

**CITY OF LUNA PIER**  
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2021

CITY OF LUNA PIER

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June 30, 2021

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**CITY OF LUNA PIER**

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## Independent Auditor's Report

Honorable Mayor and  
Members of City Council  
City of Luna Pier  
Luna Pier, Michigan 48157

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Luna Pier, Monroe County, Michigan as of and for the year ended June 30, 2021, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

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, each major fund, and the aggregate remaining fund information of the City of Luna Pier, Monroe County, Michigan as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As discussed in Note 20 to the basic financial statements, the City adopted GASB Statement No. 84, *Fiduciary Activities* as of and for the year ended June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other postemployment benefit (OPEB) schedules on pages 3 through 10, 53 through 62, and 63 through 65, respectfully, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Luna Pier, Monroe County, Michigan's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplemental 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.



December 14, 2021

# CITY OF LUNA PIER

## *Management's Discussion and Analysis Year Ended June 30, 2021*

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This section of the City of Luna Pier's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the City's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all of the City's revenues and expenditures by program for the General Fund, the Special Revenue Funds, and the Proprietary Fund.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Luna Pier financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the City as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the City's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the City's most significant funds - the General Fund, the Major Street Fund, the Local Street Fund, the Police Millage Fund, the Garbage and Rubbish Collection Fund, the Downtown Development Authority Fund, the Community Development Fund, the Flood Control Facilities Fund, the Fire Millage Fund, and the Waste Water Treatment Plant Fund. The remaining statements, the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, present financial information about activities for which the City acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

*Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)*

#### Basic Financial Statements

*Government-Wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statements*

*Budgetary Information for Major Funds*

*Required Pension Schedules*

*Required OPEB Schedule*

*(Required Supplemental Information)*

*Other Supplemental Information*

## CITY OF LUNA PIER

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

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### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities (pages 11-13), which appear first in the City's financial statements, report information on the City as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the City's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the City's operating results. However, the City's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the City.

The Statement of Net Position and Statement of Activities report the governmental and business-type activities for the City, which encompass all of the City's services, including general government services, public safety, public works, community and economic development, recreation and culture, and waste water services. Property taxes, federal and state grants, charges for services, and rentals finance most of these activities.

### Fund Financial Statements

The City's Fund Financial Statements (pages 14-24) provide detailed information about the most significant or "major" funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The City's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as described below:

**Governmental funds** - Many of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the City and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 16 and 19.

**Proprietary fund** – A proprietary fund is used to account for business-type activities of the City which consists of the Waste Water Treatment Plant Fund. This fund accounts for services provided by the City where the City charges customers for the services it provides. This fund uses accrual accounting; the same method used by private sector business.

**Fiduciary fund** – This fund is used to account for the collection and disbursement of property taxes for the benefit of parties outside of the City. The City is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The City's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the Township cannot use these assets to finance its operations.

## CITY OF LUNA PIER

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

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### **Financial Highlights**

The following are some of the financial highlights for the 2020-21 fiscal year:

- ❖ The Waste Water Treatment Plant project was completed
- ❖ Construction continued on the Lighthouse project
- ❖ 8<sup>th</sup> year for the Veteran's Day parade
- ❖ Purchased a furnace for City Hall
- ❖ Purchased a new server for City Hall
- ❖ Purchased another parking box machine
- ❖ Upgrades were made to the break wall
- ❖ Updated the City's website



**CITY OF LUNA PIER**

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

**Government-Wide Financial Analysis**

Recall that the Statement of Net Position provides the perspective of the City as a whole. The City has a bi-annual audit, so the tables do not provide comparative information. Table 1 provides a summary of the City's net position as of June 30, 2021:

**Table 1:**

**Statement of Net Position**

	Governmental Activities	Business-Type Activities	Total
	2021	2021	2021
Current and other assets	\$1,882,937	\$538,154	\$2,421,091
Capital assets, net	2,142,709	4,932,818	7,075,527
<b>Total Assets</b>	<b>4,025,646</b>	<b>5,470,972</b>	<b>9,496,618</b>
Deferred outflows related to pension	77,328	51,552	128,880
Current and other liabilities	153,529	63,927	217,456
Long-term liabilities	2,801,069	4,242,900	7,043,969
<b>Total Liabilities</b>	<b>2,954,598</b>	<b>4,306,827</b>	<b>7,261,425</b>
Deferred inflows related to pension	40,099	26,733	66,832
Net Position			
Net investment in capital assets	1,512,358	1,840,818	3,353,176
Restricted for highways and streets	511,553	0	511,553
Restricted for rubbish collection	17,921	0	17,921
Restricted for flood control	204,218	0	204,218
Restricted for fire protection	52	0	52
Restricted for police protection	8,310	0	8,310
Unrestricted	(1,146,135)	(651,854)	(1,797,989)
<b>Total Net Position</b>	<b>\$1,108,277</b>	<b>\$1,188,964</b>	<b>\$2,297,241</b>

As depicted in Table 1, the City's net position was \$2.3 million at June 30, 2021. Of this amount, the unrestricted net position was a deficit of \$1,797,989. The unrestricted net position balance is used for working capital and cash flow needs as well as to provide for future uncertainties. The operating results of the General Fund and changes in the net pension and OPEB liabilities will have a significant impact on the change in unrestricted net position from year to year.

**CITY OF LUNA PIER**

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

**Government-Wide Financial Analysis - Continued**

The results of this year's operations for the City as a whole are reported in the Statement of Activities (Table 2), which shows the change in net position for the fiscal year ended June 30, 2021.

**Table 2:**

**Statement of Changes in Net Position**

	Governmental Activities	Business-Type Activities	Total
	2021	2021	2021
<b>Revenues</b>			
Program revenues			
Charges for services	\$219,717	\$584,183	\$803,900
Federal, state, and local grants	257,169	309,066	566,235
	<u>476,886</u>	<u>893,249</u>	<u>1,370,135</u>
General revenues			
Property taxes	564,176	0	564,176
Special assessments	67,850	0	67,850
State grants	175,455	0	175,455
Other general revenues and transfers	33,149	4,197	37,346
	<u>840,630</u>	<u>4,197</u>	<u>844,827</u>
Total Revenues	1,317,516	897,446	2,214,962
<b>Functions/Program Expenses</b>			
Legislative	7,870	0	7,870
General government	261,812	0	261,812
Public safety	405,413	0	405,413
Public works	368,612	0	368,612
Community/economic development	51,897	0	51,897
Recreation and cultural	60,099	0	60,099
Interest on long term-term debt	28,959	0	28,959
Waste Water Treatment Plant	0	531,931	531,931
Total Expenses	<u>1,184,662</u>	<u>531,931</u>	<u>1,716,593</u>
<b>Change in Net Position</b>	132,854	365,515	498,369
<b>Net Position - Beginning of year</b>	<u>975,423</u>	<u>823,449</u>	<u>1,798,872</u>
<b>Net Position - End of year</b>	<u>\$1,108,277</u>	<u>\$1,188,964</u>	<u>\$2,297,241</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$1.2 million. Of this amount, \$0.5 million was subsidized with revenue generated from charges for services and grants with the remaining costs financed with general revenues.

**CITY OF LUNA PIER**

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

**Government-Wide Financial Analysis – Concluded**

The City experienced an increase in net position of \$498,369. The increase in net position differs from the change in fund balance. A reconciliation of the change in fund balances for the governmental funds to the change in net position appears on page 19.

**Fund Financial Analysis**

As noted earlier, the City uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the City of Luna Pier is being held accountable for the resources taxpayers and others provide to it and may give more insight into the City's overall financial health.

As the City completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$1,861,605, which is an increase of \$49,401 from last year. The changes by fund types are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>Fund balances- Beginning of year</b>	\$1,109,518	\$488,224	\$214,462	\$1,812,204
Increase (decrease)	<u>(42,171)</u>	<u>101,764</u>	<u>(10,192)</u>	<u>49,401</u>
<b>Fund balances- End of year</b>	<u>\$1,067,347</u>	<u>\$589,988</u>	<u>\$204,270</u>	<u>\$1,861,605</u>

The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>June 30, 2021</u>
<b>Revenues</b>	
Property taxes	\$453,735
Licenses and permits	153,810
Federal grants	47,231
State grants	173,502
Local grants	7,936
Charges for services	4,731
Fines and forfeits	3,606
Interest income	2,901
Rentals	58,546
Other revenue	<u>26,845</u>
<b>Total Revenues</b>	<u>\$932,843</u>

**CITY OF LUNA PIER**

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

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**Fund Financial Analysis – Concluded**

	<u>June 30, 2021</u>
<b>Expenditures</b>	
Legislative	\$7,870
General government	180,501
Public safety	133,229
Public works	127,306
Community and economic development	46,877
Recreation and cultural	48,285
Debt service	71,178
Other	288,972
Operating transfers out	<u>70,796</u>
	<u>\$975,014</u>

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the City Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the City revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the City's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Revisions to the General Fund original budget were as follows:

Revenues – The original budget of \$800,202 and the amended budget was \$806,437 during the 2020-21 fiscal year. The budgeted was amended in order to account for a federal grant. The City relies heavily on property taxes and state shared revenue to fund General Fund expenditures. Property taxes and state shared revenue make up 65% of the General Fund revenues.

Expenditures - The original budgeted total of \$999,498 and the amended budget was \$1,197,160 during the 2020-21 fiscal year. The budget was amended in order to account for increases in elections, City hall and grounds, the police department, the fire department, drains, streetlights, and debt service.

## CITY OF LUNA PIER

*Management's Discussion and Analysis  
Year Ended June 30, 2021*

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### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2021, the City had \$14.2 million invested in a broad range of capital assets, including land, roads, land improvements, building and building improvements, machinery and equipment, vehicles, a waste water treatment plant, and sewer lines. This year's additions of \$815,991 included a furnace, a server, shooting range electrical, police car, docks, radar units, turnout gear, break wall improvements, lighthouse, library air conditioner, Ford F-350, treatment plant equipment and treatment plant construction. Depreciation for governmental activities totaled \$159,323, and depreciation for business-type activities totaled \$200,609. Detailed information regarding capital assets is included in Note 7 to the financial statements.

#### **Debt Administration**

At June 30, 2021, the City had \$291,748 in special assessment drainage district bonds payable, \$435,000 in 2016 General Obligation Judgment Bonds, \$318,967 in a Michigan State Infrastructure Bank Loan, and \$7,861 in a note payable for a records management system. The City had accrued a liability for unused vacation and personal days of \$39,204 at June 30, 2021. The City had \$2,577,000 of 2012A Waste Water Treatment System Revenue Bonds, \$87,000 of 2012B Waste Water Treatment System Revenue Bonds, and \$428,000 in 2019 Waste Water Treatment System Revenue Bonds. Detailed information regarding the City's debt is included in Note 8 to the financial statements.

#### **Postretirement Healthcare Benefits**

During the fiscal year ended June 30, 2021, the City completed an actuarial valuation of the retiree healthcare benefits offered to eligible employees. As indicated in Note 16 to the financial statements, the actuarial accrued liability is \$74,557. This benefit is not currently funded and is recognized on a "pay-as-you-go" basis.

### **Development of the 2021-22 Fiscal Year Budget**

Our elected officials considered many factors when setting the City's 2021-22 fiscal year budget. The City has taken several measures to help control the rising cost of the governmental services and the ongoing decline of property taxes and state revenue sharing. For 2021-22, the City anticipates General Fund revenues of \$796,055 and expenditures of \$1,000,494, which results in a decrease of \$204,439 to the carryover fund balance.

### **Contacting the City of Luna Pier**

This financial report is designed to provide the City's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk, City of Luna Pier, 4357 Buckeye Street, Luna Pier, MI 48157.

## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF LUNA PIER**

*Statement of Net Position*

*June 30, 2021*

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$1,051,636	\$284,315	\$1,335,951
Certificates of deposit	533,446	0	533,446
Accounts/loans receivable	47,336	218,465	265,801
Due from other governmental units	59,315	0	59,315
Internal balances	178,126	(178,126)	0
Prepaid expenses	13,078	6,737	19,815
Restricted cash	0	206,763	206,763
Capital assets, net	2,142,709	4,932,818	7,075,527
<b>Total Assets</b>	<b>4,025,646</b>	<b>5,470,972</b>	<b>9,496,618</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension	77,328	51,552	128,880
<b>Liabilities</b>			
Accounts payable	21,332	927	22,259
Other liabilities	19,636	0	19,636
Current portion of long-term debt	112,561	63,000	175,561
Long-term liabilities:			
Due in more than one year	980,219	3,029,000	4,009,219
Net pension liability	1,776,116	1,184,077	2,960,193
Net OPEB liability	44,734	29,823	74,557
<b>Total Liabilities</b>	<b>2,954,598</b>	<b>4,306,827</b>	<b>7,261,425</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pension	40,099	26,733	66,832
<b>Net Position</b>			
Net investment in capital assets	1,512,358	1,840,818	3,353,176
Restricted:			
Restricted for highways and streets	511,553	0	511,553
Restricted for rubbish collection	17,921	0	17,921
Restricted for flood control	204,218	0	204,218
Restricted for fire protection	52	0	52
Restricted for police protection	8,310	0	8,310
Unrestricted	(1,146,135)	(651,854)	(1,797,989)
<b>Total Net Position</b>	<b>\$1,108,277</b>	<b>\$1,188,964</b>	<b>\$2,297,241</b>

See accompanying notes to the basic financial statements.



**CITY OF LUNA PIER**

*Statement of Activities  
Year Ended June 30, 2021*

<b>Functions/Programs</b>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government -				
Governmental activities:				
Legislative	\$7,870	\$0	\$0	\$0
General government	261,812	30,045	0	0
Public safety	405,413	157,926	11,863	0
Public works	368,612	31,496	237,370	0
Community and economic development	51,897	250	0	0
Recreation and cultural	60,099	0	7,936	0
Interest on long-term debt	28,959	0	0	0
Total Governmental Activities	1,184,662	219,717	257,169	0
Business-type activities:				
Waste water treatment plant	531,931	584,183	0	309,066
Total business type activities	531,931	584,183	0	309,066
Total primary government	<u>\$1,716,593</u>	<u>\$803,900</u>	<u>\$257,169</u>	<u>\$309,066</u>

General Revenues:  
 Property taxes  
 Special assessments  
 State grants  
 Interest and investment earnings  
 Gain on sale of property  
 Other

**Change in Net Position**

Net Position - Beginning of year

Net Position - End of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Position  
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
(\$7,870)	\$0	(\$7,870)
(231,767)	0	(231,767)
(235,624)	0	(235,624)
(99,746)	0	(99,746)
(51,647)	0	(51,647)
(52,163)	0	(52,163)
(28,959)	0	(28,959)
(707,776)	0	(707,776)
<u>0</u>	<u>361,318</u>	<u>361,318</u>
<u>0</u>	<u>361,318</u>	<u>361,318</u>
(707,776)	361,318	(346,458)
564,176	0	564,176
67,850	0	67,850
175,455	0	175,455
5,078	0	5,078
9,320	0	9,320
18,751	4,197	22,948
<u>840,630</u>	<u>4,197</u>	<u>844,827</u>
132,854	365,515	498,369
<u>975,423</u>	<u>823,449</u>	<u>1,798,872</u>
<u>\$1,108,277</u>	<u>\$1,188,964</u>	<u>\$2,297,241</u>

## FUND FINANCIAL STATEMENTS

**CITY OF LUNA PIER**

*Governmental Funds  
Balance Sheet  
June 30, 2021*

	Special Revenue Funds				
	General Fund	Major Street Fund	Local Street Fund	Police Millage Fund	Garbage and Rubbish Collection Fund
<b>Assets</b>					
Cash and cash equivalents	\$323,428	\$342,493	\$321,786	\$2,799	\$22,665
Certificates of deposit	361,098	0	0	0	0
Accounts/loans/taxes receivable	4,676	0	0	0	0
Due from other governmental units	28,399	20,289	10,627	0	0
Due from other funds	361,768	0	0	5,607	0
Prepaid expenditures	13,078	0	0	0	0
<b>Total Assets</b>	<b>\$1,092,447</b>	<b>\$362,782</b>	<b>\$332,413</b>	<b>\$8,406</b>	<b>\$22,665</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$16,492	\$0	\$0	\$96	\$4,744
Due to other funds	8,608	87,951	95,691	0	0
<b>Total Liabilities</b>	<b>25,100</b>	<b>87,951</b>	<b>95,691</b>	<b>96</b>	<b>4,744</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid expenditures	13,078	0	0	0	0
Restricted for:					
Streets and highways	0	274,831	236,722	0	0
Garbage and rubbish collection	0	0	0	0	17,921
Flood control	0	0	0	0	0
Fire protection	0	0	0	0	0
Police department	0	0	0	8,310	0
Assigned to:					
Lighthouse project	79,490	0	0	0	0
Community/economic development	0	0	0	0	0
Unassigned	974,779	0	0	0	0
<b>Total Fund Balances</b>	<b>1,067,347</b>	<b>274,831</b>	<b>236,722</b>	<b>8,310</b>	<b>17,921</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$1,092,447</b>	<b>\$362,782</b>	<b>\$332,413</b>	<b>\$8,406</b>	<b>\$22,665</b>

See accompanying notes to the basic financial statements.

Downtown Development Authority Fund	Community Development Fund	Flood Control Facilities Fund	Fire Millage Fund	Total Governmental Funds
\$1,042	\$8,502	\$28,869	\$52	\$1,051,636
0	0	172,348	0	533,446
0	42,660	0	0	47,336
0	0	0	0	59,315
0	0	3,001	0	370,376
0	0	0	0	13,078
<u>\$1,042</u>	<u>\$51,162</u>	<u>\$204,218</u>	<u>\$52</u>	<u>\$2,075,187</u>
\$0	\$0	\$0	\$0	\$21,332
0	0	0	0	192,250
0	0	0	0	213,582
0	0	0	0	13,078
0	0	0	0	511,553
0	0	0	0	17,921
0	0	204,218	0	204,218
0	0	0	52	52
0	0	0	0	8,310
0	0	0	0	79,490
1,042	51,162	0	0	52,204
0	0	0	0	974,779
<u>1,042</u>	<u>51,162</u>	<u>204,218</u>	<u>52</u>	<u>1,861,605</u>
<u>\$1,042</u>	<u>\$51,162</u>	<u>\$204,218</u>	<u>\$52</u>	<u>\$2,075,187</u>

**CITY OF LUNA PIER**

*Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
Year Ended June 30, 2021*

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**Total Fund Balances - Governmental Funds**

\$1,861,605

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of the capital assets  
Accumulated depreciation

\$5,763,016  
(3,620,307)

2,142,709

Deferred outflows of resources resulting from net pension liability

77,328

Deferred inflows of resources resulting from net pension liability

(40,099)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Loan payable  
Net pension liability  
Net OPEB liability  
Compensated absences  
Accrued interest

(1,053,576)  
(1,776,116)  
(44,734)  
(39,204)  
(19,636)

(2,933,266)

**Total Net Position - Governmental Activities**

\$1,108,277

See accompanying notes to the basic financial statements.

**CITY OF LUNA PIER**

*Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2021*

	Special Revenue Funds				
	General Fund	Major Street Fund	Local Street Fund	Police Fund	Garbage and Rubbish Collection Fund
<b>Revenues</b>					
Property taxes	\$453,735	\$0	\$0	\$88,092	\$0
Special assessments	0	0	0	0	67,850
Licenses and permits	153,810	0	0	0	0
Federal grants	47,231	0	0	10,696	0
State grants	173,502	123,985	66,154	1,914	0
Local grants	7,936	0	0	0	0
Charges for services	4,731	0	0	0	0
Fines and forfeits	3,606	0	0	0	0
Interest income	2,901	156	131	0	0
Rentals	58,546	0	0	0	0
Other revenue	26,845	0	0	0	0
<b>Total Revenues</b>	<b>932,843</b>	<b>124,141</b>	<b>66,285</b>	<b>100,702</b>	<b>67,850</b>
<b>Expenditures</b>					
Legislative	7,870	0	0	0	0
General government	180,501	0	0	0	0
Public safety	133,229	0	0	165,608	0
Public works	127,306	29,772	35,419	0	58,580
Community and economic development	46,877	0	0	0	0
Recreation and cultural	48,285	0	0	0	0
Debt service	71,178	34,202	0	0	0
Other	288,972	0	0	0	0
<b>Total Expenditures</b>	<b>904,218</b>	<b>63,974</b>	<b>35,419</b>	<b>165,608</b>	<b>58,580</b>
Excess (Deficiency) of Revenues Over Expenditures	28,625	60,167	30,866	(64,906)	9,270
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	0	0	0	70,796	0
Operating transfers out	(70,796)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(70,796)</b>	<b>0</b>	<b>0</b>	<b>70,796</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(42,171)</b>	<b>60,167</b>	<b>30,866</b>	<b>5,890</b>	<b>9,270</b>
Fund Balances - Beginning of year	1,109,518	214,664	205,856	2,420	8,651
Fund Balances - End of year	<u>\$1,067,347</u>	<u>\$274,831</u>	<u>\$236,722</u>	<u>\$8,310</u>	<u>\$17,921</u>

See accompanying notes to the basic financial statements.

Capital Projects Funds				
Downtown Development Authority Fund	Community Development Fund	Flood Control Facilities Fund	Fire Millage Fund	Total Governmental Funds
\$341	\$0	\$22,008	\$0	\$564,176
0	0	0	0	67,850
0	0	0	0	153,810
0	0	0	0	57,927
0	0	1,206	0	366,761
0	0	0	0	7,936
0	0	0	0	4,731
0	0	0	0	3,606
0	0	1,890	0	5,078
0	0	0	0	58,546
250	0	0	0	27,095
591	0	25,104	0	1,317,516
0	0	0	0	7,870
0	0	0	0	180,501
0	0	0	0	298,837
0	0	35,296	0	286,373
0	5,020	0	0	51,897
0	0	0	0	48,285
0	0	0	0	105,380
0	0	0	0	288,972
0	5,020	35,296	0	1,268,115
591	(5,020)	(10,192)	0	49,401
0	0	0	0	70,796
0	0	0	0	(70,796)
0	0	0	0	0
591	(5,020)	(10,192)	0	49,401
451	56,182	214,410	52	1,812,204
\$1,042	\$51,162	\$204,218	\$52	\$1,861,605



**CITY OF LUNA PIER**

*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021*

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$49,401</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:</p>	
Depreciation expense	(\$159,323)
Capital outlay	85,424
	(73,899)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	1,713
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	111,716
The statement of net position reports the net pension liability and deferred outflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental fund equals actual pension contributions.	
Net change in pension liability.	(24,748)
Net change in deferred outflows of resources related to the net pension liability.	10,152
Net change in deferred inflows of resources related to the net pension liability.	(41,984)
Decrease in net retiree healthcare obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment.	108,381
Increases in the liability for compensated absences are reported as expenditures in the statement of activities; but not in the governmental funds.	(7,878)
<b>Change in Net Position of Governmental Activities</b>	<b>\$132,854</b>

See accompanying notes to the basic financial statements.

**CITY OF LUNA PIER**

*Proprietary Fund  
Statement of Net Position  
June 30, 2021*

	Business-type Activities Enterprise Fund <u>Waste Water Treatment Plant Fund</u>
<b>Assets</b>	
Current Assets:	
Cash	284,315
Receivables	218,465
Due from other funds	10,916
Prepaid expenses	6,737
Total Current Assets	<u>520,433</u>
Restricted Assets:	
Cash	206,763
Capital Assets	8,463,705
Less: Allowance for depreciation	<u>(3,530,887)</u>
Net Capital Assets	<u>4,932,818</u>
Total Assets	<u>5,660,014</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	<u>51,552</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	927
Due to other funds	189,042
Bonds payable - current portion	63,000
Total Current Liabilities	<u>252,969</u>
Non-current Liabilities:	
Bonds payable	
Non-current portion	3,029,000
Net pension liability	1,184,077
Net OPEB Liability	29,823
Total Non-current Liabilities	<u>4,242,900</u>
Total Liabilities	<u>4,495,869</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	<u>26,733</u>
<b>Net Position</b>	
Net investment in capital assets	1,840,818
Unrestricted	<u>(651,854)</u>
Total Net Position	<u>1,188,964</u>

See accompanying notes to the basic financial statements.

**CITY OF LUNA PIER**

*Proprietary Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Year Ended June 30, 2021*

	Business-type Activities Enterprise Fund <u>Waste Water Treatment Plant Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$584,183
Other revenue	4,197
	<u>588,380</u>
Total Operating Revenues	588,380
<b>Operating Expenses</b>	
Sewer processing and maintenance	421,684
Administration	23,567
	<u>445,251</u>
Total Operating Expenses	445,251
Net Operating Income (Loss)	143,129
<b>Non-Operating Revenues (Expenses)</b>	
Federal grant proceeds	309,066
Interest	(86,680)
	<u>222,386</u>
Total Non-Operating Expenses	222,386
<b>Change in Net Position</b>	365,515
Net Position - Beginning of year, restated	823,449
Net Position - End of year	<u>\$1,188,964</u>

See accompanying notes to the basic financial statements.

**CITY OF LUNA PIER**

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

	<u>Business-type Activities Enterprise Fund Waste Water Treatment Plant Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$558,988
Payments to suppliers	(181,146)
Payments to employees	(127,293)
Net cash provided by operating activities	<u>250,549</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(301,925)
Grant proceeds	296,690
Principal payments on bonds payable	(60,000)
Interest paid	(86,680)
Net cash provided (used) for capital and related financing activities	<u>(151,915)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	98,634
Cash and Cash Equivalents - Beginning of Year	<u>392,444</u>
Cash and Cash Equivalents - End of Year	<u><u>\$491,078</u></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash	\$284,315
Restricted Cash	206,763
Total Cash and Cash Equivalents	<u><u>\$491,078</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income (loss)	\$143,129
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	200,609
Changes in operating assets and liabilities	
Receivables	(29,392)
Due from other funds	(1,986)
Prepaid expenses	2,147
Payables	60
Due to other funds	(17,752)
Net pension liability	37,719
Net OPEB liability	(83,985)
Net Cash Provided by Operating Activities	<u><u>\$250,549</u></u>

See accompanying notes to the basic financial statements.

**CITY OF LUNA PIER**

*Custodial Fund*  
*Statement of Fiduciary Net Position*  
*June 30, 2021*

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	<u>Tax Collection</u>
<b>Assets</b>	
Cash	<u>\$1,692</u>
<b>Liabilities</b>	
Due to other taxing units	<u>\$1,692</u>

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

*Custodial Funds*

*Statement of Changes in Fiduciary Net Position*

*June 30, 2021*

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	<u>Tax Collection</u>
<b>Additions</b>	
Property taxes collected for other governments	<u>\$1,191,685</u>
<b>Total Additions</b>	1,191,685
<b>Deductions</b>	
Property taxes distributed to other governments	<u>1,191,685</u>
<b>Total Deductions</b>	<u>1,191,685</u>
Net increase in net position	0
<b>Net position committed for other governments:</b>	
Beginning of year	<u>0</u>
End of year	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

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**Note 1**      **Description of the City and Reporting Entity**

The City operates under a locally elected seven member Council form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation and culture, public improvements, planning and zoning, waste water treatment, and general administrative services.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, Councils, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of taxes. The City has the following blended component unit:

**Downtown Development Authority**

This entity was established to promote economic growth and revitalization of the City's Downtown District. The DDA board is appointed by the City Council and the annual budget and any modifications require the approval of the City Council. The DDA has a June 30 fiscal year end.

The following entities are not included herein as they operate as autonomous units:

**Luna Pier Housing Commission**

This entity is responsible for the public housing project within the City. The Commission is responsible to the Department of Housing and Urban Development (HUD) for its fiscal management and HUD is responsible for the debt of the project which is not guaranteed by the City.

**South County Water System**

This is a joint venture between the City, LaSalle Township, Erie Township, Bedford Township, and the County of Monroe to provide water to these municipalities located within the County of Monroe.

**Note 2**      **Summary of Significant Accounting Policies**

The financial statements of the City of Luna Pier have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Council (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the City's accounting policies.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

Note 2

**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation**

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide 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. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, sales of property, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and custodial funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

Fiduciary fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.



CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

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**Note 2**

**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The City reports the following major governmental funds:

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

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Police Millage Fund accounts for proceeds from a tax millage for police protection.

The Garbage and Rubbish Collection Fund accounts for special assessment revenues and the payment of refuse charges.

The Downtown Development Authority Fund accounts for monies collected to be used for development within the downtown development authority district.

The Community Development Fund accounts for all monies received by the City from the block grant programs.

The Flood Control Facilities Fund accounts for revenues and expenditures used for constructing and maintaining flood control facilities.

The Fire Millage Fund accounts for proceeds from a tax millage for a pumper fire truck and fire protection equipment.

The City reports the following major proprietary fund:

The Waste Water Treatment Plant Fund accounts for the operation of the waste water treatment plant financed through user charges and transfers.

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 Waste Water Treatment Plant Fund are charges to customers for sales and services. Operating expenses for enterprise 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City does not have any nonmajor governmental funds.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

**Note 2**      **Summary of Significant Accounting Policies (Continued)**  
**Basis of Presentation (Continued)**

**C. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Property Tax Receivable** - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent July 31 and winter taxes are considered delinquent February 14 of the following year.

**Prepaid Assets** - Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. sewer lines, road, etc.) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market 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 an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads	20 years
Land improvements	20 years
Buildings and buildings improvements	20-60 years
Machinery and equipment	3-30 years
Vehicles	5-8 years
Sewer lines	60 years

**Interfund Balances** - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net position. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Accrued Liabilities and Long-Term Obligations** - In the government-wide financial statements and proprietary fund financial statements, long-term debts, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net position.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

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**Note 2**

**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**C. Assets, Liabilities, and Net Position or Equity (Continued)**

**Accrued Liabilities and Long-Term Obligations (Concluded)**

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

**Compensated Absences** - City employees are granted vacation and personal days under formulas and conditions in the employee's contract. The vacation and personal pay is accrued in the government-wide financial statements. In the fund financial statements, these accounts are reported when paid.

**Unearned Revenue** - Governmental funds report unearned revenue in connection with resources that have been received but not yet earned.

**Deferred Outflows of Resources** - In addition to assets, the statement of net 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 City has deferred outflows of resources related to pension, as described in Note 12, and OPEB, as described in Note 16.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position 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 City has deferred inflows of resources related to pension, as described in Note 12, and OPEB, as described in Note 16.

**Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs**

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position the City's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. 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.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

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**Note 2**

**Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**C. Assets, Liabilities, and Net Position or Equity (Concluded)**

**Net Position** - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

**Interfund Transactions** - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**Fund Balance Non-spendable, Restricted, Committed, Assigned, and Unassigned** - The fund balance is categorized as non-spendable, restricted, committed, assigned, or unassigned based on the relative strength of the spending constraints. The City has the authority to place funds under the committed and assigned categories. Restricted resources should be used first, followed by committed funds, assigned amounts, and then unassigned amounts. The City desired to maintain, in stable economic times, a fund balance of at least 15% of the City's General Fund annual operating expenditures.

- D. Estimates** - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items** - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2021.
- F. Budgetary Policies** - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the City Council at the function level. Any budgetary modifications may only be made by the City Council.

The City follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the fiscal officer submits to the City Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.

## CITY OF LUNA PIER

*Notes to Financial Statements  
Year Ended June 30, 2021*

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### **Note 2** **Summary of Significant Accounting Policies (Concluded)**

#### **Basis of Presentation (Concluded)**

#### **F. Budgetary Policies (Concluded)**

4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the City Council.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

### **Note 3** **Stewardship, Accountability and Compliance**

The City shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds. Even though not required by State Law, the City adopts budgets for the Capital Projects Funds.

In the required supplemental information, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

### **Note 4** **Deposits**

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the City may not be deposited in financial institutions located in states other than Michigan.

Public Act 367 of 1982 (known as the Surplus Funds Investment Pool Act) enables municipalities to invest surplus operating funds in investment pools managed by qualified financial institutions. At June 30, 2021, the City of Luna Pier had invested in such a fund with a local bank. The City is able to retrieve these funds without restriction and, accordingly, this amount is considered to be available cash.

The local bank invests these funds in a variety of instruments including bonds and direct obligations of the United States, certificates of deposit, commercial paper rated within the three highest classifications by not less than two standard rating services, United States government or federal agency obligation repurchase agreements and bankers acceptances of the United States banks.

The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized two depositories: First Merchants Bank and Monroe Community Credit Union.

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 4**

**Deposits – (Concluded)**

*Interest rate risk.* The City’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the City’s investment policy.

*Concentration of credit risk.* The City does not place any limits on the amount the City may deposit or invest in any one issuer.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned to the City. The City has \$2,098,171 invested in certificates of deposit, checking accounts, and money markets. The City’s deposits are insured by the FDIC or NCUSIF in the amount of \$710,963. Uninsured deposits are \$1,387,208. The City Council approves and designates a list of authorized depository institutions. The City’s investment policy does not address deposit risk.

*Foreign currency risk.* The City is not authorized to invest in investments which have this type of risk.

**Note 5**

**Interfund Payables and Receivables**

Such balances at June 30, 2021 were:

	Interfund Receivable	Interfund Payable
General Fund:		
Major Street Fund	\$80,102	\$0
Local Street Fund	92,624	0
Police Millage Fund	0	5,607
Flood Control Facility Fund	0	3,001
Waste Water Treatment Plant Fund	189,042	0
Major Street Fund:		
General Fund	0	80,102
Waste Water Treatment Plant Fund	0	7,849
Local Street Fund:		
General Fund	0	92,624
Waste Water Treatment Plant Fund	0	3,067
Police Millage Fund:		
General Fund	5,607	0
Flood Control Facility Fund:		
General Fund	3,001	0
Waste Water Treatment Plant Fund:		
Major Street Fund	7,849	0
Local Street Fund	3,067	0
General Fund	0	189,042
	\$381,292	\$381,292

Interfund balances reflect temporary loans and reimbursements due in the normal course of interfund activity.

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 6**

**Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2021 consisted of the following:

	<u>Transfer Out</u>
	General Fund
<u>Transfer In:</u>	
Police Millage Fund	<u>\$70,796</u>

The transfer from the General Fund to the Police Millage Fund was for normal operations of the police department.

**Note 7**

**Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental Activities				
Assets not being depreciated:				
Land	\$3,100	\$0	\$0	\$3,100
Construction in progress	126,428	13,158	0	139,586
	<u>129,528</u>	<u>13,158</u>	<u>0</u>	<u>142,686</u>
Capital assets being depreciated:				
Roads	835,786	0	0	835,786
Land improvements	1,117,863	30,711	0	1,148,574
Buildings and building improvements	1,624,184	16,790	0	1,640,974
Machinery and equipment	1,178,801	20,765	0	1,199,566
Vehicles	791,430	4,000	0	795,430
	<u>5,548,064</u>	<u>72,266</u>	<u>0</u>	<u>5,620,330</u>
Total capital assets	5,677,592	85,424	0	5,763,016
Less accumulated depreciation:				
Roads	(269,636)	(41,789)	0	(311,425)
Land improvements	(682,179)	(43,089)	0	(725,268)
Buildings and building improvements	(682,780)	(37,647)	0	(720,427)
Machinery and equipment	(1,069,640)	(30,002)	0	(1,099,642)
Vehicles	(756,749)	(6,796)	0	(763,545)
	<u>(3,460,984)</u>	<u>(159,323)</u>	<u>0</u>	<u>(3,620,307)</u>
Total accumulated depreciation	(3,460,984)	(159,323)	0	(3,620,307)
Net capital assets	<u>\$2,216,608</u>	<u>(\$73,899)</u>	<u>\$0</u>	<u>\$2,142,709</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 7**

**Capital Assets (Concluded)**

Depreciation expense was charged to governmental functions as follows:

General government	\$10,902
Public safety	22,617
Public works	97,941
Recreation and cultural	<u>27,863</u>
 Total governmental activities	 <u>\$159,323</u>

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>
Business-type Activities (Waste Water Treatment Plant Fund)				
Assets not being depreciated:				
Land	\$6,500	\$0	\$0	\$6,500
Construction in progress	428,642	0	428,642	0
	<u>435,142</u>	<u>0</u>	<u>428,642</u>	<u>6,500</u>
Capital assets being depreciated:				
Treatment plant	5,947,059	495,737	0	6,442,796
Sewer lines	1,051,208	0	0	1,051,208
Machinery and equipment	705,198	178,450	0	883,648
Vehicles	23,173	56,380	0	79,553
	<u>7,726,638</u>	<u>730,567</u>	<u>0</u>	<u>8,457,205</u>
Total capital assets	8,161,780	730,567	428,642	8,463,705
Less accumulated depreciation:				
Treatment plant	(2,017,118)	(156,786)	0	(2,173,904)
Sewer lines	(592,180)	(17,520)	0	(609,700)
Machinery and equipment	(697,806)	(20,262)	0	(718,068)
Vehicles	(23,174)	(6,041)	0	(29,215)
	<u>(3,330,278)</u>	<u>(200,609)</u>	<u>0</u>	<u>(3,530,887)</u>
Total accumulated depreciation	(3,330,278)	(200,609)	0	(3,530,887)
Net capital assets	<u>\$4,831,502</u>	<u>\$529,958</u>	<u>\$428,642</u>	<u>\$4,932,818</u>



**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8      Long-Term Debt**

Changes in principal during the 2020-21 fiscal year are summarized as follows:

Governmental Activities:

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>	<u>Due Within One Year</u>
Bonds and contracts payable:					
Direct borrowings and direct placements:					
2011 Lakeside Drain Assessment	\$350,863	\$0	\$31,896	\$318,967	\$31,897
2013 General Obligation Judgment Bonds (Limited Tax)	485,000	0	50,000	435,000	50,000
Michigan State Infrastructure Bank Loan	316,456	0	24,708	291,748	25,449
Monroe County Records Management System Loan	12,973	0	5,112	7,861	5,215
Other Liabilities:					
Compensated Absences Payable	<u>31,326</u>	<u>7,878</u>	<u>0</u>	<u>39,204</u>	<u>0</u>
Total governmental activities	<u>1,196,618</u>	<u>7,878</u>	<u>111,716</u>	<u>1,092,780</u>	<u>112,561</u>
Business-type activities:					
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Waste Water Treatment System Revenue Bonds, Series 2012A	2,629,000	0	52,000	2,577,000	54,000
Waste Water Treatment System Revenue Bonds, Series 2012B	89,000	0	2,000	87,000	2,000
Waste Water Treatment System Revenue Bonds, Series 2019	<u>434,000</u>	<u>0</u>	<u>6,000</u>	<u>428,000</u>	<u>7,000</u>
Total business-type activities	<u>3,152,000</u>	<u>0</u>	<u>60,000</u>	<u>3,092,000</u>	<u>63,000</u>
Total long-term debt	<u>\$4,348,618</u>	<u>\$7,878</u>	<u>\$171,716</u>	<u>\$4,184,780</u>	<u>\$175,561</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8      Long-Term Debt (Continued)**

Compensated absences payable represents vested benefits for unused vacation and personal days under formulas and conditions specified in the employee’s contract.

The following is a summary of the annual principal and interest requirements for the City debt:

**2011 Lakeside Drain Assessment** – The County of Monroe issued \$1,850,000 in 2011 Drainage District Bonds (General Obligation Limited Tax) on September 14, 2011 at an interest rate of 4.92%. The City of Luna Pier is obligated to pay \$842,644 to the County of Monroe in order to cover the City’s principle and interest requirements to retire this bond issue. Principal and interest payments are due on February 14.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$31,897	\$15,693	\$47,590
2023	31,897	14,124	46,021
2024	31,897	12,554	44,451
2025	31,897	11,015	42,912
2026	31,897	9,416	41,313
2027	31,897	7,847	39,744
2028	31,897	6,277	38,174
2029	31,896	4,721	36,617
2030	31,896	3,139	35,035
2031	31,896	1,569	33,465
	<u>\$318,967</u>	<u>\$86,355</u>	<u>\$405,322</u>

**2013 Judgment Bonds** – The City of Luna Pier issued \$720,000 in 2013 Judgment Bonds (General Obligation Limited Tax) on June 18, 2013, at an interest rate ranging from 0.95% to 4.2%. Principal payments are due on August 1 and interest payments are due on February 1 and August 1. The City pledges its full limited tax full faith and credit for the prompt payment of the bonds.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$50,000	\$14,708	\$64,708
2023	50,000	13,433	63,433
2024	50,000	12,045	62,045
2025	55,000	10,329	65,329
2026	55,000	8,253	63,253
2027	55,000	6,080	61,080
2028	60,000	3,750	63,750
2029	60,000	1,260	61,260
	<u>\$435,000</u>	<u>\$69,858</u>	<u>\$504,858</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8**

**Long-Term Debt (Continued)**

**Michigan State Infrastructure Bank Loan** – Loan payable in the amount of \$408,298. The interest rate is 3% with repayment in fifteen years. In the event that any payment remains unpaid for 30 days after it is due, all sums unpaid become due and payable at one at the option of MDOT. If the City fails to make any of its required payments when they are due, the State Treasurer is authorized and directed to withhold Michigan Transportation Fund disbursements until the balance is paid in full.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$25,449	\$8,753	\$34,202
2023	26,213	7,989	34,202
2024	26,999	7,203	34,202
2025	27,809	6,393	34,202
2026	28,643	5,559	34,202
2027	29,503	4,699	34,202
2028	30,388	3,813	34,201
2029	31,300	2,901	34,201
2030	32,238	1,963	34,201
2031	33,206	995	34,201
	<u>\$291,748</u>	<u>\$50,268</u>	<u>\$342,016</u>

**Monroe County Records Management System Loan** – The County of Monroe loaned the City \$15,491 on January 1, 2020, at an interest rate of 1.0%, for a records management system for the police department. The loan requires semi-annual payments of \$2,672.95, which will be paid in full on July 1, 2022.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$5,215	\$131	\$5,346
2023	2,646	27	2,673
	<u>\$7,861</u>	<u>\$158</u>	<u>\$8,019</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8**

**Long-Term Debt (Continued)**

**2012 Waste Water Treatment System Revenue Bonds** – The United States Department of Agriculture issued \$3,000,000 in Series 2012A Waste Water Treatment System Revenue Bonds on July 3, 2012, at an interest rate of 2.75%, for improvements to the waste water treatment plant. Principal payments are due on June 1 and interest payments are due on December 1 and June 1. The City has pledged substantially all revenue of the Waste Water Treatment Plant Fund, net of operating expenses, to repay the obligations.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$54,000	\$70,868	\$124,868
2023	55,000	69,382	124,382
2024	57,000	67,870	124,870
2025	58,000	66,302	124,302
2026	60,000	64,708	124,708
2027	62,000	63,058	125,058
2028	63,000	61,352	124,352
2029	65,000	59,620	124,620
2030	67,000	57,832	124,832
2031	69,000	55,990	124,990
2032	71,000	54,092	125,092
2033	72,000	52,140	124,140
2034	74,000	50,160	124,160
2035	76,000	48,126	124,126
2036	79,000	46,036	125,036
2037	81,000	43,862	124,862
2038	83,000	41,636	124,636
2039	85,000	39,352	124,352
2040	88,000	37,014	125,014
2041	90,000	34,596	124,596
2042	92,000	32,120	124,120
2043	95,000	29,590	124,590
2044	98,000	26,978	124,978
2045	100,000	24,282	124,282
2046	103,000	21,532	124,532
2047	106,000	18,700	124,700
2048	109,000	15,784	124,784
2049	112,000	12,788	124,788
2050	115,000	9,708	124,708
2051	118,000	6,544	124,544
2052	120,000	3,300	123,300
	<u>\$2,577,000</u>	<u>\$1,285,322</u>	<u>\$3,862,322</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8**

**Long-Term Debt (Continued)**

**2012 Waste Water Treatment System Revenue Bonds** – The United States Department of Agriculture issued \$103,000 in Series 2012B Waste Water Treatment System Revenue Bonds on July 3, 2012, at an interest rate of 2.75%, for improvements to the waste water treatment plant. Principal payments are due on June 1 and interest payments are due on December 1 and June 1. The City has pledged substantially all revenue of the Waste Water Treatment Plante Fund, net of operating expenses, to repay the obligations.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$2,000	\$2,392	\$4,392
2023	2,000	2,338	4,338
2024	2,000	2,282	4,282
2025	2,000	2,228	4,228
2026	2,000	2,172	4,172
2027	2,000	2,118	4,118
2028	2,000	2,062	4,062
2029	2,000	2,008	4,008
2030	2,000	1,952	3,952
2031	2,000	1,898	3,898
2032	2,000	1,842	3,842
2033	2,000	1,788	3,788
2034	3,000	1,732	4,732
2035	3,000	1,650	4,650
2036	3,000	1,568	4,568
2037	3,000	1,486	4,486
2038	3,000	1,402	4,402
2039	3,000	1,320	4,320
2040	3,000	1,238	4,238
2041	3,000	1,156	4,156
2042	3,000	1,072	4,072
2043	3,000	990	3,990
2044	3,000	908	3,908
2045	3,000	826	3,826
2046	4,000	742	4,742
2047	4,000	632	4,632
2048	4,000	522	4,522
2049	4,000	412	4,412
2050	4,000	302	4,302
2051	4,000	192	4,192
2052	3,000	82	3,082
	<u>\$87,000</u>	<u>\$43,312</u>	<u>\$130,312</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8**

**Long-Term Debt (Continued)**

**2019 Waste Water Treatment System Revenue Bonds** – The United States Department of Agriculture issued \$440,000 in Series 2019C Waste Water Treatment System Revenue Bonds on August 19, 2020, at an interest rate of 2.75%, for improvements to the waste water treatment plant. Principal payments are due on June 1 and interest payments are due on December 1 and June 1. The City has pledged substantially all revenue of the Waste Water Treatment Plante Fund, net of operating expenses, to repay the obligations.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$7,000	\$11,770	\$18,770
2023	7,000	11,578	18,578
2024	7,000	11,386	18,386
2025	7,000	11,192	18,192
2026	7,000	11,000	18,000
2027	7,000	10,808	17,808
2028	8,000	10,616	18,616
2029	8,000	10,396	18,396
2030	8,000	10,176	18,176
2031	8,000	9,956	17,956
2032	9,000	9,736	18,736
2033	9,000	9,488	18,488
2034	9,000	9,240	18,240
2035	9,000	8,992	17,992
2036	10,000	8,746	18,746
2037	10,000	8,470	18,470
2038	10,000	8,196	18,196
2039	10,000	7,920	17,920
2040	11,000	7,646	18,646
2041	11,000	7,342	18,342
2042	11,000	7,040	18,040
2043	12,000	6,738	18,738
2044	12,000	6,408	18,408
2045	12,000	6,078	18,078
2046	13,000	5,748	18,748
2047	13,000	5,390	18,390
2048	13,000	5,032	18,032
2049	14,000	4,676	18,676
2050	14,000	4,290	18,290
2051	14,000	3,906	17,906
2052	15,000	3,520	18,520
2053	15,000	3,108	18,108
2054	16,000	2,696	18,696
2055	16,000	2,256	18,256
2056	16,000	1,816	17,816
2057	16,000	1,376	17,376
2058	17,000	936	17,936
2059	17,000	468	17,468
	<u>\$428,000</u>	<u>\$266,136</u>	<u>\$694,136</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 8**      **Long-Term Debt (Concluded)**

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2021, excluding compensated absences, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities:</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$112,561	\$39,285	\$151,846
2023	110,756	35,573	146,329
2024	108,896	31,802	140,698
2025	114,706	27,737	142,443
2026	115,540	23,228	138,768
2027-2031	491,117	49,014	540,131
	<u>\$1,053,576</u>	<u>\$206,639</u>	<u>\$1,260,215</u>

<u>Fiscal Year</u>	<u>Business-type Activities:</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	63,000	85,030	148,030
2023	64,000	83,298	147,298
2024	66,000	81,538	147,538
2025	67,000	79,722	146,722
2026	69,000	77,880	146,880
2027-2031	375,000	359,842	734,842
2032-2036	431,000	305,336	736,336
2037-2041	494,000	242,636	736,636
2042-2046	564,000	171,052	735,052
2047-2051	648,000	88,878	736,878
2052-2056	201,000	16,778	217,778
2057-2058	50,000	2,780	52,780
	<u>\$3,092,000</u>	<u>\$1,594,770</u>	<u>\$4,686,770</u>

**Note 9**      **Building Department**

The City tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2021, of \$37,787, did not exceed the related costs and administrative overhead.

**Note 10**      **Property Taxes**

The City bills and collects its own property taxes and also taxes for the County of Monroe, State of Michigan, Monroe County Community College, Monroe County Intermediate School District, Mason Consolidated School District, and delinquent water bills for the South County Water System. Summer property taxes are billed on July 1 each year and collected by the City from July 1 to July 31. Winter property taxes are billed on December 1 each year and collected from December 1 to February 14.

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 10**    **Property Taxes (Concluded)**

The taxable valuation for both real and personal property as of December 31, 2020, amounted to \$43,889,728 which was based on a percentage of the fair market value of the assessed property. The 2020 tax roll consisted of the following:

	<u>General Operating</u>	<u>Flood Control</u>	<u>Police</u>	<u>Total</u>
Mills	9.8245	0.4997	2.0000	12.3242
Levy	\$431,190	\$21,927	\$87,776	\$540,893

**Note 11**    **Sewer Use Charge**

Ordinance No. 67, as amended by Ordinance No. 90, Ordinance No. 145, Ordinance No. 175, Ordinance No. 197, Resolution No. 830, and Resolution No. 852 established a charge to customers for use of the City of Luna Pier Waste Water Treatment System. The latest ordinance changed the customer charge from a flat-fee per residential unit to fees based on a fixed rate charge (depending on the size of the water meter) and volume charge (depending on the amount of water usage). The new rates per Resolution No. 941 vary from a fixed rate monthly charge of \$28.08 for a 5/8 inch meter to \$702.08 for a 4 inch meter. The volume charge was established at \$10.17 per 1,000 gallons of water usage. These fees are in addition to fees required for connections and permits and other fees required by other ordinances.

**Note 12**    **Employee's Defined Benefit Pension Plan**  
**Plan Description**

The City of Luna Pier's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City 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](http://www.mersofmich.com).

	<u>01 - General: Closed to new hires 2020 Valuation</u>	<u>10 - Water Treatment: Closed to new hires 2020 Valuation</u>	<u>20 - Police Chief: Open division 2020 Valuation</u>
Benefit Multiplier:	Bridged Benefit: 2.00% Multiplier (no max) Frozen FAC; to 1.50% Multiplier (no max)	Bridged Benefit: 2.00% Multiplier (no max) Frozen FAC; to 1.50% Multiplier (no max)	Bridged Benefit: 2.00% Multiplier (no max) Frozen FAC; to 1.50% Multiplier (no max)
Bridged Benefit Date:	6/30/2013	6/30/2013	7/31/2014
Normal Retirement Age:	60	60	60
Vesting:	10 years	10 years	10 years
Early Retirement (unreduced):	50/25	50/25	50/25
Early Retirement (Reduced):	55/15	55/15	55/15
Final Average Compensation:	3 years	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)	n/a	n/a
Employee Contributions:	5%	5%	5%
DC Plan for New Hires	7/1/2013	7/1/2013	n/a
Act 88:	No	No	No



CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

**Note 12** Employee’s Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>2</u>
Total employees covered by MERS	<u>21</u>

**Contributions**

The City 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. All full time employees contribute 5% of their salary to the plan.

For the year ended June 30, 2021, the City’s average contribution rate was 52.9 percent of annual payroll. The contribution requirements of plan members and the City are established by the City and by the MERS Council of Trustees.

**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 annual actuarial valuation as of that date.

**Actuarial Assumptions**

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

Inflation: 2.5%

Salary Increases: 3% plus merit and longevity: 3% in the long term

Investment rate of return: 7.35%, 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 the Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in the 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:

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 12 Employee's Defined Benefit Pension Plan (Continued)**

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.45%	4.47%	2.50%	2.97%
Global Fixed Income	20.00%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

**Discount Rate**

The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 12/31/19	\$5,075,106	\$2,156,159	\$2,918,947
Service cost	9,327	0	9,327
Interest on total pension liability	371,016	0	371,016
Difference between expected and actual experience	34,747	0	34,747
Changes in assumptions	124,002	0	124,002
Employer contributions	0	240,840	(240,840)
Employee contributions	0	5,178	(5,178)
Net investment income	0	256,025	(256,025)
Benefit payments, including employee refunds	(395,956)	(395,956)	0
Administrative expense	0	(4,197)	4,197
Net changes	<u>143,136</u>	<u>101,890</u>	<u>41,246</u>
Balances as of 12/31/20	<u>\$5,218,242</u>	<u>\$2,258,049</u>	<u>\$2,960,193</u>

Of the total net pension liability of \$2,960,193 at 12/31/20, \$1,776,116 has been allocated to governmental activities and \$1,184,077 has been allocated to the Waste Water Treatment Plant Fund.

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 12**    **Employee's Defined Benefit Pension Plan (Continued)**

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

	<u>1% Decrease (6.6%)</u>	<u>Current Discount Rate (7.6%)</u>	<u>1% Increase (8.6%)</u>
Net pension liability of the City	<u>\$3,484,563</u>	<u>\$2,960,193</u>	<u>\$2,516,114</u>

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

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

For the year ended June 30, 2021, the City recognized pension expense of \$352,059. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net differences between projected and actual plan investments earnings	\$0	(\$66,831)
Employer contributions to the plan subsequent to the measurement date	<u>128,880</u>	<u>0</u>
	<u>\$128,880</u>	<u>(\$66,831)</u>

Of the total net deferred outflows of resources, \$77,328 has been allocated to governmental activities and \$51,552 has been allocated to the Waste Water Treatment Plant Fund. Of the total net deferred inflows of resources, \$40,099 has been allocated to governmental activities and \$26,732 has been allocated to the Waste Water Treatment Plant Fund.

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending June 30, 2022.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

**Note 12** Employee's Defined Benefit Pension Plan (Concluded)

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

<u>Year ended June 30,</u>	<u>Amount</u>
2022	(\$13,340)
2023	9,583
2024	(43,535)
2025	(19,539)
	<u>(\$66,831)</u>

**Note 13** Employee's Defined Contribution Pension Plan

The City has a defined contribution retirement plan, which is offered through the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan. Five employees participate in the defined contribution pension plan. Contributions are 100% vested immediately. Employees contribute 5.0% of their wages to the plan. The city does not make contributions towards this plan.

**Note 14** Contingent Liability

The City of Luna Pier is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. No provision has been made for this potential liability.

**Note 15** Lake Front Sewer Projects

On March 11, 1988, the City of Luna Pier signed a contract with LaSalle Township which specified that the City of Luna Pier will provide the capacity for treatment of the Township's wastewater at the City of Luna Pier Wastewater Treatment Plant. The City of Luna Pier is responsible for the operation and maintenance of the system. The billing to LaSalle Township for LaSalle Township customers is based on actual usage at a rate equal to the City's customers.

**Note 16** Other Post-Employment Benefits

The City provides retiree healthcare benefits to eligible employees upon retirement. Depending on hire date, employees either participate in the Municipal Employees Retirement System (MERS) of Michigan's Retiree Health Funding Vehicle (defined benefit OPEB plan) or Health Care Savings Program (defined contribution OPEB plan). MERS pools assets of the participating employers for investing purposes, but maintains separate accounts for each individual employer in the Retiree Health Funding Vehicle and each individual employee in the Health Care Savings Program. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

**Note 16 Other Post-Employment Benefits (Continued)**

**A. MERS Retiree Health Funding Vehicle**

**Plan Description**

The MERS Retirement Health Funding Vehicle plan became operational in the fall of 2004 and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enables municipalities to accumulate monies to provide or subsidize health care benefits and beneficiaries as defined by IRS Code Section 213. The Plan accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling. The benefits are provided through a single-employer defined benefit OPEB plan. All investments are held by MERS.

**Contributions**

The City has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. Administrative costs of the Plan are paid for by the City. Plan participants are not required to contribute to the Plan.

**Benefits Provided**

Retirees and their spouses may elect coverage under the City’s health program for current active employees. Certain retirees have grandfathered benefit plans. The City pays a range of percentages for medical, dental, and optical coverage for retirees, and in certain instances, contributions toward spousal coverage, a portion of the coverage cost, depending on the retiree’s hire date, years of service, and union affiliation, as applicable. Retirees must be at least 50 when separating from active employment and receiving pension benefits to be eligible. Retirees may elect for additional coverage at their cost. Retirees electing to opt out of the health care plan are eligible to a stipend for coverage under another plan. City employees hired on or after January 1, 2012 are not eligible to receive coverage under this plan.

**Employees Covered by Benefit Terms**

At June 30, 2021, plan membership consisted of the following:

Retired participants	7
Active participants	<u>4</u>
Total employees	<u><u>11</u></u>

**Net OPEB Liability**

The City’s net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 16**    **Other Post-Employment Benefits (Continued)**  
**A. MERS Retiree Health Funding Vehicle (Continued)**  
**Actuarial Assumptions (Concluded)**

Actuarial cost method	Entry age normal
Investment rate of return	0%
Projected salary increases	2.0%
Average retirement age	60
Healthcare cost trend rates	4.9% for 2021, varying between 4.3% and 4.9% through 2030
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology
Mortality Table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Turnover Assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

The long term expected rate of return on the OPEB plan investments was determined using a forward looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	7.45%	4.47%	2.50%	2.97%
Global Fixed Income	20.00%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 16 Other Post-Employment Benefits (Continued)**

**B. MERS Retiree Health Funding Vehicle (Continued)**

**Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2021, was 2.66%. The projection of cash flows used to determine the discount rate assumes that City contributions will be made at the rates agreed upon for employees and the actuarially determined rates. Based on these assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

The components of the changes in the net OPEB liability are summarized as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2020	\$250,733	\$0	\$250,733
Service cost	288	0	288
Interest on total pension liability	7,153	0	7,153
Changes in benefits	0	0	0
Difference between expected and actual experience	(160,416)	0	(160,416)
Changes in assumptions	2,130	0	2,130
Employer contributions	0	25,331	(25,331)
Employee contributions	0	0	0
Net investment income	0	0	0
Benefit payments, including employee refunds	(25,331)	(25,331)	0
Administrative expense	0	0	0
<b>Net changes</b>	<b>(176,176)</b>	<b>0</b>	<b>(176,176)</b>
Balances at June 30, 2021	<u>\$74,557</u>	<u>\$0</u>	<u>\$74,557</u>

Of the total net OPEB liability of \$74,557 at June 30, 2021, \$44,734 has been allocated to governmental activities and \$29,823 has been allocated to the Waste Water Treatment Plant Fund.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rates**

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.66%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (1.66%) or 1.0% higher (3.66%) than the current rate:

	Current		
	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB liability of the City	<u>\$81,406</u>	<u>\$74,557</u>	<u>\$68,551</u>

**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

**Note 16 Other Post-Employment Benefits (Concluded)**

**A. MERS Retiree Health Funding Vehicle (Concluded)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower (2.0%) and 1.0% higher (4.0%) than the current healthcare cost trend rates:

	1% Decrease <u>(1.66%)</u>	Current Cost Trend Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Net OPEB liability of the City	<u>\$67,452</u>	<u>\$74,557</u>	<u>\$82,605</u>

**B. MERS Health Care Savings Program**

**Plan Description**

The City's defined contribution OPEB plan (Health Care Savings Program) provides certain health care benefits to plan members upon termination of employment. The City participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent, multiple employer, statewide public employee defined benefit contribution OPEB plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**Contributions**

The City contributes 2.0% of employee wages according to plan provisions. Employees do not make contributions toward this plan. Contribution rates are determined by the City and may be amended by the local governing body.

**Benefit Terms**

Employees become vested on the employer contributions after completing 90 days of creditable service to the employer, according to plan provisions.

**Contribution Amounts**

For the year ended June 30, 2021, there were no contributions to the plan.

**Forfeiture Amounts**

Non-vested employer contributions are forfeited after a period of 5 years has passed from the date of termination. Such forfeitures are used to cover future employer contributions, be directed to the employer's Retiree Health Funding Vehicle, or be equally distributed among all remaining active participants in the plan. There were no forfeitures for the year ended June 30, 2021.



**CITY OF LUNA PIER**

*Notes to Financial Statements  
Year Ended June 30, 2021*

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**Note 17**    **Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman’s compensation). The City has purchased commercial insurance for property loss, torts, errors, omissions, and employee injuries.

**Note 18**    **Joint Venture**

The South County Water System is a joint venture with the County of Monroe and four municipalities: LaSalle Township, Bedford Township, Erie Township, and the City of Luna Pier. However, the municipalities do not have an equity interest in this joint venture. The City of Luna Pier and the other three municipalities entered into another contract with the County of Monroe whereby each municipality has pledged their full faith and credit to provide debt service payments on the \$2,610,000 bond issue dated August 11, 2016. The bond proceeds were used to acquire and construct improvements to the South County Water System and refund \$2,535,000 of the 2005 bond issue dated October 1, 2005. Each municipality is obligated for their share of the obligation based on the assessed property valuations which are computed annually. Currently, the South County Water System provides the debt retirement requirements on the \$2,610,000 bond issue which are paid from the system’s revenues.

As of June 30, 2021, the City of Luna Pier’s obligation for this bond issue is 2.8590%. The following is the financial information of the joint venture, obtained from the Monroe County Drain Commissioner, County Agency financial report as of December 31, 2020:

Total assets	\$31,955,431
Total deferred outflows	581,920
Total liabilities	4,277,968
Total deferred inflows	475,122
Total net position	27,784,261
Total revenues	9,971,341
Total expenses	8,801,584
Total increase in net position	1,169,757
Current portion of long-term debt	290,000
Long-term debt (net of discounts)	1,225,000

**Note 19**    **Governmental Regulation**

Substantially all of the City’s facilities are subject to federal, state, and local provisions regulating the discharge of material into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the City. Management believes that the current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

CITY OF LUNA PIER

Notes to Financial Statements  
Year Ended June 30, 2021

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**Note 20**     **New Accounting Standard**

During the year ended June 30, 2021, the City implemented the following pronouncement: GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

**Note 21**     **Subsequent Events**

The City's management evaluated subsequent events from June 30, 2021 through December 14, 2021, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the ultimate impact and duration of this outbreak is uncertain, the City anticipates a negative impact on net assets, operations, and cash flows. Possible effects include, but are not limited to, decreases in property taxes, state shared revenue, state grants, charges for services, and other revenue. However, the financial impact of such decreases cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF LUNA PIER**

*General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property taxes	\$431,193	\$431,193	\$431,646	\$453
Payment in lieu of taxes	2,000	2,000	1,457	(543)
Tax administration fee	17,925	17,925	17,075	(850)
Penalties and interest	1,500	1,500	3,557	2,057
	<u>452,618</u>	<u>452,618</u>	<u>453,735</u>	<u>1,117</u>
Licenses and permits:				
Business	27,950	27,950	22,985	(4,965)
Building permits	10,000	10,000	19,621	9,621
Plan review fee	2,000	2,000	6,068	4,068
Plumbing permits	1,000	1,000	2,433	1,433
Parking and launching permits	3,200	3,200	7,175	3,975
Parking - Pay and Display	31,600	31,600	87,244	55,644
Electrical permits	3,000	3,000	4,684	1,684
Mechanical permits	2,500	2,500	3,600	1,100
	<u>81,250</u>	<u>81,250</u>	<u>153,810</u>	<u>72,560</u>
Federal grant:				
Grant Revenue	0	6,235	47,231	40,996
State grants:				
State shared revenue	186,434	186,434	151,275	(35,159)
Local community stabilization	0	0	21,060	21,060
Liquor license fees	1,100	1,100	1,167	67
	<u>187,534</u>	<u>187,534</u>	<u>173,502</u>	<u>(14,032)</u>
Local grants:				
Other	0	0	7,936	7,936
Charges for services:				
Bed tax	1,500	1,500	1,226	(274)
Fringe benefit recovery	2,000	2,000	3,505	1,505
	<u>3,500</u>	<u>3,500</u>	<u>4,731</u>	<u>1,231</u>
Fines and forfeits	3,000	3,000	3,606	606
Interest income	2,000	2,000	2,901	901
Rentals:				
Equipment rental	25,000	25,000	31,496	6,496
Building rental	8,000	8,000	4,940	(3,060)
Police range rental	150	150	510	360
AT&T tower land lease	21,650	21,650	21,600	(50)
	<u>54,800</u>	<u>54,800</u>	<u>58,546</u>	<u>3,746</u>
Other revenue:				
Donations	0	0	13,320	13,320
Sale of property	0	0	9,320	9,320
Other revenue	15,500	15,500	4,205	(11,295)
	<u>15,500</u>	<u>15,500</u>	<u>26,845</u>	<u>11,345</u>
Total Revenues	800,202	806,437	932,843	85,410

**CITY OF LUNA PIER**

*General Fund*

*Statement of Revenues, Expenditures, and Changes in Fund Balances*

*Budget and Actual*

*Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
Legislative:				
Council	\$8,087	\$8,087	\$7,870	\$217
General government:				
Mayor	3,875	3,875	3,391	484
Election	5,155	8,455	10,701	(2,246)
Finance	10,500	10,500	4,000	6,500
Assessor	19,625	19,625	16,669	2,956
Attorney	15,000	15,000	5,725	9,275
Clerk	61,846	61,886	50,908	10,978
Board of review	500	500	450	50
Treasurer	54,463	54,463	49,916	4,547
City hall and grounds	20,600	46,100	38,741	7,359
	<u>191,564</u>	<u>220,404</u>	<u>180,501</u>	<u>39,903</u>
Public safety:				
Police department	36,932	51,759	47,696	4,063
Fire department	47,247	120,080	54,532	65,548
Building inspection	35,287	35,287	31,001	4,286
	<u>119,466</u>	<u>207,126</u>	<u>133,229</u>	<u>73,897</u>
Public works:				
Public works	62,266	62,266	49,884	12,382
Drains	47,591	49,207	49,206	1
Streetlights	25,215	28,216	28,216	0
	<u>135,072</u>	<u>139,689</u>	<u>127,306</u>	<u>12,383</u>
Community and economic development:				
Economic development	0	47,231	46,877	354
Recreation and cultural:				
Recreation	109,622	109,622	27,496	82,126
Water tower park	9,805	9,805	17,847	(8,042)
Library	4,275	4,275	2,942	1,333
	<u>123,702</u>	<u>123,702</u>	<u>48,285</u>	<u>75,417</u>
Debt service	66,979	69,497	71,178	(1,681)
Other:				
Insurance and bonds	30,000	30,000	23,968	6,032
Hospital and dental insurance	30,000	30,000	15,344	14,656
Pension	254,568	254,568	249,660	4,908
Social security	60	60	0	60
	<u>314,628</u>	<u>314,628</u>	<u>288,972</u>	<u>25,656</u>
Total Expenditures	<u>959,498</u>	<u>1,130,364</u>	<u>904,218</u>	<u>226,146</u>
Excess (Deficiency) of Revenues Over Expenditures	(159,296)	(323,927)	28,625	311,556
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	<u>(40,000)</u>	<u>(66,796)</u>	<u>(70,796)</u>	<u>(4,000)</u>
<b>Net Change in Fund Balances</b>	(199,296)	(390,723)	(42,171)	307,556
Fund Balances - Beginning of year	<u>1,149,779</u>	<u>1,127,112</u>	<u>1,109,518</u>	<u>(17,594)</u>
Fund Balances - End of year	<u>\$950,483</u>	<u>\$736,389</u>	<u>\$1,067,347</u>	<u>\$289,962</u>

**CITY OF LUNA PIER**

*Major Street Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$108,100	\$108,100	\$123,910	\$15,810
Other state grant	200	200	75	(125)
Interest income	0	0	156	156
Other revenue	3,000	3,000	0	(3,000)
<b>Total Revenues</b>	<b>111,300</b>	<b>111,300</b>	<b>124,141</b>	<b>15,841</b>
<b>Expenditures</b>				
Public works:				
Preservation	7,000	7,000	3,620	3,380
Routine maintenance	25,000	25,000	23,057	1,943
Traffic services	4,100	4,100	0	4,100
Winter maintenance	7,750	7,750	0	7,750
Administrative and engineering	27,447	27,447	3,095	24,352
	71,297	71,297	29,772	41,525
Debt service:				
Principal	24,708	24,708	24,708	0
Interest	9,494	9,494	9,494	0
	34,202	34,202	34,202	0
<b>Total Expenditures</b>	<b>105,499</b>	<b>105,499</b>	<b>63,974</b>	<b>41,525</b>
<b>Net Change in Fund Balances</b>	<b>5,801</b>	<b>5,801</b>	<b>60,167</b>	<b>57,366</b>
Fund Balances - Beginning of year	224,848	214,664	214,664	0
Fund Balances - End of year	<u>\$230,649</u>	<u>\$220,465</u>	<u>\$274,831</u>	<u>\$54,366</u>

**CITY OF LUNA PIER**

*Local Street Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State grants:				
Gas and weight tax	\$52,500	\$52,500	\$64,901	\$12,401
Other state grant	500	500	1,253	753
Interest	0	0	131	131
Total Revenues	53,000	53,000	66,285	13,154
<b>Expenditures</b>				
Public works:				
Preservation	10,000	10,000	5,589	4,411
Routine maintenance	22,600	22,600	26,250	(3,650)
Traffic services	2,550	2,550	0	2,550
Winter maintenance	6,650	6,650	0	6,650
Administrative and engineering	10,818	10,818	3,580	7,238
Total Expenditures	52,618	52,618	35,419	17,199
<b>Net Change in Fund Balances</b>	382	382	30,866	30,353
Fund Balances - Beginning of year	213,923	205,856	205,856	0
Fund Balances - End of year	\$214,305	\$206,238	\$236,722	\$30,484

**CITY OF LUNA PIER**

*Police Millage Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$88,039	\$88,039	\$88,092	\$53
Federal grants	0	4,000	10,696	6,696
State grants	0	0	1,914	1,914
Donation	3,750	3,750	0	(3,750)
Total Revenue	91,789	95,789	100,702	4,913
<b>Expenditures</b>				
Public safety:				
Police department	142,598	193,978	165,608	28,370
Excess (Deficiency) of Revenues Over Expenditures	(50,809)	(98,189)	(64,906)	33,283
<b>Other Financing Sources (Uses)</b>				
Operating transfer in	40,000	40,000	70,796	30,796
<b>Net Change in Fund Balances</b>	(10,809)	(58,189)	5,890	64,079
Fund Balances - Beginning of year	10,206	2,420	2,420	0
Fund Balances - End of year	(\$603)	(\$55,769)	\$8,310	\$64,079



**CITY OF LUNA PIER**

*Garbage and Rubbish Collection Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special assessments	\$67,850	\$67,850	\$67,850	\$0
<b>Expenditures</b>				
Public works:				
Refuse collection	68,735	68,735	58,580	10,155
<b>Net Changes in Fund Balances</b>	(885)	(885)	9,270	10,155
Fund Balances - Beginning of year	19,697	8,651	8,651	0
Fund Balances - End of year	\$18,812	\$7,766	\$17,921	\$10,155

**CITY OF LUNA PIER**

*Downtown Development Authority Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property tax	\$0	\$0	\$341	\$341
Other revenue:				
Sponsorships	0	0	250	250
Total Revenues	0	0	591	591
<b>Expenditures</b>				
Community and economic development:				
Miscellaneous	1,000	1,000	0	1,000
<b>Net Change in Fund Balances</b>	(1,000)	(1,000)	591	1,591
Fund Balances - Beginning of year	451	451	451	0
Fund Balances - End of year	<u>(\$549)</u>	<u>(\$549)</u>	<u>\$1,042</u>	<u>\$1,591</u>

**CITY OF LUNA PIER**

*Community Development Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income:	\$0	\$0	\$0	\$0
<b>Expenditures</b>				
Community and economic development:				
Professional fees	7,155	7,500	2,000	5,500
Miscellaneous	2,000	2,000	3,020	(1,020)
Total Expenditures	9,155	9,500	5,020	4,480
<b>Net Change in Fund Balances</b>	(9,155)	(9,500)	(5,020)	4,480
Fund Balances - Beginning of year	56,182	56,182	56,182	0
Fund Balances - End of year	\$47,027	\$46,682	\$51,162	\$4,480

**CITY OF LUNA PIER**

*Flood Control Facilities Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes:				
Property	\$21,931	\$21,931	\$21,939	\$8
Penalties and interest	2,000	2,000	69	(1,931)
	<u>23,931</u>	<u>23,931</u>	<u>22,008</u>	<u>(1,923)</u>
State grants	0	0	1,206	1,206
Interest income	0	0	1,890	1,890
	<u>0</u>	<u>0</u>	<u>1,890</u>	<u>1,890</u>
Total revenues	23,931	23,931	25,104	1,173
<b>Expenditures</b>				
Public works:				
Dike maintenance	20,000	30,950	30,950	0
Pump stations utilities	4,500	4,500	3,163	1,337
Emergency maintenance	0	0	0	0
Miscellaneous	1,000	1,000	1,183	(183)
	<u>1,000</u>	<u>1,000</u>	<u>1,183</u>	<u>(183)</u>
Total Expenditures	25,500	36,450	35,296	1,154
	<u>25,500</u>	<u>36,450</u>	<u>35,296</u>	<u>1,154</u>
<b>Net Change in Fund Balances</b>	(1,569)	(12,519)	(10,192)	2,327
Fund Balances - Beginning of year	200,905	214,410	214,410	0
	<u>200,905</u>	<u>214,410</u>	<u>214,410</u>	<u>0</u>
Fund Balances - End of year	\$199,336	\$201,891	\$204,218	\$2,327
	<u>\$199,336</u>	<u>\$201,891</u>	<u>\$204,218</u>	<u>\$2,327</u>

**CITY OF LUNA PIER**

*Fire Millage Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended June 30, 2021*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interest income	\$3,750	\$3,750	\$0	(\$3,750)
<b>Expenditures</b>				
Public safety:				
Fire department:	0	0	0	0
<b>Net Changes in Fund Balances</b>	3,750	3,750	0	(3,750)
Fund Balances - Beginning of year	52	52	52	0
Fund Balances - End of year	<u>\$3,802</u>	<u>\$3,802</u>	<u>\$52</u>	<u>(\$3,750)</u>

**CITY OF LUNA PIER**

*Schedule of Changes in the Employer's Net Pension Liability and Related Ratios  
Municipal Employees' Retirement System of Michigan  
Last 10 Fiscal Years (Amounts determined as of 12/31 of each year)*

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$9,327	\$8,953	\$8,652	\$15,889	\$25,427	\$28,199	\$27,220
Interest	371,016	362,353	373,251	368,396	364,922	359,902	356,388
Changes of Benefit Terms	0	0	0	0	0	0	0
Difference between expected and actual experience	34,747	(55,825)	109,311	51,390	3,991	(80,320)	0
Changes of assumptions	124,002	174,578	0	0	0	230,826	0
Benefit payments including employee refunds	(395,956)	(394,715)	(383,673)	(359,058)	(333,245)	(343,041)	(339,966)
Other	0	19,072	0	(1)	0	1	1
<b>Net Change in Total Pension Liability</b>	143,136	114,416	107,541	76,616	61,095	195,567	43,643
Total Pension Liability - Beginning of year	5,075,106	4,960,690	4,853,149	4,776,533	4,715,438	4,519,871	4,476,228
Total Pension Liability - End of year	\$5,218,242	\$5,075,106	\$4,960,690	\$4,853,149	\$4,776,533	\$4,715,438	\$4,519,871
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	\$240,840	\$210,684	\$184,521	\$163,243	\$143,494	\$129,531	\$111,202
Contributions - employee	5,178	4,819	7,699	12,165	15,434	15,788	16,566
Net investment income	256,025	270,291	(85,346)	287,237	240,022	(33,685)	153,221
Administrative expenses	(4,197)	(4,648)	(4,394)	(4,566)	(4,748)	(5,112)	(5,569)
Benefit payments, including refunds	(395,956)	(394,715)	(383,673)	(359,058)	(333,245)	(343,041)	(339,966)
Other	0	0	0	0	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	101,890	86,431	(281,193)	99,021	60,957	(236,519)	(64,546)
Plan Fiduciary Net Position - Beginning of year	2,156,159	2,069,728	2,350,921	2,251,900	2,190,943	2,427,462	2,492,008
Plan Fiduciary Net Position - End of year	\$2,258,049	\$2,156,159	\$2,069,728	\$2,350,921	\$2,251,900	\$2,190,943	\$2,427,462
<b>City's Net Pension Liability - Ending</b>	\$2,960,193	\$2,918,947	\$2,890,962	\$2,502,228	\$2,524,633	\$2,524,495	\$2,092,409
<b>Plan Fiduciary Net Position as a percentage of Total Pension Liability</b>	43.3%	42.5%	41.7%	48.4%	47.1%	46.5%	53.7%
<b>Covered Employee Payroll</b>	\$104,159	\$97,245	\$96,573	\$178,738	\$284,867	\$318,225	\$307,324
<b>City's Net Pension Liability as a percentage of Covered Employee Payroll</b>	2842.0%	3001.6%	2993.6%	1399.9%	886.2%	793.3%	680.8%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE December 31, 2014.

**CITY OF LUNA PIER**

*Schedule of Employer's Contributions  
Municipal Employees' Retirement System of Michigan  
Last 10 Fiscal Years (Amounts determined as of 12/31 of each year)*

	2020	2019	2018	2017	2016	2015	2014
Actuarial determined contributions	\$240,840	\$210,684	\$184,521	\$163,243	\$143,494	\$129,531	\$111,202
Contributions in relation to the actuarially determined contribution	240,840	210,684	184,521	163,243	143,494	129,531	111,202
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**Notes to Schedule of City Contributions**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.35%
Retirement age	Normal age is 60, or 50 with 25 years of service, or 55 with 15 years of service
Mortality	50% female/50% male 2014 Group Annuity Mortality Table

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE December 31, 2014.

**CITY OF LUNA PIER**

*Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios  
Municipal Employees' Retirement System of Michigan  
Last 10 Fiscal Years (Amounts determined as of 6/30 of each year)*

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service Cost	\$288	\$288	\$20,897	\$20,897
Interest	7,153	8,211	1,479	1,848
Changes of Benefit Terms	0	0	0	0
Difference between expected and actual experience	(160,416)	(24,878)	(149,001)	(14,656)
Changes of assumptions	2,130	4,945	(48,271)	(95,871)
Benefit payments including employee refunds	(25,331)	(22,353)	(25,293)	(45,228)
Other	0	0	1	0
<b>Net Change in Total OPEB Liability</b>	<b>(176,176)</b>	<b>(33,787)</b>	<b>(200,188)</b>	<b>(133,010)</b>
Total OPEB Liability - Beginning of year	250,733	284,520	484,708	617,718
Total OPEB Liability - End of year	\$74,557	\$250,733	\$284,520	\$484,708
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$25,331	\$22,353	\$25,293	\$45,228
Contributions - employee	0	0	0	0
Net investment income	0	0	0	0
Administrative expenses	0	0	0	0
Benefit payments, including refunds	(25,331)	(22,353)	(25,293)	(45,228)
Other	0	0	0	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Plan Fiduciary Net Position - Beginning of year	0	0	0	0
Plan Fiduciary Net Position - End of year	\$0	\$0	\$0	\$0
<b>City's Net OPEB Liability - Ending</b>	<b>\$74,557</b>	<b>\$250,733</b>	<b>\$284,520</b>	<b>\$484,708</b>
<b>Plan Fiduciary Net Position as a percentage of Total OPEB Liability</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Covered Employee Payroll</b>	<b>\$173,077</b>	<b>\$176,351</b>	<b>\$89,550</b>	<b>\$26,317</b>
<b>City's Net OPEB Liability as a percentage of Covered Employee Payroll</b>	<b>43.1%</b>	<b>142.2%</b>	<b>317.7%</b>	<b>1841.8%</b>

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2018.



OTHER SUPPLEMENTAL INFORMATION

**CITY OF LUNA PIER**

*Waste Water Treatment Plant Fund  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Years Ended June 30, 2021*

	2021
<b>Operating Revenues</b>	
Charges for services:	
Sewer use charge - Luna Pier	\$472,117
Sewer use charge - LaSalle Township	112,066
	<u>584,183</u>
Other revenue	4,197
	<u>4,197</u>
Total Operating Revenues	588,380
<b>Operating Expenses</b>	
Sewer processing and maintenance:	
Salaries	105,764
Payroll taxes	9,463
Workers compensation	2,592
Pension	45,568
Hospitalization insurance and other post-employment benefits	(50,388)
Insurance	9,558
Supplies and chemicals	28,519
Contracted services	23,352
Utilities and telephone	38,267
Maintenance	3,615
Schooling	0
Miscellaneous	4,765
Depreciation	200,609
	<u>421,684</u>
Administration:	
Salaries	21,529
Professional fees	2,038
	<u>23,567</u>
Total Operating Expenses	445,251
Net Operating Income (Loss)	143,129
<b>Non-Operating Revenues (Expenses)</b>	
Grant proceeds	309,066
Interest	(86,680)
Total Non-Operating Revenues (Expenses)	<u>222,386</u>
<b>Change in Net Position</b>	365,515
Net Position - Beginning of year	823,449
Net Position - End of year	<u>\$1,188,964</u>

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and City Council  
City of Luna Pier  
Monroe County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Luna Pier as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the City's internal control to be a material weakness:

## Financial Statements

The City does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

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

## General Ledger

One of the important parts of the system of checks and balances between the Clerk and the Treasurer is the comparing of the month-end cash balances. During the audit, we noted several bank accounts that were not reconciled with the general ledger. We recommend that after the Treasurer reconciles the monthly bank statements, the Clerk and Treasurer compare the results with the cash balances of the general ledger and reconcile any differences.


Honorable Mayor and City Council  
City of Luna Pier

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

We appreciate the cooperation and courtesy extended to us by the officials and employees of the City during the audit engagement. We are encouraged by the City's efforts to improve and maintain a sound internal accounting control system and by the efficiency of those people involved. It is our pleasure to have been of service to the City of Luna Pier.

Very truly yours,



December 14, 2021

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2021

Honorable Mayor and City Council  
City of Luna Pier  
Monroe County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Luna Pier for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *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 Luna Pier are described in Note 2 to the financial statements. During the year ended June 30, 2021, the City implemented GASB No. 84, *Fiduciary Activities* and GASB No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. We noted no transactions entered into by the City of Luna Pier 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 allowance of doubtful accounts is based on the sewer use charges. We evaluated the key factors and assumptions used to develop an estimate of a zero percent for the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the useful lives of depreciable capital assets is based on the length of time those assets will provide economic benefit in the future.

Management's estimate of the accrued compensated absences is based on formulas and conditions specified in various contracts regarding vacation and sick leave benefits.

Management's valuation of pension and other post-retirement benefits is based on formulas and assumptions about the probability of the occurrence of events far into the future.

Honorable Mayor and City Council  
City of Luna Pier

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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, some of which were material to the financial statements.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 14, 2021.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Luna Pier'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 the major fund budget and actual statements and required pension and OPEB schedules, which are required supplementary information (RSI), which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Honorable Mayor and City Council  
City of Luna Pier

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We were engaged to report on the Waste Water Treatment Plant Statement of Revenues, Expenses, and Changes in Fund Net Position, which accompanies the financial statements but is not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the City Council and management of the City of Luna Pier and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Cooly Hill Jack + Calkins*