



**CITY OF CHEBOYGAN  
CHEBOYGAN COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	16
Statement of Activities	17
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	21
<b>Proprietary Funds</b>	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
<b>Component Units</b>	
Statement of Net Position	28
Statement of Activities	29
<b>Notes to the Financial Statements</b>	31
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Major Streets Fund	60
Schedule of Changes in Net Pension Liability and Related Ratios	61
Schedule of Contributions - Pension	62
Schedule of Changes in Net OPEB Liability and Related Ratios	63
Schedule of Contributions - OPEB	64
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<hr/>	
<b>General Fund</b>	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	67
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	71
<b>Downtown Development and Brownfield Redevelopment Authority Component Units</b>	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	75

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Cheboygan, Michigan

***Report on the Financial Statements***

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

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cheboygan Housing Commission which represents 35.1% of the assets, 33.5% of net position, and 67.9% of revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cheboygan Housing Commission is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

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

### *Change in Accounting Principle*

As stated in Note 14 to the basic financial statements, the City adopted **GASB Statement No. 84 Fiduciary Activities** in the fiscal year June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Beginning net position of the fiduciary fund was not restated. Our opinions are not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison information, as listed 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of the City'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'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's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Traverse City, Michigan  
December 22, 2021

## **Management's Discussion and Analysis**

**City of Cheboygan**  
**Management's Discussion and Analysis**  
**June 30, 2021**

As management of the *City of Cheboygan, Michigan* (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

**Financial Highlights**

The financial statements, which follow this Management's Discussion and Analysis, provide these significant key financial highlights for the June 30, 2021 fiscal year as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2021 by \$21,671,379 (net position). Of this, \$22,988,445 was the net investment in capital assets, \$1,929,491 was restricted, and the remaining was unrestricted with a deficit balance of \$(3,246,557).
- The City continues to set aside funds which cover the future cost of the retiree healthcare benefit and the payment of sick and vacation time accruals at the time of retirement. The balances committed as of June 30, 2021 for retiree healthcare benefit and termination liability were \$28,147 and \$55,392, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$3,220,680, an increase of \$509,622 in comparison with the prior year. Approximately 44.7% of this amount, or \$1,440,260, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,440,260, or 55.4% of the general fund's annual expenditures and transfers out.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include legislative, general government, public safety, public works, recreation and culture, and interest expense. The business-type activities include the sewer, water, and ice pavilion activities.

### ***Component Units***

The government-wide financial statements include not only the City itself (known as the primary government), but also the Cheboygan Downtown Development Authority, Brownfield Redevelopment Authority, and Housing Commission, which are legally separate component units for which the City is financially accountable.

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing

decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and port property fund, which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (nonmajor governmental funds). Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison schedules have been provided for the general fund and the major street fund (as required supplemental information).

### ***Proprietary Funds***

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water, and ice pavilion activities. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions.

The City utilizes internal service funds to account for its equipment and motor pool activities. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, which are considered to be major funds of the City. Conversely, the nonmajor enterprise fund (ice pavilion) and internal service fund are aggregate presentations in the proprietary fund financial statements.

### ***Fiduciary Funds***

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

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension and OPEB information, and budget and actual presentations. Supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

The combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented immediately following the required supplementary information.

## Government-wide Financial Analysis

### Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$21,671,379 at the close of the most recent fiscal year. The following chart illustrates the composition of net position:

#### City of Cheboygan's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 2,777,742	\$ 2,838,386	\$ 1,020,098	\$ 1,485,909	\$ 3,797,840	\$ 4,324,295
Accounts Receivable, net	128	128	481,955	478,607	482,083	478,735
Taxes Receivable, net	13,405	10,216	-	-	13,405	10,216
Due from Other Governmental Units	250,526	109,879	-	-	250,526	109,879
Prepaid Items	47,891	14,702	-	-	47,891	14,702
<b>Total Current Assets</b>	<b>3,089,692</b>	<b>2,973,311</b>	<b>1,502,053</b>	<b>1,964,516</b>	<b>4,591,745</b>	<b>4,937,827</b>
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	284,665	246,165	284,665	246,165
Capital Assets not being Depreciated	418,060	338,088	1,776,143	2,250	2,194,203	340,338
Capital Assets being Depreciated, Net	13,197,686	13,672,851	12,911,261	13,296,734	26,108,947	26,969,585
<b>Total Assets</b>	<b>16,705,438</b>	<b>16,984,250</b>	<b>16,474,122</b>	<b>15,509,665</b>	<b>33,179,560</b>	<b>32,493,915</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related	449,011	392,262	133,364	116,509	582,375	508,771
<b>Total Deferred Outflows of Resources</b>	<b>449,011</b>	<b>392,262</b>	<b>133,364</b>	<b>116,509</b>	<b>582,375</b>	<b>508,771</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	88,654	62,338	709,045	472,204	797,699	534,542
Accrued Liabilities	68,479	77,464	21,891	14,159	90,370	91,623
Customer Deposits	900	900	47,973	54,980	48,873	55,880
Accrued Interest	31,654	34,988	6,124	6,476	37,778	41,464
Current Portion of Long-term Debt	576,984	553,964	120,000	114,000	696,984	667,964
Due to Other Governmental Units	-	-	54,162	55,089	54,162	55,089
Unearned Revenue	3,250	-	-	-	3,250	-
<b>Total Current Liabilities</b>	<b>769,921</b>	<b>729,654</b>	<b>959,195</b>	<b>716,908</b>	<b>1,729,116</b>	<b>1,446,562</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	1,796,802	2,379,357	2,820,919	2,940,919	4,617,721	5,320,276
Compensated Absences	47,243	40,675	-	-	47,243	40,675
Net Pension Liability	3,746,831	3,653,059	1,112,872	1,085,020	4,859,703	4,738,079
Net OPEB Liability	562,031	406,403	-	-	562,031	406,403
Internal Balances	(500,000)	(26,458)	500,000	26,458	-	-
<b>Total Liabilities</b>	<b>6,422,828</b>	<b>7,182,690</b>	<b>5,392,986</b>	<b>4,769,305</b>	<b>11,815,814</b>	<b>11,951,995</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension Related	211,826	86,621	62,916	25,728	274,742	112,349
<b>Total Deferred Inflows of Resources</b>	<b>211,826</b>	<b>86,621</b>	<b>62,916</b>	<b>25,728</b>	<b>274,742</b>	<b>112,349</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	11,241,960	11,077,618	11,746,485	10,244,065	22,988,445	21,321,683
<i>Restricted</i>	1,644,826	1,244,498	284,665	246,165	1,929,491	1,490,663
<i>Unrestricted</i>	(2,366,991)	(2,214,915)	(879,566)	340,911	(3,246,557)	(1,874,004)
<b>Total Net Position</b>	<b>\$ 10,519,795</b>	<b>\$ 10,107,201</b>	<b>\$ 11,151,584</b>	<b>\$ 10,831,141</b>	<b>\$ 21,671,379</b>	<b>\$ 20,938,342</b>

\$22,988,445 of the City's net position reflect its net investment in capital assets (e.g., land, buildings, water, and sewer systems, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position restricted for highways and streets, capital projects, perpetual care, and debt service represents \$1,929,491. The remaining deficit balance of unrestricted net position was \$(3,246,557) as of June 30, 2021.

Cash and investments decreased as a result of large capital purchases throughout the year. Due from other governmental units increased by \$140,647 as the City received additional COVID-19 related funding. Net capital assets increased as the City continued with construction projects throughout the year. Accounts payable increased as a result of the City having large year-end construction payable. Net pension liability increased because the interest on total pension liability and changes of assumptions were greater than the net investment income and contributions to the pension plan asset. Differences between expected and actual experience increased the net OPEB liability for the City.

The following table presents a summary of the changes in net position for the years ended June 30, 2021 and June 30, 2020:

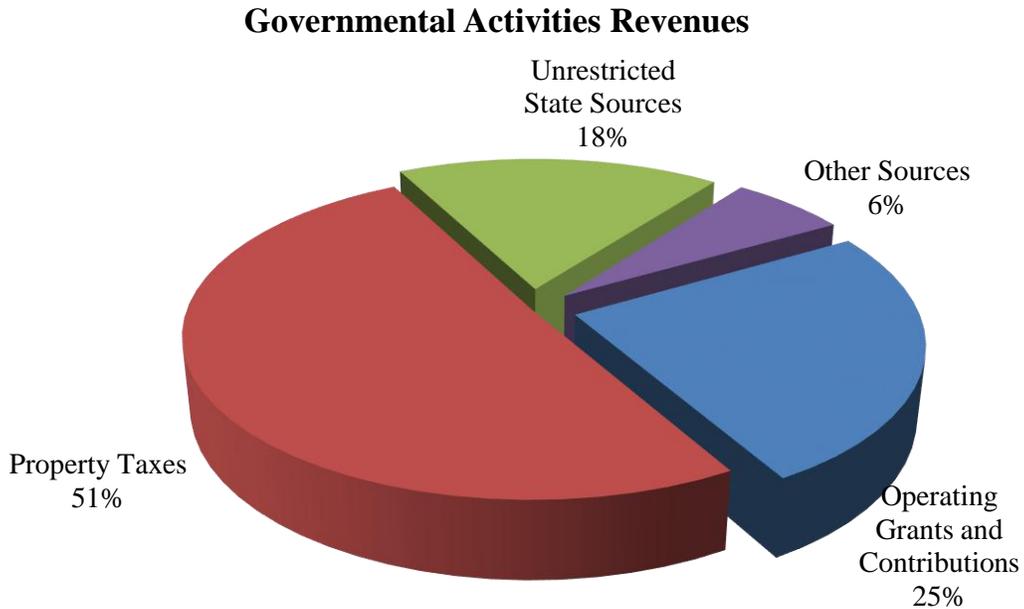
**City of Cheboygan's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 193,960	\$ 82,068	\$ 2,152,790	\$ 1,948,184	\$ 2,346,750	\$ 2,030,252
Operating Grants and Contributions	1,063,055	926,417	-	-	1,063,055	926,417
Capital Grants and Contributions	69,418	61,886	-	-	69,418	61,886
<b>Total Program Revenues</b>	<u>1,326,433</u>	<u>1,070,371</u>	<u>2,152,790</u>	<u>1,948,184</u>	<u>3,479,223</u>	<u>3,018,555</u>
<b>General Revenues</b>						
Property Taxes	2,143,346	2,109,359	-	-	2,143,346	2,109,359
Unrestricted State Sources	755,367	487,918	-	-	755,367	487,918
Investment Income	7,017	9,116	5,025	3,419	12,042	12,535
<b>Total General Revenues</b>	<u>2,905,730</u>	<u>2,606,393</u>	<u>5,025</u>	<u>3,419</u>	<u>2,910,755</u>	<u>2,609,812</u>
<b>Total Revenues</b>	<u>4,232,163</u>	<u>3,676,764</u>	<u>2,157,815</u>	<u>1,951,603</u>	<u>6,389,978</u>	<u>5,628,367</u>
<b>Expenses</b>						
Legislative	37,900	35,619	-	-	37,900	35,619
General Government	735,958	632,807	-	-	735,958	632,807
Public Safety	1,072,831	1,010,101	-	-	1,072,831	1,010,101
Public Works	1,348,325	1,150,760	-	-	1,348,325	1,150,760
Recreation and Culture	356,420	388,262	-	-	356,420	388,262
Community and Economic Development	44,418	61,886	-	-	44,418	61,886
Sewer	-	-	935,801	1,261,492	935,801	1,261,492
Water	-	-	858,308	936,474	858,308	936,474
Ice Pavilion	-	-	149,721	168,773	149,721	168,773
Interest on Long-term Debt	117,259	134,510	-	-	117,259	134,510
<b>Total Expenses</b>	<u>3,713,111</u>	<u>3,413,945</u>	<u>1,943,830</u>	<u>2,366,739</u>	<u>5,656,941</u>	<u>5,780,684</u>
<b>Net Transfers In (Out)</b>	<u>(106,458)</u>	<u>-</u>	<u>106,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>412,594</u>	<u>262,819</u>	<u>320,443</u>	<u>(415,136)</u>	<u>733,037</u>	<u>(152,317)</u>
<i>Net Position at Beginning of Period</i>	<u>10,107,201</u>	<u>9,844,382</u>	<u>10,831,141</u>	<u>11,246,277</u>	<u>20,938,342</u>	<u>21,090,659</u>
<b>Net Position at End of Period</b>	<u>\$ 10,519,795</u>	<u>\$ 10,107,201</u>	<u>\$ 11,151,584</u>	<u>\$ 10,831,141</u>	<u>\$ 21,671,379</u>	<u>\$ 20,938,342</u>

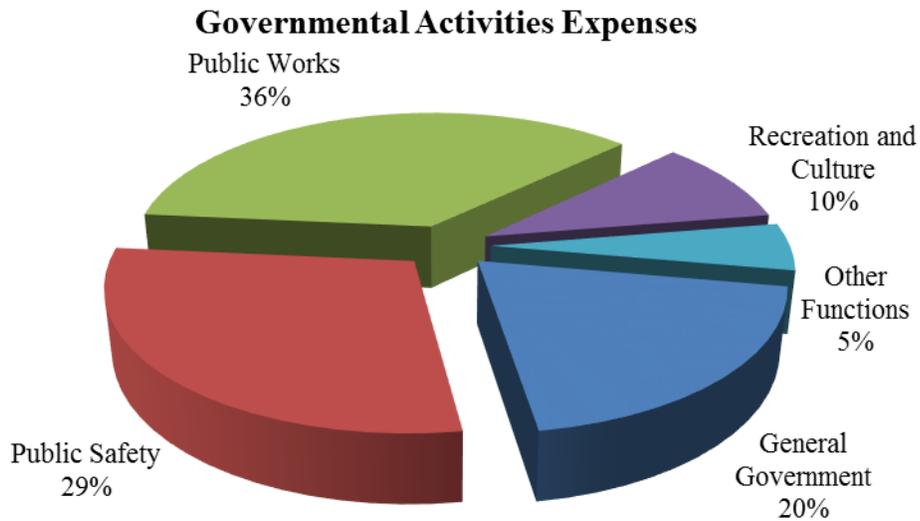
**Governmental Activities.** Governmental activities increased the City's net position by \$412,594 for the year ended June 30, 2021 compared to an increase of \$262,819 for the year ended June 30, 2020. Charges for services increased by \$111,892 as a result of resumed operations and operating and contributions increased by \$136,638 because the City received additional COVID-19 related funding. Unrestricted state sources also increased as the City received additional unrestricted state

aid throughout the year. An increase in net OPEB liability contributed to the \$103,151 increase in general government expenses. Public safety and public works expenses increased by \$62,730 and \$197,565, respectively largely due to depreciation expense, changes in net pension liability, and changes in compensated absences.

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end:



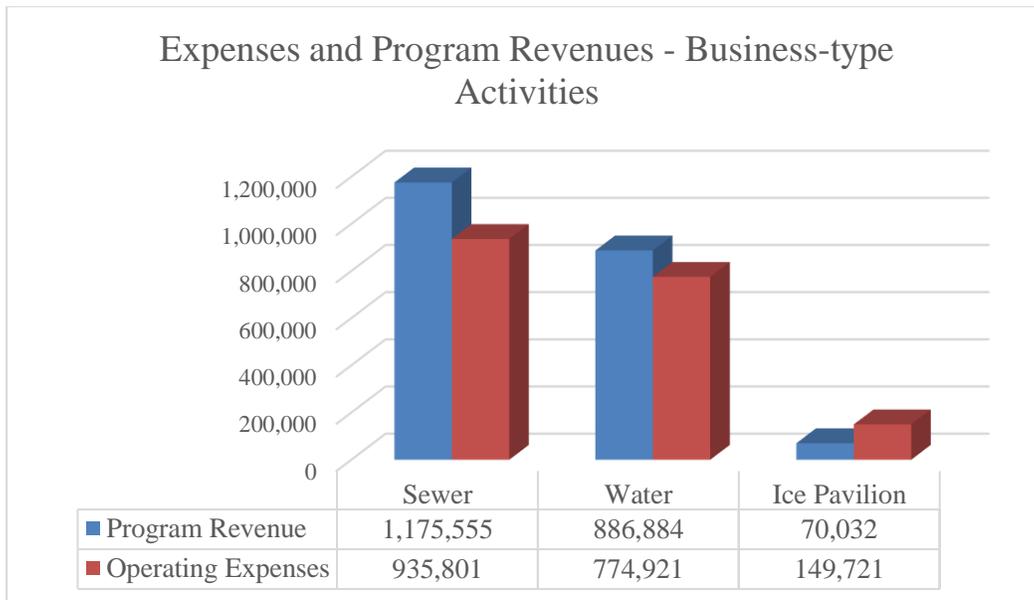
The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end:



**Business-type Activities.** Business-type activities increased the City’s net position by \$320,443 for the year ended June 30, 2021, compared to a decrease of \$415,136 for the year ended June 30, 2020. Charges for services increased by \$204,606 as a result of increased revenue from water and sewer charges. Expenses decreased by \$422,909 as the City had higher costs in the prior year associated with replacing a portion of the water and sewer system.

Key components of this change are as follows:

- The sewer fund had an increase in net position of \$262,696 for an ending balance of \$6,374,019.
- The water fund had an increase in net position of \$30,978 for an ending balance of \$4,859,384.
- The ice pavilion fund had an increase in net position of \$26,769 for an ending deficit balance of \$(81,819).



### **Financial Analysis of the Government’s Funds**

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

#### ***Governmental Funds***

The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party,

the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2021, the City's governmental funds reported combined fund balances of \$3,220,680, an increase of \$509,622 in comparison with the prior year. Approximately 44.7% of this amount, or \$1,440,260, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is: 1) not in spendable form, (\$47,891, or 1.5%, for prepaid items), 2) assigned for the festival square, \$4,164, or 0.1%, or 3) restricted for particular purposes, \$1,644,826, or 51.1%, or 4) committed for specific purposes, \$83,539, or 2.6%.

**General Fund** - The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,440,260, while total fund balance increased by \$109,294 to \$1,571,690. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 55.4% of total general fund expenditures and transfers out, while total fund balance represents approximately 60.4% of that same amount.

**Major Streets Fund** - The major streets fund had an increase of \$221,255 for an ending fund balance of \$857,473, all of which is restricted.

Information regarding the reasons for the changes in fund balance for the major funds was mentioned in an earlier section of this report.

### **General Fund Budgetary Highlights**

*Original budget compared to final budget.* The City had no significant budget amendments to the original budget appropriations; however, there was one significant amendment for the original estimated revenues: intergovernmental revenue went from \$588,000 to \$961,100.

*Final budget compared to actual results.* The City had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

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

#### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$28,303,150 (net of accumulated depreciation). Of this amount, \$13,615,746 was for its governmental activities and \$14,687,404 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Additional information on the City's capital assets can be found in the notes to the financial statements.

### ***Long-term Debt***

Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund, enterprise fund or internal service fund. Debt is classified as long-term if the debt matures in a period greater than one year. The City made principal payments of \$673,535 during the current fiscal year.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The 2021-2022 budget for the general fund projects stable revenues for the year, \$2,590,500 in total, compared to \$2,590,500 in total expenditures and transfers out. This budget closely compares to the 2021 year-end total revenues of \$2,601,343 and total expenditures and transfers out of \$2,492,049.

The 2021-2022 budget leaves the City with no change in fund balance at year-end, showing the City's efforts to match revenues with expenditures. The City of Cheboygan will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams. Additionally, management is currently working to determine the significance that the COVID-19 Pandemic will have on the City's upcoming revenues and expenditures. The City plans to monitor expenditures in these areas carefully.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Treasurer's Office  
City of Cheboygan  
403 N. Huron St., P.O. Box 39  
Cheboygan, Michigan, 49721

## **Basic Financial Statements**

**City of Cheboygan**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 2,777,742	\$ 1,020,098	\$ 3,797,840	\$ 940,874
Accounts Receivable, net	128	481,955	482,083	8,377
Taxes Receivable, net	13,405	--	13,405	--
Due from Other Governmental Units	250,526	--	250,526	--
Prepaid Items	47,891	--	47,891	23,596
<b>Total Current Assets</b>	<b>3,089,692</b>	<b>1,502,053</b>	<b>4,591,745</b>	<b>972,847</b>
<i>Noncurrent Assets</i>				
Restricted Cash - General	--	--	--	30,219
Restricted Cash - Bond Reserve	--	122,000	122,000	--
Restricted Cash - RRI	--	162,665	162,665	--
Capital Assets not being Depreciated	418,060	1,776,143	2,194,203	170,559
Capital Assets being Depreciated, Net	13,197,686	12,911,261	26,108,947	422,841
<b>Total Assets</b>	<b>16,705,438</b>	<b>16,474,122</b>	<b>33,179,560</b>	<b>1,596,466</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	449,011	133,364	582,375	--
<b>Total Deferred Outflows of Resources</b>	<b>449,011</b>	<b>133,364</b>	<b>582,375</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	88,654	709,045	797,699	18,379
Accrued Liabilities	68,479	21,891	90,370	20,819
Customer Deposits	900	47,973	48,873	10,150
Accrued Interest	31,654	6,124	37,778	--
Current Portion of Long-term Debt	576,984	120,000	696,984	--
Due to Other Governmental Units	--	54,162	54,162	--
Unearned Revenue	3,250	--	3,250	--
<b>Total Current Liabilities</b>	<b>769,921</b>	<b>959,195</b>	<b>1,729,116</b>	<b>49,348</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	1,796,802	2,820,919	4,617,721	--
Compensated Absences	47,243	--	47,243	4,823
Net Pension Liability	3,746,831	1,112,872	4,859,703	--
Net OPEB Liability	562,031	--	562,031	--
Internal Balances	(500,000)	500,000	--	--
<b>Total Liabilities</b>	<b>6,422,828</b>	<b>5,392,986</b>	<b>11,815,814</b>	<b>54,171</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	211,826	62,916	274,742	--
<b>Total Deferred Inflows of Resources</b>	<b>211,826</b>	<b>62,916</b>	<b>274,742</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	11,241,960	11,746,485	22,988,445	593,400
<i>Restricted for:</i>				
Capital Projects	27,871	--	27,871	--
Cemetery	181,728	--	181,728	--
Highways and Streets	1,355,800	--	1,355,800	--
Housing Assistance	--	--	--	16,815
Debt Service - General	79,427	--	79,427	--
Debt Service - Bond Reserve	--	122,000	122,000	--
Debt Service - Repair, Replacement, and Improvement	--	162,665	162,665	--
<i>Unrestricted</i>	(2,366,991)	(879,566)	(3,246,557)	932,080
<b>Total Net Position</b>	<b>\$ 10,519,795</b>	<b>\$ 11,151,584</b>	<b>\$ 21,671,379</b>	<b>\$ 1,542,295</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan  
Statement of Activities  
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
<b>Primary Government</b>									
<b>Governmental Activities:</b>									
Legislative	\$ 37,900	\$ --	\$ --	\$ --	\$ (37,900)	\$ --	\$ (37,900)	\$ --	
General Government	735,958	114,278	--	--	(621,680)	--	(621,680)	--	
Public Safety	1,072,831	18,730	159,406	--	(894,695)	--	(894,695)	--	
Public Works	1,348,325	50,000	860,831	50,000	(387,494)	--	(387,494)	--	
Recreation and Culture	356,420	10,952	--	--	(345,468)	--	(345,468)	--	
Community and Economic Development	44,418	--	42,818	19,418	17,818	--	17,818	--	
Interest on Long-term Debt	117,259	--	--	--	(117,259)	--	(117,259)	--	
<b>Total Governmental Activities</b>	<b>3,713,111</b>	<b>193,960</b>	<b>1,063,055</b>	<b>69,418</b>	<b>(2,386,678)</b>	<b>--</b>	<b>(2,386,678)</b>	<b>--</b>	
<b>Business-type Activities:</b>									
Sewer	935,801	1,195,874	--	--	--	260,073	260,073	--	
Water	858,308	886,884	--	--	--	28,576	28,576	--	
Ice Pavilion (Nonmajor)	149,721	70,032	--	--	--	(79,689)	(79,689)	--	
<b>Total Business-type Activities</b>	<b>1,943,830</b>	<b>2,152,790</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>208,960</b>	<b>208,960</b>	<b>--</b>	
<b>Total Primary Government</b>	<b>\$ 5,656,941</b>	<b>\$ 2,346,750</b>	<b>\$ 1,063,055</b>	<b>\$ 69,418</b>	<b>(2,386,678)</b>	<b>208,960</b>	<b>(2,177,718)</b>	<b>--</b>	
<b>Component Units</b>									
Brownfield Redevelopment Authority	\$ 45,645	\$ --	\$ --	\$ 8,413	--	--	--	(37,232)	
Downtown Development Authority	224,589	9,920	33,673	16,960	--	--	--	(164,036)	
Cheboygan Housing Commission (FYE 03/31/2021)	661,628	112,607	586,654	--	--	--	--	37,633	
<b>Total Component Units</b>	<b>\$ 931,862</b>	<b>\$ 122,527</b>	<b>\$ 620,327</b>	<b>\$ 25,373</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(163,635)</b>	
<b>General Purpose Revenues and Transfers:</b>									
<b>Revenues</b>									
					2,143,346	--	2,143,346	261,519	
					7,017	5,025	12,042	630	
					755,367	--	755,367	--	
					(106,458)	106,458	--	--	
					<b>2,799,272</b>	<b>111,483</b>	<b>2,910,755</b>	<b>262,149</b>	
					<b>412,594</b>	<b>320,443</b>	<b>733,037</b>	<b>98,514</b>	
					<i>Net Position at Beginning of Period</i>	10,107,201	10,831,141	20,938,342	1,443,781
					<i>Net Position at End of Period</i>	<b>\$ 10,519,795</b>	<b>\$ 11,151,584</b>	<b>\$ 21,671,379</b>	<b>\$ 1,542,295</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>		
<b>ASSETS</b>				
Cash and Investments	\$ 1,027,251	\$ 767,468	\$ 759,491	\$ 2,554,210
Taxes Receivable, net	10,155	--	3,250	13,405
Due from Other Governmental Units	120,540	92,262	37,724	250,526
Prepaid Items	47,891	--	--	47,891
Due from Other Funds	500,000	--	--	500,000
<b>Total Assets</b>	<b>\$ 1,705,837</b>	<b>\$ 859,730</b>	<b>\$ 800,465</b>	<b>\$ 3,366,032</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 65,334	\$ 167	\$ 1,206	\$ 66,707
Accrued Liabilities	58,658	2,090	3,592	64,340
Customer Deposits	--	--	900	900
Unearned Revenue	--	--	3,250	3,250
<b>Total Liabilities</b>	<b>123,992</b>	<b>2,257</b>	<b>8,948</b>	<b>135,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	10,155	--	--	10,155
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>134,147</b>	<b>2,257</b>	<b>8,948</b>	<b>145,352</b>
<b>FUND BALANCE</b>				
Nonspendable	47,891	--	--	47,891
Restricted	--	857,473	787,353	1,644,826
Committed	83,539	--	--	83,539
Assigned	--	--	4,164	4,164
Unassigned	1,440,260	--	--	1,440,260
<b>Total Fund Balance</b>	<b>1,571,690</b>	<b>857,473</b>	<b>791,517</b>	<b>3,220,680</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,705,837</b>	<b>\$ 859,730</b>	<b>\$ 800,465</b>	<b>\$ 3,366,032</b>

The Notes to the Financial Statements are an integral part of these financial statements.

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

Total Fund Balance - Governmental Funds	\$	3,220,680
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		500,625
In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.		(31,402)
General government capital assets of \$25,237,441, net of accumulated depreciation of \$12,154,753, are not financial resources and, accordingly, are not reported in the funds.		13,082,688
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(47,243)
Unavailable revenues are not available to pay current expenditures and, therefore, are deferred inflows of resources in the funds.		10,155
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,317,009)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(562,031)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		(3,336,668)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>10,519,795</u></b>

The Notes to the Financial Statements are an integral part of these financial statements.

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

	<u>General</u>	<u>Special Revenue Major Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes	\$ 1,554,638	\$ --	\$ 588,769	\$ 2,143,407
Licenses and Permits	83,940	--	--	83,940
Intergovernmental	918,636	600,876	318,328	1,837,840
Charges for Services	25,959	--	17,850	43,809
Interest and Rentals	5,682	--	5,058	10,740
Other Revenue	12,488	--	--	12,488
<b>Total Revenues</b>	<u>2,601,343</u>	<u>600,876</u>	<u>930,005</u>	<u>4,132,224</u>
<b>Expenditures</b>				
Legislative	37,900	--	--	37,900
General Government	604,610	--	37,984	642,594
Public Safety	1,064,239	--	--	1,064,239
Public Works	359,604	290,915	176,100	826,619
Recreation and Culture	254,964	--	--	254,964
Community and Economic Development	25,000	--	19,418	44,418
Debt Service - Principal	--	--	527,356	527,356
Debt Service - Interest	--	--	118,054	118,054
<b>Total Expenditures</b>	<u>2,346,317</u>	<u>290,915</u>	<u>878,912</u>	<u>3,516,144</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>255,026</u>	<u>309,961</u>	<u>51,093</u>	<u>616,080</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	--	143,036	143,036
Transfers Out	(145,732)	(88,706)	(15,056)	(249,494)
<b>Net Other Financing Sources (Uses)</b>	<u>(145,732)</u>	<u>(88,706)</u>	<u>127,980</u>	<u>(106,458)</u>
<b>Net Change in Fund Balance</b>	<b>109,294</b>	<b>221,255</b>	<b>179,073</b>	<b>509,622</b>
<i>Fund Balance at Beginning of Period</i>	1,462,396	636,218	612,444	2,711,058
<b>Fund Balance at End of Period</b>	<u>\$ 1,571,690</u>	<u>\$ 857,473</u>	<u>\$ 791,517</u>	<u>\$ 3,220,680</u>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$	509,622
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.		10,772
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(6,568)
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.		(155,628)
Some receivables are long-term in nature and are collectible over several years. However, the current receipts are reflected as revenues on the fund statements.		(61)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.		527,356
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.		(154,233)
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$505,251 is in excess of capital outlay of \$183,413.		(321,838)
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.		3,172
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>412,594</u></b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan  
Statement of Net Position  
Proprietary Funds  
June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Ice Pavilion (Nonmajor)</b>		<b>Internal Service Fund</b>
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and Investments	\$ 766,788	\$ 248,046	\$ 5,264	\$ 1,020,098	\$ 223,532
Accounts Receivable, net	280,929	201,026	--	481,955	128
<b>Total Current Assets</b>	<b>1,047,717</b>	<b>449,072</b>	<b>5,264</b>	<b>1,502,053</b>	<b>223,660</b>
<i>Noncurrent Assets</i>					
Restricted Cash - Bond Reserve	--	122,000	--	122,000	--
Restricted Cash - RRI	--	162,665	--	162,665	--
Capital Assets not being Depreciated	1,570,831	205,312	--	1,776,143	--
Capital Assets being Depreciated, Net	5,484,974	7,372,868	53,419	12,911,261	533,058
<b>Total Assets</b>	<b>8,103,522</b>	<b>8,311,917</b>	<b>58,683</b>	<b>16,474,122</b>	<b>756,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	58,238	57,655	17,471	133,364	22,131
<b>Total Deferred Outflows of Resources</b>	<b>58,238</b>	<b>57,655</b>	<b>17,471</b>	<b>133,364</b>	<b>22,131</b>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	678,881	28,061	2,103	709,045	21,947
Accrued Liabilities	13,231	6,823	1,837	21,891	4,139
Customer Deposits	28,023	19,950	--	47,973	--
Accrued Interest	--	6,124	--	6,124	252
Current Portion of Long-term Debt	--	120,000	--	120,000	14,216
Due to Other Governmental Units	54,162	--	--	54,162	--
<b>Total Current Liabilities</b>	<b>774,297</b>	<b>180,958</b>	<b>3,940</b>	<b>959,195</b>	<b>40,554</b>
<i>Noncurrent Liabilities</i>					
Long-term Debt	--	2,820,919	--	2,820,919	42,561
Net Pension Liability	485,970	481,111	145,791	1,112,872	184,669
Due to Other Funds	500,000	--	--	500,000	--
<b>Total Liabilities</b>	<b>1,760,267</b>	<b>3,482,988</b>	<b>149,731</b>	<b>5,392,986</b>	<b>267,784</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related	27,474	27,200	8,242	62,916	10,440
<b>Total Deferred Inflows of Resources</b>	<b>27,474</b>	<b>27,200</b>	<b>8,242</b>	<b>62,916</b>	<b>10,440</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	7,055,805	4,637,261	53,419	11,746,485	476,281
<i>Restricted for:</i>					
Debt Service - Bond Reserve	--	122,000	--	122,000	--
Debt Service - Repair, Replacement, and Improvement	--	162,665	--	162,665	--
<i>Unrestricted</i>	(681,786)	(62,542)	(135,238)	(879,566)	24,344
<b>Total Net Position</b>	<b>\$ 6,374,019</b>	<b>\$ 4,859,384</b>	<b>\$ (81,819)</b>	<b>\$ 11,151,584</b>	<b>\$ 500,625</b>

The Notes to the Financial Statements are an integral part of these financial statements.

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

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Ice Pavilion (Nonmajor)</u>		<u>Internal Service Fund</u>
<b>Operating Revenues</b>					
Charges for Services	\$ 1,175,555	\$ 886,884	\$ 70,032	\$ 2,132,471	\$ 296,835
<b>Total Operating Revenues</b>	<u>1,175,555</u>	<u>886,884</u>	<u>70,032</u>	<u>2,132,471</u>	<u>296,835</u>
<b>Operating Expenses</b>					
Personnel Services	365,632	361,890	69,897	797,419	90,502
Contracted Services	93,035	107,023	12,090	212,148	8,242
Insurance	30,628	10,725	386	41,739	16,618
Equipment Rental	35,230	21,230	--	56,460	248
Supplies	97,407	268	10,729	108,404	9,339
Utilities	138,319	58,298	45,343	241,960	63,704
Repair and Maintenance	--	--	--	--	71,678
Depreciation	175,044	214,752	11,276	401,072	73,355
Other	506	735	--	1,241	--
<b>Total Operating Expenses</b>	<u>935,801</u>	<u>774,921</u>	<u>149,721</u>	<u>1,860,443</u>	<u>333,686</u>
<b>Operating Income (Loss)</b>	<u>239,754</u>	<u>111,963</u>	<u>(79,689)</u>	<u>272,028</u>	<u>(36,851)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Investment Income	2,623	2,402	--	5,025	--
Miscellaneous Revenue	20,319	--	--	20,319	--
Capital Grant	--	--	--	--	50,000
Interest Expense	--	(83,387)	--	(83,387)	(2,377)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>22,942</u>	<u>(80,985)</u>	<u>--</u>	<u>(58,043)</u>	<u>47,623</u>
<b>Income Before Transfers</b>	<u>262,696</u>	<u>30,978</u>	<u>(79,689)</u>	<u>213,985</u>	<u>10,772</u>
Transfers In	--	--	106,458	106,458	--
<b>Change In Net Position</b>	<u>262,696</u>	<u>30,978</u>	<u>26,769</u>	<u>320,443</u>	<u>10,772</u>
Net Position at Beginning of Period	6,111,323	4,828,406	(108,588)	10,831,141	489,853
<b>Net Position at End of Period</b>	<u>\$ 6,374,019</u>	<u>\$ 4,859,384</u>	<u>\$ (81,819)</u>	<u>\$ 11,151,584</u>	<u>\$ 500,625</u>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Sewer</b>	<b>Water</b>	<b>Ice Pavilion (Nonmajor)</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers	\$ 1,186,516	\$ 872,575	\$ 70,032	\$ 2,129,123	\$ 296,835
Payments to Suppliers for Goods and Services	145,361	(511,173)	(67,233)	(433,045)	(156,199)
Payments to Employees for Wages and Fringe Benefits	(339,543)	(340,023)	(61,936)	(741,502)	(80,635)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>992,334</b>	<b>21,379</b>	<b>(59,137)</b>	<b>954,576</b>	<b>60,001</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers In	--	--	106,458	106,458	--
Change in Interfund Balances	500,000	--	(26,458)	473,542	--
Miscellaneous Revenue	20,319	--	--	20,319	--
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>520,319</b>	<b>--</b>	<b>80,000</b>	<b>600,319</b>	<b>--</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Capital Asset Purchases	(1,568,581)	(205,312)	(15,599)	(1,789,492)	--
Capital Grant	--	--	--	--	50,000
Interest Payments	--	(83,739)	--	(83,739)	(2,539)
Principal Payments	--	(114,000)	--	(114,000)	(32,179)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(1,568,581)</b>	<b>(403,051)</b>	<b>(15,599)</b>	<b>(1,987,231)</b>	<b>15,282</b>
<b>Cash Flows Provided by Investing Activities</b>					
Investment Income	2,623	2,402	--	5,025	--
<b>Net Cash Provided by Investing Activities</b>	<b>2,623</b>	<b>2,402</b>	<b>--</b>	<b>5,025</b>	<b>--</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(53,305)</b>	<b>(379,270)</b>	<b>5,264</b>	<b>(427,311)</b>	<b>75,283</b>
<b>Cash and Investments - Beginning of Period</b>	<b>820,093</b>	<b>911,981</b>	<b>--</b>	<b>1,732,074</b>	<b>148,249</b>
<b>Cash and Investments - End of Period</b>	<b>\$ 766,788</b>	<b>\$ 532,711</b>	<b>\$ 5,264</b>	<b>\$ 1,304,763</b>	<b>\$ 223,532</b>
<b>Statement of Net Position</b>					
Cash and Investments	\$ 766,788	\$ 248,046	\$ 5,264	\$ 1,020,098	\$ 223,532
Restricted Cash - Bond Reserve	--	122,000	--	122,000	--
Restricted Cash - Repair, Replacement, and Improvement	--	162,665	--	162,665	--
<b>Total Statement of Net Position</b>	<b>\$ 766,788</b>	<b>\$ 532,711</b>	<b>\$ 5,264</b>	<b>\$ 1,304,763</b>	<b>\$ 223,532</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Ice Pavilion (Nonmajor)</u>	<u>Total Enterprise Funds</u>	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ 239,754	\$ 111,963	\$ (79,689)	\$ 272,028	\$ (36,851)
<b>Adjustments to Reconcile Operating Income (Loss)</b>					
<b>Net Cash Provided by (Used in) Operating Activities:</b>					
Depreciation Expense	175,044	214,752	11,276	401,072	73,355
<b>Changes in Assets, Liabilities, and Related Deferrals:</b>					
Accounts Receivable, net	10,961	(14,309)	--	(3,348)	--
Accounts Payable	545,143	(309,617)	1,315	236,841	13,630
Accrued Liabilities	5,049	1,035	1,648	7,732	1,872
Customer Deposits	(3,730)	(3,277)	--	(7,007)	--
Due to Other Governmental Units	(927)	--	--	(927)	--
Net Pension Liability and Related Deferrals	21,040	20,832	6,313	48,185	7,995
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b><u>\$ 992,334</u></b>	<b><u>\$ 21,379</u></b>	<b><u>\$ (59,137)</u></b>	<b><u>\$ 954,576</u></b>	<b><u>\$ 60,001</u></b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2021**

	<b>Custodial Fund</b>
<b>ASSETS</b>	
Cash and Investments	\$ 15,552
<i>Total Assets</i>	15,552
<b>LIABILITIES</b>	
Undistributed Collections	15,552
<i>Total Liabilities</i>	15,552
<b>NET POSITION</b>	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2021**

	<b>Custodial Fund</b>
<b>Additions</b>	
Taxes Collected for Other Governments	\$ 3,181,871
<i>Total Additions</i>	3,181,871
<b>Deductions</b>	
Payments of Property Taxes to Other Governments	3,181,871
<i>Total Deductions</i>	3,181,871
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	\$ --

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2021**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Cheboygan Housing Commission (FYE 03/31/2021)</b>	<b>Total Component Units</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 19,041	\$ 515,571	\$ 406,262	\$ 940,874
Accounts Receivable, net	--	--	8,377	8,377
Prepaid Items	--	--	23,596	23,596
<b>Total Current Assets</b>	<b>19,041</b>	<b>515,571</b>	<b>438,235</b>	<b>972,847</b>
<i>Noncurrent Assets</i>				
Restricted Cash - General	--	--	30,219	30,219
Capital Assets not being Depreciated	--	150,000	20,559	170,559
Capital Assets being Depreciated, Net	--	351,774	71,067	422,841
<b>Total Assets</b>	<b>19,041</b>	<b>1,017,345</b>	<b>560,080</b>	<b>1,596,466</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	--	6,757	11,622	18,379
Accrued Liabilities	--	3,425	17,394	20,819
Customer Deposits	--	--	10,150	10,150
<b>Total Current Liabilities</b>	<b>--</b>	<b>10,182</b>	<b>39,166</b>	<b>49,348</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences	--	--	4,823	4,823
<b>Total Liabilities</b>	<b>--</b>	<b>10,182</b>	<b>43,989</b>	<b>54,171</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	--	501,774	91,626	593,400
<i>Restricted for:</i>				
Housing Assistance	--	--	16,815	16,815
<i>Unrestricted</i>	19,041	505,389	407,650	932,080
<b>Total Net Position</b>	<b>\$ 19,041</b>	<b>\$ 1,007,163</b>	<b>\$ 516,091</b>	<b>\$ 1,542,295</b>

The Notes to the Financial Statements are an integral part of these financial statements.

**City of Cheboygan**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2021**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Cheboygan Housing Commission (FYE 03/31/2021)</b>	<b>Total Component Units</b>
<b>Expenses</b>				
Community and Economic Development	\$ 45,645	\$ 224,589	\$ 661,628	\$ 931,862
<b>Total Expenses</b>	<b>45,645</b>	<b>224,589</b>	<b>661,628</b>	<b>931,862</b>
<b>Program Revenues</b>				
Charges for Services	--	9,920	112,607	122,527
Operating Grants and Contributions	--	33,673	586,654	620,327
Capital Grants and Contributions	8,413	16,960	--	25,373
<b>Total Program Revenues</b>	<b>8,413</b>	<b>60,553</b>	<b>699,261</b>	<b>768,227</b>
<b>Net Program Revenues (Expenses)</b>	<b>(37,232)</b>	<b>(164,036)</b>	<b>37,633</b>	<b>(163,635)</b>
<b>General Revenue</b>				
Property Taxes	25,599	235,920	--	261,519
Investment Income	--	--	630	630
<b>Total General Revenues</b>	<b>25,599</b>	<b>235,920</b>	<b>630</b>	<b>262,149</b>
<b>Change in Net Position</b>	<b>(11,633)</b>	<b>71,884</b>	<b>38,263</b>	<b>98,514</b>
<i>Net Position at Beginning of Period</i>	30,674	935,279	477,828	1,443,781
<b>Net Position at End of Period</b>	<b>\$ 19,041</b>	<b>\$ 1,007,163</b>	<b>\$ 516,091</b>	<b>\$ 1,542,295</b>

The Notes to the Financial Statements are an integral part of these financial statements.

## **Notes to the Financial Statements**

## City of Cheboygan

### Notes to the Financial Statements

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#### **Note 1 - Nature of Business and Summary of Significant Accounting Policies**

The City of Cheboygan (the “City” or “government”) is located in Cheboygan County, Michigan and has a population of approximately 4,686. The City operates with a Council form of government and provides services to its residents in many areas including general government, law enforcement, fire protection services, recreation and culture, highways and streets, and utilities services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City’s accounting policies are described below.

#### ***Reporting Entity***

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

#### ***Discretely Presented Component Units***

**Brownfield Redevelopment Authority ("BRA")** – The amounts reported as the BRA discretely presented component unit in the basic financial statements include the financial data of the City's Brownfield Redevelopment Authority to emphasize that it is legally separate from the City. The members of the governing board of the BRA are appointed by the City Council. The budgets and expenditures of the BRA must be approved by the City Council. The City also has the ability to significantly influence the operations of the BRA. Separate financial statements of the BRA have not been prepared.

**Downtown Development Authority (the "DDA")** – The amounts reported as the DDA discretely presented component unit in the basic financial statements include the financial data of the City's Downtown Development Authority to emphasize that it is legally separate from the City. The members of the governing board of the DDA are appointed by the City Council. The budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence the operations of the DDA. Separate financial statements of the DDA have not been prepared.

**Cheboygan Housing Commission (FYE 03/31/2021)** (the “Commission”) – The Commission was formed by the City of Cheboygan under State of Michigan Public Act 18 of 1933. The Commission operates under a Board of Commissioners appointed by the City Mayor. Members of the Commission Board may be removed by the City only for cause. The Commission determines its own budget (subject to federal approval), sets rental rates, and may issue debt under its own

## City of Cheboygan

### Notes to the Financial Statements

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name. The City is not responsible for deficits or liabilities of the Commission. However, the Commission makes annual “payments in lieu of taxes” to the City. Therefore, a financial benefit exists for the City, thereby requiring that the Commission be reported as a discretely presented component unit of the City. The Commission has a March 31 year-end. The commission is audited separately from the City and accordingly, the City has elected to omit substantially all note disclosures related to the Commission in these financial statements.

Complete financial statements for the Commission may be obtained at the Commission’s administrative office:

Cheboygan Housing Commission  
659 Cuyler Street  
Cheboygan, MI 49721

#### ***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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds, fiduciary funds, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property

## City of Cheboygan

### Notes to the Financial Statements

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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.

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 City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

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

The ***major street fund*** accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The City reports the following major proprietary funds:

The ***sewer fund*** accounts for the operation and maintenance of the City's sewage disposal and treatment system.

The ***water fund*** accounts for the operation and maintenance of the City's water distribution and treatment system.

Additionally, the City reports the following fund types:

***Special revenue funds*** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

***Debt service funds*** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## City of Cheboygan

### Notes to the Financial Statements

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**Capital project funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Permanent funds** account for assets that are permanently restricted for the perpetual care of the City's cemetery.

**Enterprise funds** account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The **internal service fund** accounts for the operations that provide machinery and equipment to other departments of the City on a cost-reimbursement basis.

The **custodial fund** is custodial in nature and does not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### **Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. The internal service fund is used to record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service fund as operating expenditures/expenses.

## City of Cheboygan

### Notes to the Financial Statements

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#### ***Property Tax Revenue***

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

Property taxes for the Downtown Development Authority and Brownfield Redevelopment Authority are derived by capturing the taxes on the increase in taxable value of the property located within the respective districts. Property taxes are recognized in the fiscal year in which they are levied.

#### **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity**

##### ***Bank Deposits and Investments***

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable and is displayed on the statement of net position/balance sheet as "Cash and cash equivalents". The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various certificates of deposit.

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

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

The City's investments during the year consisted of certificate of deposits and a sweep account, which is invested in money market funds.

##### ***Receivables and Payables***

All receivables are reported at their gross value with the exception of the delinquent personal property taxes, which are reported net of an allowance for uncollectible balances.

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

# City of Cheboygan

## Notes to the Financial Statements

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Amounts due from other governmental units include amounts due from the State for revenue sharing as well as grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as unearned revenues.

### ***Restricted Assets***

Certain resources are set aside for repayment of the City's outstanding bonds, which are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or applicable law.

### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### ***Capital Assets***

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets having a useful life in excess of two years and whose costs exceed \$5,000. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are valued at acquisition cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Years</u>
Land Improvements	10 - 40
Buildings and Improvements	15 - 40
Machinery and Equipment	3 - 30
Infrastructure	30
Sewer and Water Systems	7 - 75

## City of Cheboygan

### Notes to the Financial Statements

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#### ***Unearned Revenue***

The City reports unearned revenue in connection with assets received or receivable that are not considered to have yet been earned.

#### ***Compensated Absences (Vacation and Sick Leave)***

Eligible employees are permitted to accumulate earned but unused sick and vacation pay benefits in varying amounts based on length of service and certain other established criteria. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### ***Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred in the governmental, proprietary, and government-wide statements.

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

#### ***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 of 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.

#### ***Retiree Health Care Costs***

The City offers retiree healthcare benefits to those active and retirees hired before April 27, 1999. The City records a net OPEB liability for the difference between the total OPEB liability calculated

## City of Cheboygan

### Notes to the Financial Statements

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by the actuary and the OPEB plan's fiduciary net position. For the purpose 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 of the Retiree Health Care 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Deferred Outflows / Inflows of Resources***

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Additionally, the City has a deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: receivables for revenues that are not considered to be available to liquidate liabilities of the current period and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### ***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

## City of Cheboygan

### Notes to the Financial Statements

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#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

*Unassigned fund balance* is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

#### ***Fund Balance Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## City of Cheboygan

### Notes to the Financial Statements

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#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Note 2 - Stewardship, Compliance, and Accountability**

##### *Budgetary Information*

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. Debt service funds are also included in the budgetary process; however, State statutes do not require legally adopted budgets for such funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each June, after receiving input from the individual departments, the City prepares a proposed operating budget for the fiscal period commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through a resolution passed by the City Council.
4. Formal budgetary integration is employed for the governmental fund types as a management control device.
5. Budgets are adopted at the activity level. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the City Council. All appropriations lapse at the end of the fiscal year.
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed during the year. The appropriations resolution is based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The City Manager is authorized to transfer budgeted amounts within an activity, subject to the condition that the total expenditures do not exceed the approved appropriations by activity.

##### *Excess of Expenditures Over Budget Appropriations in Budgetary Funds*

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The approved budgets of the City were adopted on the activity level basis for all governmental funds.

## City of Cheboygan

### Notes to the Financial Statements

The City had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

#### ***Deficit Unrestricted Net Position and Total Net Position***

As of June 30, 2021, the City's governmental activities and business-type activities reported the following (deficits) in unrestricted and total net position:

	<b>Unrestricted Net Position</b>	<b>Total Net Position</b>
<b>Governmental Activities</b>	\$ (2,366,991)	\$ 10,519,795
<b>Business-type Activities</b>	(879,566)	11,151,584
Sewer	(681,786)	6,374,019
Water	(62,542)	4,859,384
Ice Pavilion	(135,238)	(81,819)
<b>City-wide</b>	(3,246,557)	21,671,379

#### **Note 3 - Cash and Investments**

Following is a reconciliation of deposit balances as of June 30, 2021:

	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 3,659,005	\$ 940,874	\$ 4,599,879
Restricted Cash - General	-	30,219	30,219
Restricted Cash - Bond Reserve	122,000	-	122,000
Restricted Cash - Repair, Replacement, and Improvement	301,500	-	301,500
<b>Statement of Fiduciary Net Position</b>			
Cash and Investments - Custodial Fund	15,552	-	15,552
<b>Total Cash and Investments</b>	4,098,057	971,093	5,069,150
<b>Less Separately Audited Unit</b>			
Cheboygan Housing Commission (March 31, 2021)	-	(436,481)	(436,481)
<b>Cash and Investments Managed by the City</b>	\$ 4,098,057	\$ 534,612	\$ 4,632,669
	<b>Deposits and Investments</b>		
Bank Deposits (Checking and Savings Accounts)			\$ 4,472,426
Certificates of Deposit (Due Within One to Five Years)			159,243
Cash on Hand			1,000
<b>Total Deposits and Investments</b>			\$ 4,632,669

The City's certificates of deposit of \$159,243 were held directly by the City and therefore are considered to be cash and cash equivalents and not subject to fair value disclosure.

**City of Cheboygan**

Notes to the Financial Statements

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$4,122,632 of the City’s bank balance of \$4,648,322 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes 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 of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Restricted Cash.** The City reported the following restricted cash balances as of June 30, 2021:

<u>Business-type Activities</u>	<u>June 30, 2021</u>		<u>June 30, 2020</u>
	<u>Required Balance</u>	<u>Actual Balance</u>	<u>Actual Balance</u>
<i>Bond Reserve Account</i>			
2011 Issue, \$12,200 per year up to \$122,000	\$ 122,000	\$ 122,000	\$ 109,800
<i>Repair, Replacement, and Improvement Account</i>			
2011 Issue, \$26,300 per year until bond reserve reaches \$122,000; \$38,500 per year thereafter	162,665	162,665	136,365
	<u>\$ 284,665</u>	<u>\$ 284,665</u>	<u>\$ 246,165</u>

**Note 4 - Interfund Transfers, Receivables, and Payables**

*Interfund Transfers*

For the year ended June 30, 2021, interfund transfers consisted of the following:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 39,274
Nonmajor Governmental	Major Streets	88,706
Nonmajor Governmental	Nonmajor Governmental	15,056
Nonmajor Enterprise	General	106,458

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**City of Cheboygan**

Notes to the Financial Statements

*Interfund Balances*

As of June 30, 2021, the City had an interfund balance as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Sewer	\$ 500,000

Interfund balances result from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**Note 5 - Capital Assets**

Governmental activities capital asset activity for the year ended June 30, 2021 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 338,088	\$ 55,000	\$ -	\$ 393,088
Construction in Progress	-	24,972	-	24,972
<i>Subtotal</i>	338,088	79,972	-	418,060
<b>Capital Assets being Depreciated</b>				
Land Improvements	3,827,589	-	-	3,827,589
Buildings and Improvements	6,275,377	88,569	-	6,363,946
Machinery and Equipment	3,964,159	14,872	-	3,979,031
Infrastructure	14,087,652	-	-	14,087,652
<i>Subtotal</i>	28,154,777	103,441	-	28,258,218
<b>Less Accumulated Depreciation</b>				
Land Improvements	(3,273,742)	(64,727)	-	(3,338,469)
Buildings and Improvements	(3,347,242)	(149,472)	-	(3,496,714)
Machinery and Equipment	(3,297,038)	(91,256)	-	(3,388,294)
Infrastructure	(4,563,904)	(273,151)	-	(4,837,055)
<i>Subtotal</i>	(14,481,926)	(578,606)	-	(15,060,532)
<b>Capital Assets being Depreciated, net</b>	13,672,851	(475,165)	-	13,197,686
<b>Capital Assets, net</b>	\$ 14,010,939	\$ (395,193)	\$ -	\$ 13,615,746

**City of Cheboygan**

Notes to the Financial Statements

Business-type activities capital asset activity for the year ended June 30, 2021 was as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Construction in Progress	-	1,773,893	-	1,773,893
<i>Subtotal</i>	<u>2,250</u>	<u>1,773,893</u>	<u>-</u>	<u>1,776,143</u>
<b>Capital Assets being Depreciated</b>				
Buildings and Improvements	2,365,781	-	-	2,365,781
Machinery and Equipment	3,204,238	-	-	3,204,238
Sewer System	9,411,635	-	-	9,411,635
Water System	11,300,195	-	-	11,300,195
Ice Pavilion	103,534	15,599	-	119,133
<i>Subtotal</i>	<u>26,385,383</u>	<u>15,599</u>	<u>-</u>	<u>26,400,982</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(2,341,479)	(1,341)	-	(2,342,820)
Machinery and Equipment	(3,076,807)	(14,132)	-	(3,090,939)
Sewer System	(3,903,349)	(159,571)	-	(4,062,920)
Water System	(3,712,576)	(214,752)	-	(3,927,328)
Ice Pavilion	(54,438)	(11,276)	-	(65,714)
<i>Subtotal</i>	<u>(13,088,649)</u>	<u>(401,072)</u>	<u>-</u>	<u>(13,489,721)</u>
<b>Capital Assets being Depreciated, net</b>	<u>13,296,734</u>	<u>(385,473)</u>	<u>-</u>	<u>12,911,261</u>
<b>Capital Assets, net</b>	<u>\$ 13,298,984</u>	<u>\$ 1,388,420</u>	<u>\$ -</u>	<u>\$ 14,687,404</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

General Government	\$ 46,144
Public Safety	30,503
Public Works	309,686
Recreation and Culture	118,918
Equipment Internal Service Fund	73,355
<i>Total</i>	<u>\$ 578,606</u>

**Business-type Activities**

Ice Pavilion	\$ 11,276
Water	214,752
Sewer	175,044
<i>Total</i>	<u>\$ 401,072</u>

## City of Cheboygan

### Notes to the Financial Statements

Downtown Development Authority, a discretely presented component unit, capital asset activity for the year ended June 30, 2021 was as follows:

<b>Downtown Development Authority</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
<b>Capital Assets being Depreciated</b>				
Buildings and improvements	139,974	-	-	139,974
Land Improvements	444,567	-	-	444,567
<i>Subtotal</i>	584,541	-	-	584,541
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	(40,895)	(4,011)	-	(44,906)
Land Improvements	(170,078)	(17,783)	-	(187,861)
<i>Subtotal</i>	(210,973)	(21,794)	-	(232,767)
<b>Capital Assets being Depreciated, net</b>	373,568	(21,794)	-	351,774
<b>Capital Assets, net</b>	<b>\$ 523,568</b>	<b>\$ (21,794)</b>	<b>\$ -</b>	<b>\$ 501,774</b>

#### Note 6 - Long-term Debt

Long-term debt descriptions are as follows:

##### Governmental Activities

1997 Rural Economic Development Bonds, due in annual installments ranging from \$38,000 to \$108,000 through February 2037, interest at 4.5% payable semi-annually.

2004 General Obligation Bonds due in annual installments ranging from \$65,000 to \$105,000 through May 2023, interest ranging from 4.15% to 5.15% payable semi-annually.

2006 General Obligation Unlimited Tax Refunding Bonds, due in annual installments ranging from \$170,000 to \$265,000 through May 2022, interest ranging from 3.75% to 4.00% payable semi-annually.

2007 General Obligation Capital Improvement Bonds, due in annual installments ranging from \$20,000 to \$40,000 through May 2027, in% to 4.13% payable semi-annually.

2009 Michigan Transportation Fund Bonds due in annual installments ranging from \$20,000 to \$30,000 through May 2024, interest ranging from 3.50% to 4.50%, payable semi-annually.

2017 Michigan Transportation Fund Bonds due in annual installments ranging from \$25,000 to \$30,000 through May 2027, interest ranging charged at 3.00%.

## City of Cheboygan

### Notes to the Financial Statements

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2012 Installment Purchase Agreement - Festival Square, due in annual payments ranging from \$57,124 to \$58,922 through May 2022 including interest charged at 2.84%.

#### **Internal Service Fund**

2011 Street Sweeper Note Payable, due in monthly payments of \$1,574 through June 2021 including interest charged at 4.51%. The note payable was paid off in full during the year.

1997 Ice Resurfacers Note Payable, due in annual payments of \$2,939 through July 2022 including interest charged at 3.75%.

2007 Sutphen Pumper Note Payable, due in annual payments of \$6,443 through December 2025 including interest charged at 2.90%.

#### **Business-type Activities**

2007 Water Supply System Revenue Bonds, due in annual installments ranging from \$20,000 to \$40,000 through May 2027, interest at 4.25% to 4.63%, payable semi-annually.

2011 Water Supply System Revenue Bonds, due in annual installments ranging from \$10,919 to \$110,000 through June 2049, interest at 2.38% payable semi-annually.

2019 Capital Improvement Bond, due in annual installments ranging from \$25,000 to \$40,000 through November of 2034, interest at 3.625% payable semi-annually.

## City of Cheboygan

### Notes to the Financial Statements

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2021:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Bonded Debt (All Direct Placement)</b>					
1997 Rural Economic Development Bonds	\$ 1,274,000	\$ -	\$ (51,000)	\$ 1,223,000	\$ 54,000
2004 General Obligation Bonds	400,000	-	(95,000)	305,000	100,000
2006 General Obligation Unlimited Tax Refunding Bonds	510,000	-	(245,000)	265,000	265,000
2007 General Obligation Capital Improvement Bonds	235,000	-	(30,000)	205,000	30,000
2009 Michigan Transportation Fund Bonds	115,000	-	(25,000)	90,000	30,000
2017 Michigan Transportation Fund Bonds	200,365	-	(27,356)	173,009	27,768
<b>Total Bonded Debt</b>	<b>2,734,365</b>	<b>-</b>	<b>(473,356)</b>	<b>2,261,009</b>	<b>506,768</b>
<b>Installment Purchase Agreements (All Direct Placement)</b>					
2012 Installment Purchase Agreement - Festival Square	110,000	-	(54,000)	56,000	56,000
2011 Street Sweeper Note Payable	18,393	-	(18,393)	-	-
1997 Ice Resurfacer Note Payable	5,563	-	(2,730)	2,833	2,833
2007 Sutphen Pumper Note Payable	65,000	-	(11,056)	53,944	11,383
<b>Total Installment Purchase Agreements</b>	<b>198,956</b>	<b>-</b>	<b>(86,179)</b>	<b>112,777</b>	<b>70,216</b>
<b>Total Bonded Debt and Installment Purchase Agreements</b>	<b>2,933,321</b>	<b>-</b>	<b>(559,535)</b>	<b>2,373,786</b>	<b>576,984</b>
Compensated Absences	40,675	6,568	-	47,243	-
<b>Total Governmental Activities</b>	<b>\$ 2,973,996</b>	<b>\$ 6,568</b>	<b>\$ (559,535)</b>	<b>\$ 2,421,029</b>	<b>\$ 576,984</b>
<b>Business-type Activities (All Direct Placement)</b>					
2007 Water Supply System Revenue Bonds	\$ 255,000	\$ -	\$ (30,000)	\$ 225,000	\$ 35,000
2011 Water Supply System Revenue Bonds	2,299,919	-	(59,000)	2,240,919	60,000
2019 Capital Improvement Bond	500,000	-	(25,000)	475,000	25,000
<b>Total Business-type Activities</b>	<b>\$ 3,054,919</b>	<b>\$ -</b>	<b>\$ (114,000)</b>	<b>\$ 2,940,919</b>	<b>\$ 120,000</b>

Compensated absences within governmental activities are typically paid by the general fund.

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2021 are as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 576,984	\$ 97,745	\$ 674,729	\$ 120,000	\$ 80,119	\$ 200,119
2023	255,907	79,823	335,730	126,000	76,165	202,165
2024	269,669	68,459	338,128	128,000	72,054	200,054
2025	137,469	56,496	193,965	134,000	67,896	201,896
2026	134,832	51,168	186,000	136,000	63,488	199,488
2027-2031	435,925	187,951	623,876	563,000	259,077	822,077
2032-2036	455,000	97,337	552,337	557,000	180,050	737,050
2037-2041	108,000	7,088	115,088	446,000	119,098	565,098
2042-2046	-	-	-	502,000	63,498	565,498
2047-2049	-	-	-	228,919	8,568	237,487
Totals	<b>\$ 2,373,786</b>	<b>\$ 646,067</b>	<b>\$ 3,019,853</b>	<b>\$ 2,940,919</b>	<b>\$ 990,013</b>	<b>\$ 3,930,932</b>

The debt documents contain various provisions that in the event of default, the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

## City of Cheboygan

### Notes to the Financial Statements

#### Note 7 - Net Investment in Capital Assets

The composition of the City's net investment in capital assets as of June 30, 2021 was as follows:

	Governmental Activities	Business-type Activities	Component Units
<b>Capital Assets:</b>			
Capital Assets not being Depreciated	\$ 418,060	\$ 1,776,143	\$ 170,559
Capital Assets being Depreciated	13,197,686	12,911,261	422,841
<b>Long-term Debt:</b>			
Due within One Year	(576,984)	(120,000)	-
Due in more than One Year	(1,796,802)	(2,820,919)	-
<b>Net Investment in Capital Assets</b>	<b>\$ 11,241,960</b>	<b>\$ 11,746,485</b>	<b>\$ 593,400</b>

#### Note 8 - Defined Benefit Pension Plan

##### *Plan Description*

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

##### *Benefits Provided*

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the City. Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. The following employee divisions were covered by the following benefit terms:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
AFCSME #25 - Closed	2.50%	80%	3	60	55/25	50/25 or 55/15	10
Public Safety - Closed	2.50%	80%	3	60	50/25	55/15	10
Non Union - Closed	2.50%	80%	5	60	55/25	50/25 or 55/15	10
Hybrid - AFCSME - Open	1.25%	No Max	3	60	-	-	6
Hybrid - Non Union - Open	1.25%	No Max	3	60	-	-	6
Hybrid - Public Safety - Open	1.25%	No Max	3	60	-	-	6

## City of Cheboygan

### Notes to the Financial Statements

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Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

#### ***Employees Covered by Benefit Terms***

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	40
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	8
Active Plan Members	<u>29</u>
<b><i>Total Employees Covered By MERS</i></b>	<b><u>77</u></b>

#### ***Contributions***

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

Employer contributions range from 4.18% to 7.01% based on annual payroll for open divisions. Three divisions that are closed to new employees have an annual employer contribution total amount of \$30,457.

The active employee contribution rate was 6.00% of annual payroll for open divisions and 0.00% of annual payroll for closed divisions.

#### ***Net Pension Liability***

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

#### ***Actuarial Assumptions***

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

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

## City of Cheboygan

### Notes to the Financial Statements

Investment Rate of Return: 7.35%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

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

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

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

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

#### *Discount Rate*

The discount rate used to measure the total pension liability in the current year and prior year is 7.60%. 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.

**City of Cheboygan**

Notes to the Financial Statements

***Changes in Net Pension Liability***

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2019</b>	\$ 11,552,156	\$ 6,814,077	\$ 4,738,079
<i>Changes for the Year:</i>			
Service Cost	120,820	-	120,820
Interest on Total Pension Liability	852,150	-	852,150
Differences Between Expected and Actual Experience	88,916	-	88,916
Changes of Assumptions	301,740	-	301,740
Contributions - Employer	-	380,500	(380,500)
Contributions - Employee	-	44,007	(44,007)
Net Investment Income	-	830,945	(830,945)
Benefit Payments, Including Refunds	(800,144)	(800,144)	-
Administrative Expenses	-	(13,450)	13,450
<i>Net Changes</i>	563,482	441,858	121,624
<b>Balance at December 31, 2020</b>	\$ 12,115,638	\$ 7,255,935	\$ 4,859,703
	<b>Allocated to:</b>		
		Governmental Activities	\$ 3,746,831
		Business-type Activities	1,112,872
			\$ 4,859,703

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.60%)</b>	<b>Discount Rate</b>	<b>(8.60%)</b>
	<b>(7.60%)</b>	<b>(7.60%)</b>	<b>(8.60%)</b>
Net Pension Liability of the City	\$ 6,102,377	\$ 4,859,703	\$ 3,802,254

## City of Cheboygan

### Notes to the Financial Statements

#### ***Pension Expense and Deferred Outflows and Inflows of Resources Related to the Pension***

For the year ended June 30, 2021, the City recognized pension expense of \$623,132. At June 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 59,277	\$ 56,171
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	218,571
Changes of Assumptions	314,817	-
Contributions Subsequent to the Measurement Date*	208,281	-
Total	<b>\$ 582,375</b>	<b>\$ 274,742</b>
<b>Allocated to:</b>		
Governmental Activities	\$ 449,011	\$ 211,826
Business-type Activities	133,364	62,916
	<b>\$ 582,375</b>	<b>\$ 274,742</b>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date, \$208,281, will be recognized as a reduction in the net pension liability for the year ending June 30, 2022.

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

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ 146,184
2023	154,885
2024	(136,145)
2025	(65,572)

#### ***Significant Changes to the Pension Valuation***

At the February 27, 2020, board meeting, the MERS Retirement Board adopted demographic assumptions effective with the December 31, 2020, annual actuarial valuation, which will impact contributions beginning in 2022. A 5-year experience study analyzing historical experience from 2014 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020, actuarial valuation, first impacting 2022 contributions.

## City of Cheboygan

### Notes to the Financial Statements

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#### Note 9 - Postemployment Health Care Benefits

##### *Plan Description*

The City provides retiree healthcare benefits through the City of Cheboygan's retiree healthcare plan (the "Plan") to eligible employees and their spouses. The benefits are provided under collective bargaining agreements. The plan does not issue a publicly available financial report.

##### *Benefits Provided and Contributions*

The Plan was established and is being funded under the authority of the City. The plan's funding policy is that the employer will contribute discretionary amounts if able in subsequent years. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	0
Active Plan Members	<u>3</u>
<b><i>Total Employees Covered by the Plan</i></b>	<b><u>11</u></b>

##### *Methods and Assumptions*

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 and a measurement date of June 30, 2021 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary Increases	3.50%
Investment Rate of Return	0.00%
Discount Rate	2.20%
Healthcare Cost Trend Rate	7.50%
Mortality	Mortality table fully generational using scale MP-2019 Pub-2010 mortality tables

##### *Discount Rate*

The discount rate used to measure the total OPEB liability in the current year was 2.20% and in the prior year was 2.21%. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members past 2022. For projected benefits that are covered by projected assets, the long-term

**City of Cheboygan**

Notes to the Financial Statements

expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

***Changes in Net OPEB Liability***

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

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2020</b>	\$ 406,403	\$ -	\$ 406,403
<i>Changes for the Year:</i>			
Service Cost	17,810	-	17,810
Interest on Total OPEB Liability	12,099	-	12,099
Differences Between Expected and Actual Experience	195,620	-	195,620
Contributions - Employer	-	53,882	(53,882)
Contributions - Employee	-	16,019	(16,019)
Benefit Payments, Including Refunds	(69,901)	(69,901)	-
<i>Net Changes</i>	155,628	-	155,628
<b>Balance at June 30, 2021</b>	<b>\$ 562,031</b>	<b>\$ -</b>	<b>\$ 562,031</b>

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 2.16%, as well as what the employer’s net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(1.20%)</b>	<b>Discount Rate</b>	<b>(3.20%)</b>
	<b>(1.20%)</b>	<b>(2.20%)</b>	<b>(3.20%)</b>
Net OPEB Liability of the City	\$ 597,339	\$ 562,031	\$ 529,975

# City of Cheboygan

## Notes to the Financial Statements

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.50%, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Healthcare Cost Trend Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Net OPEB Liability of the City	<u>\$ 530,870</u>	<u>\$ 562,031</u>	<u>\$ 595,597</u>

### **Note 10 - Fund Balances - Governmental Funds**

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**City of Cheboygan**

Notes to the Financial Statements

The following summarizes the City’s governmental fund balances as of June 30, 2021:

	<u>General</u>	<u>Major Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Prepaid Items	\$ 47,891	\$ -	\$ -	\$ 47,891
<b>Restricted for:</b>				
Highways and Streets	-	857,473	526,198	1,383,671
Cemetery	-	-	181,728	181,728
Debt Service	-	-	79,427	79,427
<i>Subtotal</i>	<u>-</u>	<u>857,473</u>	<u>787,353</u>	<u>1,644,826</u>
<b>Committed for:</b>				
Retiree Healthcare	28,147	-	-	28,147
Termination Liability	55,392	-	-	55,392
<i>Subtotal</i>	<u>83,539</u>	<u>-</u>	<u>-</u>	<u>83,539</u>
<b>Assigned for:</b>				
Festival Square	-	-	4,164	4,164
<i>Subtotal</i>	<u>-</u>	<u>-</u>	<u>4,164</u>	<u>4,164</u>
<b>Unassigned</b>	<u>1,440,260</u>	<u>-</u>	<u>-</u>	<u>1,440,260</u>
<b>Total Fund Balances - Governmental Funds</b>	<u>\$ 1,571,690</u>	<u>\$ 857,473</u>	<u>\$ 791,517</u>	<u>\$ 3,220,680</u>

**Note 11 - Risk Management**

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

**Note 12 - Litigation**

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

**Note 13 - COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-

## City of Cheboygan

### Notes to the Financial Statements

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19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the City's operations were impacted, as shelter-in-place orders and government mandates impacted census volumes. The City has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

#### **Note 14 - New Accounting Pronouncement Adopted**

The City adopted the provisions of **GASB Statement No. 84, *Fiduciary Activities***, in the current year. As a result of this change, the current tax collection agency fund was converted into a custodial fund. In addition, the custodial fund now shows activity that occurred throughout the year. The beginning balance of fiduciary net position was not changed.

#### **Note 15 – Subsequent Events**

On July 27, 2021, the Board adopted the resolution authorizing the issuance of bonds not to exceed \$20,000,000 for wastewater and sewer system improvements. Additionally, the Board awarded the contract for construction of the proposed wastewater and sewer system improvements project in the amount of \$14,177,238.

## **Required Supplementary Information**

**City of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
				<b>Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 1,570,000	\$ 1,554,265	\$ 1,554,638	\$ 373
Licenses and Permits	55,000	84,000	83,940	(60)
Intergovernmental	588,000	916,100	918,636	2,536
Charges for Services	17,000	25,000	25,959	959
Interest and Rentals	5,400	5,400	5,682	282
Other Revenue	10,000	11,700	12,488	788
<b>Total Revenues</b>	<b>2,245,400</b>	<b>2,596,465</b>	<b>2,601,343</b>	<b>4,878</b>
<b>Expenditures</b>				
<b>Legislative</b>				
City Council	36,600	38,050	37,900	150
<b>General Government</b>				
City Manager	115,600	90,100	89,627	473
Clerk / Treasurer	202,600	154,200	153,026	1,174
Clerk - Elections	10,550	20,700	20,653	47
Assessor	105,000	83,400	82,743	657
Board of Review	4,000	4,000	4,135	(135)
City Hall and Grounds	112,300	254,800	254,426	374
<b>Total General Government</b>	<b>550,050</b>	<b>607,200</b>	<b>604,610</b>	<b>2,590</b>
<b>Public Safety</b>				
Police Department	869,700	977,300	975,925	1,375
Fire Department	69,200	75,400	75,409	(9)
Parking	15,750	12,900	12,905	(5)
<b>Total Public Safety</b>	<b>954,650</b>	<b>1,065,600</b>	<b>1,064,239</b>	<b>1,361</b>
<b>Public Works</b>				
Other Public Works	336,250	316,750	316,066	684
Street Lighting	49,000	44,000	43,538	462
<b>Total Public Works</b>	<b>385,250</b>	<b>360,750</b>	<b>359,604</b>	<b>1,146</b>
<b>Recreation and Culture</b>				
Recreation Department	207,250	219,700	218,411	1,289
Opera House	21,000	21,000	21,000	--
Soccer Field	300	400	382	18
Humane Society	3,000	3,000	3,000	--
Promotion	13,000	12,400	12,171	229
<b>Total Recreation and Culture</b>	<b>244,550</b>	<b>256,500</b>	<b>254,964</b>	<b>1,536</b>
<b>Community and Economic Development</b>				
<b>Total Expenditures</b>	<b>2,196,100</b>	<b>2,353,100</b>	<b>2,346,317</b>	<b>6,783</b>
<b>Other Financing Uses</b>				
Transfers Out	44,300	146,300	145,732	568
<b>Total Expenditures and Other Financing Uses</b>	<b>2,240,400</b>	<b>2,499,400</b>	<b>2,492,049</b>	<b>7,351</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<b>5,000</b>	<b>97,065</b>	<b>109,294</b>	<b>12,229</b>
<b>Net Change in Fund Balance</b>	<b>5,000</b>	<b>97,065</b>	<b>109,294</b>	<b>12,229</b>
<i>Fund Balance at Beginning of Period</i>	1,462,396	1,462,396	1,462,396	--
<b>Fund Balance at End of Period</b>	<b>\$ 1,467,396</b>	<b>\$ 1,559,461</b>	<b>\$ 1,571,690</b>	<b>\$ 12,229</b>

**City of Cheboygan**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Street**  
**For the Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Intergovernmental	\$ 580,000	\$ 602,000	\$ 600,876	\$ (1,124)
<b>Total Revenues</b>	<u>580,000</u>	<u>602,000</u>	<u>600,876</u>	<u>(1,124)</u>
<b>Expenditures</b>				
Routine Maintenance	119,050	160,340	160,424	(84)
Traffic Services	7,950	14,080	13,800	280
Winter Maintenance	120,800	113,500	113,494	6
Trunkline	4,750	3,700	3,197	503
<b>Total Expenditures</b>	<u>252,550</u>	<u>291,620</u>	<u>290,915</u>	<u>705</u>
<b>Other Financing Uses</b>				
Transfers Out	88,700	88,700	88,706	(6)
<b>Total Expenditures and Other Financing Uses</b>	<u>341,250</u>	<u>380,320</u>	<u>379,621</u>	<u>699</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<u>238,750</u>	<u>221,680</u>	<u>221,255</u>	<u>(425)</u>
<b>Net Change in Fund Balance</b>	<u>238,750</u>	<u>221,680</u>	<u>221,255</u>	<u>(425)</u>
<b>Fund Balance at Beginning of Period</b>	<u>636,218</u>	<u>636,218</u>	<u>636,218</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 874,968</u>	<u>\$ 857,898</u>	<u>\$ 857,473</u>	<u>\$ (425)</u>

**City of Cheboygan**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios\***  
**Last Seven Plan Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>							
Service Cost	\$ 120,820	\$ 136,404	\$ 128,453	\$ 137,727	\$ 138,611	\$ 132,360	\$ 123,709
Interest on Total Pension Liability	852,150	865,228	827,512	816,308	802,258	781,862	758,521
Differences Between Expected and Actual Experience	88,916	(168,523)	233,850	(154,641)	(164,032)	(130,775)	-
Changes of Assumptions	301,740	340,970	-	-	-	365,719	-
Benefit Payments, Including Refunds	(800,144)	(738,089)	(706,642)	(599,386)	(599,384)	(602,983)	(604,291)
Other Changes	-	-	(1)	(1,691)	(1,382)	-	-
<i>Net Change in Pension Liability</i>	563,482	435,990	483,172	198,317	176,071	546,183	277,939
<i>Total Pension Liability - Beginning</i>	11,552,156	11,116,166	10,632,994	10,434,677	10,258,606	9,712,423	9,434,484
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 12,115,638</u>	<u>\$ 11,552,156</u>	<u>\$ 11,116,166</u>	<u>\$ 10,632,994</u>	<u>\$ 10,434,677</u>	<u>\$ 10,258,606</u>	<u>\$ 9,712,423</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 380,500	\$ 339,817	\$ 323,666	\$ 297,392	\$ 284,658	\$ 279,239	\$ 271,974
Contributions - Employee	44,007	49,398	53,277	57,311	57,506	56,771	58,151
Net Investment Income	830,945	844,765	(262,704)	829,929	668,301	(92,627)	388,947
Benefit Payments, Including Refunds	(800,144)	(738,089)	(706,642)	(599,386)	(599,384)	(602,983)	(604,291)
Administrative Expenses	(13,450)	(14,544)	(13,248)	(13,154)	(13,200)	(13,667)	(14,243)
<i>Net Change in Plan Fiduciary Net Position</i>	441,858	481,347	(605,651)	572,092	397,881	(373,267)	100,538
<i>Plan Fiduciary Net Position - Beginning</i>	6,814,077	6,332,730	6,938,381	6,366,289	5,968,408	6,341,675	6,241,137
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 7,255,935</u>	<u>\$ 6,814,077</u>	<u>\$ 6,332,730</u>	<u>\$ 6,938,381</u>	<u>\$ 6,366,289</u>	<u>\$ 5,968,408</u>	<u>\$ 6,341,675</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 4,859,703	\$ 4,738,079	\$ 4,783,436	\$ 3,694,613	\$ 4,068,388	\$ 4,290,198	\$ 3,370,748
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.9%	59.0%	57.0%	65.3%	61.0%	58.2%	65.3%
Covered Payroll	\$ 1,396,545	\$ 1,417,888	\$ 1,304,097	\$ 1,304,056	\$ 1,298,224	\$ 1,201,464	\$ 1,096,281
Net Pension Liability as a Percentage of Covered Payroll	348.0%	334.2%	366.8%	283.3%	313.4%	357.1%	307.5%

**Notes to Schedule:**

\* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

\*\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

**City of Cheboygan  
Required Supplementary Information  
Schedule of Contributions  
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially Determined Contribution	\$ 412,853	\$ 339,755	\$ 323,666	\$ 297,392	\$ 284,658	\$ 279,239	\$ 277,862	\$ 239,258	\$ 210,167	\$ 188,233
Contributions in Relation to the Actuarially Determined Contribution	412,853	339,817	323,666	297,392	284,658	279,239	277,862	239,258	210,167	188,233
Contribution Deficiency (Excess)	\$ -	\$ (62)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,410,510	\$ 1,432,067	\$ 1,317,138	\$ 1,304,056	\$ 1,298,224	\$ 1,096,281	\$ 1,096,281	\$ 1,160,846	\$ 1,185,676	\$ 1,089,961
Contributions as a Percentage of Covered Payroll	29.3%	23.7%	24.6%	23.0%	25.3%	20.6%	17.7%	17.3%	14.7%	14.8%

*Notes*

Actuarially determined contribution rates are calculated as of December 31 each year, which is the year prior to the beginning of the fiscal year in which the contributions are required.

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	18 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.35%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019)
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

**City of Cheboygan**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios\***  
**Last Four Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 17,810	\$ 10,225	\$ 12,915	\$ 13,286
Interest on Total OPEB Liability	12,099	8,787	15,326	17,952
Differences Between Expected and Actual Experience	195,620	(8,824)	(2,421)	-
Benefit Payments, Including Refunds	(69,901)	(57,002)	(54,408)	(55,932)
<b>Net Change in total OPEB Liability</b>	<u>155,628</u>	<u>(46,814)</u>	<u>(28,588)</u>	<u>(24,694)</u>
<i>Total OPEB Liability - Beginning</i>	406,403	453,217	481,805	506,499
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 562,031</u>	<u>\$ 406,403</u>	<u>\$ 453,217</u>	<u>\$ 481,805</u>
<b>Plan Fiduciary Net Position</b>				
Contributions/Benefit Payments Made From General Operating Funds	\$ 53,882	\$ 45,771	\$ 48,745	\$ 38,969
Contributions - Employee	16,019	11,231	5,663	16,963
Benefit Payments, Including Refunds	(69,901)	(57,002)	(54,408)	(55,932)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Plan Fiduciary Net Position - Beginning</i>	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net OPEB Liability - Ending (a) - (b)</b>	\$ 562,031	\$ 406,403	\$ 453,217	\$ 481,805
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	\$ 196,867	\$ 232,037	\$ 371,799	\$ 431,709
Net OPEB Liability as a Percentage of Covered Employee Payroll	285.5%	175.1%	121.9%	111.6%

**Notes to Schedule:**

\* Built prospectively upon implementation on GASB Statement No.75. An additional year will be added each year until ten years are presented.

**City of Cheboygan**  
**Required Supplementary Information**  
**Schedule of Contributions - OPEB \***  
**Last Four Fiscal Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 40,701	\$ 68,283	\$ 54,408	\$ 31,237
Contributions in Relation to the Actuarially Determined Contribution	53,882	45,771	48,745	55,932
Contribution Deficiency (Excess)	<u>\$ (13,181)</u>	<u>\$ 22,512</u>	<u>\$ 5,663</u>	<u>\$ (24,695)</u>
Covered Employee Payroll	\$ 196,867	\$ 232,037	\$ 371,799	\$ 431,709
Contributions as a Percentage of Covered Employee Payroll	27.4%	19.7%	13.1%	13.0%

*Notes*

**Valuation Date:** June 30, 2021

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Average Future Service
Remaining Amortization Period	28 years
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.50%
Discount Rate	2.20%
Healthcare Cost Trend Rate	7.50% decreasing .25% annually to 4.50%
Retirement Age	55
Mortality	Pub-2010 Mortality table fully generational using scale MP-2019

**Notes to Schedule:**

\* Built prospectively upon implementation on GASB Statement No.75. An additional year will be added each year until ten years are presented.

## **Combining and Individual Fund Statements and Schedules**

**City of Cheboygan**  
**General Fund Combining Balance Sheet**  
**All Funds Treated as General**  
**June 30, 2021**

	<u>Termination Liability</u>	<u>Retiree Health Care</u>	<u>General</u>	<u>Total General Funds</u>
<b>ASSETS</b>				
Cash and Investments	\$ 55,392	\$ 28,147	\$ 943,712	\$ 1,027,251
Taxes Receivable, net	--	--	10,155	10,155
Due from Other Governmental Units	--	--	120,540	120,540
Prepaid Items	--	--	47,891	47,891
Due from Other Funds	--	--	500,000	500,000
<i><b>Total Assets</b></i>	<u><b>\$ 55,392</b></u>	<u><b>\$ 28,147</b></u>	<u><b>\$ 1,622,298</b></u>	<u><b>\$ 1,705,837</b></u>
<b>LIABILITIES</b>				
Accounts Payable	\$ --	\$ --	\$ 65,334	\$ 65,334
Accrued Liabilities	--	--	58,658	58,658
<i><b>Total Liabilities</b></i>	<u><b>--</b></u>	<u><b>--</b></u>	<u><b>123,992</b></u>	<u><b>123,992</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	--	--	10,155	10,155
<i><b>Total Liabilities and Deferred Inflows of Resources</b></i>	<u><b>--</b></u>	<u><b>--</b></u>	<u><b>134,147</b></u>	<u><b>134,147</b></u>
<b>FUND BALANCE</b>				
Nonspendable	--	--	47,891	47,891
Committed	55,392	28,147	--	83,539
Unassigned	--	--	1,440,260	1,440,260
<i><b>Total Fund Balance</b></i>	<u><b>55,392</b></u>	<u><b>28,147</b></u>	<u><b>1,488,151</b></u>	<u><b>1,571,690</b></u>
<i><b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b></i>	<u><b>\$ 55,392</b></u>	<u><b>\$ 28,147</b></u>	<u><b>\$ 1,622,298</b></u>	<u><b>\$ 1,705,837</b></u>

**City of Cheboygan**  
**General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Funds Treated as General**  
**For the Year Ended June 30, 2021**

	<u>Termination Liability</u>	<u>Retiree Health Care</u>	<u>General</u>	<u>Elimination</u>	<u>Total General Funds</u>
<b>Revenues</b>					
Property Taxes	\$ --	\$ --	\$ 1,554,638	\$ --	\$ 1,554,638
Licenses and Permits	--	--	83,940	--	83,940
Intergovernmental	--	--	918,636	--	918,636
Charges for Services	--	--	25,959	--	25,959
Interest and Rentals	--	--	5,682	--	5,682
Other Revenue	--	--	12,488	--	12,488
<b><i>Total Revenues</i></b>	<b>--</b>	<b>--</b>	<b>2,601,343</b>	<b>--</b>	<b>2,601,343</b>
<b>Expenditures</b>					
Legislative	--	--	37,900	--	37,900
General Government	--	--	604,610	--	604,610
Public Safety	--	--	1,064,239	--	1,064,239
Public Works	--	--	359,604	--	359,604
Recreation and Culture	--	--	254,964	--	254,964
Community and Economic Development	--	--	25,000	--	25,000
<b><i>Total Expenditures</i></b>	<b>--</b>	<b>--</b>	<b>2,346,317</b>	<b>--</b>	<b>2,346,317</b>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<b>--</b>	<b>--</b>	<b>255,026</b>	<b>--</b>	<b>255,026</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	5,000	--	--	(5,000)	--
Transfers Out	--	--	(150,732)	5,000	(145,732)
<b><i>Net Other Financing Sources (Uses)</i></b>	<b>5,000</b>	<b>--</b>	<b>(150,732)</b>	<b>--</b>	<b>(145,732)</b>
<b><i>Net Change in Fund Balance</i></b>	<b>5,000</b>	<b>--</b>	<b>104,294</b>	<b>--</b>	<b>109,294</b>
<i>Fund Balance at Beginning of Period</i>	50,392	28,147	1,383,857	--	1,462,396
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 55,392</b>	<b>\$ 28,147</b>	<b>\$ 1,488,151</b>	<b>\$ --</b>	<b>\$ 1,571,690</b>

**City of Cheboygan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	<b>Special Revenue</b>				<b>Debt Service</b>
	<b>Cemetery</b>	<b>CDBG Facade Grant</b>	<b>Local Street</b>	<b>Streets, Non-P.A. 51</b>	<b>2017 MI Transportation Bond Debt</b>
<b>ASSETS</b>					
Cash and Investments	\$ 1,047	\$ --	\$ 135,032	\$ 330,340	\$ --
Taxes Receivable, net	--	--	--	--	--
Due from Other Governmental Units	--	--	37,724	--	--
<b>Total Assets</b>	<b>\$ 1,047</b>	<b>\$ --</b>	<b>\$ 172,756</b>	<b>\$ 330,340</b>	<b>\$ --</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 29	\$ --	\$ 1,177	\$ --	\$ --
Accrued Liabilities	--	--	3,592	--	--
Customer Deposits	--	--	--	--	--
Unearned Revenue	--	--	--	--	--
<b>Total Liabilities</b>	<b>29</b>	<b>--</b>	<b>4,769</b>	<b>--</b>	<b>--</b>
<b>FUND BALANCE</b>					
Restricted	1,018	--	167,987	330,340	--
Assigned	--	--	--	--	--
Unassigned	--	--	--	--	--
<b>Total Fund Balance</b>	<b>1,018</b>	<b>--</b>	<b>167,987</b>	<b>330,340</b>	<b>--</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,047</b>	<b>\$ --</b>	<b>\$ 172,756</b>	<b>\$ 330,340</b>	<b>\$ --</b>

**City of Cheboygan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2021**

	<b>Debt Service</b>				
	<b>Economic Development Loan</b>	<b>2006 Refunding Bond Debt</b>	<b>2004 General Obligation Bond</b>	<b>2007 Capital Improvement Bonds</b>	<b>2009 Transportation Bond Debt</b>
<b>ASSETS</b>					
Cash and Investments	\$ 24,357	\$ 34,450	\$ 20,620	\$ --	\$ --
Taxes Receivable, net	728	1,731	791	--	--
Due from Other Governmental Units	--	--	--	--	--
<b>Total Assets</b>	<b>\$ 25,085</b>	<b>\$ 36,181</b>	<b>\$ 21,411</b>	<b>\$ --</b>	<b>\$ --</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--
Customer Deposits	--	--	--	--	--
Unearned Revenue	728	1,731	791	--	--
<b>Total Liabilities</b>	<b>728</b>	<b>1,731</b>	<b>791</b>	<b>--</b>	<b>--</b>
<b>FUND BALANCE</b>					
Restricted	24,357	34,450	20,620	--	--
Assigned	--	--	--	--	--
Unassigned	--	--	--	--	--
<b>Total Fund Balance</b>	<b>24,357</b>	<b>34,450</b>	<b>20,620</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 25,085</b>	<b>\$ 36,181</b>	<b>\$ 21,411</b>	<b>\$ --</b>	<b>\$ --</b>

**City of Cheboygan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2012 Festival Square Debt</u>	<u>Sidewalk Project</u>	<u>Festival Square</u>	<u>Permanent Fund</u>	
<b>ASSETS</b>					
Cash and Investments	\$ --	\$ 27,871	\$ 5,064	\$ 180,710	\$ 759,491
Taxes Receivable, net	--	--	--	--	3,250
Due from Other Governmental Units	--	--	--	--	37,724
<b><i>Total Assets</i></b>	<b><u>\$ --</u></b>	<b><u>\$ 27,871</u></b>	<b><u>\$ 5,064</u></b>	<b><u>\$ 180,710</u></b>	<b><u>\$ 800,465</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ 1,206
Accrued Liabilities	--	--	--	--	3,592
Customer Deposits	--	--	900	--	900
Unearned Revenue	--	--	--	--	3,250
<b><i>Total Liabilities</i></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>900</u></b>	<b><u>--</u></b>	<b><u>8,948</u></b>
<b>FUND BALANCE</b>					
Restricted	--	27,871	--	180,710	787,353
Assigned	--	--	4,164	--	4,164
Unassigned	--	--	--	--	--
<b><i>Total Fund Balance</i></b>	<b><u>--</u></b>	<b><u>27,871</u></b>	<b><u>4,164</u></b>	<b><u>180,710</u></b>	<b><u>791,517</u></b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b><u>\$ --</u></b>	<b><u>\$ 27,871</u></b>	<b><u>\$ 5,064</u></b>	<b><u>\$ 180,710</u></b>	<b><u>\$ 800,465</u></b>

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

	<u>Special Revenue</u>				<u>Debt Service</u>
	<u>Cemetery</u>	<u>CDBG Facade Grant</u>	<u>Local Street</u>	<u>Streets, Non-P.A. 51</u>	<u>2017 MI Transportation Bond Debt</u>
<b>Revenues</b>					
Property Taxes	\$ --	\$ --	\$ --	\$ 99,347	\$ --
Intergovernmental	--	19,418	256,092	--	--
Charges for Services	12,750	--	--	--	--
Interest and Rentals	--	--	--	--	--
<b>Total Revenues</b>	<b>12,750</b>	<b>19,418</b>	<b>256,092</b>	<b>99,347</b>	<b>--</b>
<b>Expenditures</b>					
General Government	37,984	--	--	--	--
Public Works	--	--	169,101	--	--
Community and Economic Development	--	19,418	--	--	--
Debt Service - Principal	--	--	--	--	27,356
Debt Service - Interest	--	--	--	--	6,094
<b>Total Expenditures</b>	<b>37,984</b>	<b>19,418</b>	<b>169,101</b>	<b>--</b>	<b>33,450</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(25,234)</b>	<b>--</b>	<b>86,991</b>	<b>99,347</b>	<b>(33,450)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	25,000	--	--	--	33,450
Transfers Out	--	--	(15,056)	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>--</b>	<b>(15,056)</b>	<b>--</b>	<b>33,450</b>
<b>Net Change in Fund Balance</b>	<b>(234)</b>	<b>--</b>	<b>71,935</b>	<b>99,347</b>	<b>--</b>
<i>Fund Balance at Beginning of Period</i>	1,252	--	96,052	230,993	--
<b>Fund Balance at End of Period</b>	<b>\$ 1,018</b>	<b>\$ --</b>	<b>\$ 167,987</b>	<b>\$ 330,340</b>	<b>\$ --</b>

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

	<b>Debt Service</b>				
	<b>Economic Development Loan</b>	<b>2006 Refunding Bond Debt</b>	<b>2004 General Obligation Bond</b>	<b>2007 Capital Improvement Bonds</b>	<b>2009 Transportation Bond Debt</b>
<b>Revenues</b>					
Property Taxes	\$ 109,774	\$ 259,357	\$ 119,721	\$ --	\$ --
Intergovernmental	--	--	--	--	--
Charges for Services	--	--	--	--	--
Interest and Rentals	1,237	2,871	--	--	--
<b>Total Revenues</b>	<b>111,011</b>	<b>262,228</b>	<b>119,721</b>	<b>--</b>	<b>--</b>
<b>Expenditures</b>					
General Government	--	--	--	--	--
Public Works	--	--	--	--	--
Community and Economic Development	--	--	--	--	--
Debt Service - Principal	51,000	245,000	95,000	30,000	25,000
Debt Service - Interest	57,520	16,575	19,461	10,200	5,113
<b>Total Expenditures</b>	<b>108,520</b>	<b>261,575</b>	<b>114,461</b>	<b>40,200</b>	<b>30,113</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,491</b>	<b>653</b>	<b>5,260</b>	<b>(40,200)</b>	<b>(30,113)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	--	--	--	40,200	30,113
Transfers Out	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>40,200</b>	<b>30,113</b>
<b>Net Change in Fund Balance</b>	<b>2,491</b>	<b>653</b>	<b>5,260</b>	<b>--</b>	<b>--</b>
<i>Fund Balance at Beginning of Period</i>	21,866	33,797	15,360	--	--
<b>Fund Balance at End of Period</b>	<b>\$ 24,357</b>	<b>\$ 34,450</b>	<b>\$ 20,620</b>	<b>\$ --</b>	<b>\$ --</b>

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

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2012 Festival Square Debt</u>	<u>Sidewalk Project</u>	<u>Festival Square</u>	<u>Permanent Fund</u>	
<b>Revenues</b>					
Property Taxes	\$ --	\$ 570	\$ --	\$ --	\$ 588,769
Intergovernmental	42,818	--	--	--	318,328
Charges for Services	--	--	--	5,100	17,850
Interest and Rentals	--	--	--	950	5,058
<b>Total Revenues</b>	<u>42,818</u>	<u>570</u>	<u>--</u>	<u>6,050</u>	<u>930,005</u>
<b>Expenditures</b>					
General Government	--	--	--	--	37,984
Public Works	--	6,999	--	--	176,100
Community and Economic Development	--	--	--	--	19,418
Debt Service - Principal	54,000	--	--	--	527,356
Debt Service - Interest	3,091	--	--	--	118,054
<b>Total Expenditures</b>	<u>57,091</u>	<u>6,999</u>	<u>--</u>	<u>--</u>	<u>878,912</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(14,273)</u>	<u>(6,429)</u>	<u>--</u>	<u>6,050</u>	<u>51,093</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	14,273	--	--	--	143,036
Transfers Out	--	--	--	--	(15,056)
<b>Net Other Financing Sources (Uses)</b>	<u>14,273</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>127,980</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>(6,429)</u>	<u>--</u>	<u>6,050</u>	<u>179,073</u>
<b>Fund Balance at Beginning of Period</b>	<u>--</u>	<u>34,300</u>	<u>4,164</u>	<u>174,660</u>	<u>612,444</u>
<b>Fund Balance at End of Period</b>	<u>\$ --</u>	<u>\$ 27,871</u>	<u>\$ 4,164</u>	<u>\$ 180,710</u>	<u>\$ 791,517</u>

**City of Cheboygan - DDA and Brownfield Component Units**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	Special Revenue		Total Governmental Funds
	Downtown Development Authority	Brownfield Redevelopment Authority	
<b>ASSETS</b>			
Cash and Investments	\$ 515,571	\$ 19,041	\$ 534,612
Prepaid Items	--	--	--
<i>Total Assets</i>	<b>\$ 515,571</b>	<b>\$ 19,041</b>	<b>\$ 534,612</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 6,757	\$ --	\$ 6,757
Accrued Liabilities	3,425	--	3,425
<i>Total Liabilities</i>	10,182	--	10,182
<b>FUND BALANCE</b>			
Unassigned	505,389	19,041	524,430
<i>Total Fund Balance</i>	505,389	19,041	524,430
<i>Total Liabilities and Fund Balance</i>	<b>\$ 515,571</b>	<b>\$ 19,041</b>	<b>\$ 534,612</b>

**Component Unit Fund Balances** **\$ 524,430**

Amounts reported for component unit in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.

Capital Assets not being Depreciated	150,000
Capital Assets being Depreciated, net	351,774

**Net Position of Component Units** **\$ 1,026,204**

**City of Cheboygan - DDA and Brownfield Component Units**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Special Revenue</u>		<u>Total Governmental Funds</u>
	<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	
<b>Revenues</b>			
Property Taxes	\$ 235,920	\$ 25,599	\$ 261,519
Charges for Services	9,920	--	9,920
Operating Grants and Contributions	33,673	--	33,673
Capital Grants and Contributions	16,960	8,413	8,413
<b>Total Revenues</b>	<u>296,473</u>	<u>34,012</u>	<u>330,485</u>
<b>Expenditures</b>			
Community and Economic Development	202,795	45,645	248,440
<b>Total Expenditures</b>	<u>202,795</u>	<u>45,645</u>	<u>248,440</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>93,678</u>	<u>(11,633)</u>	<u>82,045</u>
<b>Net Change in Fund Balance</b>	<b>93,678</b>	<b>(11,633)</b>	<b>82,045</b>
<i>Fund Balance at Beginning of Period</i>	411,711	30,674	442,385
<b>Fund Balance at End of Period</b>	<u><b>\$ 505,389</b></u>	<u><b>\$ 19,041</b></u>	<u><b>\$ 524,430</b></u>

**Net Change in Fund Balances - Component Units** **\$ 82,045**

Amounts reported for component unit in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense (21,794)

**Change in Net Position of Component Units** **\$ 60,251**

**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***

December 22, 2021

To the City Council  
City of Cheboygan, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cheboygan, Michigan (The “City”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 22, 2021.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC  
Traverse City, MI

December 22, 2021

To the City Council  
City of Cheboygan, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cheboygan for the year ended June 30, 2021. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, 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 October 5, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 14 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the City 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 City's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 22, 2021.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

We applied certain limited procedures to management's discussion and analysis, OPEB and pension schedules, and budgetary comparison schedules, which is 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.

We were engaged to report on the combining statements and individual fund statements, 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.

## **Restriction on Use**

This information is intended solely for the information and use of the City Council and management of the City of Cheboygan 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 "Gabridge & Company".

Gabridge & Company, PLC  
Traverse City, MI