

**CITY OF CHEBOYGAN
CHEBOYGAN COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Cheboygan
Cheboygan, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cheboygan (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Cheboygan Housing Commission, which represents 18.1% of the assets, 18.7% of the net position, and 58.2% of the revenues of the aggregate discretely presented component units as of June 30, 2024, and the respective changes in financial position thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Cheboygan Housing Commission are based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, 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.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, Michigan
February 13, 2025

Management's Discussion and Analysis

City of Cheboygan
Management's Discussion and Analysis
June 30, 2024

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, 2024. 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, 2024 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 2024 by \$31,390,518 (net position). Of this amount, \$28,330,633 represents the City's net investment in capital assets, \$2,904,998 was restricted, and the remaining \$154,887 was unrestricted.
- The City continues to set aside funds within the general fund 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, 2024 for retiree healthcare benefit and termination liability were \$28,157 and \$70,417, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,255,889, a decrease of \$371,483 in comparison with the prior year. Approximately 37.2% of this amount, or \$1,582,682, 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 \$1,582,682, or 48.9% 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 Cheboygan 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 and major street 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. The City's nonmajor enterprise fund (ice pavilion), along with the internal service fund, are also discretely presented 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 schedules, and budget and actual schedules. Supplemental information that is not required follows the required supplementary information section and includes combining and individual fund statements and schedules; specifically, the general fund and nonmajor governmental fund statements and the component unit combining statements.

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 \$31,390,518 at the close of the most recent fiscal year. The chart on the following page illustrates the composition of net position.

City of Cheboygan's Net Position

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2024	2023	2024	2023	2024	2023
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 3,821,297	\$ 4,522,440	\$ 2,959,151	\$ 2,953,731	\$ 6,780,448	\$ 7,476,171
Receivables, net	370,704	346,833	1,686,072	1,581,598	2,056,776	1,928,431
Lease Receivable, net	-	-	14,807	14,493	14,807	14,493
Prepaid Items	93,124	68,715	-	-	93,124	68,715
Total Current Assets	4,285,125	4,937,988	4,660,030	4,549,822	8,945,155	9,487,810
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	424,492	361,665	424,492	361,665
Capital Assets not being Depreciated	431,927	398,888	8,328,145	18,301,153	8,760,072	18,700,041
Capital Assets being Depreciated, net	12,583,038	13,044,555	31,064,850	12,429,790	43,647,888	25,474,345
Long-term Lease Receivable	-	-	267,708	282,515	267,708	282,515
Total Assets	17,300,090	18,381,431	44,745,225	35,924,945	62,045,315	54,306,376
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	703,053	1,007,620	208,818	299,279	911,871	1,306,899
Total Deferred Outflows of Resources	703,053	1,007,620	208,818	299,279	911,871	1,306,899
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	241,902	328,476	2,013,909	2,066,241	2,255,811	2,394,717
Accrued Liabilities	114,150	86,986	74,111	34,654	188,261	121,640
Customer Deposits	1,100	1,100	56,167	50,995	57,267	52,095
Unearned Revenue	-	2,363	-	-	-	2,363
Accrued Interest	7,919	14,044	83,223	74,120	91,142	88,164
Current Portion of Long-term Debt	184,481	313,703	559,000	489,000	743,481	802,703
Internal Balances	(53,000)	(29,895)	53,000	29,895	-	-
Total Current Liabilities	496,552	716,777	2,839,410	2,744,905	3,335,962	3,461,682
<i>Noncurrent Liabilities</i>						
Long-term Debt	1,133,919	1,318,400	20,202,316	17,566,462	21,336,235	18,884,862
Compensated Absences	60,775	53,107	-	-	60,775	53,107
Net Pension Liability	4,765,189	5,002,678	1,415,341	1,485,880	6,180,530	6,488,558
Net OPEB Liability	272,334	272,711	-	-	272,334	272,711
Total Liabilities	6,728,769	7,363,673	24,457,067	21,797,247	31,185,836	29,160,920
DEFERRED INFLOWS OF RESOURCES						
Pension Related	92,565	-	27,494	-	120,059	-
Deferred Lease Revenues	-	-	260,773	281,635	260,773	281,635
Total Deferred Inflows of Resources	92,565	-	288,267	281,635	380,832	281,635
NET POSITION						
Net Investment in Capital Assets	11,696,565	11,811,340	16,634,068	10,990,200	28,330,633	22,801,540
<i>Restricted</i>	2,480,506	2,525,439	424,492	361,665	2,904,998	2,887,104
<i>Unrestricted</i>	(2,995,262)	(2,311,401)	3,150,149	2,793,477	154,887	482,076
Total Net Position	\$ 11,181,809	\$ 12,025,378	\$ 20,208,709	\$ 14,145,342	\$ 31,390,518	\$ 26,170,720

\$28,330,633 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 \$2,904,998. The remaining balance of unrestricted net position was \$154,887 as of June 30, 2024.

Cash and investments decreased by \$695,723 during the year, primarily reflecting the change in net position, net of increases in long-term debt and capital assets. The \$9,939,969 decrease in non-depreciable capital assets resulted from portions of the sewer and water projects being completed during the fiscal year. Depreciable capital assets increased by \$18,173,543 as construction-in-progress assets were transferred upon completion. Additionally, current-year depreciable additions

exceeded depreciation expense. A significant portion of these capital additions was funded through the issuance of new water revenue bonds and draws on sewer capital improvement bonds.

Total long-term debt increased by \$2,392,151. Pension-related deferred outflows and net pension liability decreased by \$395,028 and \$308,028, respectively, primarily due to pension plan investment gains. This also contributed to the presence of a year-end balance in deferred inflows related to pensions.

Accounts payable experienced a net decrease of \$138,906, nearly all of which was related to the decrease of year-end invoices associated with the City's ongoing capital projects. The City also required a payroll accrual at year-end due to the timing of employee payroll relative to the end of the pay period. This was the primary reason for the \$66,621 increase in accrued liabilities.

The following table presents a summary of the changes in net position for the years ended June 30, 2024 and June 30, 2022:

City of Cheboygan's Changes in Net Position

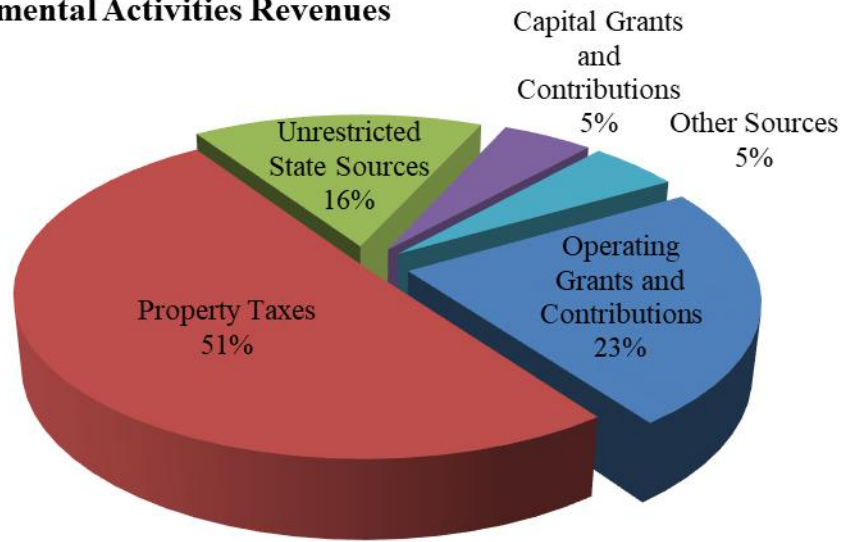
	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues						
Charges for Services	\$ 208,711	\$ 347,060	\$ 2,855,282	\$ 2,708,974	\$ 3,063,993	\$ 3,056,034
Operating Grants and Contributions	1,019,648	1,353,921	32,062	-	1,051,710	1,353,921
Capital Grants and Contributions	217,763	930,320	5,479,371	2,572,454	5,697,134	3,502,774
Total Program Revenues	<u>1,446,122</u>	<u>2,631,301</u>	<u>8,366,715</u>	<u>5,281,428</u>	<u>9,812,837</u>	<u>7,912,729</u>
General Revenues						
Property Taxes	2,205,863	2,107,992	-	-	2,205,863	2,107,992
Unrestricted State Sources	698,119	682,883	-	-	698,119	682,883
Investment Income	7,287	4,668	12,860	10,836	20,147	15,504
Total General Revenues	<u>2,911,269</u>	<u>2,795,543</u>	<u>12,860</u>	<u>10,836</u>	<u>2,924,129</u>	<u>2,806,379</u>
Total Revenues	<u>4,357,391</u>	<u>5,426,844</u>	<u>8,379,575</u>	<u>5,292,264</u>	<u>12,736,966</u>	<u>10,719,108</u>
Expenses						
General Government	913,241	717,182	-	-	913,241	717,182
Public Safety	1,506,650	1,476,690	-	-	1,506,650	1,476,690
Public Works	2,097,425	1,586,218	-	-	2,097,425	1,586,218
Community and Economic Development	111,480	425,746	-	-	111,480	425,746
Recreation and Culture	446,493	398,326	-	-	446,493	398,326
Sewer	-	-	1,194,654	1,285,569	1,194,654	1,285,569
Water	-	-	1,004,403	892,029	1,004,403	892,029
Ice Pavilion	-	-	215,889	243,855	215,889	243,855
Interest on Long-term Debt	26,933	36,855	-	-	26,933	36,855
Total Expenses	<u>5,102,222</u>	<u>4,641,017</u>	<u>2,414,946</u>	<u>2,421,453</u>	<u>7,517,168</u>	<u>7,062,470</u>
Net Transfers In (Out)	<u>(98,738)</u>	<u>(42,000)</u>	<u>98,738</u>	<u>42,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>(843,569)</u>	<u>743,827</u>	<u>6,063,367</u>	<u>2,912,811</u>	<u>5,219,798</u>	<u>3,656,638</u>
<i>Net Position at Beginning of Period</i>	<u>12,025,378</u>	<u>11,281,551</u>	<u>14,145,342</u>	<u>11,232,531</u>	<u>26,170,720</u>	<u>22,514,082</u>
Net Position at End of Period	<u>\$ 11,181,809</u>	<u>\$ 12,025,378</u>	<u>\$ 20,208,709</u>	<u>\$ 14,145,342</u>	<u>\$ 31,390,518</u>	<u>\$ 26,170,720</u>

Governmental Activities. Governmental activities decreased the City's net position by \$843,569 during fiscal year 2024. Charges for services declined by \$138,349, primarily due to a reduction in business permits, licenses, and fees collected during the year. Operating grants decreased by \$334,273, mainly due to the final spending of ARPA funds in the prior year. The \$712,557 decrease in capital grants and contributions was primarily the result of receiving a prior-year DNR grant and a local grant for the fishing pier project, as well as prior-year CDBG grant funds. Property tax revenues increased by \$97,871 due to a 4.7% increase in taxable value.

Community and economic development expenses decreased by \$314,266, as CDBG funds were received in the prior year but not in the current year.

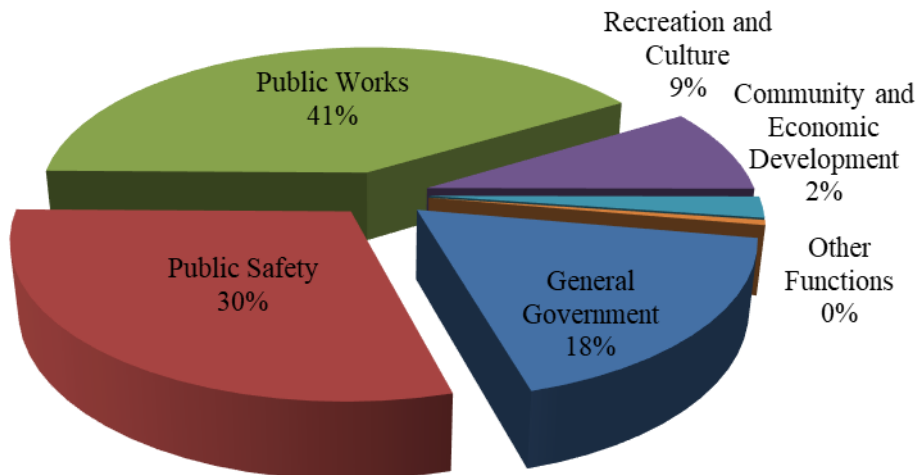
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end:

Governmental Activities Revenues



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

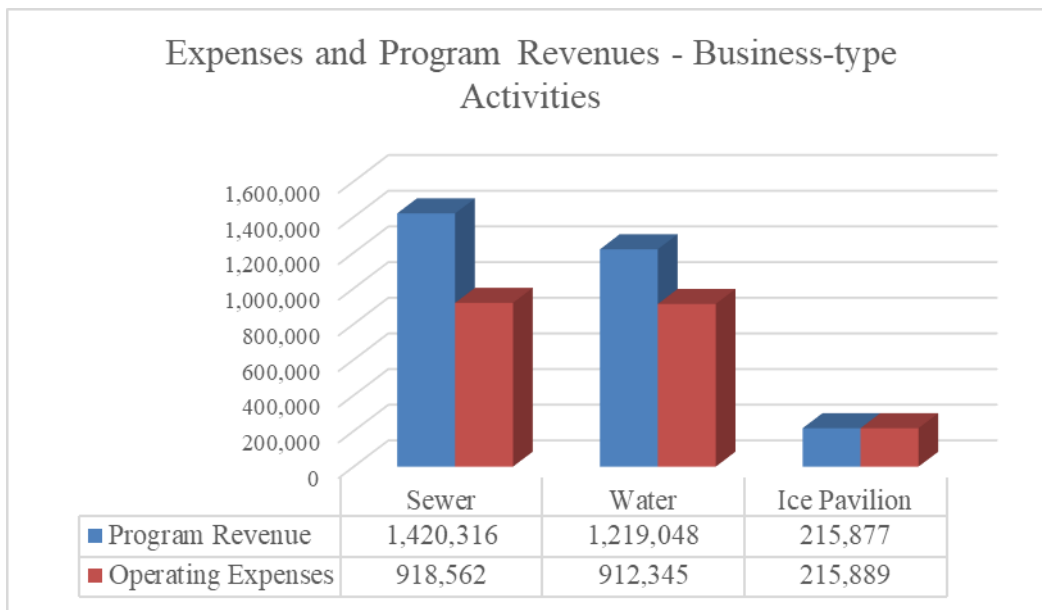
Governmental Activities Expenses



Business-type Activities. Business-type activities increased the City’s net position by \$6,063,367 for the year ended June 30, 2024, compared to an increase of \$2,912,811 for the year ended June 30, 2023. Capital grants and contributions increased \$2,906,917 from USDA grant reimbursements related to the sewer improvement projects. Sewer expenses decreased by \$90,915 following the decrease in charges for services. Water expenses increased \$112,374 largely due to repair and maintenance costs.

Key components of this change are as follows:

- The sewer fund had an increase in net position of \$3,445,744 for an ending balance of \$12,490,614.
- The water fund had an increase in net position of \$2,518,888 for an ending balance of \$7,775,104.
- The ice pavilion fund had a decrease in net position of \$98,735 for an ending deficit balance of \$(57,009).



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, 2024, the City’s governmental funds reported combined fund balances of \$4,255,889, a decrease of \$371,483 in comparison with the prior year. Approximately 37.2% of this amount, or \$1,582,682, 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, (\$93,124 or 2.2%, for prepaid items), 2) assigned for the festival square, \$4,467, or 0.1%, 3) restricted for particular purposes, \$2,477,042, or 58.2%, or 4) committed for specific purposes, \$98,574, or 2.3%.

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 \$1,582,682, while total fund balance decreased by \$323,089 to \$1,774,380. 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 48.9% of total general fund expenditures and transfers out, while total fund balance represents approximately 54.9% of that same amount.

Major Streets Fund - The major streets fund had a decrease of \$178,763 for an ending fund balance of \$1,350,755, all of which is restricted.

The decrease in fund balance is a result of revenues from the MDOT Act 51 revenues and trunkline maintenance contract not exceeding annual costs.

General Fund Budgetary Highlights

Original budget compared to final budget. The City had one significant budget amendment which increased police department expenses by \$226,487.

Final budget compared to actual results. The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2024:

	Final Budget	Actual Amount	Negative Variance
General fund			
Public Works	\$ 483,074	\$ 488,406	\$ (5,332)
Transfers Out	82,000	133,738	(51,738)

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, 2024 amounted to \$52,407,960 (net of accumulated depreciation). Of this amount, \$13,014,965

was for its governmental activities and \$39,392,995 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 \$801,703 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 2024-2025 budget for the general fund projects revenues for the year, \$3,938,947 in total, compared to \$4,079,755 in total expenditures and transfers out. This budget shows an expected increase in revenues compared to the 2024 year-end total revenues of \$2,900,684 and total expenditures and transfers out of \$3,233,773.

The 2024-2025 budget leaves the City with a projected decrease in fund balance at year-end. The City will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams.

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, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 3,821,297	\$ 2,959,151	\$ 6,780,448	\$ 771,461
Accounts Receivable, net	--	580,022	580,022	38,554
Taxes Receivable, net	20,426	--	20,426	--
Lease Receivable, net	--	14,807	14,807	--
Due from Other Governmental Units	350,278	1,106,050	1,456,328	--
Prepaid Items	93,124	--	93,124	68,724
Total Current Assets	4,285,125	4,660,030	8,945,155	878,739
<i>Noncurrent Assets</i>				
Restricted Cash - General	--	--	--	48,841
Restricted Cash - Bond Reserve	--	145,300	145,300	--
Restricted Cash - RRI	--	279,192	279,192	--
Capital Assets not being Depreciated	431,927	8,328,145	8,760,072	356,470
Capital Assets being Depreciated, net	12,583,038	31,064,850	43,647,888	1,544,295
Long-term Lease Receivable	--	267,708	267,708	--
Total Assets	17,300,090	44,745,225	62,045,315	2,828,345
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	703,053	208,818	911,871	--
Total Deferred Outflows of Resources	703,053	208,818	911,871	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	241,902	2,013,909	2,255,811	180,109
Accrued Liabilities	114,150	74,111	188,261	22,818
Customer Deposits	1,100	56,167	57,267	11,850
Accrued Interest	7,919	83,223	91,142	21,175
Current Portion of Long-term Debt	184,481	559,000	743,481	43,000
Internal Balances	(53,000)	53,000	--	--
Total Current Liabilities	496,552	2,839,410	3,335,962	278,952
<i>Noncurrent Liabilities</i>				
Long-term Debt	1,133,919	20,202,316	21,336,235	1,057,000
Compensated Absences	60,775	--	60,775	2,111
Net Pension Liability	4,765,189	1,415,341	6,180,530	--
Net OPEB Liability	272,334	--	272,334	--
Total Liabilities	6,728,769	24,457,067	31,185,836	1,338,063
DEFERRED INFLOWS OF RESOURCES				
Deferred Lease Revenues	--	260,773	260,773	--
Pension Related	92,565	27,494	120,059	32,037
Total Deferred Inflows of Resources	92,565	288,267	380,832	32,037
NET POSITION				
Net Investment in Capital Assets	11,696,565	16,634,068	28,330,633	800,765
<i>Restricted for:</i>				
Debt Service	44,442	--	44,442	--
Capital Projects	37,895	--	37,895	--
Cemetery	175,548	--	175,548	--
Highways and Streets	2,222,621	--	2,222,621	--
Housing Assistance	--	--	--	17,067
Debt Service - Bond Reserve	--	145,300	145,300	--
Debt Service - Repair, Replacement, and Improvement	--	279,192	279,192	--
<i>Unrestricted</i>	(2,995,262)	3,150,149	154,887	640,413
Total Net Position	\$ 11,181,809	\$ 20,208,709	\$ 31,390,518	\$ 1,458,245

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, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 913,241	\$ 58,618	\$ 81,787	\$ --	\$ (772,836)	\$ --	\$ (772,836)	\$ --
Public Safety	1,506,650	45,135	16,925	--	(1,444,590)	--	(1,444,590)	--
Public Works	2,097,425	103,104	912,136	25,000	(1,057,185)	--	(1,057,185)	--
Community and Economic Development	111,480	1	--	96,480	(14,999)	--	(14,999)	--
Recreation and Culture	446,493	1,853	8,800	96,283	(339,557)	--	(339,557)	--
Interest on Long-term Debt	26,933	--	--	--	(26,933)	--	(26,933)	--
Total Governmental Activities	5,102,222	208,711	1,019,648	217,763	(3,656,100)	--	(3,656,100)	--
Business-type Activities:								
Ice Pavilion (Nonmajor)	215,889	215,877	--	--	--	(12)	(12)	--
Sewer	1,194,654	1,420,357	--	3,216,397	--	3,442,100	3,442,100	--
Water	1,004,403	1,219,048	32,062	2,262,974	--	2,509,681	2,509,681	--
Total Business-type Activities	2,414,946	2,855,282	32,062	5,479,371	--	5,951,769	5,951,769	--
Total Primary Government	\$ 7,517,168	\$ 3,063,993	\$ 1,051,710	\$ 5,697,134	(3,656,100)	5,951,769	2,295,669	--
Component Units								
Brownfield Redevelopment Authority	\$ --	\$ --	\$ --	\$ --	--	--	--	--
Downtown Development Authority	412,851	140,909	98,820	--	--	--	--	(173,122)
Cheboygan Housing Commission (FYE 03/31/2024)	839,502	125,853	554,881	--	--	--	--	(158,768)
Total Component Units	\$ 1,252,353	\$ 266,762	\$ 653,701	\$ --	--	--	--	(331,890)
General Purpose Revenues and Transfers:								
Revenues								
					2,205,863	--	2,205,863	249,426
					698,119	--	698,119	--
					7,287	12,860	20,147	511
Transfers								
					(98,738)	98,738	--	--
Total General Revenues and Transfers					2,812,531	111,598	2,924,129	249,937
Change in Net Position					(843,569)	6,063,367	5,219,798	(81,953)
<i>Net Position at Beginning of Period</i>					<i>12,025,378</i>	<i>14,145,342</i>	<i>26,170,720</i>	<i>1,540,198</i>
Net Position at End of Period					\$ 11,181,809	\$ 20,208,709	\$ 31,390,518	\$ 1,458,245

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

**City of Cheboygan
Balance Sheet
Governmental Funds
June 30, 2024**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Street</u>		
ASSETS				
Cash and Investments	\$ 1,557,569	\$ 1,432,783	\$ 1,101,249	\$ 4,091,601
Taxes Receivable, net	16,962	--	3,464	20,426
Due from Other Governmental Units	207,038	102,026	41,214	350,278
Prepaid Items	93,124	--	--	93,124
Due from Other Funds	53,000	--	--	53,000
Total Assets	<u>\$ 1,927,693</u>	<u>\$ 1,534,809</u>	<u>\$ 1,145,927</u>	<u>\$ 4,608,429</u>
LIABILITIES				
Accounts Payable	\$ 36,281	\$ 180,055	\$ 6,663	\$ 222,999
Accrued Liabilities	100,070	3,999	3,946	108,015
Customer Deposits	--	--	1,100	1,100
Total Liabilities	<u>136,351</u>	<u>184,054</u>	<u>11,709</u>	<u>332,114</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	16,962	--	3,464	20,426
Total Liabilities and Deferred Inflows of Resources	<u>153,313</u>	<u>184,054</u>	<u>15,173</u>	<u>352,540</u>
FUND BALANCE				
Nonspendable	93,124	--	--	93,124
Restricted	--	1,350,755	1,126,287	2,477,042
Committed	98,574	--	--	98,574
Assigned	--	--	4,467	4,467
Unassigned	1,582,682	--	--	1,582,682
Total Fund Balance	<u>1,774,380</u>	<u>1,350,755</u>	<u>1,130,754</u>	<u>4,255,889</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,927,693</u>	<u>\$ 1,534,809</u>	<u>\$ 1,145,927</u>	<u>\$ 4,608,429</u>

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, 2024

Total Fund Balance - Governmental Funds	\$	4,255,889
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.		163,745
In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.		(7,873)
General government capital assets of \$26,075,004, net of accumulated depreciation of \$13,742,718, are not financial resources and, accordingly, are not reported in the funds.		12,332,286
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(60,775)
Unavailable revenues are not available to pay current expenditures and, therefore, are deferred inflows of resources in the funds.		20,426
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,299,625)
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.		(272,334)
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.		(3,949,930)
Total Net Position - Governmental Activities	\$	<u>11,181,809</u>

City of Cheboygan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	<u>General</u>	<u>Special Revenue</u> Major Street	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Revenues				
Property Taxes	\$ 1,903,132	\$ --	\$ 293,924	\$ 2,197,056
Licenses and Permits	76,412	--	--	76,412
Intergovernmental	870,111	708,060	389,072	1,967,243
Charges for Services	25,054	--	10,352	35,406
Interest and Rentals	1,558	548	5,181	7,287
Other Revenue	24,417	--	1,270	25,687
Total Revenues	<u>2,900,684</u>	<u>708,608</u>	<u>699,799</u>	<u>4,309,091</u>
Expenditures				
General Government	797,811	--	--	797,811
Public Safety	1,433,751	--	--	1,433,751
Public Works	488,406	794,843	293,169	1,576,418
Community and Economic Development	15,000	--	96,480	111,480
Recreation and Culture	328,502	--	--	328,502
Debt Service - Principal	21,034	--	280,603	301,637
Debt Service - Interest	5,531	--	26,706	32,237
Total Expenditures	<u>3,090,035</u>	<u>794,843</u>	<u>696,958</u>	<u>4,581,836</u>
Excess of Revenues Over (Under) Expenditures	<u>(189,351)</u>	<u>(86,235)</u>	<u>2,841</u>	<u>(272,745)</u>
Other Financing Sources (Uses)				
Transfers In	--	--	143,878	143,878
Transfers Out	(133,738)	(92,528)	(16,350)	(242,616)
Net Other Financing Sources (Uses)	<u>(133,738)</u>	<u>(92,528)</u>	<u>127,528</u>	<u>(98,738)</u>
Net Change in Fund Balance	(323,089)	(178,763)	130,369	(371,483)
<i>Fund Balance at Beginning of Period</i>	2,097,469	1,529,518	1,000,385	4,627,372
Fund Balance at End of Period	<u>\$ 1,774,380</u>	<u>\$ 1,350,755</u>	<u>\$ 1,130,754</u>	<u>\$ 4,255,889</u>

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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$	(371,483)
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.		(104,312)
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.		377
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.		8,807
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.		301,637
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.		(151,774)
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 capital outlays of \$33,039 are exceeded by depreciation expense of \$558,287.		(525,248)
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.		6,095
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.		(7,668)
Changes in Net Position - Governmental Activities	\$	<u>(843,569)</u>

**City of Cheboygan
Statement of Net Position
Proprietary Funds
June 30, 2024**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Fund
	Ice Pavilion (Nonmajor)	Sewer	Water		
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 33,766	1,941,579	983,806	2,959,151	--
Accounts Receivable, net	--	326,677	253,345	580,022	--
Lease Receivable, net	--	--	14,807	14,807	--
Due from Other Governmental Units	--	598,460	507,590	1,106,050	--
Total Current Assets	33,766	2,866,716	1,759,548	4,660,030	--
<i>Noncurrent Assets</i>					
Restricted Cash - Bond Reserve	--	--	145,300	145,300	--
Restricted Cash - RRI	--	--	279,192	279,192	--
Capital Assets not being Depreciated	--	1,799,079	6,529,066	8,328,145	--
Capital Assets being Depreciated, net	125,589	24,191,256	6,748,005	31,064,850	682,679
Long-term Lease Receivable	--	--	267,708	267,708	--
Total Assets	159,355	28,857,051	15,728,819	44,745,225	682,679
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	27,356	91,186	90,276	208,818	34,651
Total Deferred Outflows of Resources	27,356	91,186	90,276	208,818	34,651
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	389	1,028,018	985,502	2,013,909	18,903
Negative Equity in Pooled Cash	--	--	--	--	270,304
Accrued Liabilities	1,313	56,662	16,136	74,111	6,135
Customer Deposits	--	32,167	24,000	56,167	--
Accrued Interest	--	70,717	12,506	83,223	46
Current Portion of Long-term Debt	--	370,000	189,000	559,000	12,425
Due to Other Funds	53,000	--	--	53,000	--
Total Current Liabilities	54,702	1,557,564	1,227,144	2,839,410	307,813
<i>Noncurrent Liabilities</i>					
Long-term Debt	--	14,270,000	5,932,316	20,202,316	6,350
Net Pension Liability	185,416	618,053	611,872	1,415,341	234,860
Total Liabilities	240,118	16,445,617	7,771,332	24,457,067	549,023
DEFERRED INFLOWS OF RESOURCES					
Deferred Lease Revenues	--	--	260,773	260,773	--
Pension Related	3,602	12,006	11,886	27,494	4,562
Total Deferred Inflows of Resources	3,602	12,006	272,659	288,267	4,562
NET POSITION					
Net Investment in Capital Assets	125,589	10,331,168	6,177,311	16,634,068	663,904
<i>Restricted for:</i>					
Debt Service - Bond Reserve	--	--	145,300	145,300	--
Debt Service - Repair, Replacement, and Improvement	--	--	279,192	279,192	--
<i>Unrestricted</i>	(182,598)	2,159,446	1,173,301	3,150,149	(500,159)
Total Net Position	\$ (57,009)	\$ 12,490,614	\$ 7,775,104	\$ 20,208,709	\$ 163,745

City of Cheboygan
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Ice Pavilion (Nonmajor)	Sewer	Water	Total Enterprise Funds	
Operating Revenues					
Charges for Services	\$ 215,877	\$ 1,420,316	\$ 1,219,048	\$ 2,855,241	\$ 303,947
Total Operating Revenues	<u>215,877</u>	<u>1,420,316</u>	<u>1,219,048</u>	<u>2,855,241</u>	<u>303,947</u>
Operating Expenses					
Personnel Services	84,442	185,534	330,084	600,060	149,160
Contracted Services	27,282	251,029	6,238	284,549	10,193
Insurance	513	40,653	15,211	56,377	22,469
Equipment Rental	--	41,170	10,730	51,900	3,104
Supplies	34,668	68,027	176,003	278,698	60,829
Utilities	55,242	155,094	68,003	278,339	13,129
Repair and Maintenance	--	--	90,329	90,329	22,881
Depreciation	13,742	177,055	215,747	406,544	109,037
Transportation	--	--	--	--	56,159
Total Operating Expenses	<u>215,889</u>	<u>918,562</u>	<u>912,345</u>	<u>2,046,796</u>	<u>446,961</u>
Operating Income (Loss)	<u>(12)</u>	<u>501,754</u>	<u>306,703</u>	<u>808,445</u>	<u>(143,014)</u>
Non-Operating Revenues (Expenses)					
Investment Income	9	3,644	9,207	12,860	--
Miscellaneous Revenue	--	41	32,062	32,103	14,493
Capital Grant - Federal	--	1,706,476	2,262,974	3,969,450	25,000
Capital Grant - State	--	1,509,921	--	1,509,921	--
Interest Expense	--	(276,092)	(92,058)	(368,150)	(791)
Net Non-Operating Revenues (Expenses)	<u>9</u>	<u>2,943,990</u>	<u>2,212,185</u>	<u>5,156,184</u>	<u>38,702</u>
Income Before Transfers	<u>(3)</u>	<u>3,445,744</u>	<u>2,518,888</u>	<u>5,964,629</u>	<u>(104,312)</u>
Transfers In	98,738	--	--	98,738	--
Change In Net Position	<u>98,735</u>	<u>3,445,744</u>	<u>2,518,888</u>	<u>6,063,367</u>	<u>(104,312)</u>
<i>Net Position at Beginning of Period</i>	<i>(155,744)</i>	<i>9,044,870</i>	<i>5,256,216</i>	<i>14,145,342</i>	<i>268,057</i>
Net Position at End of Period	<u>\$ (57,009)</u>	<u>\$ 12,490,614</u>	<u>\$ 7,775,104</u>	<u>\$ 20,208,709</u>	<u>\$ 163,745</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, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Ice Pavilion (Nonmajor)	Sewer	Water	Total Enterprise Funds	
Cash Flows from Operating Activities					
Receipts from Customers	\$ 215,877	\$ 1,469,512	\$ 1,199,548	\$ 2,884,937	\$ 303,947
Payments to Suppliers for Goods and Services	(118,809)	(699,722)	(581,151)	(1,399,682)	(173,616)
Payments to Employees for Wages and Fringe Benefits	(76,916)	(140,476)	(295,795)	(513,187)	(135,156)
Net Cash Provided (Used) by Operating Activities	<u>20,152</u>	<u>629,314</u>	<u>322,602</u>	<u>972,068</u>	<u>(4,825)</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	98,738	--	--	98,738	--
Change in Interfund Balances	23,105	--	--	23,105	(90,278)
Miscellaneous Revenue	--	41	32,062	32,103	14,493
Net Cash Provided (Used) by Noncapital Financing Activities	<u>121,843</u>	<u>41</u>	<u>32,062</u>	<u>153,946</u>	<u>(75,785)</u>
Cash Flows from Capital and Related Financing Activities					
Capital Asset Purchases	(109,738)	(3,135,061)	(5,823,797)	(9,068,596)	(205,807)
Cash inflows from Capital Related Accounts Payable	--	(666,114)	978,444	312,330	--
Cash inflows from Debt Issuance	--	--	3,193,854	3,193,854	--
Cash inflows from Capital Grant	--	3,583,448	1,755,384	5,338,832	25,000
Interest Payments	--	(267,942)	(91,105)	(359,047)	(821)
Principal Payments	--	(360,000)	(128,000)	(488,000)	(12,066)
Net Cash Used by Investing Activities	<u>(109,738)</u>	<u>(845,669)</u>	<u>(115,220)</u>	<u>(1,070,627)</u>	<u>(193,694)</u>
Cash Flows Provided by Investing Activities					
Investment Income	9	3,644	9,207	12,860	--
Net Cash Provided by Investing Activities	<u>9</u>	<u>3,644</u>	<u>9,207</u>	<u>12,860</u>	<u>--</u>
Net Increase (Decrease) in Cash and Investments	32,266	(212,670)	248,651	68,247	(274,304)
Cash and Investments and Restricted Cash - Beginning of Period	1,500	2,154,249	1,159,647	3,315,396	4,000
Cash and Investments and Restricted Cash - End of Period	<u>\$ 33,766</u>	<u>\$ 1,941,579</u>	<u>\$ 1,408,298</u>	<u>\$ 3,383,643</u>	<u>\$ (270,304)</u>
Statement of Net Position					
Cash and Investments (Negative Equity in Pooled Cash)	\$ 33,766	\$ 1,941,579	\$ 983,806	\$ 2,959,151	\$ (270,304)
Restricted Cash - Bond Reserve	--	--	145,300	145,300	--
Restricted Cash - Repair, Replacement, and Improvement	--	--	279,192	279,192	--
Total Statement of Net Position	<u>\$ 33,766</u>	<u>\$ 1,941,579</u>	<u>\$ 1,408,298</u>	<u>\$ 3,383,643</u>	<u>\$ (270,304)</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, 2024**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Ice Pavilion (Nonmajor)	Sewer	Water	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ (12)	\$ 501,754	\$ 306,703	\$ 808,445	\$ (143,014)
Adjustments to Reconcile Operating Income (Loss)					
Net Cash Provided by (Used in) Operating Activities:					
Depreciation Expense	13,742	177,055	215,747	406,544	109,037
Changes in Assets, Liabilities, and Related Deferrals:					
Accounts Receivable, net	--	49,196	(19,500)	29,696	--
Accounts Payable	(1,104)	(146,421)	(217,137)	(364,662)	15,148
Accrued Liabilities	1,313	24,352	13,792	39,457	6,135
Customer Deposits	--	2,672	2,500	5,172	--
Net Pension Liability and Related Deferrals	6,213	20,706	20,497	47,416	7,869
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 20,152</u>	<u>\$ 629,314</u>	<u>\$ 322,602</u>	<u>\$ 972,068</u>	<u>\$ (4,825)</u>

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, 2024

	Custodial Fund
ASSETS	
Cash and Investments	\$ 21,545
<i>Total Assets</i>	21,545
LIABILITIES	
Undistributed Collections	21,545
<i>Total Liabilities</i>	21,545
NET POSITION	
Held in Trust	\$ --

City of Cheboygan
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2024

	Custodial Fund
Additions	
Taxes Collected for Other Governments	\$ 3,248,897
<i>Total Additions</i>	<i>3,248,897</i>
Deductions	
Payments of Property Taxes to Other Governments	3,248,897
<i>Total Deductions</i>	<i>3,248,897</i>
<i>Change in Net Position</i>	<i>--</i>
<i>Net Position at Beginning of Period</i>	<i>--</i>
<i>Net Position at End of Period</i>	<i>\$ --</i>

City of Cheboygan
Combining Statement of Net Position
Component Units
June 30, 2024

	Brownfield Redevelopment Authority	Downtown Development Authority	Cheboygan Housing Commission (FYE 03/31/2024)	Total Component Units
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 99,412	\$ 507,361	\$ 164,688	\$ 771,461
Accounts Receivable, net	--	--	38,554	38,554
Prepaid Items	--	64,264	4,460	68,724
Total Current Assets	99,412	571,625	207,702	878,739
<i>Noncurrent Assets</i>				
Restricted Cash - General	--	--	48,841	48,841
Capital Assets not being Depreciated	--	150,000	206,470	356,470
Capital Assets being Depreciated, net	--	1,495,038	49,257	1,544,295
Total Assets	99,412	2,216,663	512,270	2,828,345
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	--	4,219	175,890	180,109
Accrued Liabilities	--	5,230	17,588	22,818
Customer Deposits	--	--	11,850	11,850
Accrued Interest	--	21,175	--	21,175
Current Portion of Long-term Debt	--	43,000	--	43,000
Total Current Liabilities	--	73,624	205,328	278,952
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	1,057,000	--	1,057,000
Compensated Absences	--	--	2,111	2,111
Total Liabilities	--	1,130,624	207,439	1,338,063
DEFERRED INFLOWS OF RESOURCES				
Pension Related	--	--	32,037	32,037
Total Deferred Inflows of Resources	--	--	32,037	32,037
NET POSITION				
Net Investment in Capital Assets	--	545,038	255,727	800,765
<i>Restricted for:</i>				
Housing Assistance	--	--	17,067	17,067
<i>Unrestricted</i>	99,412	541,001	--	640,413
Total Net Position	\$ 99,412	\$ 1,086,039	\$ 272,794	\$ 1,458,245

City of Cheboygan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2024

	Brownfield Redevelopment Authority	Downtown Development Authority	Cheboygan Housing Commission (FYE)	Total Component Units
Expenses				
Community and Economic Development	\$ --	\$ 412,851	\$ 839,502	\$ 1,252,353
Total Expenses	<u>--</u>	<u>412,851</u>	<u>839,502</u>	<u>1,252,353</u>
Program Revenues				
Charges for Services	--	140,909	125,853	266,762
Operating Grants and Contributions	--	98,820	554,881	653,701
Total Program Revenues	<u>--</u>	<u>239,729</u>	<u>680,734</u>	<u>920,463</u>
Net Program Revenues (Expenses)	<u>--</u>	<u>(173,122)</u>	<u>(158,768)</u>	<u>(331,890)</u>
General Revenue				
Property Taxes	27,919	221,507	--	249,426
Investment Income	30	163	318	511
Total General Revenues	<u>27,949</u>	<u>221,670</u>	<u>318</u>	<u>249,937</u>
Change in Net Position	27,949	48,548	(158,450)	(81,953)
<i>Net Position at Beginning of Period</i>	71,463	1,037,491	431,244	1,540,198
Net Position at End of Period	\$ 99,412	\$ 1,086,039	\$ 272,794	\$ 1,458,245

Notes to the Financial Statements

City of Cheboygan

Notes to the Financial Statements

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 4,850. 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 03/31/2024) (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

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

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

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

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

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

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

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.

Lastly, the City recognizes deferred lease revenues that qualify for reporting as a deferred inflow. The water fund and government-wide financial statements report deferred lease revenues to be collected by the City in future periods.

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.

City of Cheboygan

Notes to the Financial Statements

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

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

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.

City of Cheboygan

Notes to the Financial Statements

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.

The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2024:

	Final Budget	Actual Amount	Negative Variance
General fund			
Public Works	\$ 483,074	\$ 488,406	\$ (5,332)
Transfers Out	82,000	133,738	(51,738)
Major Streets			
Routine Maintenance	394,330	720,052	(325,722)

Deficit Unrestricted Net Position and Total Net Position

As of June 30, 2024, the City’s governmental activities and business-type activities reported the following (deficits) in unrestricted and total net position:

	Unrestricted Net Position	Total Net Position
Governmental Activities	\$ (2,995,262)	\$ 11,181,809
Internal Service Fund	(500,159)	163,745
Business-type Activities		
Ice Pavilion	(182,598)	(57,009)

City of Cheboygan

Notes to the Financial Statements

Note 3 - Cash and Investments

Following is a reconciliation of deposit balances as of June 30, 2024:

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and Investments	\$ 6,780,448	\$ 771,461	\$ 7,551,909
Restricted Cash - General	-	48,841	48,841
Restricted Cash - Bond Reserve	145,300	-	145,300
Restricted Cash - Repair, Replacement, and Improvement	279,192	-	279,192
Statement of Fiduciary Net Position			
Cash and Investments - Custodial Fund	21,454	-	21,454
Total Cash and Investments	7,226,394	820,302	8,046,696
Less Separately Audited Unit			
Cheboygan Housing Commission (March 31, 2024)	-	(164,688)	(164,688)
Cash and Investments Managed by the City	\$ 7,226,394	\$ 655,614	\$ 7,882,008
Deposits and Investments			
Bank Deposits (Checking and Savings Accounts)			\$ 7,718,316
Certificates of Deposit (Due Within One Year)			162,692
			Cash on Hand 1,000
			\$ 7,882,008

The City's certificates of deposit of \$162,692 were held directly by the City and therefore are considered to be cash and cash equivalents and not subject to fair value disclosure.

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, \$7,677,436 of the City's bank balance of \$8,167,162 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.

City of Cheboygan

Notes to the Financial Statements

Restricted Cash. The City reported the following restricted cash balances as of June 30, 2024:

	June 30, 2024		June 30, 2023
	Required Balance	Actual Balance	Actual Balance
Business-type Activities			
<i>Bond Reserve Account</i>			
2011 Issue, \$12,200 per year up to \$122,000	\$ 122,000	\$ 122,000	\$ 122,000
2023 Issue, \$23,300 per year up to \$233,000	23,300	23,300	-
<i>Repair, Replacement, and Improvement Account</i>			
2011 Issue, \$26,300 per year until bond reserve reaches \$122,000; \$38,500 per year thereafter	239,665	239,665	239,665
2023 Issue, \$39,527 per year	39,527	39,527	-
Totals	\$ 424,492	\$ 424,492	\$ 361,665

Note 4 - Interfund Transfers, Receivables, and Payables

Interfund Transfers

For the year ended June 30, 2024, interfund transfers consisted of the following:

Transfer In Fund	Transfer Out Fund	Amount
Nonmajor Governmental	Major street	\$ 92,528
Nonmajor Governmental	Nonmajor Governmental	16,350
Nonmajor Governmental	General	35,000
Nonmajor Business-type	General	98,738

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.

Interfund Balances

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.

As of June 30, 2024, the City had the following interfund balances:

Receivable Fund	Payable Fund	Amount
General Fund	Ice Pavilion (nonmajor)	\$ 53,000

City of Cheboygan

Notes to the Financial Statements

Note 5 - Lease Receivable

The City is reporting a lease receivable of \$282,515 as of June 30, 2024. The City reported lease revenue of \$20,862 and interest revenue of \$6,243 related to lease payments received during the year. The City grants the right to use City-owned land for a cell tower. The initial lease term was five years and commenced July 1, 2012, with four (4) five-year optional extensions. The City intends to exercise all four lease extensions.

Note 6 - Capital Assets

Governmental activities capital asset activity for the year ended June 30, 2024 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 393,088	\$ -	\$ -	\$ 393,088
Construction in Progress	5,800	38,839	(5,800)	38,839
<i>Subtotal</i>	<u>398,888</u>	<u>38,839</u>	<u>(5,800)</u>	<u>431,927</u>
Capital Assets being Depreciated				
Land Improvements	4,473,382	-	-	4,473,382
Buildings and Improvements	6,363,946	-	-	6,363,946
Machinery and Equipment	4,360,405	200,007	5,800	4,566,212
Infrastructure	14,087,652	-	-	14,087,652
<i>Subtotal</i>	<u>29,285,385</u>	<u>200,007</u>	<u>5,800</u>	<u>29,491,192</u>
Less Accumulated Depreciation				
Land Improvements	(3,467,915)	(88,635)	-	(3,556,550)
Buildings and Improvements	(3,799,091)	(151,176)	-	(3,950,267)
Machinery and Equipment	(3,590,475)	(154,365)	-	(3,744,840)
Infrastructure	(5,383,349)	(273,148)	-	(5,656,497)
<i>Subtotal</i>	<u>(16,240,830)</u>	<u>(667,324)</u>	<u>-</u>	<u>(16,908,154)</u>
Capital Assets being Depreciated, net	<u>13,044,555</u>	<u>(467,317)</u>	<u>5,800</u>	<u>12,583,038</u>
Capital Assets, net	<u>\$ 13,443,443</u>	<u>\$ (428,478)</u>	<u>\$ -</u>	<u>\$ 13,014,965</u>

City of Cheboygan

Notes to the Financial Statements

Business-type activities capital asset activity for the year ended June 30, 2024 was as follows:

Business-type Activities	Beginning Balance	Additions	Transfers	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 2,250	\$ -	\$ -	\$ 2,250
Construction in Progress	18,298,903	7,435,942	(17,408,950)	8,325,895
<i>Subtotal</i>	<u>18,301,153</u>	<u>7,435,942</u>	<u>(17,408,950)</u>	<u>8,328,145</u>
Capital Assets being Depreciated				
Buildings and Improvements	2,365,781	-	-	2,365,781
Machinery and Equipment	3,204,238	-	-	3,204,238
Sewer System	9,702,927	1,522,916	17,408,950	28,634,793
Water System	11,321,844	-	-	11,321,844
Ice Pavilion	119,133	109,738	-	228,871
<i>Subtotal</i>	<u>26,713,923</u>	<u>1,632,654</u>	<u>17,408,950</u>	<u>45,755,527</u>
Less Accumulated Depreciation				
Buildings and Improvements	(2,345,503)	(1,338)	-	(2,346,841)
Machinery and Equipment	(3,114,174)	(8,309)	-	(3,122,483)
Sewer System	(4,376,824)	(167,408)	-	(4,544,232)
Water System	(4,358,092)	(215,747)	-	(4,573,839)
Ice Pavilion	(89,540)	(13,742)	-	(103,282)
<i>Subtotal</i>	<u>(14,284,133)</u>	<u>(406,544)</u>	<u>-</u>	<u>(14,690,677)</u>
Capital Assets being Depreciated, net	<u>12,429,790</u>	<u>1,226,110</u>	<u>17,408,950</u>	<u>31,064,850</u>
Capital Assets, net	<u>\$ 30,730,943</u>	<u>\$ 8,662,052</u>	<u>\$ -</u>	<u>\$ 39,392,995</u>

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

Governmental Activities

General Government	\$ 65,287
Public Safety	29,261
Public Works	318,444
Recreation and Culture	145,295
Equipment Internal Service Fund	109,037
Total	<u>\$ 667,324</u>

Business-type Activities

Ice Pavilion	\$ 13,742
Water	215,747
Sewer	177,055
Total	<u>\$ 406,544</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, 2024 was as follows:

Downtown Development Authority	Beginning Balance	Additions	Transfers	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Capital Assets being Depreciated				
Buildings and improvements	1,391,829	-	-	1,391,829
Land Improvements	476,567	-	-	476,567
<i>Subtotal</i>	1,868,396	-	-	1,868,396
Less Accumulated Depreciation				
Buildings and Improvements	(87,609)	(37,266)	-	(124,875)
Land Improvements	(227,500)	(20,983)	-	(248,483)
<i>Subtotal</i>	(315,109)	(58,249)	-	(373,358)
Capital Assets being Depreciated, net	1,553,287	(58,249)	-	1,495,038
Capital Assets, net	\$ 1,703,287	\$ (58,249)	\$ -	\$ 1,645,038

Note 7 - Long-term Debt

Long-term debt descriptions are as follows:

Governmental Activities

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 charged at 3.00%.

2021 Refunding Bonds due in annual installments ranging from \$85,000 to \$188,000 through February 2035, interest ranging from 0.45% to 2.05%, payable semi-annually.

2023 Installment Purchase Agreement – Fire Gear, during May of 2023, the City entered into an agreement to purchase fire fighter gear. Five-year term, completing during fiscal year 2028 with semi-annual payments of principal and interest at 5%. Annual principal payment totals range from \$21,034 to \$25,689.

City of Cheboygan

Notes to the Financial Statements

Internal Service Fund

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.

2021 Wastewater System, Improvement Bonds, due in annual installments ranging from \$102,084 to \$625,000 through April of 2037, interest at 2.125% payable semi-annually.

2023 Water Distribution System Revenue Bonds/USDA, due in annual installments ranging from \$55,000 to \$245,000 through May of 2063, interest at 1.25% payable semi-annually.

Component Units

2022 TIF bonds, due in annual installments of \$22,228 to \$85,124 through June 2042, interest at 3.85% due 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, 2024:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities					
Bonded Debt (All Direct Placement)					
2021 Refunding Bonds	\$ 1,193,000	\$ -	\$ (187,000)	\$ 1,006,000	\$ 86,000
2007 General Obligation Capital Improvement Bonds	145,000	-	(35,000)	110,000	35,000
2009 Michigan Transportation Fund Bonds	30,000	-	(30,000)	-	-
2017 Michigan Transportation Fund Bonds	117,054	-	(28,603)	88,451	29,044
Total Bonded Debt	1,485,054	-	(280,603)	1,204,451	150,044
Installment Purchase Agreements (All Direct Placement)					
2007 Sutphen Pumper Note Payable	30,841	-	(12,066)	18,775	12,425
2023 Installment Purchase Agreement - Fire Gear	116,208	-	(21,034)	95,174	22,012
Total Installment Purchase Agreements	147,049	-	(33,100)	113,949	34,437
Total Bonded Debt and Installment Purchase Agreements	1,632,103	-	(313,703)	1,318,400	184,481
Compensated Absences	53,107	7,668	-	60,775	-
Total Governmental Activities	\$ 1,685,210	\$ 7,668	\$ (313,703)	\$ 1,379,175	\$ 184,481
Business-type Activities (All Direct Placement)					
2007 Water Supply System Revenue Bonds	\$ 155,000	\$ -	\$ (35,000)	\$ 120,000	\$ 40,000
2011 Water Supply System Revenue Bonds	2,119,919	-	(63,000)	2,056,919	64,000
2019 Water Capital Improvement Bond	420,000	-	(30,000)	390,000	30,000
2021 Wastewater System Improvement Bonds	15,000,000	-	(360,000)	14,640,000	370,000
2023 Water Distribution System Revenue Bonds/USDA *	360,543	3,193,854	-	3,554,397	55,000
Total Business-type Activities	\$ 18,055,462	\$ 3,193,854	\$ (488,000)	\$ 20,761,316	\$ 559,000
Downtown Development Authority (Direct Placement)					
2022 TIF Bonds	\$ 1,142,000	\$ -	\$ (42,000)	\$ 1,100,000	\$ 43,000

* \$3,554,397 drawn as of June 30, 2024 of a total \$6,095,000 available. The remaining authorized bonds will be issued in subsequent year(s).

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, 2024 are as follows:

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 184,481	\$ 26,374	\$ 210,856	\$ 559,000	\$ 390,033	\$ 949,033
2026	178,974	21,971	200,946	576,000	377,044	953,044
2027	181,255	17,413	198,668	587,000	363,732	950,732
2028	114,689	12,705	127,394	569,000	350,089	919,089
2029	90,000	10,694	100,694	586,000	337,880	923,880
2030-2034	470,000	34,310	504,310	3,204,000	1,494,676	4,698,676
2035-2039	99,000	2,027	101,027	3,490,000	1,149,714	4,639,714
2040-2044	-	-	-	3,889,000	787,723	4,676,723
2045-2049	-	-	-	4,246,919	383,709	4,630,629
2050-2054	-	-	-	3,054,397	32,224	3,086,621
	\$ 1,318,400	\$ 125,494	\$ 1,443,894	\$ 20,761,316	\$ 5,666,825	\$ 26,428,141

City of Cheboygan

Notes to the Financial Statements

Year Ending June 30,	Component Unit - DDA		
	Principal	Interest	Total
2025	\$ 43,000	\$ 41,522	\$ 84,522
2026	45,000	39,828	84,828
2027	47,000	38,057	85,057
2028	49,000	36,209	85,209
2029	51,000	34,284	85,284
2030-2034	283,000	140,159	423,159
2035-2039	342,000	80,158	422,158
2040-2044	240,000	14,091	254,091
	<u>\$ 1,100,000</u>	<u>\$ 424,308</u>	<u>\$ 1,524,308</u>

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.

Note 8 - Net Investment in Capital Assets

The composition of the City's net investment in capital assets as of June 30, 2024 was as follows:

	Governmental Activities (less ISF)				Business-type Activities		
	ISF	Ice Pavilion	Sewer	Water	DPCU		
Capital Assets:							
Capital Assets not being Depreciated	\$ 431,927	\$ -	\$ -	\$ 1,799,079	\$ 6,529,066	\$ 8,328,145	\$ 150,000
Capital Assets being Depreciated	11,900,359	682,679	125,589	24,191,256	6,748,005	31,064,850	1,495,038
Long-term Debt:							
Due within One Year	(172,056)	(12,425)	-	(370,000)	(189,000)	(559,000)	(43,000)
Due in more than One Year	(1,127,569)	(6,350)	-	(14,270,000)	(5,932,316)	(20,202,316)	(1,057,000)
Other:							
Construction Related Payables	-	-	-	(1,019,167)	(978,444)	(1,997,611)	-
Net Investment in Capital Assets	<u>\$ 11,032,661</u>	<u>\$ 663,904</u>	<u>\$ 125,589</u>	<u>\$ 10,331,168</u>	<u>\$ 6,177,311</u>	<u>\$ 16,634,068</u>	<u>\$ 545,038</u>

Note 9 - Pension Plans

Defined Contribution Pension Plan

The City provides pension benefits through a defined contribution plan administered by the Municipal Employees' Retirement System of Michigan (MERS). The plan covers all full-time employees. The City and employees contribute in accordance with the terms set forth based on division. Contributions are based on Medicare taxable wages, and forfeitures of unvested amounts are used to offset future employer contributions. MERS serves as the plan administrator, and the plan complies with applicable laws and the City's adoption agreement and resolutions. Additional details are available through MERS or the City's Finance Department. For the current year, employer and employee contributions were \$49,190 and \$61,837, respectively.

City of Cheboygan

Notes to the Financial Statements

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.

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

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, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	42
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	9
Active Plan Members	29
<i>Total Employees Covered By MERS</i>	<u>80</u>

City of Cheboygan

Notes to the Financial Statements

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.

Contributions during the year can be summarized as follows:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions*</u>
AFCSME #25 - Closed	6.00%	\$22,064 / month
Public Safety - Closed	6.00%	\$7,038 / month
Non Union - Closed	6.00%	\$8,541 / month
Hybrid - AFCSME - Open	0.00%	7.80%
Hybrid - Non Union - Open	0.00%	7.67%
Hybrid - Public Safety - Open	0.00%	5.19%

* Closed divisions have a fixed monthly contribution whereas open division contributions are calculated as a % of covered wages.

Net Pension Liability

The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that same date.

Actuarial Assumptions

The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00% plus merit and longevity: 3.00% in the long-term
Investment Rate of Return	6.93%, net of investment and administrative expense including inflation

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

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

City of Cheboygan

Notes to the Financial Statements

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 geometric 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%	6.93%	4.16%	2.50%	2.66%
Global Fixed Income	20.00%	4.44%	0.89%	2.50%	0.39%
Private Investments	20.00%	9.44%	1.89%	2.50%	1.39%
Totals	100.00%		6.93%		4.43%

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. 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:

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2022	\$ 13,182,138	\$ 6,693,580	\$ 6,488,558
<i>Changes for the Year:</i>			
Service Cost	140,172	-	140,172
Interest on Total Pension Liability	926,297	-	926,297
Differences Between Expected and Actual Experience	(180,089)	-	(180,089)
Changes of Assumptions	88,487	-	88,487
Contributions - Employer	-	547,522	(547,522)
Contributions - Employee	-	26,128	(26,128)
Net Investment Income	-	724,644	(724,644)
Benefit Payments, Including Refunds	(951,420)	(951,420)	-
Administrative Expenses	-	(15,403)	15,403
Other Changes	(4)	-	(4)
<i>Net Changes</i>	23,443	331,471	(308,028)
Balance at December 31, 2023	\$ 13,205,581	\$ 7,025,051	\$ 6,180,530
	Allocated to:		
		Governmental Activities	\$ 4,765,189
		Business-type Activities	1,415,341
		Total:	\$ 6,180,530

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease	Current	1% Increase
	(6.18%)	Discount Rate	(8.18%)
	(6.18%)	(7.18%)	(8.18%)
Net Pension Liability of the City	\$ 7,565,457	\$ 6,180,530	\$ 5,007,259

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

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, 2024, the City recognized pension expense of \$757,090. At June 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 103,613	\$ 120,059
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	367,581	-
Changes of Assumptions	164,183	-
Contributions Subsequent to the Measurement Date*	276,494	-
Total	\$ 911,871	\$ 120,059
Allocated to:		
Governmental Activities	\$ 703,053	\$ 92,565
Business-type Activities	208,818	27,494
Total:	\$ 911,871	\$ 120,059

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2025.

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

Year Ending June 30,	Amount
2025	\$ 242,955
2026	99,722
2027	223,364
2028	(50,723)
Total	\$ 515,318

Note 10 - 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.

City of Cheboygan

Notes to the Financial Statements

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, 2024):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	7
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	0
Active Plan Members	<u>1</u>
<i>Total Employees Covered by the Plan</i>	<u>8</u>

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 and a measurement date of June 30, 2024 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary Increases	3.25%
Investment Rate of Return	0.00%
Discount Rate	3.65%
Healthcare Cost Trend Rate	7.25%
Mortality	Mortality table fully generational using scale MP-2021 Pub-2010 mortality tables

Discount Rate

The discount rate used to measure the total OPEB liability in the current year was 3.65%. 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 2025. For projected benefits that are covered by projected assets, the long-term 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.

City of Cheboygan

Notes to the Financial Statements

Changes in Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2023	\$ 272,711	\$ -	\$ 272,711
<i>Changes for the Year:</i>			
Service Cost	2,713	-	2,713
Interest on Total OPEB Liability	9,590	-	9,590
Differences Between Expected and Actual Experience	23,850	-	23,850
Contributions - Employer	-	36,530	(36,530)
Benefit Payments, Including Refunds	(36,530)	(36,530)	-
<i>Net Changes</i>	(377)	-	(377)
Balance at June 30, 2024	\$ 272,334	\$ -	\$ 272,334

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 3.65%, 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:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
	Net OPEB Liability of the City	\$ 285,562	\$ 272,334

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 7.00%, 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:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
	Net OPEB Liability of the City	\$ 260,256	\$ 272,334

City of Cheboygan

Notes to the Financial Statements

Note 11 - 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.

The following summarizes the City's governmental fund balances as of June 30, 2024:

	<u>General</u>	<u>Major Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Items	\$ 93,124	\$ -	\$ -	\$ 93,124
Restricted for:				
Highways and Streets	-	1,350,755	902,658	2,253,413
Cemetery	-	-	175,548	175,548
Community and Economic Development	-	-	7,103	7,103
Debt Service	-	-	40,978	40,978
<i>Subtotal</i>	<u>-</u>	<u>1,350,755</u>	<u>1,126,287</u>	<u>2,477,042</u>
Committed for:				
Retiree Healthcare	28,157	-	-	28,157
Termination Liability	70,417	-	-	70,417
<i>Subtotal</i>	<u>98,574</u>	<u>-</u>	<u>-</u>	<u>98,574</u>
Assigned for:				
Festival Square	-	-	4,467	4,467
Unassigned	<u>1,582,682</u>	<u>-</u>	<u>-</u>	<u>1,582,682</u>
Total Fund Balances - Governmental Funds	<u>\$ 1,774,380</u>	<u>\$ 1,350,755</u>	<u>\$ 1,130,754</u>	<u>\$ 4,255,889</u>

Note 12 - 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 13 - 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.

City of Cheboygan

Notes to the Financial Statements

Note 14 - Commitment and Subsequent Events

The City has entered into construction contracts for water system improvements, including the Division A Elevated Storage Tank project. As of June 30, 2024, the total contract amount was \$1,849,100, reflecting the original contract price of \$1,846,300 plus approved change orders.

As of June 30, 2024, work completed and materials stored under the contract totaled \$1,461,300, with \$73,065 retained per contract terms. Payments to date amount to \$1,324,585, leaving an outstanding commitment of \$460,865. The City expects to fund these commitments using available USDA bond resources.

Management has evaluated subsequent events through February 13, 2025, the date the financial statements were available for issuance, and is not aware of any events requiring disclosure or adjustment to the financial statements.

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, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 1,818,450	\$ 1,880,641	\$ 1,903,132	\$ 22,491
Licenses and Permits	125,000	139,308	76,412	(62,896)
Intergovernmental	725,000	736,571	870,111	133,540
Charges for Services	34,000	46,814	25,054	(21,760)
Interest and Rentals	5,500	5,500	1,558	(3,942)
Other Revenue	--	12,134	24,417	12,283
Total Revenues	2,707,950	2,820,968	2,900,684	79,716
Expenditures				
General Government				
City Council	33,600	42,107	39,993	2,114
City Manager	301,350	322,819	256,196	66,623
Clerk	147,230	137,289	130,727	6,562
Elections	10,850	11,274	9,459	1,815
Treasurer	125,070	163,774	163,656	118
Assessor	67,565	68,667	66,091	2,576
Board of Review	4,000	4,000	2,563	1,437
City Hall and Grounds	132,040	132,040	117,836	14,204
Other	25,000	25,000	11,290	13,710
Total General Government	846,705	906,970	797,811	109,159
Public Safety				
Police Department	1,135,840	1,362,327	1,299,980	62,347
Fire Department	195,900	145,852	133,771	12,081
Total Public Safety	1,331,740	1,508,179	1,433,751	74,428
Public Works	397,890	483,074	488,406	(5,332)
Community and Economic Development	15,000	15,000	15,000	--
Recreation and Culture				
Recreation Department	221,900	334,904	307,502	27,402
Opera House	21,000	21,000	21,000	--
Total Recreation and Culture	242,900	355,904	328,502	27,402
Debt Service	26,700	26,700	26,565	135
Total Expenditures	2,860,935	3,295,827	3,090,035	205,792
Other Financing Uses				
Transfers Out	82,000	82,000	133,738	(51,738)
Total Expenditures and Other Financing Uses	2,942,935	3,377,827	3,223,773	154,054
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(234,985)	(556,859)	(323,089)	233,770
Net Change in Fund Balance	(234,985)	(556,859)	(323,089)	233,770
Fund Balance at Beginning of Period	2,097,469	2,097,469	2,097,469	--
Fund Balance at End of Period	\$ 1,862,484	\$ 1,540,610	\$ 1,774,380	\$ 233,770

City of Cheboygan
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Street
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Intergovernmental	\$ 690,000	\$ 905,619	\$ 708,060	\$ (197,559)
Interest and Rentals	--	--	548	548
Total Revenues	<u>690,000</u>	<u>905,619</u>	<u>708,608</u>	<u>(197,011)</u>
Expenditures				
Public Works				
Routine Maintenance	152,405	394,330	720,052	(325,722)
Traffic Services	3,530	3,530	1,322	2,208
Winter Maintenance	155,300	123,535	70,904	52,631
Trunkline	3,960	4,241	2,565	1,676
Total Public Works Expenditures	<u>315,195</u>	<u>525,636</u>	<u>794,843</u>	<u>(269,207)</u>
Other Financing Uses				
Transfers Out	87,350	92,528	92,528	--
Total Expenditures and Other Financing Uses	<u>402,545</u>	<u>618,164</u>	<u>887,371</u>	<u>(269,207)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>287,455</u>	<u>287,455</u>	<u>(178,763)</u>	<u>(466,218)</u>
Net Change in Fund Balance	<u>287,455</u>	<u>287,455</u>	<u>(178,763)</u>	<u>(466,218)</u>
<i>Fund Balance at Beginning of Period</i>	1,529,518	1,529,518	1,529,518	--
Fund Balance at End of Period	<u>\$ 1,816,973</u>	<u>\$ 1,816,973</u>	<u>\$ 1,350,755</u>	<u>\$ (466,218)</u>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 140,172	\$ 141,069	\$ 129,260	\$ 120,820	\$ 136,404	\$ 128,453	\$ 137,727	\$ 138,611	\$ 132,360	\$ 123,709
Interest on Total Pension Liability	926,297	902,811	892,830	852,150	865,228	827,512	816,308	802,258	781,862	758,521
Differences Between Expected and Actual Experience	(180,089)	206,634	138,941	88,916	(168,523)	233,850	(154,641)	(164,032)	(130,775)	-
Changes of Assumptions *	88,487	-	420,768	301,740	340,970	-	-	-	365,719	-
Benefit Payments, Including Refunds	(951,420)	(900,802)	(865,009)	(800,144)	(738,089)	(706,642)	(599,386)	(599,384)	(602,983)	(604,291)
Other Changes	(4)	(2)	-	-	-	(1)	(1,691)	(1,382)	-	-
Net Change in Pension Liability	23,443	349,710	716,790	563,482	435,990	483,172	198,317	176,071	546,183	277,939
<i>Total Pension Liability - Beginning</i>	13,182,138	12,832,428	12,115,638	11,552,156	11,116,166	10,632,994	10,434,677	10,258,606	9,712,423	9,434,484
Total Pension Liability - Ending (a)	\$ 13,205,581	\$ 13,182,138	\$ 12,832,428	\$ 12,115,638	\$ 11,552,156	\$ 11,116,166	\$ 10,632,994	\$ 10,434,677	\$ 10,258,606	\$ 9,712,423
Plan Fiduciary Net Position										
Contributions - Employer	\$ 547,522	\$ 518,113	\$ 450,691	\$ 380,500	\$ 339,817	\$ 323,666	\$ 297,392	\$ 284,658	\$ 279,239	\$ 271,974
Contributions - Employee	26,128	35,430	35,901	44,007	49,398	53,277	57,311	57,506	56,771	58,151
Net Investment Income (Loss)	724,644	(813,094)	1,002,177	830,945	844,765	(262,704)	829,929	668,301	(92,627)	388,947
Benefit Payments, Including Refunds	(951,420)	(900,802)	(865,009)	(800,144)	(738,089)	(706,642)	(599,386)	(599,384)	(602,983)	(604,291)
Administrative Expenses	(15,403)	(14,266)	(11,496)	(13,450)	(14,544)	(13,248)	(13,154)	(13,200)	(13,667)	(14,243)
Net Change in Plan Fiduciary Net Position	331,471	(1,174,619)	612,264	441,858	481,347	(605,651)	572,092	397,881	(373,267)	100,538
<i>Plan Fiduciary Net Position - Beginning</i>	6,693,580	7,868,199	7,255,935	6,814,077	6,332,730	6,938,381	6,366,289	5,968,408	6,341,675	6,241,137
Plan Fiduciary Net Position - Ending (b)	\$ 7,025,051	\$ 6,693,580	\$ 7,868,199	\$ 7,255,935	\$ 6,814,077	\$ 6,332,730	\$ 6,938,381	\$ 6,366,289	\$ 5,968,408	\$ 6,341,675
Net Pension Liability - Ending (a) - (b)	\$ 6,180,530	\$ 6,488,558	\$ 4,964,229	\$ 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	53.2%	50.8%	61.3%	59.9%	59.0%	57.0%	65.3%	61.0%	58.2%	65.3%
Covered Payroll	\$ 1,775,367	\$ 1,718,375	\$ 1,599,795	\$ 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	348.1%	377.6%	310.3%	348.0%	334.2%	366.8%	283.3%	313.4%	357.1%	307.5%

Notes to Schedule:

*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.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

2023 valuation - The investment rate of return assumption was reduced from 7.25% to 7.18%

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 550,032	\$ 545,448	\$ 488,903	\$ 412,853	\$ 339,817	\$ 323,666	\$ 297,392	\$ 284,658	\$ 279,239	\$ 277,862
Contributions in Relation to the Actuarially Determined Contribution	550,032	545,448	488,903	412,853	339,817	323,666	297,392	284,658	279,239	277,862
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,793,121	\$ 1,829,766	\$ 1,615,793	\$ 1,410,510	\$ 1,432,067	\$ 1,317,138	\$ 1,304,056	\$ 1,298,224	\$ 1,096,281	\$ 1,096,281
Contributions as a Percentage of Covered Payroll	30.7%	29.8%	30.3%	29.3%	23.7%	23.0%	25.3%	20.6%	17.7%	17.3%

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	15 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	6.93%, Net of Investment Expense, including Inflation
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 Seven Fiscal Years

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost	\$ 2,713	\$ 2,685	\$ 9,105	\$ 17,810	\$ 10,225	\$ 12,915	\$ 13,286
Interest on Total OPEB Liability	9,590	9,324	6,734	12,099	8,787	15,326	17,952
Differences Between Expected and Actual Experience	23,850	(7,662)	(214,220)	195,620	(8,824)	(2,421)	-
Benefit Payments, Including Refunds	(36,530)	(50,129)	(45,157)	(69,901)	(57,002)	(54,408)	(55,932)
Net Change in total OPEB Liability	(377)	(45,782)	(243,538)	155,628	(46,814)	(28,588)	(24,694)
<i>Total OPEB Liability - Beginning</i>	<i>272,711</i>	<i>318,493</i>	<i>562,031</i>	<i>406,403</i>	<i>453,217</i>	<i>481,805</i>	<i>506,499</i>
Total OPEB Liability - Ending (a)	\$ 272,334	\$ 272,711	\$ 318,493	\$ 562,031	\$ 406,403	\$ 453,217	\$ 481,805
Plan Fiduciary Net Position							
Contributions/Benefit Payments Made From General Operating Funds	\$ 36,530	\$ 50,129	\$ 45,157	\$ 53,882	\$ 45,771	\$ 48,745	\$ 38,969
Contributions - Employee	-	-	-	16,019	11,231	5,663	16,963
Benefit Payments, Including Refunds	(36,530)	(50,129)	(45,157)	(69,901)	(57,002)	(54,408)	(55,932)
Net Change in Plan Fiduciary Net Position	-	-	-	-	-	-	-
<i>Plan Fiduciary Net Position - Beginning</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Plan Fiduciary Net Position - Ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability - Ending (a) - (b)	\$ 272,334	\$ 272,711	\$ 318,493	\$ 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%	0.0%	0.0%	0.0%
Covered Employee Payroll	\$ 85,019	\$ 112,737	\$ 183,194	\$ 196,867	\$ 232,037	\$ 371,799	\$ 431,709
Net OPEB Liability as a Percentage of Covered Employee Payroll	320.3%	241.9%	173.9%	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 Seven Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 48,102	\$ 41,644	\$ 20,901	\$ 40,701	\$ 68,283	\$ 54,408	\$ 31,237
Contributions in Relation to the Actuarially Determined Contribution	36,530	50,129	45,157	53,882	45,771	48,745	55,932
Contribution Deficiency (Excess)	<u>\$ 11,572</u>	<u>\$ (8,485)</u>	<u>\$ (24,256)</u>	<u>\$ (13,181)</u>	<u>\$ 22,512</u>	<u>\$ 5,663</u>	<u>\$ (24,695)</u>
Covered Employee Payroll	\$ 85,019	\$ 112,737	\$ 183,194	\$ 196,867	\$ 232,037	\$ 371,799	\$ 431,709
Contributions as a Percentage of Covered Employee Payroll	43.0%	44.5%	24.6%	27.4%	19.7%	13.1%	13.0%

Notes

Valuation Date: June 30, 2024

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Average Future Service
Remaining Amortization Period	6 years
Asset Valuation Method	N/A
Inflation	2.50%
Salary Increases	3.25%
Discount Rate	3.65%
Healthcare Cost Trend Rate	7.25% decreasing .25% annually to 4.50%
Retirement Age	60
Mortality	Pub-2010 Mortality table fully generational using scale MP-2021

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, 2024

	<u>Termination Liability</u>	<u>Retiree Health Care</u>	<u>General</u>	<u>Total General Funds</u>
ASSETS				
Cash and Investments	\$ 70,417	\$ 28,157	\$ 1,458,995	\$ 1,557,569
Taxes Receivable, net	--	--	16,962	16,962
Due from Other Governmental Units	--	--	207,038	207,038
Prepaid Items	--	--	93,124	93,124
Due from Other Funds	--	--	53,000	53,000
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 70,417</u>	<u>\$ 28,157</u>	<u>\$ 1,829,119</u>	<u>\$ 1,927,693</u>
LIABILITIES				
Accounts Payable	\$ --	\$ --	\$ 36,281	\$ 36,281
Accrued Liabilities	--	--	100,070	100,070
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>136,351</u>	<u>136,351</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	--	--	16,962	16,962
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>153,313</u>	<u>153,313</u>
FUND BALANCE				
Nonspendable	--	--	93,124	93,124
Committed	70,417	28,157	--	98,574
Unassigned	--	--	1,582,682	1,582,682
<i>Total Fund Balance</i>	<u>70,417</u>	<u>28,157</u>	<u>1,675,806</u>	<u>1,774,380</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 70,417</u>	<u>\$ 28,157</u>	<u>\$ 1,829,119</u>	<u>\$ 1,927,693</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, 2024

	<u>Termination Liability</u>	<u>Retiree Health Care</u>	<u>General</u>	<u>Elimination</u>	<u>Total General Funds</u>
Revenues					
Property Taxes	\$ --	\$ --	\$ 1,903,132	\$ --	\$ 1,903,132
Licenses and Permits	--	--	76,412	--	76,412
Intergovernmental	--	--	870,111	--	870,111
Charges for Services	--	--	25,054	--	25,054
Interest and Rentals	25	10	1,523	--	1,558
Other Revenue	--	--	24,417	--	24,417
Total Revenues	<u>25</u>	<u>10</u>	<u>2,900,649</u>	<u>--</u>	<u>2,900,684</u>
Expenditures					
General Government	--	--	797,811	--	797,811
Public Safety	--	--	1,433,751	--	1,433,751
Public Works	--	--	488,406	--	488,406
Community and Economic Development	--	--	15,000	--	15,000
Recreation and Culture	--	--	328,502	--	328,502
Debt Service - Principal	--	--	21,034	--	21,034
Debt Service - Interest	--	--	5,531	--	5,531
Total Expenditures	<u>--</u>	<u>--</u>	<u>3,090,035</u>	<u>--</u>	<u>3,090,035</u>
Excess of Revenues Over (Under) Expenditures	<u>25</u>	<u>10</u>	<u>(189,386)</u>	<u>--</u>	<u>(189,351)</u>
Other Financing Sources (Uses)					
Transfers In	5,000	--	--	5,000	--
Transfers Out	--	--	(138,738)	(5,000)	(133,738)
Net Other Financing Sources (Uses)	<u>5,000</u>	<u>--</u>	<u>(138,738)</u>	<u>--</u>	<u>(133,738)</u>
Net Change in Fund Balance	5,025	10	(328,124)	--	(323,089)
<i>Fund Balance at Beginning of Period</i>	65,392	28,147	2,003,930	--	2,097,469
Fund Balance at End of Period	<u>\$ 70,417</u>	<u>\$ 28,157</u>	<u>\$ 1,675,806</u>	<u>\$ --</u>	<u>\$ 1,774,380</u>

**City of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Special Revenue				Debt Service
	Cemetery	CDBG Facade Grant	Local Street	Streets, Non-P.A. 51	2021 Refunding Bond
ASSETS					
Cash and Investments	\$ 9,149	\$ 7,103	\$ 204,972	\$ 630,397	\$ 36,689
Taxes Receivable, net	--	--	--	--	--
Due from Other Governmental Units	--	--	41,213	--	1
Total Assets	\$ 9,149	\$ 7,103	\$ 246,185	\$ 630,397	\$ 36,690
LIABILITIES					
Accounts Payable	\$ 5,893	\$ --	\$ 770	\$ --	\$ --
Accrued Liabilities	--	--	3,946	--	--
Customer Deposits	--	--	--	--	--
Total Liabilities	5,893	--	4,716	--	--
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	--	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	5,893	--	4,716	--	--
FUND BALANCE					
Restricted	3,256	7,103	241,469	630,397	36,690
Assigned	--	--	--	--	--
Unassigned	--	--	--	--	--
Total Fund Balance	3,256	7,103	241,469	630,397	36,690
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 9,149	\$ 7,103	\$ 246,185	\$ 630,397	\$ 36,690

Continued...

**City of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	Debt Service					
	2017 MI Transportation Bond Debt	1997 Rural Economic Development	2006 Refunding Bond Debt	2004 General Obligation Bond	2007 Capital Improvement Bonds	2009 Transportation Bond Debt
ASSETS						
Cash and Investments	\$ 1,330	\$ --	\$ --	\$ --	\$ 1,604	\$ 1,354
Taxes Receivable, net	--	528	2,364	572	--	--
Due from Other Governmental Units	--	--	--	--	--	--
<i>Total Assets</i>	\$ 1,330	\$ 528	\$ 2,364	\$ 572	\$ 1,604	\$ 1,354
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	--
Customer Deposits	--	--	--	--	--	--
<i>Total Liabilities</i>	--	--	--	--	--	--
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	--	528	2,364	572	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	528	2,364	572	--	--
FUND BALANCE						
Restricted	1,330	--	--	--	1,604	1,354
Assigned	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	1,330	--	--	--	1,604	1,354
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 1,330	\$ 528	\$ 2,364	\$ 572	\$ 1,604	\$ 1,354

Continued...

**City of Cheboygan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

	<u>Capital Projects</u>		<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Sidewalk Project</u>	<u>Festival Square</u>	<u>Permanent Fund</u>	
ASSETS				
Cash and Investments	\$ 30,792	\$ 5,567	\$ 172,292	\$ 1,101,249
Taxes Receivable, net	--	--	--	3,464
Due from Other Governmental Units	--	--	--	41,214
<i>Total Assets</i>	<u>\$ 30,792</u>	<u>\$ 5,567</u>	<u>\$ 172,292</u>	<u>\$ 1,145,927</u>
LIABILITIES				
Accounts Payable	\$ --	\$ --	\$ --	\$ 6,663
Accrued Liabilities	--	--	--	3,946
Customer Deposits	--	1,100	--	1,100
<i>Total Liabilities</i>	<u>--</u>	<u>1,100</u>	<u>--</u>	<u>11,709</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	--	--	--	3,464
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>1,100</u>	<u>--</u>	<u>15,173</u>
FUND BALANCE				
Restricted	30,792	--	172,292	1,126,287
Assigned	--	4,467	--	4,467
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>30,792</u>	<u>4,467</u>	<u>172,292</u>	<u>1,130,754</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 30,792</u>	<u>\$ 5,567</u>	<u>\$ 172,292</u>	<u>\$ 1,145,927</u>

Concluded.

City of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue			Debt Service	
	Cemetery	CDBG Facade Grant	Local Street	Streets, Non-P.A. 51	2021 Refunding Bond
Revenues					
Property Taxes	\$ --	\$ --	\$ --	\$ 112,946	\$ 180,978
Intergovernmental	--	96,480	283,666	--	8,926
Charges for Services	7,751	--	--	--	--
Interest and Rentals	1	3	64	219	1,960
Other Revenue	--	--	--	--	--
Total Revenues	<u>7,752</u>	<u>96,483</u>	<u>283,730</u>	<u>113,165</u>	<u>191,864</u>
Expenditures					
Public Works	40,753	--	252,416	--	--
Community and Economic Development	--	96,480	--	--	--
Debt Service - Principal	--	--	--	--	187,000
Debt Service - Interest	--	--	--	--	15,112
Total Expenditures	<u>40,753</u>	<u>96,480</u>	<u>252,416</u>	<u>--</u>	<u>202,112</u>
Excess of Revenues Over (Under) Expenditures	<u>(33,001)</u>	<u>3</u>	<u>31,314</u>	<u>113,165</u>	<u>(10,248)</u>
Other Financing Sources (Uses)					
Transfers In	35,000	--	--	--	--
Transfers Out	--	--	(16,350)	--	--
Net Other Financing Sources (Uses)	<u>35,000</u>	<u>--</u>	<u>(16,350)</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	1,999	3	14,964	113,165	(10,248)
<i>Fund Balance at Beginning of Period</i>	1,257	7,100	226,505	517,232	46,938
Fund Balance at End of Period	<u>\$ 3,256</u>	<u>\$ 7,103</u>	<u>\$ 241,469</u>	<u>\$ 630,397</u>	<u>\$ 36,690</u>

Continued...

City of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Debt Service					
	2017 MI Transportation Bond Debt	1997 Rural Economic Development	2006 Refunding Bond Debt	2004 General Obligation Bond	2007 Capital Improvement Bonds	2009 Transportation Bond Debt
Revenues						
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--
Interest and Rentals	4	--	--	--	4	4
Other Revenue	--	--	--	--	--	--
Total Revenues	<u>4</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4</u>	<u>4</u>
Expenditures						
Public Works	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--
Debt Service - Principal	28,603	--	--	--	35,000	30,000
Debt Service - Interest	3,569	--	--	--	6,675	1,350
Total Expenditures	<u>32,172</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>41,675</u>	<u>31,350</u>
Excess of Revenues Over (Under) Expenditures	<u>(32,168)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(41,671)</u>	<u>(31,346)</u>
Other Financing Sources (Uses)						
Transfers In	33,103	--	--	--	43,075	32,700
Transfers Out	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>33,103</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>43,075</u>	<u>32,700</u>
Net Change in Fund Balance	935	--	--	--	1,404	1,354
<i>Fund Balance at Beginning of Period</i>	395	--	--	--	200	--
Fund Balance at End of Period	<u>\$ 1,330</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,604</u>	<u>\$ 1,354</u>

Continued...

City of Cheboygan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	<u>Capital Projects</u>		<u>Permanent</u>	Total Nonmajor Governmental Funds
	<u>Sidewalk Project</u>	<u>Festival Square</u>	<u>Permanent Fund</u>	
Revenues				
Property Taxes	\$ --	\$ --	\$ --	\$ 293,924
Intergovernmental	--	--	--	389,072
Charges for Services	--	1	2,600	10,352
Interest and Rentals	11	2	2,909	5,181
Other Revenue	1,270	--	--	1,270
Total Revenues	<u>1,281</u>	<u>3</u>	<u>5,509</u>	<u>699,799</u>
Expenditures				
Public Works	--	--	--	293,169
Community and Economic Development	--	--	--	96,480
Debt Service - Principal	--	--	--	280,603
Debt Service - Interest	--	--	--	26,706
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>696,958</u>
Excess of Revenues Over (Under) Expenditures	<u>1,281</u>	<u>3</u>	<u>5,509</u>	<u>2,841</u>
Other Financing Sources (Uses)				
Transfers In	--	--	--	143,878
Transfers Out	--	--	--	(16,350)
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>127,528</u>
Net Change in Fund Balance	<u>1,281</u>	<u>3</u>	<u>5,509</u>	<u>130,369</u>
Fund Balance at Beginning of Period	29,511	4,464	166,783	1,000,385
Fund Balance at End of Period	<u>\$ 30,792</u>	<u>\$ 4,467</u>	<u>\$ 172,292</u>	<u>\$ 1,130,754</u>

Concluded.

City of Cheboygan - Brownfield and DDA Component Units
Balance Sheet
Governmental Funds
June 30, 2024

	Special Revenue		Total Governmental Funds
	Brownfield Redevelopment Authority	Downtown Development Authority	
ASSETS			
Cash and Investments	\$ 99,412	\$ 507,361	\$ 606,773
Prepaid Items	--	64,264	64,264
Total Assets	\$ 99,412	\$ 571,625	\$ 671,037
LIABILITIES			
Accounts Payable	\$ --	\$ 4,219	\$ 4,219
Accrued Liabilities	--	5,230	5,230
Total Liabilities	--	9,449	9,449
FUND BALANCE			
Nonspendable	--	64,264	64,264
Unassigned	99,412	497,912	597,324
Total Fund Balance	99,412	562,176	661,588
Total Liabilities and Fund Balance	\$ 99,412	\$ 571,625	\$ 671,037
 Component Unit Fund Balances			 \$ 661,588

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 statements.

Capital Assets not being Depreciated	150,000
Capital Assets being Depreciated, net	1,495,038

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (1,100,000)

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds. (21,175)

Net Position of Component Units	\$ 1,185,451
--	---------------------

City of Cheboygan - Brownfield and DDA Component Units
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2024

	<u>Special Revenue</u>		<u>Total Governmental Funds</u>
	<u>Brownfield Redevelopment Authority</u>	<u>Downtown Development Authority</u>	
Revenues			
Property Taxes	\$ 27,919	\$ 221,507	\$ 249,426
Charges for Services	--	140,909	140,909
Operating Grants and Contributions	--	98,820	98,820
Capital Grants and Contributions	--	--	--
Investment Income	30	163	193
Total Revenues	<u>27,949</u>	<u>461,399</u>	<u>489,348</u>
Expenditures			
Community and Economic Development	--	354,252	354,252
Debt Service - Interest	--	43,159	43,159
Total Expenditures	<u>--</u>	<u>397,411</u>	<u>397,411</u>
Excess of Revenues Over (Under) Expenditures	<u>27,949</u>	<u>63,988</u>	<u>91,937</u>
Net Change in Fund Balance	27,949	63,988	91,937
<i>Fund Balance at Beginning of Period</i>	71,463	498,188	569,651
Fund Balance at End of Period	<u>\$ 99,412</u>	<u>\$ 562,176</u>	<u>\$ 661,588</u>

Net Change in Fund Balances - Component Units **\$ 91,937**

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 (58,249)

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. 42,000

Changes to accrued interest do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. 809

Change in Net Position of Component Units \$ 76,497



THE CITY OF
CHEBOYGAN

**CITY OF CHEBOYGAN
CHEBOYGAN COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE
YEAR ENDED JUNE 30, 2024**

City of Cheboygan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor Number</u>	<u>2024 Federal Expenditures</u>
U.S. Department of Natural Resources			
<i>Passed through Michigan Department of Natural Resources</i>			
Michigan Volunteer Fire Assistance	10.698	23-DG-11094200-026	\$ 3,250
<i>Total U.S. Department of Natural Resources</i>			<u>3,250</u>
U.S. Department of Agriculture - Direct Award			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	3,193,854
Community Facilities Loans and Grants	10.766	N/A	25,000
<i>Total U.S. Department of Agriculture</i>			<u>3,218,854</u>
U.S. Department of Housing and Urban Development			
<i>Passed through the Michigan Economic Development Corporation</i>			
Community Development Block Grants	14.228	MSC-220056-RR	96,480
<i>Total U.S. Housing and Urban Development</i>			<u>96,480</u>
U.S. Department of Treasury			
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
COVID-19 Sanitary Sewer Rehabilitation and Replacement	21.027	CW-5811A	1,673,394
COVID-19 LSLR and Watermain Replacement	21.027	DW-7533A	2,282,998
<i>Total U.S. Department of Treasury</i>			<u>3,956,392</u>
U.S. Environmental Protection Agency			
<i>Passed through the Michigan Department of Environmental Quality</i>			
Clean Water State Revolving Fund	66.458	5717 01	6,529
Drinking Water State Revolving Fund	66.468	5717 01	6,529
<i>Total U.S. Environmental Protection Agency</i>			<u>13,058</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 7,288,034</u>

See Notes to the Schedule of Expenditures of Federal Awards

City of Cheboygan

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Cheboygan (the "City") under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

For purposes of charging indirect costs to federal awards, the City has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

The following reconciles federal sources reported in the basic financial statements to the federal expenditures reported in the Schedule:

Intergovernmental sources reported in the governmental funds

Intergovernmental sources	\$ 1,967,243
Subtract state and local sources	<u>(1,867,513)</u>
Total federal sources reported in the governmental funds	<u>99,730</u>

Capital grant - federal reported in the business-type and internal service funds

Capital grant - federal, sewer fund	1,706,476
Capital grant - federal, water fund	2,262,974
Capital grant - federal, internal service fund	25,000

Federal program loans

2023 Water Distribution System Revenue Bond proceeds	<u>3,193,854</u>
Total federal expenditures reported in the Schedule:	<u>\$ 7,288,034</u>

City of Cheboygan

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Federal Program Loans

The City had outstanding federal loan balances as of June 30, 2024 as follows:

	Balance as of June 30, 2024
2011 Water Distribution System Revenue Bonds	\$ 2,056,919
2021 Wastewater System Improvement Bonds *	14,640,000
2023 Water Distribution System Revenue Bonds	3,554,397
<i>Total</i>	<u>\$ 20,251,316</u>

* Balance includes both state and federal funds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Cheboygan
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 City of Cheboygan (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2025. Our report includes a reference to other auditors who audited the financial statements of the Cheboygan Housing Commission, a discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as item 2024-001, that we consider to be a material weakness.

Report on 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*.

The City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.



Gabridge & Company, PLC
Grand Rapids, MI
February 13, 2025

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

To the City Council
City of Cheboygan
Cheboygan, Michigan

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited the City of Cheboygan's (the "City"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements also include the operations of the Cheboygan Housing Commission which received certain federal awards which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cheboygan Housing Commission because it arranged for a separate financial statement audit and did not meet the criteria for a single audit.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
February 13, 2025

City of Cheboygan
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
Water and Waste Disposal Systems for Rural Communities	10.760
Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
--

Item 2024-001

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
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None

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

Items 2023-001, 2023-002, and 2023-003

City of Cheboygan

SECTION II – FINANCIAL STATEMENT FINDINGS

2024-001 - Material Audit Adjustments and Preparation of Financial Statements

Finding Type: Material weakness over financial reporting.

Criteria: Management is responsible for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both 1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records) and 2) reporting the financial statements, including the related notes to the financial statements (i.e., external financial reporting).

Condition/Finding: We identified, proposed, and management approved, material journal entries listed below:

- Adjust grants receivable to actual.
- Adjust accounts payable to actual.

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

Effect: As a result of this condition, the City lacks complete internal controls over the preparation of financial statements in accordance with GAAP. In addition, the City's records were initially misstated by an amount material to the financial statements.

Recommendation: We recommend that management and City Council immediately provide more direct oversight over the process of preparing its financial statements.

View of Responsible
Officials

(Corrective Action): See corrective action plan.

City of Cheboygan

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Federal Award Findings

2023-001 Procurement, Suspension, and Debarment

The Uniform Guidance, §200.214, requires that a recipient of federal awards are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. During the prior year the City did not have the proper internal controls in place to ensure that all contractors are not debarred, suspended, or otherwise excluded from Federal assistance programs or activities.

This finding was resolved in the current year.

2023-002 Cash Management

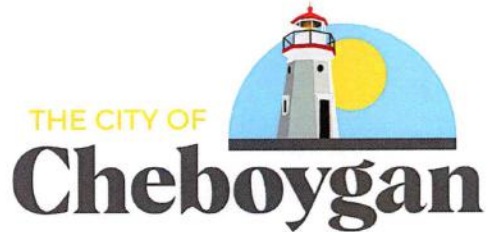
During our audit procedures over the City's cash management procedures in the prior year, we noted that the City paid contractors and vendors 30 days after receiving the Federal reimbursement. The City did not have a process in place to ensure contractors and vendors are paid in a timely manner.

This finding was resolved in the current year.

2023-003 - Written Policies Required by the Uniform Grant Guidance

The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014, to have written policies pertaining to allowability of costs charged to federal programs, controlled activities over allowable costs and allowable activities, cash management, financial management, compensation/payroll, and relocation cost of employees (§200.300 - 328)).

This finding was resolved in the current year.



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February 13, 2025

CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings, as noted in the City of Cheboygan, Michigan's Single Audit report for the year ended June 30, 2024, and corrective actions to be completed.

Finding: 2024-001 - Material weakness over financial reporting - Material Audit Adjustments, and Financial Statement Preparation

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

We prepared, and management approved of, material adjustments during the audit process.

Auditor Recommendation: The City should evaluate the process currently used to identify and record adjustments to the general ledger at year-end. Additional controls or modification to the existing controls may be necessary. Correctly identifying year-end receivables will lead to management having to spend less time making modifications to the general ledger and the financial statements and will provide the City Council with more accurate financial information in a timelier manner.

Corrective Action: We agree with the finding. The City will continue to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP. In the past the City has determined that it is in the best interest of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Responsible Person Printed Name: Casey Clear, MCAT

Signature:

Title: Finance Director/Treasurer

Anticipated Completion Date: June 30, 2025

February 13, 2025

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, Michigan (the “City”) as of and for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2024. 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 the application of existing policies was not changed during the fiscal year ended June 30, 2024. We noted no transactions entered 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 life 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 OPEB 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.

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 February 13, 2025.

Management Consultations with Other Independent Accountants

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

We were engaged to report on the combining and individual fund financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City 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". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI