

CITY OF LUNA PIER
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2023

CITY OF LUNA PIER

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CALKINS HEHL RAFKO
— CERTIFIED PUBLIC ACCOUNTANTS —

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Luna Pier, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Luna Pier, Michigan, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibility for the Audit of the Financial Statements

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

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

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

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

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 post-employment benefit (OPEB) schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 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.

Honorable Mayor and Members of City Council
City of Luna Pier

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Luna Pier, Michigan’s basic financial statements. The other supplemental information, as identified in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the City of Luna Pier, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Luna Pier, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Luna Pier, Michigan’s internal control over financial reporting and compliance.



Monroe, Michigan
December 13, 2023

CITY OF LUNA PIER

Management's Discussion and Analysis Year Ended June 30, 2023

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, 2023. 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, 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

Federal Financial Assistance Programs

CITY OF LUNA PIER

Management's Discussion and Analysis
Year Ended June 30, 2023

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities, 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 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.

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, 2023*

Financial Highlights

The following are some of the financial highlights for the 2022-23 fiscal year:

- ❖ Construction continued the Lighthouse project
- ❖ Purchased a new Fire Department door
- ❖ Purchased a new police computer
- ❖ Purchased 3 sets of turnout gear
- ❖ Purchased equipment and accessories for ambulance
- ❖ Updated the Luke II parking pay station
- ❖ Concrete fill at Allen Cove Bridge
- ❖ Purchased 2 new pumps at Allen Cove
- ❖ Sealed south end seawall

CITY OF LUNA PIER

*Management's Discussion and Analysis
Year Ended June 30, 2023*

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, 2023:

Table 1:

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
	2023	2023	2023
Current and other assets	\$2,313,940	\$893,456	\$3,207,396
Capital assets, net	1,996,833	4,515,725	6,512,558
Total Assets	4,310,773	5,409,181	9,719,954
Deferred outflows related to pension	213,199	142,132	355,331
Current and other liabilities	163,552	66,886	230,438
Long-term liabilities	2,796,402	4,257,502	7,053,904
Total Liabilities	2,959,954	4,324,388	7,284,342
Deferred inflows related to leases	69,407	0	69,407
Net Position			
Net investment in capital assets	1,485,548	1,550,725	3,036,273
Restricted for highways and streets	693,517	0	693,517
Restricted for rubbish collection	28,056	0	28,056
Restricted for flood control	276,251	0	276,251
Restricted for police protection	24,789	0	24,789
Restricted for community and economic development	28,759	0	28,759
Unrestricted	(1,042,309)	(323,800)	(1,366,109)
Total Net Position	\$1,494,611	\$1,226,925	\$2,721,536

As depicted in Table 1, the City’s net position was \$2.7 million at June 30, 2023. Of this amount, the unrestricted net position was a deficit of \$1,366,109. 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, 2023*

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, 2023.

Table 2:

Statement of Changes in Net Position

	Governmental Activities	Business-Type Activities	Total
	2023	2023	2023
Revenues			
Program revenues			
Charges for services	\$248,064	\$697,938	\$946,002
Federal, state, and local grants	205,564	0	205,564
	<u>453,628</u>	<u>697,938</u>	<u>1,151,566</u>
General revenues			
Property taxes	694,704	0	694,704
Special assessments	58,800	0	58,800
Federal grants	144,539	0	144,539
State grants	189,537	0	189,537
Other general revenues and transfers	65,770	585	66,355
	<u>1,153,350</u>	<u>585</u>	<u>1,153,935</u>
Total Revenues	1,606,978	698,523	2,305,501
Functions/Program Expenses			
Legislative	7,718	0	7,718
General government	551,977	0	551,977
Public safety	276,496	0	276,496
Public works	321,685	0	321,685
Community/economic development	22,478	0	22,478
Recreation and cultural	92,682	0	92,682
Interest on long term-term debt	19,589	0	19,589
Waste Water Treatment Plant	0	624,843	624,843
Total Expenses	<u>1,292,625</u>	<u>624,843</u>	<u>1,917,468</u>
Change in Net Position	314,353	73,680	388,033
Net Position - Beginning of year	<u>1,180,258</u>	<u>1,153,245</u>	<u>2,333,503</u>
Net Position - End of year	<u><u>\$1,494,611</u></u>	<u><u>\$1,226,925</u></u>	<u><u>\$2,721,536</u></u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$1.3 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, 2023*

Government–Wide Financial Analysis – Concluded

The City experienced an increase in net position of \$388,033. 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 in the financial section.

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 \$2,205,904, which is an increase of \$287,382 from last year. The changes by fund types are as follows:

	General Fund	Special Revenue Funds	Total
Fund balances - Beginning of year	\$986,925	\$931,597	\$1,918,522
Increase (decrease)	<u>120,445</u>	<u>166,937</u>	<u>287,382</u>
Fund balances - End of year	<u>\$1,107,370</u>	<u>\$1,098,534</u>	<u>\$2,205,904</u>

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

	<u>June 30, 2023</u>
Revenues	
Property taxes	\$531,749
Licenses and permits	171,528
Federal grants	144,539
State grants	187,106
Local grants	0
Charges for services	26,573
Fines and forfeits	8,930
Interest income	0
Rentals	64,588
Other revenue	<u>28,288</u>
Total Revenues	<u><u>\$1,163,301</u></u>

Property taxes account for approximately 46% of the City’s revenue. The City also had state shared revenues of \$162,677, pay and display parking permits of \$113,332, and ARPA revenues of \$137,189.

CITY OF LUNA PIER

*Management's Discussion and Analysis
Year Ended June 30, 2023*

Fund Financial Analysis – Concluded

	<u>June 30, 2023</u>
Expenditures	
Legislative	\$7,718
General government	544,052
Public safety	136,154
Public works	123,828
Community and economic development	19,978
Recreation and cultural	87,621
Debt service	66,105
Operating transfers out	<u>57,400</u>
	<u><u>\$1,042,856</u></u>

Approximately 52% of the General Fund's expenditures were for general government, which included pension expenditures of \$313,071.

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 \$898,444 and the amended budget was \$975,136 during the 2022-23 fiscal year. The budgeted was amended in order to account for the increase in federal grants, charges for services, and other revenue. The City relies heavily on property taxes and state shared revenue to fund General Fund expenditures. Property taxes and state shared revenue make up 53% of the General Fund revenues.

Expenditures - The original and amended budgeted a total of \$1,117,567 during the 2022-23 fiscal year.

CITY OF LUNA PIER

Management's Discussion and Analysis
Year Ended June 30, 2023

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the City had \$14.4 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 \$84,749 included a fire department door, police computer, turnout gear, equipment and accessories for ambulance, Luke II parking pay station, lighthouse, concrete fill at Allen Cove bridge, pumps for Allen Cove, and seal south end seawall. Depreciation for governmental activities totaled \$170,607, and depreciation for business-type activities totaled \$207,098. Detailed information regarding capital assets is included in Note 7 to the financial statements.

Debt Administration

At June 30, 2023, the City had \$255,173 in special assessment drainage district bonds payable, \$335,000 in 2016 General Obligation Judgment Bonds, and \$240,085 in a Michigan State Infrastructure Bank Loan. The City had accrued a liability for unused vacation and personal days of \$37,289 at June 30, 2023. The City had \$2,468,000 of 2012A Waste Water Treatment System Revenue Bonds, \$83,000 of 2012B Waste Water Treatment System Revenue Bonds, and \$414,000 in 2019 Waste Water Treatment System Revenue Bonds. Detailed information regarding the City's debt is included in Note 8 to the financial statements.

Other Post-Employment Healthcare Benefits

During the fiscal year ended June 30, 2023, the City completed an actuarial valuation of the retiree healthcare benefits offered to eligible employees. As indicated in Note 17 to the financial statements, the actuarial accrued liability is \$76,968. This benefit is not currently funded and is recognized on a "pay-as-you-go" basis.

Development of the 2023-24 Fiscal Year Budget

Our elected officials considered many factors when setting the City's 2023-24 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 2023-24, the City anticipates General Fund revenues of \$1,196,210 and expenditures of \$1,152,841, which results in an increase of \$43,369 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, 2023*

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$1,593,708	\$372,271	\$1,965,979
Certificates of deposit	537,342	0	537,342
Accounts/loans receivable	45,655	227,416	273,071
Lease receivable	69,407	0	69,407
Due from other governmental units	62,517	0	62,517
Internal balances	(2,869)	2,869	0
Prepaid expenses	8,180	3,543	11,723
Restricted cash	0	287,357	287,357
Capital assets, net	1,996,833	4,515,725	6,512,558
Total Assets	4,310,773	5,409,181	9,719,954
Deferred Outflows of Resources			
Deferred outflows related to pension	213,199	142,132	355,331
Liabilities			
Accounts payable	38,629	886	39,515
Other liabilities	16,027	0	16,027
Current portion of long-term debt	108,896	66,000	174,896
Long-term liabilities:			
Due in more than one year	758,651	2,899,000	3,657,651
Net pension liability	1,991,570	1,327,714	3,319,284
Net OPEB liability	46,181	30,788	76,969
Total Liabilities	2,959,954	4,324,388	7,284,342
Deferred Inflows of Resources			
Deferred inflows related to leases	69,407	0	69,407
Net Position			
Net investment in capital assets	1,485,548	1,550,725	3,036,273
Restricted:			
Restricted for highways and streets	693,517	0	693,517
Restricted for rubbish collection	28,056	0	28,056
Restricted for flood control	276,251	0	276,251
Restricted for police protection	24,789	0	24,789
Restricted for community and economic development	28,759	0	28,759
Unrestricted	(1,042,309)	(323,800)	(1,366,109)
Total Net Position	\$1,494,611	\$1,226,925	\$2,721,536

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

*Statement of Activities
Year Ended June 30, 2023*

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government -				
Governmental activities:				
Legislative	\$7,718	\$0	\$0	\$0
General government	551,977	35,269	0	0
Public safety	276,496	53,446	1,928	0
Public works	321,685	32,337	203,636	0
Community and economic development	22,478	0	0	0
Recreation and cultural	92,682	127,012	0	0
Interest on long-term debt	19,589	0	0	0
	1,292,625	248,064	205,564	0
Total Governmental Activities				
Business-type activities:				
Waste water treatment plant	624,843	697,938	0	0
	624,843	697,938	0	0
Total business type activities				
	624,843	697,938	0	0
Total primary government	\$1,917,468	\$946,002	\$205,564	\$0

General Revenues:
Property taxes
Special assessments
Federal grants
State grants
Interest and investment earnings
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

Governmental Activities	Business-type Activities	Total
(\$7,718)	\$0	(\$7,718)
(516,708)	0	(516,708)
(221,122)	0	(221,122)
(85,712)	0	(85,712)
(22,478)	0	(22,478)
34,330	0	34,330
(19,589)	0	(19,589)
(838,997)	0	(838,997)
<u>0</u>	<u>73,095</u>	<u>73,095</u>
<u>0</u>	<u>73,095</u>	<u>73,095</u>
(838,997)	73,095	(765,902)
694,704	0	694,704
58,800	0	58,800
144,539	0	144,539
189,537	0	189,537
1,670	0	1,670
64,100	585	64,685
<u>1,153,350</u>	<u>585</u>	<u>1,153,935</u>
314,353	73,680	388,033
<u>1,180,258</u>	<u>1,153,245</u>	<u>2,333,503</u>
<u>\$1,494,611</u>	<u>\$1,226,925</u>	<u>\$2,721,536</u>

FUND FINANCIAL STATEMENTS

CITY OF LUNA PIER

*Governmental Funds
Balance Sheet
June 30, 2023*

	Special Revenue Funds				
	General Fund	Major Street Fund	Local Street Fund	Police Millage Fund	Garbage and Rubbish Collection Fund
Assets					
Cash and cash equivalents	\$469,221	\$514,634	\$439,948	\$13,334	\$28,056
Certificates of deposit	363,000	0	0	0	0
Accounts/loans/taxes receivable	72,402	0	0	0	0
Due from other governmental units	28,149	22,482	11,886	0	0
Due from other funds	292,564	0	0	11,551	0
Prepaid expenditures	8,180	0	0	0	0
Total Assets	\$1,233,516	\$537,116	\$451,834	\$24,885	\$28,056
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$38,533	\$0	\$0	\$96	\$0
Due to other funds	18,206	137,459	157,974	0	0
Total Liabilities	56,739	137,459	157,974	96	0
Deferred Inflow of Resources					
Leases	69,407	0	0	0	0
Fund Balances					
Nonspendable:					
Prepaid expenditures	8,180	0	0	0	0
Restricted for:					
Streets and highways	0	399,657	293,860	0	0
Garbage and rubbish collection	0	0	0	0	28,056
Flood control	0	0	0	0	0
Police department	0	0	0	24,789	0
Community/economic development	0	0	0	0	0
Assigned to:					
Lighthouse project	26,325	0	0	0	0
First Street park	12,635	0	0	0	0
Shop with a cop	5,240	0	0	0	0
Community/economic development	0	0	0	0	0
Unassigned	1,054,990	0	0	0	0
Total Fund Balances	1,107,370	399,657	293,860	24,789	28,056
Total Liabilities and Fund Balances	\$1,233,516	\$537,116	\$451,834	\$24,885	\$28,056

See accompanying notes to the basic financial statements.

Downtown Development Authority Fund	Community Development Fund	Flood Control Facilities Fund	Total Governmental Funds
\$28,759	\$4,502	\$95,254	\$1,593,708
0	0	174,342	537,342
0	42,660	0	115,062
0	0	0	62,517
0	0	6,655	310,770
0	0	0	8,180
<u>\$28,759</u>	<u>\$47,162</u>	<u>\$276,251</u>	<u>\$2,627,579</u>
\$0	\$0	\$0	\$38,629
0	0	0	313,639
0	0	0	352,268
0	0	0	69,407
0	0	0	8,180
0	0	0	693,517
0	0	0	28,056
0	0	276,251	276,251
0	0	0	24,789
28,759	0	0	28,759
0	0	0	26,325
0	0	0	12,635
0	0	0	5,240
0	47,162	0	47,162
0	0	0	1,054,990
<u>28,759</u>	<u>47,162</u>	<u>276,251</u>	<u>2,205,904</u>
<u>\$28,759</u>	<u>\$47,162</u>	<u>\$276,251</u>	<u>\$2,627,579</u>

CITY OF LUNA PIER

*Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Year Ended June 30, 2023*

Total Fund Balances - Governmental Funds			\$2,205,904
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		5,954,622.00	
Accumulated depreciation		<u>(3,957,789)</u>	
			1,996,833
Deferred outflows of resources resulting from net pension liability			213,199
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Loan payable		(830,258)	
Net pension liability		(1,991,570)	
Net OPEB liability		(46,181)	
Compensated absences		(37,289)	
Accrued interest		<u>(16,027)</u>	
			<u>(2,921,325)</u>
Total Net Position - Governmental Activities			<u><u>\$1,494,611</u></u>

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, 2023*

	Special Revenue Funds				
	General Fund	Major Street Fund	Local Street Fund	Police Fund	Garbage and Rubbish Collection Fund
Revenues					
Property taxes	\$531,749	\$0	\$0	\$88,278	\$0
Special assessments	0	0	0	0	58,800
Licenses and permits	171,528	0	0	0	0
Federal grants	144,539	0	0	0	0
State grants	187,106	133,222	70,414	1,947	0
Local grants	0	0	0	0	0
Charges for services	26,573	0	0	0	0
Fines and forfeits	8,930	0	0	0	0
Interest income	0	186	166	0	0
Rentals	64,588	0	0	0	0
Other revenue	28,288	0	209	0	0
Total Revenues	1,163,301	133,408	70,789	90,225	58,800
Expenditures					
Legislative	7,718	0	0	0	0
General government	544,052	0	0	0	0
Public safety	136,154	0	0	132,506	0
Public works	123,828	32,376	39,945	0	59,145
Community and economic development	19,978	0	0	0	0
Recreation and cultural	87,621	0	0	0	0
Debt service	66,105	34,202	0	0	0
Other	0	0	0	0	0
Total Expenditures	985,456	66,578	39,945	132,506	59,145
Excess (Deficiency) of Revenues Over Expenditures	177,845	66,830	30,844	(42,281)	(345)
Other Financing Sources (Uses)					
Operating transfers in	0	0	0	57,400	0
Operating transfers out	(57,400)	0	0	0	0
Total Other Financing Sources (Uses)	(57,400)	0	0	57,400	0
Net Change in Fund Balances	120,445	66,830	30,844	15,119	(345)
Fund Balances - Beginning of year	986,925	332,827	263,016	9,670	28,401
Fund Balances - End of year	<u>\$1,107,370</u>	<u>\$399,657</u>	<u>\$293,860</u>	<u>\$24,789</u>	<u>\$28,056</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority Fund	Community Development Fund	Flood Control Facilities Fund	Total Governmental Funds
\$28,217	\$0	\$46,460	\$694,704
0	0	0	58,800
0	0	0	171,528
0	0	0	144,539
0	0	2,412	395,101
0	0	0	0
0	0	0	26,573
0	0	0	8,930
0	0	1,318	1,670
0	0	0	64,588
0	0	12,048	40,545
28,217	0	62,238	1,606,978
0	0	0	7,718
0	0	0	544,052
0	0	0	268,660
0	0	33,466	288,760
500	2,000	0	22,478
0	0	0	87,621
0	0	0	100,307
0	0	0	0
500	2,000	33,466	1,319,596
27,717	(2,000)	28,772	287,382
0	0	0	57,400
0	0	0	(57,400)
0	0	0	0
27,717	(2,000)	28,772	287,382
1,042	49,162	247,479	1,918,522
\$28,759	\$47,162	\$276,251	\$2,205,904

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, 2023*

Total Net Change in Fund Balances - Governmental Funds	\$287,382
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(\$170,607)
Capital outlay	<u>77,005</u>
	(93,602)
 Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	
	1,859
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	110,755
 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.	(216,610)
Net change in deferred outflows of resources related to the net pension liability.	8,784
Net change in deferred inflows of resources related to the net pension liability.	215,317
 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.	
	(1,447)
 Decrease in the liability for compensated absences are reported as expenditures in the statement of activities; but not in the governmental funds.	
	1,915
	<hr/>
Change in Net Position of Governmental Activities	<u><u>\$314,353</u></u>

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

*Proprietary Fund
Statement of Net Position
June 30, 2023*

	Business-type Activities Enterprise Fund <u>Waste Water Treatment Plant Fund</u>
Assets	
Current Assets:	
Cash	372,271
Receivables	227,416
Due from other funds	14,800
Prepaid expenses	3,543
Total Current Assets	<u>618,030</u>
Restricted Assets:	
Cash	287,357
Capital Assets	8,465,071
Less: Allowance for depreciation	<u>(3,949,346)</u>
Net Capital Assets	<u>4,515,725</u>
Total Assets	<u>5,421,112</u>
Deferred Outflows of Resources	
Deferred outflows related to pension	<u>142,132</u>
Liabilities	
Current Liabilities:	
Accounts payable	886
Due to other funds	11,931
Bonds payable - current portion	66,000
Total Current Liabilities	<u>78,817</u>
Non-current Liabilities:	
Bonds payable, net of current portion	2,899,000
Net pension liability	1,327,714
Net OPEB Liability	30,788
Total Non-current Liabilities	<u>4,257,502</u>
Total Liabilities	<u>4,336,319</u>
Net Position	
Net investment in capital assets	1,550,725
Unrestricted	<u>(323,800)</u>
Total Net Position	<u><u>1,226,925</u></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, 2023*

	<u>Business-type Activities Enterprise Fund Waste Water Treatment Plant Fund</u>
Operating Revenues	
Charges for services	\$697,938
Other revenue	585
Total Operating Revenues	<u>698,523</u>
Operating Expenses	
Sewer processing and maintenance	514,998
Administration	26,629
Total Operating Expenses	<u>541,627</u>
Net Operating Income (Loss)	156,896
Non-Operating Revenues (Expenses)	
Interest	<u>(83,216)</u>
Total Non-Operating Expenses	<u>(83,216)</u>
Change in Net Position	73,680
Net Position - Beginning of year, restated	<u>1,153,245</u>
Net Position - End of year	<u><u>\$1,226,925</u></u>

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

*Proprietary Fund
Statement of Cash Flows
Year Ended June 30, 2023*

	Business-type Activities Enterprise Fund Waste Water Treatment Plant Fund
Cash Flows from Operating Activities	
Receipts from customers	\$705,290
Payments to suppliers	(279,661)
Payments to employees	(143,658)
Net cash provided by operating activities	281,971
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,366)
Principal payments on bonds payable	(64,000)
Interest paid	(83,216)
Net cash provided (used) for capital and related financing activities	(148,582)
Net Increase (Decrease) in Cash and Cash Equivalents	133,389
Cash and Cash Equivalents - Beginning of Year	526,239
Cash and Cash Equivalents - End of Year	\$659,628
Balance Sheet Classification of Cash and Cash Equivalents	
Cash	\$372,271
Restricted Cash	287,357
Total Cash and Cash Equivalents	\$659,628
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$156,896
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	207,098
Changes in operating assets and liabilities	
Receivables	6,766
Due from other funds	1,367
Prepaid expenses	5,113
Payables	(506)
Due to other funds	(90,737)
Net pension liability	(4,991)
Net OPEB liability	965
Net Cash Provided by Operating Activities	\$281,971

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

Custodial Fund
Statement of Fiduciary Net Position
June 30, 2023

	<u>Tax Collection</u>
Assets	
Cash	<u>\$0</u>
Liabilities	
Due to other taxing units	<u>\$0</u>

See accompanying notes to the basic financial statements.

CITY OF LUNA PIER

Custodial Funds
Statement of Changes in Fiduciary Net Position
June 30, 2023

	Tax Collection
Additions	
Property taxes collected for other governments	<u>\$1,169,311</u>
Total Additions	1,169,311
Deductions	
Property taxes distributed to other governments	<u>1,169,311</u>
Total Deductions	<u>1,169,311</u>
Net increase in net position	0
Net position committed for other governments:	
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, 2023*

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, 2023

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, 2023*

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 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, 2023

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, 2023 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, 2023*

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 and OPEB.

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, OPEB, and a lease receivable.

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, 2023

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 2023.

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, 2023*

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.

H. Reclassifications - Certain prior year amounts have been reclassified to conform with current year presentation.

I. Subsequent Events - The City management evaluated subsequent events from June 30, 2023 through December 13, 2023, the date the financial statements were available to be issued.

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.

For the year ended June 30, 2023, expenditures exceeded final budgeted amounts in the following fund:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Flood Control Facilities Fund	\$29,500	\$33,466	(\$3,966)

The Waste Water Treatment Plant Fund reported a deficit in unrestricted net position in the amount of \$323,800 at June 30, 2023. The fund had total net position of \$1,226,925.

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, 2023, 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.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 4 **Deposits (Concluded)**

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.

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 \$2,827,275 invested in certificates of deposit, checking accounts, and money markets. The City's deposits are insured by the FDIC or NCUA in the amount of \$711,409. Uninsured deposits are \$2,115,866. 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.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 5 **Interfund Payables and Receivables**

Such balances at June 30, 2023 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Major Street Fund	\$127,621	\$0
Local Street Fund	153,012	0
Police Millage Fund	0	11,551
Flood Control Facility Fund	0	6,655
Waste Water Treatment Plant Fund	11,931	0
Major Street Fund:		
General Fund	0	127,621
Waste Water Treatment Plant Fund	0	9,838
Local Street Fund:		
General Fund	0	153,012
Waste Water Treatment Plant Fund	0	4,962
Police Millage Fund:		
General Fund	11,551	0
Flood Control Facility Fund:		
General Fund	6,655	0
Waste Water Treatment Plant Fund:		
Major Street Fund	9,838	0
Local Street Fund	4,962	0
General Fund	0	11,931
	<u>\$325,570</u>	<u>\$325,570</u>

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

Note 6 **Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2023 consisted of the following:

	<u>Transfer Out</u>
	<u>General Fund</u>
<u>Transfer In:</u>	
Police Millage Fund	<u>\$57,400</u>

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

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 7 Capital Assets

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Assets not being depreciated:				
Land	\$3,100	\$0	\$0	\$3,100
Construction in progress	193,370	18,027	6,378	205,019
	196,470	18,027	6,378	208,119
Capital assets being depreciated:				
Roads	835,786	0	0	835,786
Land improvements	1,148,574	9,201	0	1,157,775
Buildings and building improvements	1,647,474	2,491	0	1,649,965
Machinery and equipment	1,253,883	53,664	0	1,307,547
Vehicles	795,430	0	0	795,430
	5,681,147	65,356	0	5,746,503
Total capital assets	5,877,617	83,383	6,378	5,954,622
Less accumulated depreciation:				
Roads	(353,214)	(41,789)	0	(395,003)
Land improvements	(769,893)	(45,501)	0	(815,394)
Buildings and building improvements	(758,376)	(37,686)	0	(796,062)
Machinery and equipment	(1,134,758)	(38,235)	0	(1,172,993)
Vehicles	(770,941)	(7,396)	0	(778,337)
	(3,787,182)	(170,607)	0	(3,957,789)
Total accumulated depreciation	(3,787,182)	(170,607)	0	(3,957,789)
Net capital assets	\$2,090,435	(\$87,224)	\$6,378	\$1,996,833

Depreciation expense was charged to governmental functions as follows:

General government	\$11,471
Public safety	28,501
Public works	101,170
Recreation and cultural	29,465
Total governmental activities	\$170,607

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 7 Capital Assets (Concluded)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type Activities (Waste Water Treatment Plant Fund)				
Assets not being depreciated:				
Land	\$6,500	\$0	\$0	\$6,500
Capital assets being depreciated:				
Treatment plant	6,442,795	0	0	6,442,795
Sewer lines	1,051,208	0	0	1,051,208
Machinery and equipment	883,648	1,366	0	885,014
Vehicles	79,554	0	0	79,554
	<u>8,457,205</u>	<u>1,366</u>	<u>0</u>	<u>8,458,571</u>
Total capital assets	8,463,705	1,366	0	8,465,071
Less accumulated depreciation:				
Treatment plant	(2,333,788)	(156,720)	0	(2,490,508)
Sewer lines	(627,221)	(17,520)	0	(644,741)
Machinery and equipment	(743,970)	(24,804)	0	(768,774)
Vehicles	(37,269)	(8,054)	0	(45,323)
	<u>(3,742,248)</u>	<u>(207,098)</u>	<u>0</u>	<u>(3,949,346)</u>
Total accumulated depreciation	(3,742,248)	(207,098)	0	(3,949,346)
Net capital assets	<u>\$4,721,457</u>	<u>(\$205,732)</u>	<u>\$0</u>	<u>\$4,515,725</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 8 Long-Term Debt

Changes in principal during the 2022-23 fiscal year are summarized as follows:

Governmental Activities:

	<u>Balance 7/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2023</u>	<u>Due Within One Year</u>
Bonds and contracts payable:					
Direct borrowings and direct placements:					
2011 Lakeside Drain Assessment	\$287,069	\$0	\$31,896	\$255,173	\$31,897
2013 General Obligation Judgment Bonds (Limited Tax)	385,000	0	50,000	335,000	50,000
Michigan State Infrastructure Bank Loan	266,298	0	26,213	240,085	26,999
Monroe County Records Management System Loan	2,646	0	2,646	0	0
Other Liabilities:					
Compensated Absences Payable	<u>39,204</u>	<u>0</u>	<u>1,915</u>	<u>37,289</u>	<u>0</u>
Total governmental activities	<u>980,217</u>	<u>0</u>	<u>112,670</u>	<u>867,547</u>	<u>108,896</u>
Business-type activities:					
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Waste Water Treatment System Revenue Bonds, Series 2012A	2,523,000	0	55,000	2,468,000	57,000
Waste Water Treatment System Revenue Bonds, Series 2012B	85,000	0	2,000	83,000	2,000
Waste Water Treatment System Revenue Bonds, Series 2019	<u>421,000</u>	<u>0</u>	<u>7,000</u>	<u>414,000</u>	<u>7,000</u>
Total business-type activities	<u>3,029,000</u>	<u>0</u>	<u>64,000</u>	<u>2,965,000</u>	<u>66,000</u>
Total long-term debt	<u>\$4,009,217</u>	<u>\$0</u>	<u>\$176,670</u>	<u>\$3,832,547</u>	<u>\$174,896</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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 principal 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>
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>\$255,173</u>	<u>\$56,538</u>	<u>\$311,711</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>
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>\$335,000</u>	<u>\$41,717</u>	<u>\$376,717</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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>
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	33,205	995	34,200
	<u>\$240,085</u>	<u>\$33,526</u>	<u>\$273,611</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 was paid in full on July 1, 2022.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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 Plante Fund, net of operating expenses, to repay the obligations.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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>\$2,468,000</u>	<u>\$1,145,072</u>	<u>\$3,613,072</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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>
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>\$83,000</u>	<u>\$38,582</u>	<u>\$121,582</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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>
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>\$414,000</u>	<u>\$242,788</u>	<u>\$656,788</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

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

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2023, excluding compensated absences, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities:</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$108,896	\$31,802	\$140,698
2025	114,706	27,737	142,443
2026	115,540	23,228	138,768
2027	116,400	18,626	135,026
2028	122,285	13,840	136,125
2029-2031	252,431	16,548	268,979
	<u>\$830,258</u>	<u>\$131,781</u>	<u>\$962,039</u>

<u>Fiscal Year</u>	<u>Business-type Activities:</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$66,000	\$81,538	\$147,538
2025	67,000	79,722	146,722
2026	69,000	77,880	146,880
2027	71,000	75,984	146,984
2028	73,000	74,030	147,030
2029-2033	396,000	338,914	734,914
2034-2038	456,000	281,302	737,302
2039-2043	520,000	215,134	735,134
2044-2048	597,000	139,562	736,562
2049-2053	552,000	52,828	604,828
2054-2058	81,000	9,080	90,080
2059	17,000	468	17,468
	<u>\$2,965,000</u>	<u>\$1,426,442</u>	<u>\$4,391,442</u>

Note 9 **Lease Revenue**
Cellular Tower Lease

During February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The City implemented this standard as of July 1, 2021.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 9 **Lease Revenues (Concluded)**

Cellular Tower Lease (Concluded)

The City entered into a lease with AT&T as of May 30, 1996. The City of Luna Pier will lease a portion of the property located at 10421 South Harold Drive, Luna Pier, Monroe County, Michigan. The initial lease term is sixty (60) months, with installments of \$500 per month due to the City of Luna Pier. The lease shall automatically extend for six (6) additional five (5) year terms unless terminated. The above term shall increase at a rate of 3% per year on the annual anniversary of the commencement date. The lease revenue for 2023 was \$22,041. The following is a summary of changes in the lease commitment.

Year Ended	AT&T
June 30,	
2024	\$23,488
2025	24,193
2026	<u>24,919</u>
	<u>\$72,600</u>

Note 10 **Building Department**

The City tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2023, of \$22,785, did not exceed the related costs and administrative overhead.

Note 11 **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.

The taxable valuation for both real and personal property as of December 31, 2022, amounted to \$47,686,197, which was based on a percentage of the fair market value of the assessed property. The 2022 tax roll consisted of the following:

	General <u>Operating</u>	Flood <u>Control</u>	<u>Police</u>	<u>Total</u>
Mills	9.7753	0.9950	1.8905	12.6608
Levy	\$458,817	\$46,698	\$88,730	\$594,245

Note 12 **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 \$33.98 for a 5/8 inch meter to \$849.51 for a 4 inch meter. The volume charge was established at \$13.54 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.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 13 **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.

	01 - General: Closed to new hires <u>2022 Valuation</u>	10 - Water Treatment: Closed to new hires <u>2022 Valuation</u>	20 - Police Chief: Open division <u>2022 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

At the December 31, 2022 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	5
Active employees	<u>2</u>
Total employees covered by MERS	<u><u>20</u></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, 2023, the City’s average contribution rate was 68.8% of annual payroll. The contribution requirements of plan members and the City are established by the City and by the MERS Council of Trustees.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 13 Employee’s Defined Benefit Pension Plan (Continued)

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.0% plus merit and longevity: 3.0% in the long term

Investment rate of return: 7.0%, 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:

<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%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 13 **Employee’s Defined Benefit Pension Plan (Continued)**

Changes in Net Pension Liability

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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 the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 12/31/21	\$5,402,827	\$2,444,559	\$2,958,268
Service cost	10,810	0	10,810
Interest on total pension liability	377,205	0	377,205
Difference between expected and actual experience	36,555	0	36,555
Changes in assumptions	0	0	0
Employer contributions	0	313,956	(313,956)
Employee contributions	0	5,392	(5,392)
Net investment income	0	(251,066)	251,066
Benefit payments, including employee refunds	(410,797)	(410,797)	0
Administrative expense	0	(4,423)	4,423
Other changes	0	(305)	305
Net changes	13,773	(347,243)	361,016
Balances as of 12/31/22	<u>\$5,416,600</u>	<u>\$2,097,316</u>	<u>\$3,319,284</u>

Of the total net pension liability of \$3,319,284 at 12/31/22, \$1,991,570 has been allocated to governmental activities and \$1,327,714 has been allocated to the Waste Water Treatment Plant Fund.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 13 **Employee’s Defined Benefit Pension Plan (Continued)**
Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 7.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net pension liability of the City	<u>\$3,857,367</u>	<u>\$3,319,284</u>	<u>\$2,860,906</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.

For the year ended June 30, 2023, the City recognized pension expense of \$315,810. At June 30, 2023, 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	\$191,033	\$0
Employer contributions to the plan subsequent to the measurement date	<u>164,298</u>	<u>0</u>
	<u>\$355,331</u>	<u>\$0</u>

Of the total net deferred outflows of resources, \$213,199 has been allocated to governmental activities and \$142,132 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, 2023.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 13 **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>
2024	\$12,846
2025	36,842
2026	56,381
2027	84,964
	<u>\$191,033</u>

Note 14 **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 15 **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 16 **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 its residents is based on actual usage at a rate equal to the City’s customers.

Note 17 **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.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 17 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, 2023, plan membership consisted of the following:

Retired participants	8
Active participants	<u>4</u>
Total employees	<u><u>12</u></u>

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2023, 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, 2023 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, 2023*

Note 17 **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	4.7% for 2023, varying between 4.2% and 4.8% through 2032
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%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 17 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, 2023, was 4.09%. 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, 2022	\$74,557	\$0	\$74,557
Service cost	251	0	251
Interest on total pension liability	1,619	0	1,619
Changes in benefits	0	0	0
Difference between expected and actual experience	36,118	0	36,118
Changes in assumptions	(7,527)	0	(7,527)
Employer contributions	0	28,050	(28,050)
Employee contributions	0	0	0
Net investment income	0	0	0
Benefit payments, including employee refunds	(28,050)	(28,050)	0
Administrative expense	0	0	0
Net changes	2,411	0	2,411
Balances at June 30, 2023	\$76,968	\$0	\$76,968

Of the total net OPEB liability of \$76,968 at June 30, 2023, \$46,180 has been allocated to governmental activities and \$30,788 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 4.09%, 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 (3.09%) or 1.0% higher (5.09%) than the current rate:

	Current		
	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Net OPEB liability of the City	\$82,096	\$76,968	\$72,402

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 17 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 (3.0%) and 1.0% higher (5.0%) than the current healthcare cost trend rates:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
Net OPEB liability of the City	\$70,050	\$76,968	\$84,772

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.

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, 2023, 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, 2023.

Note 18 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.

CITY OF LUNA PIER

*Notes to Financial Statements
Year Ended June 30, 2023*

Note 19 **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, 2023, the City of Luna Pier’s obligation for this bond issue is 2.8493%. 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, 2022:

Total assets	\$52,485,857
Total deferred outflows	394,292
Total liabilities	21,296,467
Total deferred inflows	952,306
Total net position	30,631,376
Total revenues	11,139,798
Total expenses	8,972,031
Total increase in net position	2,167,767
Current portion of long-term debt	869,066
Long-term debt (net of discounts)	18,909,118

Note 20 **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.

Note 21 **Tax Increment Financing**

Tax increment financing is the setting aside of the taxes generated by an increase in the state equalized value of designated properties for a specific purpose.

On October 24, 2013, the City adopted a Tax Increment Financing Authority Plan for the Downtown Development Authority as allowed under the Downtown Development Authority Act, Act No. 197 of the Public Acts of 1975. This plan is devoted to the planned and orderly economic revitalization of the downtown business district. For the year ended June 30, 2023, the Downtown Development Authority Fund recorded \$28,217 as property tax revenue generated from the Downtown Development District.

CITY OF LUNA PIER

Notes to Financial Statements
Year Ended June 30, 2023

Note 22 **Federal Grants**

The City has received a federal grant through the State of Michigan as part of the American Rescue Plan Act (ARPA) from the Coronavirus Local Fiscal Recovery Fund in the amount of \$146,704. The objectives of the funding are to support urgent COVID-19 response efforts to decrease the spread of the virus and bring the pandemic under control, replace lost revenue to strengthen support for vital public services and help retain jobs, support immediate stabilization for households and businesses, and address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic. There are five allowable uses outlined by the ARPA for these Fiscal Recovery Funds. These funds must be obligated by December 31, 2024 and expended by December 31, 2026. This federal grant is subject to reviews and audits by the grantor agency. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. As of June 30, 2023, the unspent balance of these funds was \$0.

Note 23 **Accounting Pronouncements**

In May 2020, the Governmental Accounting Standards Board issued GASB Statement Number 96, Subscription-Based Information Technology Arrangements (SBITA). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA's are based on the standards established in Statement No. 87, Leases, as amended. The City implemented this standard effective July 1, 2022; however, there was no material effect to the financial statements as a whole.

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, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$465,602	\$465,602	\$456,651	(\$8,951)
Payment in lieu of taxes	1,000	1,000	1,958	958
Tax administration fee	11,185	11,185	16,432	5,247
Marijuana tax	0	0	51,851	51,851
Penalties and interest	1,000	1,000	4,857	3,857
	<u>478,787</u>	<u>478,787</u>	<u>531,749</u>	<u>52,962</u>
Licenses and permits:				
Business	27,000	27,000	21,731	(5,269)
Building permits	13,000	13,000	10,239	(2,761)
Plan review fee	3,500	3,500	2,000	(1,500)
Plumbing permits	1,500	1,500	1,403	(97)
Parking and launching permits	6,000	6,000	5,413	(587)
Parking - Pay and Display	55,000	55,000	121,599	66,599
Electrical permits	3,000	3,000	2,138	(862)
Mechanical permits	3,500	3,500	7,005	3,505
	<u>112,500</u>	<u>112,500</u>	<u>171,528</u>	<u>59,028</u>
Federal grant:				
Grant Revenue	73,352	146,388	144,539	(1,849)
State grants:				
State shared revenue	132,655	132,655	162,677	30,022
Local community stabilization	10,000	10,000	21,071	11,071
Liquor license fees	1,100	1,100	1,192	92
Police grants	250	250	736	486
Other grants	0	0	1,430	1,430
	<u>144,005</u>	<u>144,005</u>	<u>187,106</u>	<u>41,671</u>
Charges for services:				
Cost recovery	3,000	3,656	22,636	18,980
Bed tax	1,500	1,500	919	(581)
Fringe benefit recovery	2,000	2,000	3,018	1,018
	<u>6,500</u>	<u>7,156</u>	<u>26,573</u>	<u>19,417</u>
Fines and forfeits	4,000	4,000	8,930	4,930
Interest income	2,000	2,000	0	(2,000)
Rentals:				
Equipment rental	26,000	26,000	32,337	6,337
Building rental	7,000	7,000	10,210	3,210
Police range rental	500	500	0	(500)
AT&T tower land lease	22,300	22,300	22,041	(259)
	<u>55,800</u>	<u>55,800</u>	<u>64,588</u>	<u>8,788</u>
Other revenue:				
Donations	1,500	1,500	25,237	23,737
Other revenue	20,000	23,000	3,051	(19,949)
	<u>21,500</u>	<u>24,500</u>	<u>28,288</u>	<u>3,788</u>
Total Revenues	898,444	975,136	1,163,301	188,584

CITY OF LUNA PIER

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2023

Expenditures	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative:				
Council	\$8,175	\$8,175	\$7,718	\$457
General government:				
Mayor	3,830	3,830	3,801	29
Election	6,305	6,305	8,947	(2,642)
Finance	6,000	6,000	4,000	2,000
Assessor	19,925	19,925	17,941	1,984
Attorney	25,000	25,000	12,580	12,420
Clerk	84,076	84,076	58,728	25,348
Board of review	1,920	1,920	720	1,200
Treasurer	59,020	59,020	56,371	2,649
City administration	340,596	340,596	331,841	8,755
City hall and grounds	57,510	57,510	49,123	8,387
	604,182	604,182	544,052	60,130
Public safety:				
Police department	46,305	46,305	28,792	17,513
Fire department	59,730	59,730	74,865	(15,135)
Building inspection	35,090	35,090	32,497	2,593
	141,125	141,125	136,154	4,971
Public works:				
Public works	75,413	75,413	53,357	22,056
Drains	46,097	46,097	46,020	77
Streetlights	26,500	26,500	24,451	2,049
	148,010	148,010	123,828	24,182
Community and economic development:				
Economic development	1,000	1,000	19,978	(18,978)
Recreation and cultural:				
Recreation	79,405	79,405	80,249	(844)
Water tower park	9,805	9,805	3,865	5,940
Library	5,015	5,015	3,507	1,508
	94,225	94,225	87,621	6,604
Debt service	63,450	63,450	66,105	(2,655)
Total Expenditures	1,060,167	1,060,167	985,456	74,711
Excess (Deficiency) of Revenues Over Expenditures	(161,723)	(85,031)	177,845	263,295
Other Financing Sources (Uses)				
Operating transfer out	(57,400)	(57,400)	(57,400)	0
Net Change in Fund Balances	(219,123)	(142,431)	120,445	263,295
Fund Balances - Beginning of year	1,029,115	986,428	986,925	497
Fund Balances - End of year	\$809,992	\$843,997	\$1,107,370	\$263,792

CITY OF LUNA PIER

*Major Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State grants:				
Gas and weight tax	\$126,000	\$126,000	\$132,555	\$6,555
Other state grant	200	200	667	467
Interest income	200	200	186	(14)
Total Revenues	126,400	126,400	133,408	7,008
Expenditures				
Public works:				
Preservation	7,000	7,000	0	7,000
Routine maintenance	25,000	25,000	24,822	178
Traffic services	4,100	4,100	70	4,030
Winter maintenance	7,775	7,775	4,313	3,462
Administrative and engineering	26,690	26,690	3,171	23,519
	70,565	70,565	32,376	38,189
Debt service:				
Principal	27,000	27,000	26,213	787
Interest	7,203	7,203	7,989	(786)
	34,203	34,203	34,202	1
Total Expenditures	104,768	104,768	66,578	38,190
Net Change in Fund Balances	21,632	21,632	66,830	45,198
Fund Balances - Beginning of year	343,869	332,826	332,827	1
Fund Balances - End of year	<u>\$365,501</u>	<u>\$354,458</u>	<u>\$399,657</u>	<u>\$45,199</u>

CITY OF LUNA PIER

*Local Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State grants:				
Gas and weight tax	\$65,000	\$65,000	\$70,039	\$5,039
Other state grant	500	500	375	(125)
Interest	200	200	166	(34)
Other revenue	0	0	209	209
Total Revenues	65,700	65,700	70,789	5,089
Expenditures				
Public works:				
Preservation	10,000	10,000	1,850	8,150
Routine maintenance	22,700	22,700	30,070	(7,370)
Traffic services	2,550	2,550	0	2,550
Winter maintenance	7,350	7,350	4,312	3,038
Administrative and engineering	11,200	11,200	3,713	7,487
Total Expenditures	53,800	53,800	39,945	13,855
Net Change in Fund Balances	11,900	11,900	30,844	18,944
Fund Balances - Beginning of year	277,407	263,017	263,016	(1)
Fund Balances - End of year	<u>\$289,307</u>	<u>\$274,917</u>	<u>\$293,860</u>	<u>\$18,943</u>

CITY OF LUNA PIER

*Police Millage Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$90,241	\$90,241	\$88,278	(\$1,963)
Federal grants	2,508	2,508	0	(2,508)
State grants	3,750	3,750	1,947	(1,803)
Total Revenue	96,499	96,499	90,225	(6,274)
Expenditures				
Public safety:				
Police department	151,243	151,243	132,506	18,737
Excess (Deficiency) of Revenues Over Expenditures	(54,744)	(54,744)	(42,281)	12,463
Other Financing Sources (Uses)				
Operating transfer in	97,400	97,400	57,400	(40,000)
Net Change in Fund Balances	42,656	42,656	15,119	(27,537)
Fund Balances - Beginning of year	3,163	9,670	9,670	0
Fund Balances - End of year	\$45,819	\$52,326	\$24,789	(\$27,537)

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, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$58,800	\$58,800	\$58,800	\$0
Expenditures				
Public works:				
Refuse collection	59,800	59,800	59,145	655
Net Changes in Fund Balances	(1,000)	(1,000)	(345)	655
Fund Balances - Beginning of year	33,287	28,401	28,401	0
Fund Balances - End of year	<u>\$32,287</u>	<u>\$27,401</u>	<u>\$28,056</u>	<u>\$655</u>

CITY OF LUNA PIER

*Downtown Development Authority Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property tax	\$29,432	\$29,432	\$28,217	(\$1,215)
Expenditures				
Community and economic development:				
Miscellaneous	1,000	1,000	500	500
Net Change in Fund Balances	28,432	28,432	27,717	(715)
Fund Balances - Beginning of year	1,042	1,042	1,042	0
Fund Balances - End of year	<u>\$29,474</u>	<u>\$29,474</u>	<u>\$28,759</u>	<u>(\$715)</u>

CITY OF LUNA PIER

*Community Development Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income:	\$0	\$0	\$0	\$0
Expenditures				
Community and economic development:				
Professional fees	2,000	2,000	2,000	0
Net Change in Fund Balances	(2,000)	(2,000)	(2,000)	0
Fund Balances - Beginning of year	49,162	49,162	49,162	0
Fund Balances - End of year	\$47,162	\$47,162	\$47,162	\$0

CITY OF LUNA PIER

*Flood Control Facilities Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2023*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$47,388	\$47,388	\$46,355	(\$1,033)
Penalties and interest	100	100	105	5
	<u>47,488</u>	<u>47,488</u>	<u>46,460</u>	<u>(1,028)</u>
State grants	0	0	2,412	2,412
Interest income	1,000	1,000	1,318	318
Other revenue	<u>0</u>	<u>0</u>	<u>12,048</u>	<u>12,048</u>
Total revenues	48,488	48,488	62,238	13,750
Expenditures				
Public works:				
Dike maintenance	24,000	24,000	31,256	(7,256)
Pump stations utilities	4,500	4,500	0	4,500
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,210</u>	<u>(1,210)</u>
Total Expenditures	<u>29,500</u>	<u>29,500</u>	<u>33,466</u>	<u>(3,966)</u>
Net Change in Fund Balances	18,988	18,988	28,772	9,784
Fund Balances - Beginning of year	<u>246,303</u>	<u>247,479</u>	<u>247,479</u>	<u>0</u>
Fund Balances - End of year	<u>\$265,291</u>	<u>\$266,467</u>	<u>\$276,251</u>	<u>\$9,784</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)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability									
Service Cost	\$10,810	\$9,549	\$9,327	\$8,953	\$8,652	\$15,889	\$25,427	\$28,199	\$27,220
Interest	377,205	381,609	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	0	0
Difference between expected and actual experience	36,555	25,753	34,747	(55,825)	109,311	51,390	3,991	(80,320)	0
Changes of assumptions	0	171,354	124,002	174,578	0	0	0	230,826	0
Benefit payments including employee refunds	(410,797)	(403,376)	(395,956)	(394,715)	(383,673)	(359,058)	(333,245)	(343,041)	(339,966)
Other	0	(304)	0	19,072	0	(1)	0	1	1
Net Change in Total Pension Liability	13,773	184,585	143,136	114,416	107,541	76,616	61,095	195,567	43,643
Total Pension Liability - Beginning of year	5,402,827	5,218,242	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	<u>\$5,416,600</u>	<u>\$5,402,827</u>	<u>\$5,218,242</u>	<u>\$5,075,106</u>	<u>\$4,960,690</u>	<u>\$4,853,149</u>	<u>\$4,776,533</u>	<u>\$4,715,438</u>	<u>\$4,519,871</u>
Plan Fiduciary Net Position									
Contributions - employer	\$313,956	\$278,538	\$240,840	\$210,684	\$184,521	\$163,243	\$143,494	\$129,531	\$111,202
Contributions - employee	5,392	5,071	5,178	4,819	7,699	12,165	15,434	15,788	16,566
Net investment income	(251,066)	309,831	256,025	270,291	(85,346)	287,237	240,022	(33,685)	153,221
Administrative expenses	(4,423)	(3,554)	(4,197)	(4,648)	(4,394)	(4,566)	(4,748)	(5,112)	(5,569)
Benefit payments, including refunds	(410,797)	(403,376)	(395,956)	(394,715)	(383,673)	(359,058)	(333,245)	(343,041)	(339,966)
Other	(305)	0	0	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	(347,243)	186,510	101,890	86,431	(281,193)	99,021	60,957	(236,519)	(64,546)
Plan Fiduciary Net Position - Beginning of year	2,444,559	2,258,049	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	<u>\$2,097,316</u>	<u>\$2,444,559</u>	<u>\$2,258,049</u>	<u>\$2,156,159</u>	<u>\$2,069,728</u>	<u>\$2,350,921</u>	<u>\$2,251,900</u>	<u>\$2,190,943</u>	<u>\$2,427,462</u>
City's Net Pension Liability - Ending	<u>\$3,319,284</u>	<u>\$2,958,268</u>	<u>\$2,960,193</u>	<u>\$2,918,947</u>	<u>\$2,890,962</u>	<u>\$2,502,228</u>	<u>\$2,524,633</u>	<u>\$2,524,495</u>	<u>\$2,092,409</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	38.7%	45.2%	43.3%	42.5%	41.7%	48.4%	47.1%	46.5%	53.7%
Covered Employee Payroll	\$104,159	\$102,013	\$104,159	\$97,245	\$96,573	\$178,738	\$284,867	\$318,225	\$307,324
City's Net Pension Liability as a percentage of Covered Employee Payroll	3186.7%	2899.9%	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)*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$313,956	\$278,538	\$240,840	\$210,684	\$184,521	\$163,243	\$143,494	\$129,531	\$111,202
Contributions in relation to the actuarially determined contribution	<u>313,956</u>	<u>278,538</u>	<u>240,840</u>	<u>210,684</u>	<u>184,521</u>	<u>163,243</u>	<u>143,494</u>	<u>129,531</u>	<u>111,202</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Notes to Schedule of City Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary increases	3% plus merit and longevity: 3.00% in the long term
Investment rate of return	7.00%
Retirement age	Normal age is 60, or 50 with 25 years of service, or 55 with 15 years of service
Mortality	Based on the Pub-2010 and fully generational MP-2019

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)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service Cost	\$251	\$251	\$288	\$288	\$20,897	\$20,897
Interest	1,619	1,654	7,153	8,211	1,479	1,848
Changes of Benefit Terms	0	0	0	0	0	0
Difference between expected and actual experience	36,118	23,720	(160,416)	(24,878)	(149,001)	(14,656)
Changes of assumptions	(7,527)	(7,784)	2,130	4,945	(48,271)	(95,871)
Benefit payments including employee refunds	(28,050)	(25,441)	(25,331)	(22,353)	(25,293)	(45,228)
Other	0	0	0	0	1	0
Net Change in Total OPEB Liability	2,411	(7,600)	(176,176)	(33,787)	(200,188)	(133,010)
Total OPEB Liability - Beginning of year	74,557	74,557	250,733	284,520	484,708	617,718
Total OPEB Liability - End of year	<u>\$76,968</u>	<u>\$66,957</u>	<u>\$74,557</u>	<u>\$250,733</u>	<u>\$284,520</u>	<u>\$484,708</u>
Plan Fiduciary Net Position						
Contributions - employer	\$28,050	\$25,441	\$25,331	\$22,353	\$25,293	\$45,228
Contributions - employee	0	0	0	0	0	0
Net investment income	0	0	0	0	0	0
Administrative expenses	0	0	0	0	0	0
Benefit payments, including refunds	(28,050)	(25,441)	(25,331)	(22,353)	(25,293)	(45,228)
Other	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	0	0	0	0	0	0
Plan Fiduciary Net Position - Beginning of year	0	0	0	0	0	0
Plan Fiduciary Net Position - End of year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Net OPEB Liability - Ending	<u>\$76,968</u>	<u>\$66,957</u>	<u>\$74,557</u>	<u>\$250,733</u>	<u>\$284,520</u>	<u>\$484,708</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	\$180,066	\$176,530	\$173,077	\$176,351	\$89,550	\$26,317
City's Net OPEB Liability as a percentage of Covered Employee Payroll	42.7%	37.9%	43.1%	142.2%	317.7%	1841.8%

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 June 30, 2018.

City of Luna Pier

*Notes to Required Supplemental Information
Year Ended June 30, 2023*

Pension Information

Benefit Changes

There were no changes of benefit terms for the pension plan year ended 2022.

Assumption Changes

There were no changes of assumptions for the pension plan year ended 2022.

OPEB Information

Benefit Changes

There were no changes of benefit terms for the pension plan year ended 2022.

Assumption Changes

There were no changes of assumptions for the pension plan year ended 2022.

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, 2023*

	<u>2023</u>
Operating Revenues	
Charges for services:	
Sewer use charge - Luna Pier	\$540,783
Sewer use charge - LaSalle Township	157,155
	<u>697,938</u>
Other revenue	585
	<u>698,523</u>
Total Operating Revenues	698,523
Operating Expenses	
Sewer processing and maintenance:	
Salaries	119,074
Payroll taxes	10,652
Workers compensation	940
Pension	10,771
Hospitalization insurance and other post-employment benefits	25,287
Insurance	15,236
Supplies and chemicals	33,316
Contracted services	37,391
Utilities and telephone	37,574
Maintenance	12,531
Schooling	97
Miscellaneous	5,031
Depreciation	207,098
	<u>514,998</u>
Administration:	
Salaries	24,584
Professional fees	2,045
	<u>26,629</u>
Total Operating Expenses	<u>541,627</u>
Net Operating Income (Loss)	156,896
Non-Operating Revenues (Expenses)	
Interest	<u>(83,216)</u>
Change in Net Position	73,680
Net Position - Beginning of year	<u>1,153,245</u>
Net Position - End of year	<u><u>\$1,226,925</u></u>

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

CITY OF LUNA PIER

*Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023*

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Approved Grant Award Amount</u>	<u>Accrued (Deferred) Revenue July 1, 2022</u>
<u>U.S. Department of Treasury</u>			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.019	\$146,704	(\$137,189)
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response	97.083	<u>89,020</u>	<u>0</u>
Total Federal Financial Assistance		<u>\$235,724</u>	<u>(\$137,189)</u>

<u>Prior Year Expenditures (Memo Only)</u>	<u>Current Year Expenditures</u>	<u>Federal Funds/ Payments In-Kind (Cash Basis)</u>	<u>Accrued (Deferred) Revenue June 30, 2023</u>	<u>Subrecipient Award/ Contract Amount</u>	<u>Subrecipient Current Year Expenditures</u>	<u>Current Year Cash Transferred to Subrecipient</u>
\$9,514	\$137,189	\$0	\$0	\$0	\$0	\$0
<u>37,571</u>	<u>7,350</u>	<u>7,350</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$47,085</u>	<u>\$144,539</u>	<u>\$7,350</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Luna Pier

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Luna Pier under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Luna Pier, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Luna Pier.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as a reimbursement.
3. Certain federal programs require that the City contribute non-federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.
4. There were no federal awards expended for loan or loan guarantee programs.
5. The City of Luna Pier does not have any subrecipients.
6. The amounts reported for federal grants on the Statement of Revenues, Expenditures, and Changes in Fund Balance reconcile with this schedule.

CITY OF LUNA PIER

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Luna Pier were prepared in accordance with GAAP.
2. Two material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of the City of Luna Pier, which would be required to be reported in accordance with *Governmental Auditing Standards*, was disclosed during the audit.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

2023-001 **Financial Statement Preparation**

Finding Type: Material weakness in internal controls over financial reporting.

Criteria: The preparation of financial statements in accordance with GAAP is the responsibility of the City's management and requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting financial statements including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of the external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Cause: The condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Effect: As a result of this condition, the City lacks internal controls over the preparation of the financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of the financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to the external auditors, and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

View of Responsible Officials: Management relies on its external auditors to assist in the preparation of financial statements and related financial statement disclosures. The City has employees with adequate skills, knowledge and experience to oversee the assistance with financial statements and assistance with financial statement disclosures by its external auditors.

CITY OF LUNA PIER

*Schedule of Findings and Questioned Costs
Year Ended June 30, 2023*

2023-002 Audit Adjustments

Finding Type: Material weakness in internal controls over financial reporting.

Criteria: Management is responsible for maintaining accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During the audit, we identified and proposed adjustments (which were approved and posted by management) to adjust the City’s general ledger to the appropriate balances.

Cause: The City does not have the accounting staff available to ensure these accounts are properly recorded, and rely on external auditors to make these adjustments.

Effect: As a result of this condition, the City lacks internal controls over the preparation of the financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: For the current year, no further action is required, as the adjustments have been posted. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are properly reconciled and adjusted.

View of Responsible Officials: Management agrees with the finding.

2023-003 Audit Budgets

Finding Type: Material Noncompliance with Certain Provisions of Laws, Regulations, Contracts, and Grant Agreements

Criteria: Annual budgets are required to be adopted on a basis consistent with generally accepted accounting principles (GAAP) and State law for the General Fund and all Special Revenue Funds.

Condition: During the audit, we noted that the Flood Control Facilities Fund had expenditures in excess of amounts authorized of \$3,966.

Cause: The City did not budget the revenues or expenditures for a projected in the amount of \$12,048 that was funded by a grant. While the net effect to the net change in fund balance was zero, expenditures were in excess of amounts authorized.

Effect: As a result of this condition, the City was not in compliance with State law.

Recommendation: For the 2023 fiscal year, no further action is required. We recommend amending budgets to ensure all expenditures are approved, and performing reviews to ensure expenditures are within amounts authorized.

View of Responsible Officials: Management agrees with the finding.



CALKINS HEHL RAFKO
— 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 City of Luna Pier as of and for the year ended June 30, 2023, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 deficiencies in the City's internal control to be material weaknesses:

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.

Accounting Transactions

During the audit, we noted several transactions, some of which were material to the financial statements, that were recorded in incorrect accounts. It is important that transactions be recorded in proper accounts in order to ensure that the City's books are reflecting the correct activity. We recommend reviewing journal entries to ensure they are being posted to proper accounts.

Annual Budgets

Annual budgets are required to be adopted on a basis that is consistent with generally accepted accounting principles (GAAP) and State law for the General Fund and Special Revenue Funds. During the audit, we noted that expenditures exceeded amounts appropriated in the Flood Control Facilities Fund. We recommend that the City amend budgets as necessary to ensure that expenditures do not exceed amounts appropriated.

The following comment is not a significant deficiency or a material weakness but is a suggestion to improve your existing accounting and control systems:

Due to Other Funds

The following checks should be written to resolve the outstanding interfund receivables and payables:

General Fund to Police Millage Fund	\$11,550.80
General Fund to Flood Control Facility Fund	\$6,655.04
Major Street Fund to General Fund	\$127,621.51
Major Street Fund to Waste Water Treatment Plant Fund	\$9,837.79
Local Street Fund to General Fund	\$153,012.04
Local Street Fund to Waste Water Treatment Plant Fund	\$4,961.48
Waste Water Treatment Plant Fund to General Fund	\$11,930.25

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.

Very truly yours,



December 13, 2023



CALKINS HEHL RAFKO
— CERTIFIED PUBLIC ACCOUNTANTS —

December 13, 2023

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Luna Pier for the year ended June 30, 2023. 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 August 31, 2023. 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 City of Luna Pier are described in Note 2 to the financial statements. During the current year, the City implemented GASB 96, *Subscription-Based Information Technology Arrangements*. We noted no transactions entered into by 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 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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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 as 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 13, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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 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 the pension and OPEB schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Honorable Mayor and City Council
City of Luna Pier

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

A handwritten signature in cursive script that reads "Collins Hebe Rayko".

Mayor
James Gardner (ext. 201)

Council
Neil Wakeman
Amanda Neiding
Marc Donnelly
Dawn Gramza
Diana Szkatulski
Joy Perry

www.cityoflunapier.com



The City of Luna Pier, Michigan
4357 Buckeye Street, PO Box 375
Luna Pier, Michigan 48157-0375

Treasurer/ Clerk
DeAnn Parran (ext. 203)
Deputy Clerk
Jolene Upchurch (ext. 205)
Building Inspector
Michael Demski (ext. 202)
Police Chief
Jim VanDeraa (ext. 206)
Fire Chief
Robert Dinius
Phone:
734-848-6495
Fax:
734-848-2714

December 13, 2023

Corrective Action Plan
Finding as of June 30, 2023

Contact Person Responsible: DeAnn Parran, Treasurer/Clerk
Jolene Upchurch, Deputy Clerk

Finding Number: 2023-001

Corrective Action Planned: Financial statements are required to be prepared on a basis that is consistent with generally accepted accounting principles (GAAP).

Procedures are not 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 the required financial statement disclosures.

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of the financial statements in accordance with GAAP, and determined that it is in the best interest of the Township to outsource this task to the external auditors, and carefully review the draft financial statements and disclosures prior to approving them and accept responsibility for their content and presentation.

Anticipated Completion Date: December 14, 2023 – Management relies on its external auditors to assist in the preparation of financial statements and related financial statement disclosures. The City will retain employees with adequate skills, knowledge, and experience to oversee the assistance with financial statement disclosures by its external auditors and carefully review the draft financial statements and notes prior to approving them and accept responsibility for their content and presentation. The financial statements were reviewed and approved at the December 14, 2023 board meeting.

Finding Number: 2023-002

Corrective Action Planned: During the audit, significant adjustments were proposed to adjust the City's general ledger to appropriate balances.

A review of the general ledger will be performed on a monthly basis to ensure all revenues and expenditures are posted in the correct accounts.

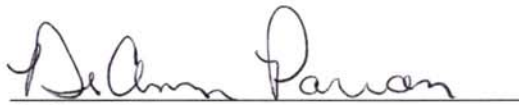
Anticipated Completion Date: January 31, 2024

Finding Number: 2023-003

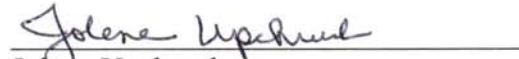
Corrective Action Planned: Expenditures exceeded authorized amounts by \$3,966 in the Flood Control Facilities Fund for the year ended June 30, 2023. These expenditures were not budgeted because they were paid for with grant monies received from the County of Monroe.

In the future, all expenditures will be budgeted, regardless of whether they are grant-funded.

Anticipated Completion Date: January 31, 2024



DeAnn Parran
Treasurer/Clerk



Jolene Upchurch
Deputy Clerk