202,250	161,723	40,527
TOTAL EXPENDITURES	6,785,290	6,889,936	6,614,831	275,105
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(77,070)	(181,716)	1,020,673	1,202,389
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	82,690	82,690	82,690	-
Operating Transfers Out	(105,620)	(188,310)	(184,857)	3,453
TOTAL OTHER FINANCING SOURCES (USES)	(22,930)	(105,620)	(102,167)	3,453
NET CHANGE IN FUND BALANCES	\$ (100,000)	\$ (287,336)	918,506	\$ 1,205,842
FUND BALANCE BEGINNING OF YEAR			1,860,793	
FUND BALANCE AT END OF YEAR			\$ 2,779,299	

Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 836,000	\$ 836,000	\$ 863,020	\$ 27,020
Charges for Services	156,000	156,000	197,982	41,982
Interest	500	500	1,636	1,136
TOTAL REVENUES	<u>992,500</u>	<u>992,500</u>	<u>1,062,638</u>	<u>70,138</u>
EXPENDITURES:				
Public Works	627,650	627,650	618,050	9,600
Capital Outlay	612,550	612,550	435,989	176,561
TOTAL EXPENDITURES	<u>1,240,200</u>	<u>1,240,200</u>	<u>1,054,039</u>	<u>186,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>(247,700)</u>	<u>(247,700)</u>	<u>8,599</u>	<u>256,299</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	10,000	10,000	10,000	-
Operating Transfers Out	(250,224)	(250,224)	(50,224)	200,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(240,224)</u>	<u>(240,224)</u>	<u>(40,224)</u>	<u>200,000</u>
NET CHANGE IN FUND BALANCES	<u>\$ (487,924)</u>	<u>\$ (487,924)</u>	<u>(31,625)</u>	<u>\$ 456,299</u>
FUND BALANCE BEGINNING OF YEAR			<u>991,767</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 960,142</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 240,000	\$ 240,000	\$ 259,026	\$ 19,026
Interest & Rents	50	50	1,827	1,777
Other Revenue	-	-	14,230	14,230
TOTAL REVENUES	240,050	240,050	275,083	35,033
EXPENDITURES:				
Public Works	224,500	224,500	142,884	81,616
Capital Outlay	751,671	751,671	490,360	261,311
Debt Service	50,225	50,225	50,179	46
TOTAL EXPENDITURES	1,026,396	1,026,396	683,423	342,973
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(786,346)	(786,346)	(408,340)	378,006
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	340,224	340,224	222,914	(117,310)
TOTAL OTHER FINANCING SOURCES (USES)	340,224	340,224	222,914	(117,310)
NET CHANGE IN FUND BALANCES	\$ (446,122)	\$ (446,122)	\$ (185,426)	\$ 260,696
FUND BALANCE BEGINNING OF YEAR			1,088,615	
FUND BALANCE AT END OF YEAR			\$ 903,189	

Supplementary Information

**Supplementary Information
Combining Balance Sheet
General Funds
June 30, 2022**

	General	Payroll Clearing	A/P Clearing	Totals
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 39,581	\$ (10,103)	\$ 71	\$ 29,549
Cash and Equivalents - Restricted for Other Purpose	220,618	-	-	220,618
Investments - Unrestricted	1,673,852	-	-	1,673,852
Investments - Restricted for Other Purpose	642,513	-	-	642,513
Accounts Receivable	36,737	-	-	36,737
Due from Other Funds	449,209	-	-	449,209
Due from Governmental Units	149,711	-	-	149,711
Prepaid Items	87,140	-	-	87,140
TOTAL ASSETS	\$ 3,299,361	\$ (10,103)	\$ 71	\$ 3,289,329
LIABILITIES:				
Accounts Payable	\$ 78,819	\$ -	\$ 71	\$ 78,890
Customer Deposits	193,516	-	-	193,516
Accrued Payroll and Related Liabilities	166,128	(10,103)	-	156,025
Due to Other Funds	81,599	-	-	81,599
TOTAL LIABILITIES	520,062	(10,103)	71	510,030
FUND BALANCES:				
Nonspendable	87,140	-	-	87,140
Restricted	193,516	-	-	193,516
Committed	27,102	-	-	27,102
Unassigned	2,471,541	-	-	2,471,541
TOTAL FUND BALANCES	2,779,299	-	-	2,779,299
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,299,361	\$ (10,103)	\$ 71	\$ 3,289,329

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - General Funds
For the Year Ended June 30, 2022

	General	Payroll Clearing	A/P Clearing	Totals
REVENUES:				
Taxes	\$ 3,912,906	\$ -	\$ -	\$ 3,912,906
Licenses and Permits	180,380	-	-	180,380
Federal Sources	642,512	-	-	642,512
State Sources	1,104,844	-	-	1,104,844
Charges for Services	1,688,490	-	-	1,688,490
Fines and Forfeitures	30,241	-	-	30,241
Investment Earnings	4,187	-	-	4,187
Rental Income	37,299	-	-	37,299
Other Revenue	34,645	-	-	34,645
TOTAL REVENUES	7,635,504	-	-	7,635,504
EXPENDITURES:				
General Government	1,636,429	-	-	1,636,429
Public Safety	2,683,030	-	-	2,683,030
Public Works	1,426,266	-	-	1,426,266
Recreation and Cultural	443,607	-	-	443,607
Other Expenditures	161,723	-	-	161,723
Capital Outlay	12,713	-	-	12,713
Debt Service	251,063	-	-	251,063
TOTAL EXPENDITURES	6,614,831	-	-	6,614,831
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	1,020,673	-	-	1,020,673
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	82,690	-	-	82,690
Operating Transfers Out	(184,857)	-	-	(184,857)
TOTAL OTHER FINANCING SOURCES (USES)	(102,167)	-	-	(102,167)
NET CHANGE IN FUND BALANCES	918,506	-	-	918,506
FUND BALANCES BEGINNING OF YEAR	1,860,793	-	-	1,860,793
FUND BALANCES END OF YEAR	\$ 2,779,299	\$ -	\$ -	\$ 2,779,299

**Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Special Revenue Funds						Debt Service Fund	Totals
	City Refuse	P.E.G Commission	Brownfield	Municipal Street	Building Inspector	Grant Management Fund	Renaissance	
			Redevelopment Authority				Park	
ASSETS:								
Cash and Equivalents - Unrestricted	\$ 121,878	\$ 38,827	\$ 141,611	\$ 91,885	\$ 62,685	\$ 73,889	\$ 20,059	\$ 550,834
Investments - Unrestricted	1,296	-	-	-	-	-	-	1,296
Accounts Receivable	81,932	-	-	-	-	-	-	81,932
Prepaid Items	-	-	-	-	-	1,722	-	1,722
TOTAL ASSETS	\$ 205,106	\$ 38,827	\$ 141,611	\$ 91,885	\$ 62,685	\$ 75,611	\$ 20,059	\$ 635,784
LIABILITIES:								
Accounts Payable	\$ 43,897	\$ -	\$ 110,342	\$ -	\$ 22,021	\$ 17,876	\$ 1,000	\$ 195,136
Due to Other Funds	-	-	-	-	-	49,750	-	49,750
TOTAL LIABILITIES	43,897	-	110,342	-	22,021	67,626	1,000	244,886
FUND BALANCES:								
Nonspendable	-	-	-	-	-	1,722	-	1,722
Restricted	161,209	-	31,269	-	-	6,263	-	198,741
Committed	-	-	-	-	-	-	19,059	19,059
Assigned	-	38,827	-	91,885	40,664	-	-	171,376
TOTAL FUND BALANCES	161,209	38,827	31,269	91,885	40,664	7,985	19,059	390,898
TOTAL LIABILITIES AND FUND BALANCES	\$ 205,106	\$ 38,827	\$ 141,611	\$ 91,885	\$ 62,685	\$ 75,611	\$ 20,059	\$ 635,784

Supplementary Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds						Debt Service Fund	Totals
	City Refuse	P.E.G. Commission	Brownfield Redevelopment Authority	Municipal Street	Building Inspector	Grant Management Fund	Renaissance Park	
REVENUES:								
Taxes	\$ 220,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,482
Federal Sources	-	-	-	-	-	88,144	-	88,144
State Sources	20,041	-	-	32,704	-	3,232	-	55,977
Local Sources	-	-	-	-	-	79,971	-	79,971
Charges for Services	562,617	-	6,929	-	199,480	-	-	769,026
Investment Earnings	3	-	-	-	-	-	-	3
Other Revenues	-	4,505	-	-	-	-	20,059	24,564
TOTAL REVENUES	803,143	4,505	6,929	32,704	199,480	171,347	20,059	1,238,167
EXPENDITURES:								
Public Safety	-	-	-	-	178,892	4,593	-	183,485
Public Works	705,090	-	9,642	-	-	-	-	714,732
Recreation and Culture	-	-	-	-	-	25,000	1,000	26,000
Debt Service	-	-	-	-	-	-	5,148	5,148
Capital Outlay	21,148	-	-	-	-	195,962	-	217,110
TOTAL EXPENDITURES	726,238	-	9,642	-	178,892	225,555	6,148	1,146,475
EXCESS OF REVENUES OVER (UNDER)								
EXPENDITURES BEFORE OTHER								
FINANCING SOURCES (USES)	76,905	4,505	(2,713)	32,704	20,588	(54,208)	13,911	91,692
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	2,167	2,167
Operating Transfers Out	-	-	-	(20,000)	-	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(20,000)	-	-	2,167	(17,833)
NET CHANGE IN FUND BALANCES	76,905	4,505	(2,713)	12,704	20,588	(54,208)	16,078	73,859
FUND BALANCE BEGINNING OF YEAR	84,304	34,322	33,982	79,181	20,076	62,193	2,981	317,039
FUND BALANCE AT END OF YEAR	\$ 161,209	\$ 38,827	\$ 31,269	\$ 91,885	\$ 40,664	\$ 7,985	\$ 19,059	\$ 390,898

**Supplementary Information
Combining Statement of Net Position
Major Enterprise Funds
June 30, 2022**

	Sewer	Water	Totals
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 964,134	\$ 636,544	\$ 1,600,678
Cash and Equivalents - Restricted	155,141	1,564,727	1,719,868
Investments - Unrestricted	-	501,409	501,409
Investments - Restricted	321,266	-	321,266
Investments - Restricted for Bond Debt Reserves	557,864	-	557,864
Investments - Restricted for Repair, Replacement and Improvements	124,631	-	124,631
Accounts Receivable	370,716	193,122	563,838
Prepaid Items	9,891	13,071	22,962
Capital Assets (Not Depreciated)	19,604,588	98,182	19,702,770
Capital Assets (Net of Accumulated Depreciation)	14,463,056	1,146,003	15,609,059
TOTAL ASSETS	36,571,287	4,153,058	40,724,345
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Items	49,960	66,613	116,573
LIABILITIES:			
Accounts Payable	1,507,495	120,371	1,627,866
Customer Deposits	20,000	42,075	62,075
Accrued Payroll and Related Liabilities	17,177	14,136	31,313
Accrued Interest Payable	53,765	20,525	74,290
Vested Employee Benefits - Due in more than one year	21,068	40,531	61,599
Net Pension Liability	163,211	217,615	380,826
Bonds Payable - Due within one year	990,003	157,478	1,147,481
Bonds Payable - Due in more than one year	24,514,146	2,613,416	27,127,562
TOTAL LIABILITIES	27,286,865	3,226,147	30,513,012
DEFERRED INFLOWS OF RESOURCES:			
Pension Items	40,532	54,042	94,574
TOTAL DEFERRED INFLOWS OF RESOURCES	40,532	54,042	94,574
NET POSITION:			
Net Investment in Capital Assets	8,563,495	(1,526,709)	7,036,786
Unrestricted	730,355	2,466,191	3,196,546
TOTAL NET POSITION	9,293,850	939,482	10,233,332
TOTAL LIABILITIES AND NET POSITION	\$ 36,580,715	\$ 4,165,629	\$ 40,746,344

Supplementary Information
Combining Statement of Revenues, Expenses, and
Changes in Net Position - Major Enterprise Funds
For the Year Ended June 30, 2022

	Sewer	Water	Totals
OPERATING REVENUES:			
Charges for Services	\$ 3,152,881	\$ 1,339,907	\$ 4,492,788
State Grants	-	100,802	100,802
TOTAL OPERATING REVENUES	3,152,881	1,440,709	4,593,590
OPERATING EXPENSES:			
Personnel Services	425,321	413,779	839,100
Contracted Services	36,682	27,638	64,320
Insurance	17,030	8,072	25,102
Administration	350,000	291,000	641,000
Supplies	70,776	60,459	131,235
Communication	3,880	8,597	12,477
Utilities	142,990	61,128	204,118
Repair and Maintenance	313,328	335,092	648,420
Depreciation	1,103,281	82,510	1,185,791
Miscellaneous	15,269	71,621	86,890
Total Operating Expenses	2,478,557	1,359,896	3,838,453
OPERATING INCOME (LOSS)	674,324	80,813	755,137
NON-OPERATING REVENUES (EXPENSES):			
Investment Earnings	2,201	465	2,666
Interest Expense	(418,068)	(79,820)	(497,888)
Other Revenue	99,216	172,542	271,758
Total Non-Operating Revenues (Expenses)	(316,651)	93,187	(223,464)
CHANGES IN NET POSITION	357,673	174,000	531,673
NET POSITION, JULY 1	8,936,177	765,482	9,701,659
NET POSITION, JUNE 30	\$ 9,293,850	\$ 939,482	\$ 10,233,332

Supplementary Information
Combining Statement of Cash Flows
Major Enterprise Funds
For the Year Ended June 30, 2022

	Sewer	Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Other Revenue	\$ 3,263,047	\$ 1,467,641	\$ 4,730,688
Payments to Suppliers	(293,336)	(863,013)	(1,156,349)
Payments to Employees	(461,597)	(381,626)	(843,223)
Net Cash Provided (Used) by Operating Activities	<u>2,508,114</u>	<u>223,002</u>	<u>2,731,116</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
(Payments to) received from Other Funds	(10,833)	(5,000)	(15,833)
Other Revenue	99,216	172,542	271,758
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>88,383</u>	<u>167,542</u>	<u>255,925</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(12,528,423)	(521,302)	(13,049,725)
Bond Proceeds	11,799,000	-	11,799,000
Principal Paid on Capital Debt	(1,086,104)	(151,389)	(1,237,493)
Interest Paid on Capital Debt	(418,068)	(79,820)	(497,888)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,233,595)</u>	<u>(752,511)</u>	<u>(2,986,106)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	362,902	(361,967)	935
Balances - Beginning of the Year	756,373	2,563,238	3,319,611
Balances - End of the Year	<u>\$ 1,119,275</u>	<u>\$ 2,201,271</u>	<u>\$ 3,320,546</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 674,324	\$ 80,813	\$ 755,137
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,103,281	82,510	1,185,791
Amortization of Bond Premiums	(18,234)	(10,605)	(28,839)
(Increase) Decrease in:			
Accounts Receivable	97,624	30,857	128,481
Prepaid Items	2,950	94	3,044
Due from Other Governmental Units	7,542	-	7,542
Deferred Outflows	(986)	(18,927)	(19,913)
Increase (Decrease) in:			
Accounts Payable	655,533	13,905	669,438
Customer Deposits	5,000	(3,925)	1,075
Accrued Payroll and Related Liabilities	65	1,442	1,507
Accrued Interest Payable	16,370	(2,800)	13,570
Vested Employee Benefits	(143)	3,305	3,162
Net Pension Liability	(45,181)	14,707	(30,474)
Deferred Inflows	9,969	31,626	41,595
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,508,114</u>	<u>\$ 223,002</u>	<u>\$ 2,731,116</u>

**Supplementary Information
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2022**

	<u>Boat Launch</u>	<u>Marina</u>	<u>Totals</u>
ASSETS:			
Cash and Equivalents - Unrestricted	\$ 56,647	\$ 279,796	\$ 336,443
Accounts Receivable	-	345	345
Due from Other Governmental Units	-	203,000	203,000
Prepaid Items	-	203	203
Inventory	-	20,464	20,464
Capital Assets (Not Depreciated)	-	463,124	463,124
Capital Assets (Net of Accumulated Depreciation)	152,873	1,347,623	1,500,496
TOTAL ASSETS	<u><u>\$ 209,520</u></u>	<u><u>\$ 2,314,555</u></u>	<u><u>\$ 2,524,075</u></u>
LIABILITIES:			
Accounts Payable	\$ 40	\$ 18,174	\$ 18,214
Customer Deposits	-	1,000	1,000
Accrued Payroll and Related Liabilities	-	4,504	4,504
Accrued Interest Payable	-	1,293	1,293
Due to Other Funds	-	399,459	399,459
Long-term Advance from Other Funds	-	88,967	88,967
Notes Payable - Due within one year	-	28,508	28,508
Notes Payable - Due in more than one year	-	91,188	91,188
TOTAL LIABILITIES	<u>40</u>	<u>633,093</u>	<u>633,133</u>
NET POSITION:			
Net Investment in Capital Assets	152,873	1,602,084	1,754,957
Unrestricted	56,607	79,378	135,985
TOTAL NET POSITION	<u>209,480</u>	<u>1,681,462</u>	<u>1,890,942</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 209,520</u></u>	<u><u>\$ 2,314,555</u></u>	<u><u>\$ 2,524,075</u></u>

Supplementary Information
Combining Statement of Revenues, Expenses, and
Changes in Net Position - Nonmajor Enterprise Funds
For the Year Ended June 30, 2022

	Boat Launch	Marina	Totals
OPERATING REVENUES:			
Charges for Services	\$ 38,577	\$ 266,446	\$ 305,023
TOTAL OPERATING REVENUES	38,577	266,446	305,023
OPERATING EXPENSES:			
Personnel Services	-	34,085	34,085
Contracted Services	-	307	307
Insurance	-	1,187	1,187
Administration	2,500	12,000	14,500
Supplies	408	137,745	138,153
Communications	520	-	520
Utilities	6,150	19,614	25,764
Repair and Maintenance	174	15,743	15,917
Depreciation	18,892	75,896	94,788
Miscellaneous	448	23,337	23,785
Total Operating Expenses	29,092	319,914	349,006
OPERATING INCOME (LOSS)	9,485	(53,468)	(43,983)
NON-OPERATING REVENUES (EXPENSES):			
Interest Expense	(288)	(6,825)	(7,113)
Other Revenue	-	4,240	4,240
Total Non-Operating Revenues (Expenses)	(288)	(2,585)	(2,873)
Income (Loss) Before Contributions and Transfers	9,197	(56,053)	(46,856)
Operating Transfers In	-	261,458	261,458
Capital Grants - State	-	203,000	203,000
CHANGES IN NET POSITION	9,197	408,405	417,602
NET POSITION, JULY 1	200,283	1,273,057	1,473,340
NET POSITION, JUNE 30	\$ 209,480	\$ 1,681,462	\$ 1,890,942

Supplementary Information
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2022

	Boat Ramp	Marina	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Other Revenue	\$ 38,577	\$ 63,420	\$ 101,997
Payments to Suppliers	(10,291)	(211,208)	(221,499)
Payments to Employees	-	(33,515)	(33,515)
Net Cash Provided (Used) by Operating Activities	<u>28,286</u>	<u>(181,303)</u>	<u>(153,017)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
(Payments to) received from Other Funds	-	399,459	399,459
(Advances to) received from Other Funds	(14,248)	(27,446)	(41,694)
Other Revenue	-	4,240	4,240
Operating Transfers In	-	261,458	261,458
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(14,248)</u>	<u>637,711</u>	<u>623,463</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Grants Received	-	203,000	203,000
Purchase of Capital Assets	-	(416,152)	(416,152)
Principal Paid on Capital Debt	-	(27,613)	(27,613)
Interest Paid on Capital Debt	(288)	(6,825)	(7,113)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(288)</u>	<u>(247,590)</u>	<u>(247,878)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,750	208,818	222,568
Balances - Beginning of the Year	<u>42,897</u>	<u>70,978</u>	<u>113,875</u>
Balances - End of the Year	<u>\$ 56,647</u>	<u>\$ 279,796</u>	<u>\$ 336,443</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 9,485	\$ (53,468)	\$ (43,983)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	18,892	75,896	94,788
Change in Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts Receivable	-	(26)	(26)
Inventory	-	(10,026)	(10,026)
Prepaid Items	-	(61)	(61)
Due from Other Governmental Units	-	(203,000)	(203,000)
Increase (Decrease) in Liabilities:			
Accounts Payable	(91)	9,110	9,019
Customer Deposits	-	-	-
Accrued Payroll and Related Liabilities	-	570	570
Accrued Interest Payable	-	(298)	(298)
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,286</u>	<u>\$ (181,303)</u>	<u>\$ (153,017)</u>

City of Manistee, Michigan

Supplementary Information Combining Balance Sheet Component Units June 30, 2022

	Downtown Development Authority	Friends of the Ramsdell	Manistee Housing Commission 12/31/2021	Totals
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 497,308	\$ 36,360	\$ 1,276,853	\$ 1,810,521
Cash and Equivalents - Restricted	-	40,394	-	40,394
Cash - Tenant Security Deposit	-	-	13,637	13,637
Due from Other Governmental Units	-	-	94,641	94,641
Accounts Receivable - net	1,500	-	5,185	6,685
Notes Receivable	5,492	-	2,715,147	2,720,639
Prepaid Items	37,500	2,340	27,644	67,484
Capital Assets (Not Depreciated)	-	-	360,272	360,272
Capital Assets (Net of Accumulated Depreciation)	-	74,189	675,775	749,964
TOTAL ASSETS	541,800	153,283	5,169,154	5,864,237
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Items	-	-	37,313	37,313
LIABILITIES:				
Accounts Payable	1,116	14,551	118,394	134,061
Customer Deposits	-	4,180	-	4,180
Accrued Liabilities	-	4,694	27,875	32,569
Due to Other Governmental Units	-	-	37,862	37,862
Tenant Security Deposits	-	-	13,637	13,637
Unearned Revenue	-	-	650	650
Capital Leases - Due within one year	-	-	5,661	5,661
Capital Leases - Due in more than one year	-	-	9,691	9,691
Note Payable - Due in more than one year	-	5,344	375,000	380,344
Net Pension Liability	-	-	27,457	27,457
Vested Employee Benefits - Due within one year	-	-	39,027	39,027
Vested Employee Benefits - Due in more than one year	-	-	22,119	22,119
TOTAL LIABILITIES	1,116	28,769	677,373	707,258
DEFERRED INFLOWS OF RESOURCES:				
Pension Items	-	-	28,731	28,731
NET POSITION:				
Net Investment in Capital Assets	-	68,845	645,695	714,540
Unrestricted	540,684	55,669	3,854,668	4,451,021
TOTAL NET POSITION	540,684	124,514	4,500,363	5,165,561
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 541,800	\$ 153,283	\$ 5,206,467	\$ 5,901,550

Supplementary Information
Combining Statement of Revenues, Expenses
and Changes in Net Position
Component Units
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Friends of the Ramsdell	Manistee Housing Commission 12/31/2021	
Public Works:								
Manistee Housing Commission	\$ 1,811,622	\$ 614,992	\$ 1,130,472	\$ 5,774	\$ -	\$ -	\$ (60,384)	\$ (60,384)
Recreation and Culture:								
Friends of the Ramsdell	610,256	227,857	193,765	10,568	-	(178,066)	-	(178,066)
Economic Development:								
Downtown Development Authority	254,681	80,422	10,500	-	(163,759)	-	-	(163,759)
Total Component Units	<u>\$ 2,676,559</u>	<u>\$ 923,271</u>	<u>\$ 1,334,737</u>	<u>\$ 16,342</u>	<u>(163,759)</u>	<u>(178,066)</u>	<u>(60,384)</u>	<u>(402,209)</u>
General Revenues and Special Items:								
Property Taxes					327,019	-	-	327,019
Interest Income					363	-	1,619	1,982
Rental Income					-	31,024	-	31,024
Net Gain (Loss) on Transfer of Items to RAD					-	-	2,402,212	2,402,212
Other Revenue					-	175,507	301,033	476,540
Total General Revenues					<u>327,382</u>	<u>206,531</u>	<u>2,704,864</u>	<u>3,238,777</u>
Changes in Net Position					163,623	28,465	2,644,480	2,836,568
Net Position - Beginning					377,061	96,049	1,855,883	2,328,993
Net Position - Ending					<u>\$ 540,684</u>	<u>\$ 124,514</u>	<u>\$ 4,500,363</u>	<u>\$ 5,165,561</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
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**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 Council
City of Manistee
Manistee, MI 49660

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 Manistee, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Manistee, Michigan's basic financial statements and have issued our report thereon dated December 9, 2022. Our report includes a reference to other auditors who audited the financial statements of the Manistee Housing Commission, as described in our report on the City of Manistee, Michigan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manistee, 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 determination of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 9, 2022



ANDERSON, TACKMAN & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council
City of Manistee
Manistee, MI 49660

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Manistee, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Manistee, Michigan's major federal programs for the year ended June 30, 2022. City of Manistee, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City of Manistee, Michigan's basic financial statements include the operations of the Manistee Housing Commission, which expended \$1,136,246 in federal awards which is not included in the City of Manistee, Michigan's scheduled of expenditures of federal awards during the year ended June 30, 2022. Our audit, described below, did not include the operations of the Manistee Housing Commission because the Housing Commission engaged other auditors to perform an audit of compliance.

In our opinion, City of Manistee, 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, 2022.

Basis for Opinion on Each Major Federal Program

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

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

To the City Council
City of Manistee

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

To the City Council
City of Manistee

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

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

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



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

December 9, 2022

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
<i>Direct Award from the Department of Agriculture</i>					
Water & Waste Water Disposal Systems for Rural Communities	10.760	NA	NA	\$ -	\$ 11,799,000
Federal Emergency Management Agency					
<i>Direct Award from the Federal Emergency Management Agency</i>					
Assistance to Firefighters	97.044	NA	NA	-	88,144
U.S. Department of Treasury					
<i>Passed-through from Michigan Department of Treasury</i>					
Coronavirus Relief for Local Governments (COVID-19 Related)	21.027	MDT	NA	-	642,512
U.S. Small Business Administration					
<i>Direct Award from the U.S. Small Business Administration</i>					
Shuttered Venue Operators Grant	59.075	NA	NA	-	114,211
National Endowment for the Arts & Humanities					
<i>Passed-through from Michigan Council for Arts and Cultural Affairs</i>					
Promotion of the Arts Partnership Agreement	45.025	MCACA	22OS3666	-	10,250
Total Expenditures of Federal Awards				\$ -	\$ 12,654,117

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 Manistee, Michigan under programs of the federal government for the year ended June 30, 2022. 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 Manistee, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Manistee, Michigan.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - 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 2022.

NOTE D - 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 grants received in the current fiscal year no indirect costs were charged to the grants.

NOTE E – LOANS AND LOAN GUARANTEE PROGRAMS

The City had outstanding federal loan balances as of June 30, 2022 of:

2020 Series A Sewage Disposal System Junior Lien Revenue Bond	\$ 4,162,000
2020 Series B Sewage Disposal System Junior Lien Revenue Bond	292,000
2021 Series A Sewage Disposal System Junior Lien Revenue Bond	8,919,000
2021 Series B Sewage Disposal System Junior Lien Revenue Bond	<u>3,386,000</u>
Total	<u>\$ 16,759,000</u>

NOTE F - RECONCILIATION TO THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

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 Financial Statements of Primary Government	\$ 730,656
Total Federal Sources per Financial Statements of Component Units	124,461
Bond Proceeds of USDA Bonds	<u>11,799,000</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 12,654,117</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?	No
Noncompliance material to financial statements noted?	No

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

10.760	Water and Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.



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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the City Council
City of Manistee
Manistee, MI 49660

We have audited the financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Manistee, Michigan for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance, 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 14, 2020, 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 Manistee, 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 Manistee, 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 Houghton, 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 Houghton, 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 Manistee, 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 defined benefit pension plan (MERS), 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.

As part of obtaining reasonable assurance about whether the City of Manistee, 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 Manistee, 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 Manistee, 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 Manistee, Michigan's compliance with those requirements.

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 supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, Significant Risk, and Other

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on October 14, 2020.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Manistee, Michigan are described in Note 1 to the financial statements. As described in Note 15. to the financial statements, the City of Manistee, Michigan changed accounting policies related to leases by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 87, *Leases* in 2022. The application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the City of Manistee, Michigan 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 vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimates for pension benefits were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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 9, 2022.

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of employee retirement and benefit systems and budgetary comparison, 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 major funds, nonmajor funds and component unit financial statements and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary 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 other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council and management of the City of Manistee, 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 9, 2022