

DRAFT

City of Mackinac Island, Michigan

BASIC FINANCIAL STATEMENTS

March 31, 2024

CITY OF MACKINAC ISLAND, MICHIGAN

MEMBERS OF THE CITY COUNCIL

MAYOR

MARGARET DOUD

MAYOR PRO TEM/COUNCILMAN

ANNEKE MYERS

COUNCILMAN

TOM CORRIGAN

COUNCILMAN

RICHARD CHAMBERS

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COUNCILMAN

STEVEN MOSKWA

COUNCILMAN

ALAN SEHOYAN

MAYOR'S ASSISTANT

TRISTA FRANCE

CLERK (ELECTED)

DANIELLE LEACH

TREASURER (ELECTED)

RICHARD LINN

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Mackinac Island, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of City of Mackinac Island, Michigan, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Mackinac Island, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City of Mackinac Island, Michigan, as of March 31, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Honorable Mayor and Members
of the City Council

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 judgement 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 procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Mackinac Island, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Mackinac Island, Michigan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10, and pages 40 through 43 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.

Honorable Mayor and Members
of the City Council

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2024, on our consideration of the City of Mackinac, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mackinac Island, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mackinac Island, Michigan's internal control over financial reporting and compliance.

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

September 5, 2024

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Management's Discussion and Analysis

As management of the City of Mackinac Island, Michigan (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2024.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$36,746,068 (net position). Of this amount, approximately \$7,981,353 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by approximately \$14,954,023, this is primarily due to ARP grant for the ongoing wastewater treatment improvement project.

At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$1,477,199 or 31.3 percent of total General Fund expenditures excluding transfers out and capital contribution.

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 of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and (5) supplementary information.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the City's assets and liabilities, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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 general government, public safety, public works, health and welfare, recreation and culture, capital outlay, debt service and other. The business-type activities of the City include water, sewer, and landfill.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Transportation Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Complete financial statements for the component unit are separately issued and available by request at City Hall.

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 and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, and Local Streets Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City is legally obligated to adopt an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this.

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 an enterprise fund to account for its water, sewer and landfill operations, which are presented as a consolidated Department of Public Works Fund and in a combining schedule on pages 49-51.

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

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.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes.

Discretely Presented Component Unit. The Mackinac Island Transportation Authority (MITA) is reported in a separate column to emphasize that they are legally separate from the City. The members of the governing Boards are members of the City Council and others appointed by the mayor. The City also has the ability to significantly influence operations of these organizations. Separate financial statements of the MITA are available at the City Hall upon request.

Government-Wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$36,734,240 at the close of the most recent fiscal year.

In a condensed format, the table below shows the net position of the City of Mackinac Island.

**City of Mackinac Island
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current Assets	\$ 4,251,671	\$ 3,891,819	\$ 8,990,318	\$ 5,383,481	\$ 13,241,989	\$ 9,275,300
Capital Assets	16,623,650	16,189,477	27,752,853	15,087,326	44,376,503	31,276,803
Total Assets	20,875,321	20,081,296	36,743,171	20,470,807	57,618,492	40,552,103
Liabilities						
Current Liabilities	748,384	864,118	3,211,687	1,058,438	3,960,071	1,922,556
Noncurrent Liabilities	7,445,742	7,935,826	9,457,888	8,857,000	16,903,630	16,792,826
Total Liabilities	8,194,126	8,799,944	12,669,575	9,915,438	20,863,701	18,715,382
DEFERRED INFLOWS OF RESOURCES:						
Leases	22,338	44,676	-	-	22,338	44,676
Net Position						
Net Investment in						
Capital Assets	8,731,803	7,818,719	17,830,309	5,891,452	26,562,112	13,710,171
Restricted	469,257	396,322	1,733,346	1,201,768	2,202,603	1,598,090
Unrestricted	3,457,797	3,021,635	4,523,556	3,462,149	7,981,353	6,483,784
Total Net Position	\$ 12,658,857	\$ 11,236,676	\$ 24,087,211	\$ 10,555,369	\$ 36,746,068	\$ 21,792,045

A substantial portion of the City's net position (72.3%) reflects its investment in capital assets (e.g., land, buildings, dock, vehicles, equipment, water and sewer systems, and infrastructure), 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.

An additional portion of the City's net position (6.0%) represents the resources that are subject to external restrictions on how they may be used. The City may use the remaining balance of unrestricted net position of \$7,981,353 (21.7%) to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, and for its separate governmental and business-type activities.

City of Mackinac Island, Michigan

Management's Discussion and Analysis
March 31, 2024

Net Position of the governmental activities had a net increase of \$1,422,181. Net position of the business-type activities increased by \$13,531,842 during fiscal year 2024.

The following table shows the activities of the City.

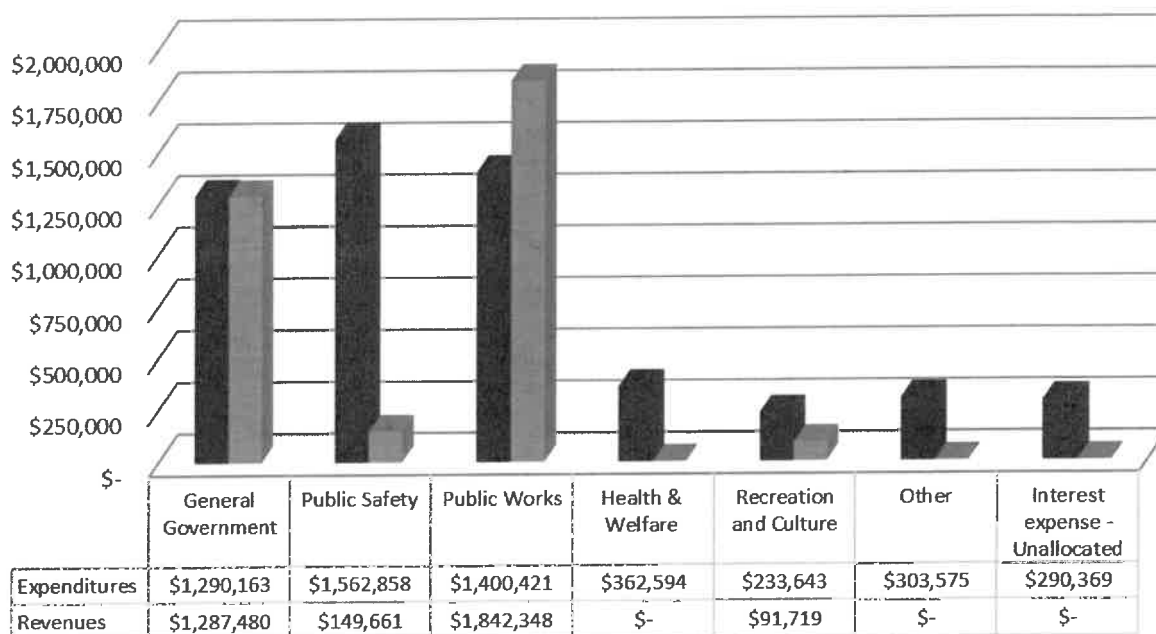
City of Mackinac Island
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program Revenues						
Charges for Services	\$ 1,475,937	\$ 1,230,883	\$ 3,969,096	\$ 3,744,170	\$ 5,445,033	\$ 4,975,053
Operating Grants and Contributions	677,193	626,295	13,145,874	-	13,823,067	626,295
Capital Grants and Contributions	1,218,078	79,918	-	-	1,218,078	79,918
General Revenues						
Property Taxes	2,855,354	2,632,111	345,814	321,037	3,201,168	2,953,148
State Revenue Sharing	63,489	64,092	-	-	63,489	64,092
Investment Earnings	191,009	67,675	104,607	40,438	295,616	108,113
Gain on Disposal of Assets	-	-	34,115	-	34,115	-
Other	384,744	357,937	16,607	9,360	401,351	367,297
Total Revenues	6,865,804	5,058,911	17,616,113	4,115,005	24,481,917	9,173,916
Expenses						
General Government	1,290,163	1,121,115	-	-	1,290,163	1,121,115
Public Safety	1,562,858	1,266,128	-	-	1,562,858	1,266,128
Public Works	1,400,421	1,283,998	-	-	1,400,421	1,283,998
Health and Welfare	362,594	253,605	-	-	362,594	253,605
Recreation and Culture	233,643	226,391	-	-	233,643	226,391
Other	303,575	339,931	-	-	303,575	339,931
Interest Expense - Unallocated	290,369	306,434	-	-	290,369	306,434
DPW						
Water	-	-	1,151,274	1,070,361	1,151,274	1,070,361
Sewer	-	-	1,629,712	1,400,555	1,629,712	1,400,555
Landfill	-	-	1,303,285	1,041,853	1,303,285	1,041,853
Total Expenses	5,443,623	4,797,602	4,084,271	3,512,769	9,527,894	8,310,371
Changes in Net Position	1,422,181	261,309	13,531,842	602,236	14,954,023	863,545
Net Position - Beginning	11,236,676	10,975,367	10,555,369	9,953,133	21,792,045	20,928,500
Net Position - Ending	\$ 12,658,857	\$ 11,236,676	\$ 24,087,211	\$ 10,555,369	\$ 36,746,068	\$ 21,792,045

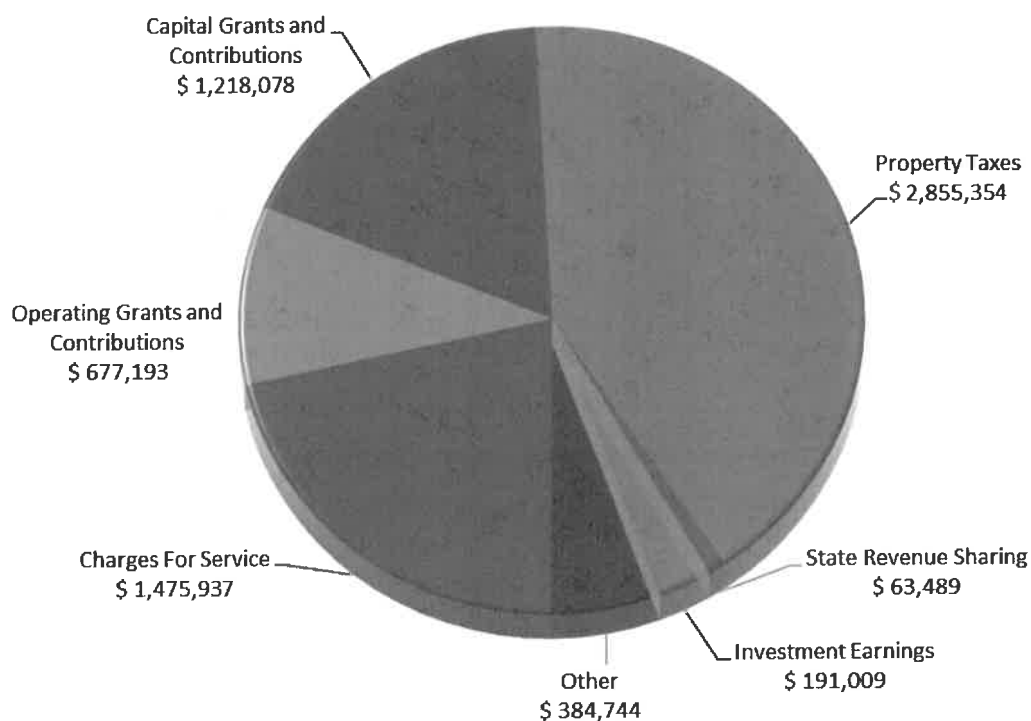
Governmental Activities. The City's total governmental revenues increased by \$1,806,893, primarily due to an increase Capital grants and contributions of \$1,138,160 when compared to the previous year. Taxes increased by \$223,243 due largely to an increase in taxable value of property within the City.

Total governmental type expenses increased by \$646,021. This was primarily due to an increase in general government and public safety expenditures.

Expenses and Program Revenues - Governmental Activities

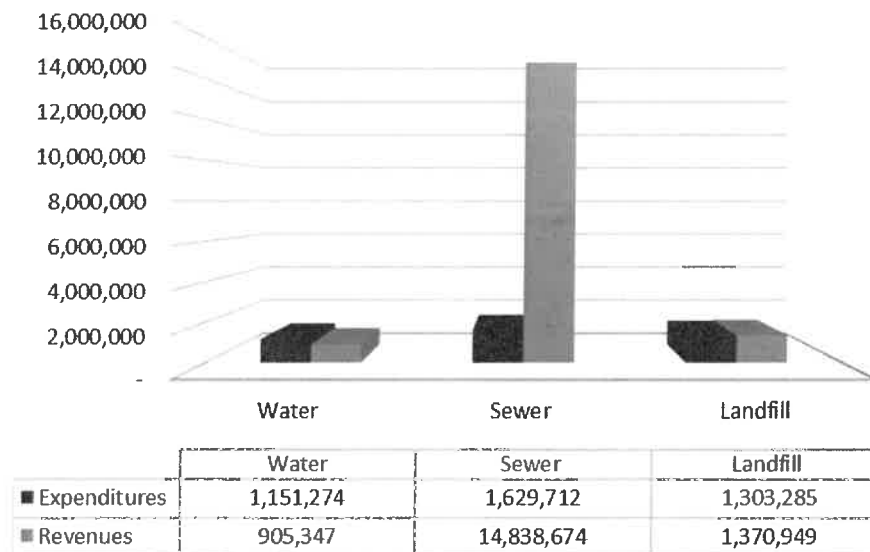


Revenues by Source - Governmental Activities



Business-type Activities. The City's total business type revenues increased by \$13,501,108, primarily due to an increase in grants revenues relating to the ongoing wastewater project. Total business type program expenses increased by \$571,502. This is primarily due to an increase in the cost of sales and services.

Expenses and Program Revenues - Business-type Activities



Substantially, all revenues for the business-type activities resulted from charges for services.

Financial Analysis of the City'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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,094,728, an increase of \$507,203 in comparison with the prior year. Of this amount, 36.1% (\$1,477,199) constitutes unassigned fund balance, which is available for spending at the government's discretion, however it is limited to the minimum fund balance requirements per the City's Fund Balance policy. The remainder of fund balance is not available for new spending because it is classified as one of the following: a) nonspendable; b) restricted for use per special revenue fund designations; c) committed for economic stabilization; or d) assigned for other specific uses in the City's general operations.

Proprietary Funds. The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the DPW at the end of the year amounted to approximately \$4,523,556. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, General Fund budgeted revenues exceeded actual amounts by \$26,043 and total expenditures were less than budgeted amounts by \$113,875. The end result was an increase in the fund balance of \$143,675 compared to a final amended budgeted decrease of \$0. The original budget was amended mainly to reflect changes in expected costs in the general government departments within the City.

Capital Asset and Debt Administration

Capital Assets. The City's capital assets for its governmental and business-type activities as of March 31, 2024, amounted to \$44,376,503 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, a dock, machinery and equipment, infrastructure, water and sewer system, net of accumulated depreciation. The most significant increase resulted from the ongoing construction of the wastewater sewer project which added \$12,246,597 in assets in 2024 and the construction of Biddle Point Pump Station project which added \$1,135,102 in assets in 2024. The purchase was financed with a bond. In addition, the city received a capital contribution from the Mackinac Island Transportation Authority of \$1,218,078, added a new roof for the police department, a John Deere Tractor, and various other building and equipment purchases.

City of Mackinac Island Capital Assets (net of depreciation, where applicable)						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,450,005	\$ 1,450,005	\$ -	\$ -	\$ 1,450,005	\$ 1,450,005
Construction in Progress	82,358	345,539	17,018,327	3,636,628	17,100,685	3,982,167
Buildings	8,894,064	9,215,638	967,035	1,023,489	9,861,099	10,239,127
Dock	2,913,503	1,800,000	-	-	2,913,503	1,800,000
Equipment	1,419,875	1,472,818	649,793	637,203	2,069,668	2,110,021
Infrastructure	1,863,845	1,905,477	-	-	1,863,845	1,905,477
Water and Sewer System	-	-	9,117,698	9,790,006	9,117,698	9,790,006
Total Capital Assets, Net	\$ 16,623,650	\$ 16,189,477	\$ 27,752,853	\$ 15,087,326	\$ 44,376,503	\$ 31,276,803

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of approximately \$17,814,391. Approximately \$9,508,840 of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remaining debt is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bonds and installment loans	\$ 7,891,847	\$ 8,370,758	\$ 9,922,544	\$ 9,193,582	\$ 17,814,391	\$ 17,564,340
Compensated absences	47,504	43,979	33,095	-	80,599	43,979
Total long-term debt	\$ 7,939,351	\$ 8,414,737	\$ 9,955,639	\$ 9,193,582	\$ 17,894,990	\$ 17,608,319

The City's total debt (excluding vested benefits) increased by \$250,051 primarily due to the scheduled payments (\$3,409,914) and the issuance of new bonds in the business-type activities for \$3,659,965. 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 Budget and Rates

The City considered the following factors in preparing the City's budget for the 2025 fiscal year.

- Expected increase in taxable valuation of property.
- Costs anticipated to complete construction in process.

Component Units

A separate management discussion and analysis is available for the Mackinac Island Transportation Authority. Refer to this audit report for further information.

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 government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, may be addressed to the Mayor's Assistant, P.O. Box 455, Mackinac Island, Michigan 49757.

DRAFT

Basic Financial Statements

**Statement of Net Position
March 31, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Mackinac Island Transportation Authority 9/30/2023
ASSETS:				
Current Assets:				
Cash and Equivalents - Unrestricted	\$ 2,807,659	\$ 2,731,116	\$ 5,538,775	\$ 364,090
Cash and Equivalents - Restricted	96,343	-	96,343	-
Taxes Receivable	58,140	6,617	64,757	-
Accounts Receivable, net	13,893	95,271	109,164	-
Advance to Comp Unit	571,448	-	571,448	-
Due from Governmental Units	17,016	2,504,748	2,521,764	-
Prepaid Expenses	203,131	199,508	402,639	11,559
Total Current Assets	3,767,630	5,537,260	9,304,890	375,649
Noncurrent Assets				
Restricted Cash	-	2,983,128	2,983,128	-
Restricted Investments	-	469,930	469,930	-
Lease Receivable, net current portion	23,813	-	23,813	326,842
Other Assets - Restricted	460,228	-	460,228	-
Capital Assets (Not Depreciated)	1,532,363	17,018,327	18,550,690	-
Capital Assets (Net of Accumulated Depreciation)	15,091,287	10,734,526	25,825,813	1,286,088
Total Noncurrent Assets	17,107,691	31,205,911	48,313,602	1,612,930
TOTAL ASSETS	20,875,321	36,743,171	57,618,492	1,988,579
LIABILITIES:				
Current Liabilities				
Accounts Payable	70,072	2,634,146	2,704,218	51,736
Accrued Liabilities	64,533	33,765	98,298	-
Accrued Interest Payable	120,170	32,410	152,580	-
Advance from Primary Government	-	-	-	571,448
Installment Loans - Due within one year	128,609	29,366	157,975	-
Bonds Payable - Due within one year	365,000	482,000	847,000	-
Total Current Liabilities	748,384	3,211,687	3,960,071	623,184
Noncurrent Liabilities				
Lease Liability, net current portion	-	-	-	109,555
Vested Employee Benefits - Due in more than one year	47,504	33,095	80,599	-
Installment Loans - Due in more than one year	803,238	384,338	1,187,576	-
Bonds Payable - Due in more than one year	6,595,000	9,026,840	15,621,840	-
Total Noncurrent Liabilities	7,445,742	9,444,273	16,890,015	109,555
TOTAL LIABILITIES	8,194,126	12,655,960	20,850,086	732,739
DEFERRED INFLOWS OF RESOURCES:				
Leases	22,338	-	22,338	299,395
NET POSITION:				
Net Investment in Capital Assets	8,731,803	17,830,309	26,562,112	1,286,088
Restricted for:				
Perpetual Care - Nonspendable	443,224	-	443,224	-
Employee Health Care	5,215	-	5,215	-
Capital Improvements	-	987,740	987,740	-
Debt Service	-	745,606	745,606	-
Cemetery Care	20,818	-	20,818	-
Unrestricted	3,457,797	4,523,556	7,981,353	(329,643)
TOTAL NET POSITION	\$ 12,658,857	\$ 24,087,211	\$ 36,746,068	\$ 956,445

Statement of Activities
For the Year Ended March 31, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Component Unit 9/30/2023
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	1,290,163	1,281,793	5,687	-	(2,683)	(2,683)
Public Safety	1,562,858	133,182	16,479	-	(1,413,197)	(1,413,197)
Public Works	1,400,421	10,719	613,551	1,218,078	441,927	441,927
Health & Welfare	362,594	-	-	-	(362,594)	(362,594)
Recreation and Culture	233,643	50,243	41,476	-	(141,924)	(141,924)
Other	303,575	-	-	-	(303,575)	(303,575)
Interest expense - Unallocated	290,369	-	-	-	(290,369)	(290,369)
Total Governmental Activities	5,443,623	1,475,937	677,193	1,218,078	(2,072,415)	(2,072,415)
Business-type Activities:						
Water	1,151,274	905,347	-	-	(245,927)	(245,927)
Sewer	1,629,712	1,692,800	13,145,874	-	13,208,962	13,208,962
Landfill	1,303,285	1,370,949	-	-	67,664	67,664
Total Business-type Activities	4,084,271	3,969,096	13,145,874	-	13,030,699	13,030,699
Total Primary Government	\$ 9,527,894	\$ 5,445,033	\$ 13,823,067	\$ 1,218,078	(2,072,415)	10,958,284
Component Unit:						
Mackinac Island Transportation Authority	\$ 453,549	\$ 109,142	\$ 764,500	\$ -	-	420,093
General Revenues and Transfers:						
Property Taxes					2,855,354	345,814
State Revenue Sharing					63,489	63,489
Investment Earnings					191,009	104,607
Gain on Disposal of Assets					-	34,115
Other					384,744	16,607
Total General Revenues and Transfers					3,494,596	501,143
Change in Net Position					1,422,181	13,531,842
Net Position - Beginning					11,236,676	10,555,369
Net Position - Ending					\$ 12,658,857	\$ 24,087,211
					\$ 36,746,068	\$ 956,444

Balance Sheet
Governmental Funds
March 31, 2024

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 866,629	\$ -	\$ -	\$ 1,941,030	\$ 2,807,659
Cash and Equivalents - Restricted	5,215	-	-	91,128	96,343
Accounts Receivable	10,143	-	-	3,750	13,893
Lease Receivable	23,813	-	-	-	23,813
Taxes Receivable	40,985	-	-	17,155	58,140
Due from Component Unit	571,448	-	-	-	571,448
Due from Other Funds	121,124	-	-	8,563	129,687
Due from Governmental Units	-	11,309	5,707	-	17,016
Prepaid Expenses	28,024	-	-	175,107	203,131
Other Assets - Restricted Investment	-	-	-	460,228	460,228
TOTAL ASSETS	\$ 1,667,381	\$ 11,309	\$ 5,707	\$ 2,696,961	\$ 4,381,358
LIABILITIES:					
Due to Other Funds	\$ 8,563	\$ 11,309	\$ 5,707	\$ 104,108	\$ 129,687
Accounts Payable	68,103	-	-	1,969	70,072
Accrued Liabilities	57,939	-	-	6,594	64,533
TOTAL LIABILITIES	134,605	11,309	5,707	112,671	264,292
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Leases	22,338	-	-	-	22,338
FUND BALANCES:					
Nonspendable	28,024	-	-	618,331	646,355
Restricted	5,215	-	-	235,658	240,873
Committed	-	-	-	1,527,520	1,527,520
Assigned	-	-	-	202,781	202,781
Unassigned	1,477,199	-	-	-	1,477,199
TOTAL FUND BALANCES	1,510,438	-	-	2,584,290	4,094,728
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,667,381	\$ 11,309	\$ 5,707	\$ 2,696,961	
Reconciliation to amounts reported for governmental activities in the statement of net position:					
Capital assets used by governmental activities					16,623,650
Long-term installment and bonds payable for governmental activities					(7,891,847)
Vested employee benefits					(47,504)
Accrued interest payable					(120,170)
Net position of governmental activities					\$ 12,658,857

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended March 31, 2024**

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 1,953,360	\$ -	\$ -	\$ 901,994	\$ 2,855,354
Licenses and Permits	1,182,047	-	-	129,692	1,311,739
Federal Sources	10,228	-	-	-	10,228
State Sources	175,640	257,034	33,987	1,385	468,046
State Revenue Marine Assistance Grant	200,000	-	-	-	200,000
Local Sources	4,008	-	-	55,146	59,154
Charges for Services	146,306	-	-	14,402	160,708
Fines & Forfeitures	3,490	-	-	-	3,490
Interest and Rentals	158,510	-	-	185,513	344,023
Other Revenue	218,734	-	-	16,250	234,984
TOTAL REVENUES	4,052,323	257,034	33,987	1,304,382	5,647,726
EXPENDITURES:					
General Government	1,017,909	-	-	1,198	1,019,107
Public Safety	955,101	-	-	139,593	1,094,694
Public Works	644,760	341,373	195,225	52,579	1,233,937
Health & Welfare	290,910	-	-	-	290,910
Recreation and Cultural	114,578	-	-	88,378	202,956
Other	303,575	-	-	-	303,575
Capital Outlay	1,390,575	-	36,441	11,707	1,438,723
Debt Service	-	-	-	774,699	774,699
TOTAL EXPENDITURES	4,717,408	341,373	231,666	1,068,154	6,358,601
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(665,085)	(84,339)	(197,679)	236,228	(710,875)
OTHER FINANCING SOURCES (USES):					
Capital Contributions	1,218,078	-	-	-	1,218,078
Transfers In	-	84,339	197,679	127,300	409,318
Transfers Out	(409,318)	-	-	-	(409,318)
TOTAL OTHER FINANCING SOURCES (USES)	808,760	84,339	197,679	127,300	1,218,078
NET CHANGE IN FUND BALANCES	143,675	-	-	363,528	507,203
FUND BALANCE BEGINNING OF YEAR	1,366,763	-	-	2,220,762	3,587,525
FUND BALANCE AT END OF YEAR	\$ 1,510,438	\$ -	\$ -	\$ 2,584,290	\$ 4,094,728

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2024**

Net changes in fund balances - total governmental funds \$ 507,203

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlay of \$1,438,723 exceeded depreciation of (\$1,007,322) and adjustments to fixed assets.

434,173

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Debt proceeds are an other financing source of governmental funds, while they are liabilities in the statement of net position.

Principal payments

478,911

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:

Changes in accrued interest

5,419

Compensated absences

(3,525)

Changes in net position of governmental activities

\$ 1,422,181

Statement of Net Position
Proprietary Fund
March 31, 2024

	Department of Public Works
ASSETS:	
Current Assets:	
Cash and Equivalents - Unrestricted	\$ 2,731,116
Accounts Receivable, net	95,271
Taxes Receivable	6,617
Due from Governmental Units	2,504,748
Prepaid Expenses	199,508
Total Current Assets	5,537,260
Noncurrent Assets:	
Restricted Cash	2,983,128
Restricted Investments	469,930
Capital Assets (Not Depreciated)	17,018,327
Capital Assets (Net of Accumulated Depreciation)	10,734,526
Total Noncurrent Assets	31,205,911
TOTAL ASSETS	36,743,171
LIABILITIES:	
Current Liability:	
Accounts Payable	2,634,146
Accrued Liabilities	33,765
Accrued Interest Payable	32,410
Bonds Payable - due within one year	482,000
Notes Payable - due within one year	29,366
Total Current Liabilities	3,211,687
Noncurrent Liabilities:	
Vested Employee Benefits - Due in more than one year	33,095
Bonds Payable - due after one year	9,026,840
Notes Payable - due after one year	384,338
Total Noncurrent Liabilities	9,444,273
TOTAL LIABILITIES	12,655,960
NET POSITION:	
Net Investment in Capital Assets	17,830,309
Restricted:	
Capital Improvements	987,740
Debt Service	745,606
Unrestricted	4,523,556
TOTAL NET POSITION	\$ 24,087,211

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended March 31, 2024**

	Department of Public Works
OPERATING REVENUES:	
Charges for Services	\$ 1,437,707
Charges for Service pledged as Security for Revenue Bonds	<u>2,383,670</u>
Total Operating Revenues	<u>3,821,377</u>
OPERATING EXPENSES:	
Cost of Sales and Services	2,529,896
Administration	381,376
Depreciation	<u>858,288</u>
Total Operating Expenses	<u>3,769,560</u>
OPERATING INCOME (LOSS)	<u>51,817</u>
NON-OPERATING REVENUES (EXPENSES):	
Property Taxes	345,814
Impact Fees	147,719
Local Sources	100,000
Federal Sources	13,045,874
Interest & Rental Revenues	104,607
Gain on Sale of Asset	34,115
Other Revenues	16,607
Interest Expense	<u>(314,711)</u>
Total Non-operating Revenues (Expenses)	<u>13,480,025</u>
CHANGE IN NET POSITION	13,531,842
NET POSITION, April 1	<u>10,555,369</u>
NET POSITION, March 31	<u><u>\$ 24,087,211</u></u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2024

	Department of Public Works
Cash Flows From Operating Activities:	
Cash Received from Customers or Users	\$ 1,327,964
Cash Payments to Employees	(798,258)
Cash Payments for Operating and Administrative Expenses	(273,362)
Net Cash Provided by Operating Activities	256,344
Cash Flows from Non-Capital Financing Activities:	
Cash Collected from Property Taxes	345,814
Impact Fees	147,719
Federal Grant	13,045,874
Other Receipts	116,607
Net Cash Provided by Non-Capital Financing Activities	13,656,014
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(13,630,699)
Loss on Disposal of Capital Asset	106,884
Proceeds from Sale of Capital Assets	34,115
Proceeds from Bond	3,659,965
Principal paid on Notes	(134,295)
Principal paid on Bonds	(2,799,000)
Interest Payments	(314,711)
Net Cash Used by Capital and Related Financing Activities	(13,077,741)
Cash Flows From Investing Activities:	
Interest Income	72,507
Rental Income	32,100
(Purchase), Sale, or Reclass of Investments	(2,357)
Net Cash Provided by Investing Activities	102,250
Net Increase in Cash and Equivalents	936,867
Cash and Equivalents, Including Restricted at Beginning of Year	4,777,377
Cash and Equivalents, Including Restricted at End of Year	5,714,244
Restricted Cash, End of Year	2,983,128
Cash and Equivalents, End of Year	\$ 2,731,116
RECONCILIATION OF OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 51,817
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	858,288
Changes in operating assets and liabilities which provided (used) cash	
Accounts Receivable	(58,599)
Taxes Receivable	(3,218)
Due from Other Governments	(2,431,596)
Prepays	(174,200)
Accounts Payable	1,968,117
Accrued Liabilities	(1,411)
Accrued Interest	14,051
Compensated Absence Payable	33,095
Net Cash Provided by Operating Activities	\$ 256,344

	Custodial Funds
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 34,358
LIABILITIES:	
Due to Others	\$ 34,358
NET POSITION	
Unrestricted	\$ -

City of Mackinac Island, Michigan

Statement of Changes of Fiduciary Net Position

Fiduciary Funds

March 31, 2024

	Custodial Funds
ADDITIONS:	
Taxes Collected for Other Governments	\$ 5,539,488
Miscellaneous	229
TOTAL ADDITIONS	<u>5,539,717</u>
DEDUCTIONS:	
Payment of Taxes to Other Governments	<u>5,539,717</u>
TOTAL DEDUCTIONS	<u>5,539,717</u>
Change in Net Position	-
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u><u>\$ -</u></u>

DRAFT

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the *City of Mackinac Island* (the "City") and its component unit. Blended component units, although legally separate entities, are, in substance, part of the City's operations and as such, data from these units are combined with data of the primary government.

Blended Component Unit

Fire Hall Building Authority – The Fire Hall Building Authority is a blended component unit of the City of Mackinac Island. Its sole purpose was to build a fire hall. A separate report is not prepared for the Building Authority.

Discretely Presented Component Unit

Mackinac Island Transportation Authority – The Mackinac Island Transportation Authority was formed in 2019 and has a fiscal year end of September 30. The component unit column in the basic financial statements includes the financial data represents the most recent fiscal year end September 30, 2023, for the authority. The Authority purpose is to: provide public transportation services as provided for in Act 196 of 1986 as amended, MCL 124.451; to exercise all other powers, incidental, necessary, or convenient for the purpose of providing public transportation service; to contract to provide public transportation system services within or outside the boundaries of the Authority; to plan, promote, finance, acquire, improve, enlarge, extend, own, construct, operate, maintain, replace and contract for public transportation services by means of one or more public transportation systems and public transportation facilities. The board members are appointed to the board by the City Mayor. The City also has the ability to significantly influence operations of the Authority. Complete financial statements of the Authority can be obtained at the City Hall.

Government-wide and Fund Financial Statements

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***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 fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities.

Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The *Major Street Fund* accounts for the use of motor fuel taxes which are restricted by state statute for major street and highway purposes.

The *Local Street Fund* accounts for the uses of motor fuel taxes which are restricted by state statute for local street purposes.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects 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.

The *Permanent Fund* accounts for assets that are permanently restricted for perpetual care at the City's cemetery.

Custodial Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the government holds for others in an agency capacity (such as taxes and other cash receipts collected for others).

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

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

Restricted net position includes assets that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***Deposits and investments***

The City maintains a cash pool for substantially all of the City's governmental funds. Each fund's portion of the cash pool is displayed on the statement of net position/balance sheet as "Cash and cash equivalents." The debt service and trust and agency funds cash resources are invested separately as required by law.

The City's cash and equivalents are considered to be cash on hand, bank deposits, and certificate of deposits with maturities of three months or less.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions and savings and loan associations.

State statutes and City policy authorize the City to invest in:

Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.

External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City's investments during the year consisted of certificate of deposits with original maturities of more than three months and approximately \$460,228 in investments held at Mackinac Island Community Foundation for the purpose of providing support to the City of Mackinac Island for the perpetual care and maintenance of the cemeteries it manages.

Receivables and payables

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 governmentwide financial statements as "internal balances."

All receivables are reported at their gross value, except the Department of Public Works enterprise fund accounts receivable, which is shown net of an estimated allowance for uncollectable accounts of \$30,000.

Property taxes

The City's property taxes are levied each July 1st on the taxable valuation of property located in the City as of the preceding December 31st, the lien date. Property taxes are payable without penalty and interest through February 28th; as of March 1st, of the succeeding year, unpaid real property taxes are sold to and collected by Mackinac County. Assessed values, as established annually by the City and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value.

Property taxes are recognized in the fiscal year in which they are levied.

Restricted assets

Assets which are restricted for specified uses by bond debt requirements, amounts held with community foundation for cemetery expenditures, grant provisions or other external requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

Certain resources are set aside for capital improvements and repayment of the City's DPW Enterprise Fund revenue bonds and general obligation note payable and are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants.

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

Capital assets, which include property, buildings and equipment, and infrastructure assets (e.g., roads, sidewalks, water and wastewater system 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 government 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 recorded at their estimated acquisition cost as of the donation date.

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. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed. No such interest was incurred during the current fiscal year.

Property, infrastructure, buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	15 years
Building and Building Improvements	35 to 40 years
Water and Wastewater System Infrastructure	7 to 75 years
Machinery and Equipment	3 to 40 years
Infrastructure	40 years
Book Collection	3 years

Vested Employee Benefits

It is the City's policy to permit public safety employees to accumulate earned but unused sick and vacation time benefits, subject to certain limitations. All sick and vacation time pay is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations or retirements.

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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

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

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, 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 and proprietary funds are netted as part of the reconciliation to the government-wide 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, outflows, liabilities, and inflows and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Leases (Lessor)

The City recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgements related to leases include the discount rate used to discount the expected lease payments to present value, the lease term, and lease payments. The City uses the interest rate charged by the lessor/lessee as the discount rate, when available. When this rate is not provided, the City generally uses the estimated incremental borrowing rate. The lease term is the non-cancellable period if the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that are reasonably certain to be exercised.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Fund Balance Classification***

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified Prepaid Items, and the nonspendable portion of cemetery trust as being Nonspendable as these items are not expected to be converted to cash within the next year. The City has \$646,355 in Nonspendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has \$240,873 in restricted fund balance.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City. These amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has committed \$1,527,520 for capital project funds.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds in the amount of \$202,781.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE 2 - BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department and line item. The legal level of budgetary control adopted by the City Council is the function level which is the level at which expenditures may not exceed appropriations. Budget amendments require the approval of the City Council.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of March 31, 2024:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents - Unrestricted	\$ 2,807,659	\$ 2,731,116	\$ 5,538,775	\$ 35,358	\$ 364,090
Cash and Equivalents - Restricted	96,343	2,983,128	3,079,471	-	-
Restricted Investments	-	469,930	469,930	-	-
Other Assets - Restricted	<u>460,228</u>	<u>-</u>	<u>460,228</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,364,230</u>	<u>\$ 6,184,174</u>	<u>\$ 9,548,404</u>	<u>\$ 35,358</u>	<u>\$ 364,090</u>

Deposits and investments (Primary Government)

Bank deposits:

Checking, savings and certificate of deposit accounts (3 months or less)	\$ 8,618,021
Checking, savings and certificate of deposit accounts (> 3 months)	469,930
Investments held at Mackinac Island Community Foundation	460,228
Cash on hand	<u>225</u>

Total \$ 9,548,404

Deposits and investments (Fiduciary Funds)

Bank deposits:

Checking, savings and certificate of deposit accounts (1yr or less)	<u>\$ 35,358</u>
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Deposits and investments (Component Unit)

Bank deposits:

Checking, savings and certificate of deposit accounts (1yr or less)	<u>\$ 364,090</u>
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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, approximately \$8,194,534 of the City's bank balance of approximately \$9,188,147 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Credit Risk. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority. The City's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables are comprised of the following at year-end:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Receivable	\$ 13,893	\$ 125,271
Taxes Receivable	58,140	6,617
Due from other governments	17,016	2,504,748
Total receivable	89,049	2,636,636
Less: allowance for doubtful accounts	-	30,000
	<u>\$ 89,049</u>	<u>\$ 2,606,636</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year-end:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable	\$ 70,072	\$ 2,634,146
Accrued liabilities	64,533	33,765
	<u>\$ 134,605</u>	<u>\$ 2,667,911</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 121,124	\$ 8,563
Major Streets Fund	-	11,309
Local Streets Fund	-	5,707
Nonmajor Governmental Funds	8,563	104,108
	<u>\$ 129,687</u>	<u>\$ 129,687</u>

The outstanding balances between funds resulted mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 409,318
Major Streets Fund	84,339	-
Local Streets Fund	197,679	-
Nonmajor Governmental Funds	127,300	-
	<u>\$ 409,318</u>	<u>\$ 409,318</u>

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 in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Advances from the Primary Government to Component Unit: The year ending March 31, 2024, advances to the Component Unit totaled \$571,448.

NOTE 7 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals & Adjustments</u>	<u>Ending Balance</u>
Governmental Activities					
<i>Capital assets, not being depreciated:</i>					
Land	\$ 1,450,005	\$ -	\$ -	\$ -	\$ 1,450,005
Construction in progress	345,539	82,358	(345,539)	-	82,358
	<u>1,795,544</u>	<u>82,358</u>	<u>(345,539)</u>	<u>-</u>	<u>1,532,363</u>
<i>Capital assets, being depreciated:</i>					
Buildings	13,363,246	5,000	-	-	13,368,246
Dock	2,000,000	1,218,078	299,659	-	3,517,737
Equipment	3,223,460	96,846	45,880	(36,829)	3,329,357
Infrastructure	2,973,156	36,441	-	-	3,009,597
Book collection	43,066	-	-	-	43,066
	<u>21,602,928</u>	<u>1,356,365</u>	<u>345,539</u>	<u>(36,829)</u>	<u>23,268,003</u>
<i>Less accumulated depreciation for:</i>					
Buildings	(4,147,608)	(326,574)	-	-	(4,474,182)
Dock	(200,000)	(404,234)	-	-	(604,234)
Equipment	(1,750,642)	(197,899)	-	39,059	(1,909,482)
Infrastructure	(1,067,679)	(78,073)	-	-	(1,145,752)
Book collection	(43,066)	-	-	-	(43,066)
	<u>(7,208,995)</u>	<u>(1,006,780)</u>	<u>-</u>	<u>39,059</u>	<u>(8,176,716)</u>
Total capital assets being depreciated, net	<u>14,393,933</u>	<u>349,585</u>	<u>345,539</u>	<u>2,230</u>	<u>15,091,287</u>
Capital assets, net	<u>\$ 16,189,477</u>	<u>\$ 431,943</u>	<u>\$ -</u>	<u>\$ 2,230</u>	<u>\$ 16,623,650</u>

NOTE 7 - CAPITAL ASSETS (Continued)

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

Depreciation of governmental activities by function	
General government	\$ 271,431
Public safety	466,243
Public works	166,674
Recreation and culture	30,747
Health and welfare	71,685
	<u>1,006,780</u>
Total	<u>\$ 1,006,780</u>

Business-type activities capital assets, are as follows for the year ended March 31, 2024

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Ending Balance</u>
Business-type Activities				
<i>Capital assets, not being depreciated:</i>				
Construction in progress	<u>3,636,628</u>	<u>13,381,699</u>	<u>-</u>	<u>17,018,327</u>
<i>Capital assets, being depreciated:</i>				
Buildings	<u>2,114,282</u>	<u>-</u>	<u>-</u>	<u>2,114,282</u>
Water and Sewer System	<u>27,508,140</u>	<u>-</u>	<u>-</u>	<u>27,508,140</u>
Machinery and Equipment	<u>4,031,598</u>	<u>249,000</u>	<u>(268,934)</u>	<u>4,011,664</u>
Subtotals	<u>33,654,020</u>	<u>249,000</u>	<u>(268,934)</u>	<u>33,634,086</u>
<i>Less accumulated depreciation for:</i>				
Buildings	<u>(1,090,793)</u>	<u>(56,454)</u>	<u>-</u>	<u>(1,147,247)</u>
Water and Sewer System	<u>(17,718,134)</u>	<u>(672,308)</u>	<u>-</u>	<u>(18,390,442)</u>
Machinery and Equipment	<u>(3,394,395)</u>	<u>(129,526)</u>	<u>162,050</u>	<u>(3,361,871)</u>
Subtotals	<u>(22,203,322)</u>	<u>(858,288)</u>	<u>162,050</u>	<u>(22,899,560)</u>
Total capital assets being depreciated, net	<u>11,450,698</u>	<u>(609,288)</u>	<u>(106,884)</u>	<u>10,734,526</u>
Capital assets, net	<u>\$ 15,087,326</u>	<u>\$ 12,772,411</u>	<u>\$ (106,884)</u>	<u>\$ 27,752,853</u>

Depreciation of business-type activities by function	
Water	\$ 297,692
Sewer	459,274
Landfill	101,322
	<u>858,288</u>
Total	<u>\$ 858,288</u>

NOTE 7 - CAPITAL ASSETS (Continued)

Business-type activities capital assets, net, by activity are as follows for the year ended March 31, 2024

	Water	Sewer	Landfill	Total DPW
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 227,644	\$ 16,790,683	\$ -	\$ 17,018,327
<i>Capital assets, being depreciated:</i>				
Buildings	332,182	335,332	1,446,768	2,114,282
Water and sewer system	10,797,566	16,710,574	-	27,508,140
Machinery and equipment	561,640	1,317,048	2,132,976	4,011,664
	<u>11,691,388</u>	<u>18,362,954</u>	<u>3,579,744</u>	<u>33,634,086</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(41,343)	(44,493)	(1,061,411)	(1,147,247)
Water and sewer system	(8,509,268)	(9,881,174)	-	(18,390,442)
Machinery and equipment	(466,801)	(1,015,050)	(1,880,020)	(3,361,871)
	<u>(9,017,412)</u>	<u>(10,940,717)</u>	<u>(2,941,431)</u>	<u>(22,899,560)</u>
Total capital assets being depreciated, net	<u>2,673,976</u>	<u>7,422,237</u>	<u>638,313</u>	<u>10,734,526</u>
Capital assets, net	<u>\$ 2,901,620</u>	<u>\$ 24,212,920</u>	<u>\$ 638,313</u>	<u>\$ 27,752,853</u>

Component Unit

Mackinac Island Transportation Authority's capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Transfers	Disposals & Adjustments	Ending Balance
<i>Capital assets, being depreciated:</i>					
Right-to-Use-Asset	\$ 326,894	\$ -	\$ -	\$ -	\$ 326,894
Leasehold Improvements	387,781	1,129,956	-	-	1,517,737
	<u>714,675</u>	<u>1,129,956</u>	<u>-</u>	<u>-</u>	<u>1,844,631</u>
<i>Less accumulated depreciation for:</i>					
Right-to-Use-Asset	(149,827)	(54,482)	-	-	(204,309)
Leasehold Improvements	(117,135)	(237,099)	-	-	(354,234)
	<u>(266,962)</u>	<u>(291,581)</u>	<u>-</u>	<u>-</u>	<u>(558,543)</u>
Total capital assets being depreciated, net	<u>\$ 447,713</u>	<u>\$ 838,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,286,088</u>

A depreciation expense of \$291,099 was charged to the operating expenses of the transportation authority.

NOTE 8 - LONG-TERM DEBT

Long-term debt activity for the year ended March 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
4.64% Capital Improvement bonds, series 2019 (taxable), due in annual principal installments ranging from \$70,000 to \$285,000, interest due in semiannual installments; final payment due April 2039.*	\$ 3,030,000	\$ -	\$ (80,000)	\$ 2,950,000	\$ 85,000
2.7% Capital Improvement Bond, Series 2020, due in installments ranging from \$105,000 to \$165,000, Interest due in semiannual installments final payment due April 2035	1,730,000	-	(125,000)	1,605,000	125,000
3.0% Capital Improvement Bond, Series 2021, due in installments ranging from \$145,000 to \$220,000, Interest due in semiannual installments final payment due May 2037	2,555,000	-	(150,000)	2,405,000	155,000
5.00% Installment Purchase Agreement - Land Sale, due in monthly installments of \$6,364 including interest; final payment due April 2029, secured by real estate.	395,153	-	(57,925)	337,228	60,888
Fire truck installment loan payable to The Central Savings Bank, due annual installments of \$83,426 including interest charged at 2.64% fiscal 2031, secured by equipment.	660,605	-	(65,986)	594,619	67,721
Accrued compensated absences	43,979	3,525	-	47,504	-
Total governmental activities	<u>\$ 8,414,737</u>	<u>\$ 3,525</u>	<u>\$ (478,911)</u>	<u>\$ 7,939,351</u>	<u>\$ 493,609</u>

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
3.0% Sanitary Sewage Disposal and Water Supply Supply System Junior Lien Revenue Bonds, Series 2012 (taxable), due in annual principal installments ranging from \$102,000 to \$273,000, interest due in semi-annual installments; final payment due March 2052, secured by net revenues of the sewer and water systems.	\$ 5,365,000	\$ -	\$ (119,000)	\$ 5,246,000	\$ 122,000
3.0% Sanitary Sewage Disposal and Water Supply System Revenue Refunding Bonds, Series 2016, due in annual installments ranging from \$150,000 to \$190,000, interest due in semi-annual installments; final payment due March 2028, secured by net revenues of the sewer and water systems.	895,000	-	(180,000)	715,000	185,000
1.875% Sanitary Sewage Disposal and Water Supply System Junior Lien Revenue Bond, Series 2022A, due in annual principal installments ranging from \$175,000 to \$245,000, interest due semi-annual installments; final payment due April 2043 secured by net revenues of the sewer and water systems.	2,387,875	1,109,965	-	3,497,840	175,000
1.875% Sanitary Sewage Disposal and Water Supply system Junior Lien Revenue Bond, Series 2023, \$24,000,000 due in annual principal installments ranging from \$50,000 to \$90,000, interest due semi-annual installments; final payment due October 2055, secured by net revenues of the sewer and water systems.	-	50,000	-	50,000	-
4.50% 2023 General Obligation Limited Tax Note Due October 2023	-	2,500,000	(2,500,000)	-	-
3.5% Act 99 Installment Purchase Agreement due in monthly principal and interest installments of \$1,670 through October 2023 with a balloon payment of \$93,703 due November 2023.	105,749	-	(105,749)	-	-
2.87% Act 99 Installment Purchase Agreement due in annual principal and interest installments of \$41,240 through November 2035.	442,250	-	(28,546)	413,704	29,366

NOTE 8 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for long-term debt are as follows:

Year Ended March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	493,609	279,252	511,366	225,093
2026	513,526	262,176	571,210	246,426
2027	533,629	244,395	531,076	269,350
2028	548,955	225,950	500,968	268,187
2029	569,503	206,766	355,886	239,428
2030-2034	2,892,625	741,862	1,916,138	1,014,989
2035-2039	2,055,000	250,284	2,030,060	665,787
2040-2044	285,000	6,612	1,542,840	377,507
2045-2049	-	-	1,171,000	207,378
2050-2053	-	-	792,000	44,028
Total	\$ 7,891,847	\$ 2,217,297	\$ 9,922,544	\$ 3,558,173

Total interest expense for governmental activities for the year was \$295,768.

Interest expense was charged to activities of the DPW as follow:

Water	\$ 6,517
Sewer	301,717
Landfill	6,477
Total interest expense	\$ 314,711

Impact fees collected from residents are restricted for future capital acquisitions and expansion of the water and sewer system. The restricted balance related to these impact fees were \$987,739, and \$840,021 for March 31, 2024 and 2023 respectively.

The City's Sanitary Sewage Disposal and Water Supply System Junior Lien Revenue Bonds, Series 2012 (taxable) include the following covenants:

To make deposits into a bond reserve account of at least \$7,000 per quarter or \$28,000 annually until there is accumulated in such account the lesser of the sum of \$280,000 or the reserve amount.

To make deposits into a repair, replacement, and improvement fund ("RRI") account not less than \$31,667 for the life of the bond. In addition, once the bond reserve is fully funded, the RRI deposit will increase to \$59,667 for the remaining life of the bond.

NOTE 8 - LONG-TERM DEBT (Continued)

The table below includes the balances in each reserve account, the cumulative required balances, and any overage (shortage) related to the Sanitary Sewage Disposal and Water Supply System Junior Lien Revenue Bonds, Series 2012 (taxable) at March 31, 2024:

	Beginning Balance	Deposits	Interest Earned	Ending Balance	Cumulative Required Balance	Overage (Shortage)
Bond Reserve	\$ 280,965	\$ -	\$ 3,116	\$ 284,081	\$ 280,000	\$ 4,081
Repair, replacement and improvement fund	317,761	22,852	3,525	344,138	344,138	-
Total reserves	\$ 598,726	\$ 22,852	\$ 6,641	\$ 628,219	\$ 624,138	\$ 4,081

The DPW's Sanitary Sewage Disposal and Water Supply System Revenue Refunding Bonds, Series 2016 include the following covenants:

To maintain a bond redemption fund with a balance equal to 50% of the interest due on the next interest payment date plus 25% of the next principal payment due. This balance, however, should not exceed 100% of the next principal and interest payment.

To maintain a bond reserve account with a balance of the lesser of (1) the maximum annual debt service of the bond; (2) 125% of the average annual debt service; or (3) 10% of the principal amount outstanding.

The table below includes the balances in each reserve account, the cumulative required balances, and any overage (shortage) related to the Sanitary Sewage Disposal and Water Supply System Refunding Bonds, Series 2016 at March 31, 2024:

	Beginning Balance	Deposits	Interest Earned	Ending Balance	Cumulative Required Balance	Overage (Shortage)
Bond interest and redemption	\$ 71,927	\$ -	\$ -	\$ 71,927	\$ 49,968	\$ 21,959
Bond reserve	181,091	-	2,356	183,447	71,500	111,947
Total reserves	\$ 253,018	\$ -	\$ 2,356	\$ 255,374	\$ 121,468	\$ 133,906

The 2012 and 2016 reserves are allocated to the activities of the DPW as follows:

	2012 Bond	2016 Bond	Total 2023
Water	\$ -	\$ 15,791	\$ 15,791
Sewer	624,138	105,677	729,815
	\$ 624,138	\$ 121,468	\$ 745,606

NOTE 8 - LONG-TERM DEBT (Continued)**Accumulated Sick and Vacation Pay**

Under the agreement between the City of Mackinac Island and the Police Officer Labor Council, Inc., sick leave is accumulated at the rate of one day for each month of service, with a maximum accumulation of 1,080 hours. Upon retirement an employee shall receive \$100 per eight hours of all accumulated sick leave credits up to a maximum of \$8,500.

All permanent employees shall earn annual vacation leave with pay in accordance with the following schedule:

<u>Years of Service</u>	<u>Vacation Hours</u>
1	72 hours
2	96 hours
3	120 hours

City full-time and permanent personnel earn sick leave at a rate of one day for each month of service, with a maximum accumulation of 60 days. All full-time and permanent personnel receive two weeks' vacation per year. As a result of separation, full-time and permanent personnel lose all accumulated sick and vacation leave.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

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 fiscal years.

NOTE 10 - LEASES

Lease Receivable-In April of 2020, the City entered into two leases with the Mackinac Island Carriage Tours with lease terms ending March 31, 2025. Under the leases Mackinac Island Carriage Tours pays the City for use of a ticket office booth and a taxi booth at a cost of \$10,949 with a 3% increase each year per lease. The lease revenue is measured at the present value of the future rent payments expected to be received during the lease term at a discount rate of 3.50%. The initial lease receivable and deferred inflow of resources related to leases was calculated at \$67,014 as of April 1, 2022.

In Fiscal Year 2024, the City recognized \$22,314 of lease revenue and \$1,614 of interest revenue under the leases.

Future minimum lease payments and net present value of these minimum lease payments included in the measurement of the lease receivable as of March 31, 2024, are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2025	\$ 23,813	\$ 833	\$ 24,646

NOTE 10 - LEASE (Continued)

Deferred Inflows of Resources-The deferred inflow of resources on lease activity for fiscal year 2024 is as follows:

	<u>Beginning Balance</u>	<u>Deferred Revenue Recognized</u>	<u>Ending Balance</u>
Deferred Inflows of Resources on Leases	\$ 44,676	\$ 22,338	\$ 22,338

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of March 31, 2024, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Capital assets:			
Capital assets being depreciated, net	\$ 15,088,515	\$ 10,734,526	\$ 1,286,088
Capital assets not being depreciated	1,532,363	17,018,327	-
	<u>16,620,878</u>	<u>27,752,853</u>	<u>1,286,088</u>
Related debt:			
Current bonds and notes payable	493,609	497,751	-
long-term bonds and notes payable	7,398,238	9,424,793	-
	<u>7,891,847</u>	<u>9,922,544</u>	<u>-</u>
Net investment in capital assets	<u>\$ 8,729,031</u>	<u>\$ 17,830,309</u>	<u>\$ 1,286,088</u>

The composition of net investment in capital assets by activity for the business-type activities, as of March 31, 2024, was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
Capital assets:				
Capital assets being depreciated, net	\$ 2,673,976	\$ 7,422,237	\$ 638,313	\$ 10,734,526
Capital assets not being depreciated	227,644	16,790,683	-	17,018,327
Total Capital assets	<u>2,901,620</u>	<u>24,212,920</u>	<u>638,313</u>	<u>27,752,853</u>
Less related debt:				
Bonds payable	92,950	9,415,890	-	9,508,840
Notes payable	137,903	137,901	137,900	413,704
Total related debt	<u>230,853</u>	<u>9,553,791</u>	<u>137,900</u>	<u>9,922,544</u>
Net investment in capital assets	<u>\$ 2,670,767</u>	<u>\$ 14,659,129</u>	<u>\$ 500,413</u>	<u>\$ 17,830,309</u>

NOTE 12- IMPLEMENTATION OF GASB STATEMENT NO. 96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May of 2020, the GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, or an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended.

The City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the period ending March 31, 2024. There were no subscription-based information technology arrangements held by the City that meet the definition of recognition under GASB Statement No. 96, therefore, the financial statements have not been affected by such implementation.

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Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 1,955,128	\$ 1,946,700	\$ 1,953,360	\$ 6,660
Licenses and Permits	1,113,285	1,180,735	1,182,047	1,312
Federal Sources	-	5,687	10,228	4,541
State Sources	156,001	167,401	175,640	8,239
State Revenue Marine Assistance	134,285	200,085	200,000	(85)
Local Sources	7,987	2,987	4,008	1,021
Charges for Services	123,300	143,000	146,306	3,306
Fines & Forfeitures	2,800	3,660	3,490	(170)
Interest and Rentals	76,029	158,209	158,510	301
Other Revenue	328,116	217,816	218,734	918
TOTAL REVENUES	3,896,931	4,026,280	4,052,323	26,043
EXPENDITURES:				
General Government:				
City Council	73,340	68,390	59,745	8,645
Mayor's Assistant	63,134	60,025	60,572	(547)
Elections	15,952	4,852	4,121	731
Professional Service Accounting	54,000	69,000	58,504	10,496
Professional Service Legal	250,000	320,903	278,407	42,496
City Assessor	58,785	58,802	57,738	1,064
City Clerk	64,478	64,138	64,727	(589)
City Treasurer	55,007	58,007	58,364	(357)
Board of Review	250	450	386	64
City Hall & Other Property	405,278	392,132	375,345	16,787
Total General Government	1,040,224	1,096,699	1,017,909	78,790
Public Safety:				
Police Department	736,303	743,053	742,191	862
Fire Department	156,249	169,825	168,875	950
Marine Rescue	41,423	44,249	44,035	214
Total Public Safety	933,975	957,127	955,101	2,026

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Health & Welfare:				
Ambulance	300,000	261,000	260,910	90
Medical Center	30,000	30,000	30,000	-
Total Health & Welfare	330,000	291,000	290,910	90
Public Works:				
Marine Assistance Grant	134,285	202,285	201,840	445
General Public Works	467,551	465,026	442,920	22,106
Total Public Works	601,836	667,311	644,760	22,551
Recreation and Cultural:				
Park & Recreation	106,405	106,512	100,233	6,279
Stuart House	14,714	14,438	14,345	93
Total Recreation and Cultural	121,119	120,950	114,578	6,372
Other Expenses:				
Insurance	312,149	306,349	303,575	2,774
Total Other	312,149	306,349	303,575	2,774
Capital Outlay	140,869	1,391,847	1,390,575	1,272
TOTAL EXPENDITURES	3,480,172	4,831,283	4,717,408	113,875
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	416,759	(805,003)	(665,085)	139,918
OTHER FINANCING SOURCES (USES):				
Capital Contributions	-	1,218,078	1,218,078	-
Transfers Out	(416,695)	(413,075)	(409,318)	3,757
TOTAL OTHER FINANCING SOURCES (USES)	(416,695)	805,003	808,760	3,757
NET CHANGE IN FUND BALANCES	\$ 64	\$ -	143,675	\$ 143,675
FUND BALANCE BEGINNING OF YEAR			1,366,763	
FUND BALANCE AT END OF YEAR			\$ 1,510,438	

Required Supplementary Information
Budgetary Comparison Schedule
Major Streets
For the Year Ended March 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
State Sources	\$ 253,000	\$ 256,400	\$ 257,034	\$ 634
TOTAL REVENUES	<u>253,000</u>	<u>256,400</u>	<u>257,034</u>	<u>634</u>
EXPENDITURES:				
Public Works	<u>334,976</u>	<u>341,476</u>	<u>341,373</u>	<u>103</u>
TOTAL EXPENDITURES	<u>334,976</u>	<u>341,476</u>	<u>341,373</u>	<u>103</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(81,976)</u>	<u>(85,076)</u>	<u>(84,339)</u>	<u>737</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>81,976</u>	<u>85,076</u>	<u>84,339</u>	<u>(737)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>81,976</u>	<u>85,076</u>	<u>84,339</u>	<u>(737)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

Required Supplementary Information
Budgetary Comparison Schedule
Local Streets
For the Year Ended March 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
State Sources	\$ 30,000	\$ 34,500	\$ 33,987	\$ (513)
TOTAL REVENUES	30,000	34,500	33,987	(513)
EXPENDITURES:				
Public Works	192,725	195,225	195,225	-
Capital Outlay	-	36,500	36,441	59
TOTAL EXPENDITURES	192,725	231,725	231,666	59
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	(162,725)	(197,225)	(197,679)	(454)
OTHER FINANCING SOURCES (USES):				
Transfers In	162,725	197,225	197,679	454
TOTAL OTHER FINANCIAL SOURCES (USES)	162,725	197,225	197,679	454
NET CHANGE IN FUND BALANCES	\$ -	\$ -	-	\$ -
FUND BALANCE BEGINNING OF YEAR			-	
FUND BALANCE AT END OF YEAR			\$ -	

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Supplementary Information

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2024

	Special Revenue Funds				Debt Services Funds		
	Cemetery	Library	Engineering	Utility Escrow	Fire Truck	Forest Way Townhomes	Coal Dock
ASSETS:							
Cash and Equivalents - Unrestricted	\$ -	\$ 143,671	\$ -	\$ 11,808	\$ -	\$ -	\$ 132,330
Cash and Equivalents - Restricted	-	-	-	-	-	87,314	-
Accounts Receivable	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	1,508	7,588	5,653
Due from Other Funds	-	3,458	5,105	-	-	-	-
Prepaid Expenses	-	-	-	-	-	21,667	153,440
Other Assets - Restricted Investment	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 147,129	\$ 5,105	\$ 11,808	\$ 1,508	\$ 116,569	\$ 291,423
LIABILITIES:							
Accounts Payable	\$ -	\$ 1,141	\$ 828	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	2,317	4,277	-	-	-	-
Due to Other Funds	-	-	-	-	1,508	47,600	55,000
TOTAL LIABILITIES	-	3,458	5,105	-	1,508	47,600	55,000
FUND BALANCES:							
Nonspendable	-	-	-	-	-	21,667	153,440
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	82,983
Assigned	-	143,671	-	11,808	-	47,302	-
TOTAL FUND BALANCES	-	143,671	-	11,808	-	68,969	236,422
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 147,129	\$ 5,105	\$ 11,808	\$ 1,508	\$ 116,569	\$ 291,423

	Capital Project Funds		Permanent Trust	
	Capital Projects	Forest Way Townhome Capital Projects	Cemetery Perpetual Care	Totals
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,438,381	\$ 214,840	\$ -	\$ 1,941,030
Cash and Equivalents - Restricted	-	-	3,814	91,128
Accounts Receivable	3,750	-	-	3,750
Taxes Receivable	2,406	-	-	17,155
Due from Other Funds	-	-	-	8,563
Prepaid Expenses	-	-	-	175,107
Other Assets - Restricted Investment	-	-	460,228	460,228
TOTAL ASSETS	\$ 1,444,537	\$ 214,840	\$ 464,042	\$ 2,696,961
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,969
Accrued Liabilities	-	-	-	6,594
Due to Other Funds	-	-	-	104,108
TOTAL LIABILITIES	-	-	-	112,671
FUND BALANCES:				
Nonspendable	-	-	443,224	618,331
Restricted	-	214,840	20,818	235,658
Committed	1,444,537	-	-	1,527,520
Assigned	-	-	-	202,781
TOTAL FUND BALANCES	1,444,537	214,840	464,042	2,584,290
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,444,537	\$ 214,840	\$ 464,042	\$ 2,696,961

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended March 31, 2024

	Special Revenue Funds					Debt Service Funds		
	Cemetery	Library	Engineering	Utility Escrow	Fire Truck	Forest Way Townhomes	Coal Dock	
REVENUES:								
Taxes	-	\$ -	\$ -	\$ -	\$ 83,352	\$ 395,877	\$ 295,101	
Licenses and Permits	-	-	129,692	-	-	-	-	
State Sources	-	1,385	-	-	-	-	-	
Local Sources	22,317	32,829	-	-	-	-	-	
Charges for Services	725	3,682	-	-	-	-	-	
Interest and Rentals	-	503	-	10	-	1,473	2,238	
Fines & Forfeitures	-	-	-	-	-	-	-	
Other Revenue	-	3,254	-	12,996	-	-	-	
TOTAL REVENUES	23,042	41,653	129,692	13,006	83,352	397,350	297,339	
EXPENDITURES:								
General Government	-	-	-	1,198	-	-	-	
Public Safety	-	-	139,593	-	-	-	-	
Public Works	28,514	-	-	-	-	-	-	
Recreation and Cultural	-	88,378	-	-	-	-	-	
Capital Outlay	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	83,426	396,150	295,123	
TOTAL EXPENDITURES	28,514	88,378	139,593	1,198	83,426	396,150	295,123	
EXCESS OF REVENUES OVER (UNDER)								
EXPENDITURES BEFORE OTHER	(5,472)	(46,725)	(9,901)	11,808	(74)	1,200	2,216	
FINANCING SOURCES (USES)								
Transfers In	5,472	46,853	9,901	-	74	65,000	-	
NET CHANGE IN FUND BALANCES	-	128	-	11,808	-	66,200	2,216	
FUND BALANCE BEGINNING OF YEAR	-	143,543	-	-	-	2,769	234,204	
FUND BALANCE AT END OF YEAR	-	\$ 143,671	\$ -	\$ 11,808	\$ -	\$ 68,969	\$ 236,423	

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Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended March 31, 2024

	Capital Project Funds		Permanent Trust	
	Capital Projects	Forest Way Townhome Capital Project	Cemetery Perpetual Care	Totals
REVENUES:				
Taxes	\$ 127,664	\$ -	\$ -	\$ 901,994
Licenses and Permits	-	-	-	129,692
State Sources	-	-	-	1,385
Local Sources	-	-	-	55,146
Charges for Services	-	-	9,995	14,402
Interest and Rentals	91,319	3,103	86,867	185,513
Fines & Forfeitures	-	-	-	-
Other Revenue	-	-	-	16,250
TOTAL REVENUES	218,983	3,103	96,862	1,304,382
EXPENDITURES:				
General Government	-	-	-	1,198
Public Safety	-	-	-	139,593
Public Works	-	-	24,065	52,579
Recreation and Cultural	-	-	-	88,378
Capital Outlay	6,707	5,000	-	11,707
Debt Service	-	-	-	774,699
TOTAL EXPENDITURES	6,707	5,000	24,065	1,066,956
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	212,276	(1,897)	72,797	236,228
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	127,300
NET CHANGE IN FUND BALANCES	212,276	(1,897)	72,797	363,528
FUND BALANCE BEGINNING OF YEAR	1,232,261	216,737	391,245	2,220,762
FUND BALANCE AT END OF YEAR	\$ 1,444,537	\$ 214,840	\$ 464,042	\$ 2,584,290

Supplementary Information
Combining Statement of Net Position - Department of Public Works
Proprietary Funds
March 31, 2024

	Enterprise Funds			
	Water	Sewer	Landfill	Totals
ASSETS:				
Current Assets:				
Cash and Equivalents - Unrestricted	\$ 246,194	\$ 2,313,924	\$ 170,998	\$ 2,731,116
Accounts Receivable, net	12,906	38,749	43,616	95,271
Taxes Receivable	-	4,293	2,324	6,617
Due from Other Governmental Units	-	2,504,748	-	2,504,748
Prepaid Expense	12,109	184,638	2,761	199,508
Internal Balances	(232,254)	(1,394,051)	1,626,305	-
Total Current Assets	38,955	3,652,301	1,846,004	5,537,260
Noncurrent Assets				
Restricted Cash	754,083	2,001,391	227,654	2,983,128
Restricted Investments	60,418	409,512	-	469,930
Capital Assets (Not Depreciated)	227,644	16,790,683	-	17,018,327
Capital Assets (Net of Accumulated Depreciation)	2,673,976	7,422,237	638,313	10,734,526
Total Noncurrent Assets	3,716,121	26,623,823	865,967	31,205,911
TOTAL ASSETS	3,755,076	30,276,124	2,711,971	36,743,171
LIABILITIES:				
Current Liability:				
Accounts Payable	15,397	2,570,701	48,048	2,634,146
Accrued Liabilities	12,699	14,056	7,010	33,765
Accrued Interest Payable	1,730	29,032	1,648	32,410
Bonds Payable - due within one year	23,400	458,600	-	482,000
Notes Payable - due within one year	9,789	9,789	9,788	29,366
Total Current Liabilities	63,015	3,082,178	66,494	3,211,687
Noncurrent Liabilities:				
Vested Employee Benefits - Due in more than one year	14,192	13,080	5,823	33,095
Bonds Payable - due after one year	69,550	8,957,290	-	9,026,840
Notes Payable - due after one year	128,114	128,112	128,112	384,338
Total Noncurrent Liabilities	211,856	9,098,482	133,935	9,444,273
TOTAL LIABILITIES	274,871	12,180,660	200,429	12,655,960
NET POSITION:				
Net Investment in Capital Assets	2,670,767	14,659,129	500,413	17,830,309
Restricted:				
Capital Improvements	424,728	563,012	-	987,740
Debt Service	15,791	729,815	-	745,606
Unrestricted	368,919	2,143,508	2,011,129	4,523,556
TOTAL NET POSITION	\$ 3,480,205	\$ 18,095,464	\$ 2,511,542	\$ 24,087,211

Supplementary Information
**Combining Statement of Revenues, Expenses, and
 Changes in Net Position - Department of Public Works
 Proprietary Funds
 For the Year Ended March 31, 2024**

	Enterprise Funds			Totals
	Water	Sewer	Landfill	
OPERATING REVENUES:				
Charges for Services	\$ 36,449	\$ 30,309	\$ 1,370,949	\$ 1,437,707
Charges for Services pledged as security for revenue bonds	812,765	1,570,905	-	2,383,670
Total Operating Revenues	849,214	1,601,214	1,370,949	3,821,377
OPERATING EXPENSES				
Cost of Sales & Services:				
Salaries	241,720	238,882	162,582	643,184
Fringe Benefits	81,151	74,779	68,036	223,966
Equipment Insurance	22,905	19,089	5,496	47,490
Collection Supplies	-	-	49,164	49,164
Maintenance/Repairs	167,096	86,103	13,773	266,972
Process Chemicals	28,202	71,124	-	99,326
Lab Supplies	21,876	13,933	-	35,809
Process Monitoring	20,348	10,233	-	30,581
Sludge Removal	-	88,370	-	88,370
Lab Certification (MDPH)	2,273	-	-	2,273
Contract Lab Services	572	1,675	-	2,247
Bulk Item Removal	-	-	703,446	703,446
Ground Water Monitoring	-	-	11,160	11,160
Electrical Power	79,921	132,332	9,529	221,782
Recyclable collection	-	-	39,818	39,818
Fuel	3,412	2,718	12,424	18,554
Recyclable Shipping	-	-	32,260	32,260
HHW Program	-	-	13,494	13,494
Total Cost of Sales & Services	669,476	739,238	1,121,182	2,529,896
Administrative:				
DPW- Administrative Salaries	86,372	68,783	31,603	186,758
Safety Program	469	74	-	543
Engineering (consulting)	12,135	5,503	791	18,429
Accounting Fees	12,642	12,642	12,642	37,926
Legal	3,130	6,030	-	9,160
Engineering	33,438	354	-	33,792
Freight	3,798	9,401	7,674	20,873
Telephone	10,665	14,874	10,975	36,514
Office Supplies	1,171	1,603	618	3,392
Postage	1,921	1,771	1,771	5,463
Uniforms	1,662	-	93	1,755
Training & Seminars	2,922	1,259	690	4,871
Miscellaneous	7,264	7,189	7,447	21,900
Total Administrative	177,589	129,483	74,304	381,376
Depreciation	297,692	459,274	101,322	858,288
TOTAL OPERATING EXPENSES	1,144,757	1,327,995	1,296,808	3,769,560
OPERATING INCOME (LOSS)	(295,543)	273,219	74,141	51,817
NON-OPERATING REVENUES (EXPENSES):				
Property Taxes	-	225,376	120,438	345,814
Impact Fees	56,133	91,586	-	147,719
Local Sources	-	100,000	-	100,000
Federal Sources	-	13,045,874	-	13,045,874
Interest & Rental Revenue	15,448	68,827	20,332	104,607
Gain on Sale of Assets	-	-	34,115	34,115
Other Revenues	6,003	10,604	-	16,607
Interest Expense	(6,517)	(301,717)	(6,477)	(314,711)
Total Non-operating Revenues (Expenses)	71,067	13,240,550	168,408	13,480,025
CHANGE IN NET POSITION	(224,476)	13,513,769	242,549	13,531,842
NET POSITION, APRIL 1	3,704,681	4,581,695	2,268,993	10,555,369
NET POSITION, MARCH 31	\$ 3,480,205	\$ 18,095,464	\$ 2,511,542	\$ 24,087,211

Combining Statement of Cash Flows - Department of Public Works

Proprietary Funds

For the Year Ended March 31, 2024

	Enterprise Funds			Totals
	Water	Sewer	Landfill	
Cash Flows From Operating Activities:				
Cash Received from Customers or Users	\$ 844,651	\$ (843,901)	\$ 1,327,214	\$ 1,327,964
Cash Payments to Employees	(317,382)	(293,544)	(187,332)	(798,258)
Cash Payments for Operating and Administrative Expenses	(534,983)	1,220,331	(958,710)	(273,362)
Net Cash Provided by Operating Activities	(7,714)	82,886	181,172	256,344
Cash Flows from Non-Capital Financing Activities:				
Cash Collected from Property Taxes	-	225,376	120,438	345,814
Internal Balances	(514,706)	781,229	(266,523)	-
Impact Fees	56,133	91,586	-	147,719
Federal Grant	-	13,045,874	-	13,045,874
Other Receipts	6,003	110,604	-	116,607
Net Cash Provided (Used) by Non-Capital Financing Activities	(452,570)	14,254,669	(146,085)	13,656,014
Cash Flows From Capital and Related Financing Activities:				
Purchase of Capital Assets	(11,563)	(13,370,136)	(249,000)	(13,630,699)
Loss on Disposal of Capital Asset	-	-	106,884	106,884
Proceeds from Sale of Capital Assets	-	-	34,115	34,115
Bond Proceeds	-	3,659,965	-	3,659,965
Principal Paid on Notes	(9,514)	(9,516)	(115,265)	(134,295)
Principal Paid on Bonds	(23,400)	(2,775,600)	-	(2,799,000)
Interest Payments	(6,517)	(301,717)	(6,477)	(314,711)
Net Cash Used by Capital and Related Financing Activities	(50,994)	(12,797,004)	(229,743)	(13,077,741)
Cash Flows From Investing Activities:				
Interest Income	4,414	58,294	9,799	72,507
Rental Income	11,034	10,533	10,533	32,100
(Purchase), Sale, or Reclass of Investments	(306)	(2,051)	-	(2,357)
Net Cash Provided by Investing Activities	15,142	66,776	20,332	102,250
Net Increase in Cash and Cash Equivalents	(496,136)	1,607,327	(174,324)	936,867
Cash and Equivalents, Including Restricted at Beginning of Year	1,496,413	2,707,988	572,976	4,777,377
Cash and Equivalents, Including Restricted at End of Year	1,000,277	4,315,315	398,652	5,714,244
Restricted Cash, End of Year	754,083	2,001,391	227,654	2,983,128
Cash and Equivalents, End of Year	\$ 246,194	\$ 2,313,924	\$ 170,998	\$ 2,731,116
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (295,543)	\$ 273,219	\$ 74,141	\$ 51,817
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation Expense	297,692	459,274	101,322	858,288
Changes in operating assets and liabilities which provided (used) cash				
Accounts Receivable	(4,563)	(10,420)	(43,616)	(58,599)
Taxes Receivable	-	(3,099)	(119)	(3,218)
Due from Other Governments	-	(2,431,596)	-	(2,431,596)
Prepays	(883)	(175,046)	1,729	(174,200)
Accounts Payable	(14,994)	1,942,134	40,977	1,968,117
Accrued Liabilities	(3,482)	1,041	1,030	(1,411)
Accrued Interest	(133)	14,299	(115)	14,051
Compensated Absence Payable	14,192	13,080	5,823	33,095
Net Cash Provided by Operating Activities	\$ (7,714)	\$ 82,886	\$ 181,172	\$ 256,344

Supplementary Information
Schedule of Indebtedness
March 31, 2024

	Original Amount of Issue	Interest Rate	Date of Maturity	Amount Outstanding	Interest Payable if Held to Maturity
Governmental-type activities					
2019 Capital Improvement Bond	\$ 3,255,000	4.64	04/01/24	85,000	134,908
		4.64	04/01/25	90,000	130,848
Principal and interest - April 1st		4.64	04/01/26	95,000	126,556
Interest only - October 1st		4.64	04/01/27	100,000	122,032
		4.64	04/01/28	105,000	117,276
		4.64	04/01/29	120,000	112,056
		4.64	04/01/30	190,000	104,864
		4.64	04/01/31	200,000	95,816
		4.64	04/01/32	210,000	86,304
		4.64	04/01/33	215,000	76,444
		4.64	04/01/34	230,000	66,120
		4.64	04/01/35	240,000	55,216
		4.64	04/01/36	250,000	43,848
		4.64	04/01/37	260,000	32,016
		4.64	04/01/38	275,000	19,604
		4.64	04/01/39	285,000	6,612
				<u>2,950,000</u>	<u>1,330,520</u>
 2020 Capital Improvement Bond	 \$ 2,070,000	 2.70	 10/01/24	 125,000	 43,335
		2.70	10/01/25	130,000	39,960
Principal and interest - October 1st		2.70	10/01/26	135,000	36,450
Interest only - April 1st		2.70	10/01/27	140,000	32,805
		2.70	10/01/28	140,000	29,025
		2.70	10/01/29	145,000	25,254
		2.70	10/01/30	150,000	21,330
		2.70	10/01/31	155,000	17,280
		2.70	10/01/32	160,000	13,095
		2.70	10/01/33	160,000	8,775
		2.70	10/01/34	165,000	4,455
				<u>1,605,000</u>	<u>271,764</u>
 2021 Capital Improvement Bond	 \$ 2,700,000	 3.00	 5/1/2024	 155,000	 69,825
		3.00	5/1/2025	160,000	65,100
Principal and interest - May 1st		3.00	5/1/2026	165,000	60,225
Interest only - November 1st		3.00	5/1/2027	165,000	55,275
		3.00	5/1/2028	175,000	50,175
		3.00	5/1/2029	180,000	44,850
		3.00	5/1/2030	185,000	39,375
		3.00	5/1/2031	190,000	33,750
		3.00	5/1/2032	195,000	27,975
		3.00	5/1/2033	200,000	22,050
		3.00	5/1/2034	205,000	15,975
		3.00	5/1/2035	210,000	9,750
		3.00	5/1/2036	220,000	3,300
				<u>2,405,000</u>	<u>497,625</u>
				<u>\$ 6,960,000</u>	<u>\$ 2,099,909</u>

**Supplementary Information
Schedule of Indebtedness
March 31, 2024**

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount Outstanding</u>	<u>Interest Payable if Held to Maturity</u>
Total governmental-type activities bond indebtedness					
Business-type activities					
Sanitary Sewage Disposal and Water	\$ 2,050,000	2.08	03/01/25	185,000	14,872
Supply System Revenue Refunding		2.08	03/01/26	190,000	11,024
Bonds, Series 2016		2.08	03/01/27	190,000	7,072
Payments due		2.08	03/01/28	150,000	3,120
Principal and interest - March 1					
Interest only - September 1				715,000	36,088
Sanitary Sewage Disposal and Water	\$ 5,011,100	3.00	03/01/25	122,000	144,266
Supply System Junior Lien Revenue		3.00	03/01/26	126,000	140,910
Bonds, Series 2012 (Taxable)		3.00	03/01/27	130,000	137,446
Payments due		3.00	03/01/28	134,000	133,870
Principal and interest - February 1		3.00	03/01/29	138,000	130,186
Interest only - August 1		3.00	03/01/30	142,000	126,390
		3.00	03/01/31	146,000	122,486
		3.00	03/01/32	150,000	118,470
		3.00	03/01/33	155,000	114,346
		3.00	03/01/34	159,000	110,082
		3.00	03/01/35	164,000	105,710
		3.00	03/01/36	169,000	101,200
		3.00	03/01/37	174,000	96,552
		3.00	03/01/38	179,000	91,768
		3.00	03/01/39	185,000	86,846
		3.00	03/01/40	190,000	81,758
		3.00	03/01/41	196,000	76,532
		3.00	03/01/42	202,000	71,142
		3.00	03/01/43	208,000	65,588
		3.00	03/01/44	214,000	59,868
		3.00	03/01/45	221,000	53,982
		3.00	03/01/46	227,000	47,906
		3.00	03/01/47	234,000	41,662
		3.00	03/01/48	241,000	35,228
		3.00	03/01/49	248,000	28,600
		3.00	03/01/50	256,000	21,780
		3.00	03/01/51	263,000	14,740
		3.00	03/01/52	273,000	7,508
				5,246,000	2,366,822
Sanitary Sewage Disposal and Water	\$ 3,497,840	1.88	04/01/24	175,000	54,082
Supply System Junior Lien Revenue		1.88	04/01/25	175,000	83,461
Bonds, Series 2022A		1.88	04/01/26	180,000	114,649
Payments due		1.88	04/01/27	185,000	107,825
Principal and interest - April 1		1.88	04/01/28	185,000	100,888
Interest only - October 1		1.88	04/01/29	190,000	93,856
		1.88	04/01/30	195,000	86,638
		1.88	04/01/31	195,000	79,325
		1.88	04/01/32	200,000	71,919
		1.88	04/01/33	205,000	64,325
		1.88	04/01/34	210,000	56,544
		1.88	04/01/35	210,000	48,669
		1.88	04/01/36	215,000	40,700
		1.88	04/01/37	220,000	32,544
		1.88	04/01/38	225,000	24,200
		1.88	04/01/39	230,000	15,669
		1.88	04/01/40	235,000	6,950
		1.88	04/01/41	67,840	1,272
				3,497,840	1,083,516

Supplementary Information
Schedule of Indebtedness
March 31, 2024

	Original Amount of Issue	Interest Rate	Date of Maturity	Amount Outstanding	Interest Payable if Held to Maturity
Sanitary Sewage Disposal and Water	\$ 50,000	1.88	04/01/24	-	458
Water/Sewer Junior Lien Revenue		1.88	04/01/25	-	469
Bond, Series 2023		1.88	04/01/26	-	469
Payments due		1.88	04/01/27	50,000	469
Principal and interest - April 1				50,000	1865
Interest only - October 1					
Total business-type activities bonded indebtedness				\$ 9,508,840	\$ 3,488,291
Governmental-type activities notes payable					
2019 Installment Purchase Contract	\$ 600,000	5.00	2025	60,888	15,479
Payments due		5.00	2026	64,004	12,363
Principal and interest - 28th of each month		5.00	2027	67,278	9,089
		5.00	2028	70,720	5,647
		5.00	2029	74,338	2,029
				337,228	44,607
2022 Installment Purchase Contract	\$ 724,894	2.64	11/2/2024	67,721	15,705
Annual Principal and interest - November 2		2.64	11/2/2025	69,522	13,904
		2.64	11/2/2026	71,351	12,075
		2.64	11/2/2027	73,235	10,191
		2.64	11/2/2028	75,165	8,261
		2.64	11/2/2029	77,155	6,271
		2.64	11/2/2030	79,190	4,236
		2.64	11/2/2031	81,280	2,146
				594,619	72,789
Total governmental-type activities notes payable				\$ 931,847	\$ 117,396
Business-type activities notes and lease payable					
Act 99 Installment Purchase Agreement -	500,000	2.87	2025	29,367	11,873
Payments due - annually		2.87	2026	30,209	11,030
		2.87	2027	31,076	10,163
		2.87	2028	31,968	9,272
		2.87	2029	32,886	8,354
		2.87	2030	33,829	7,410
		2.87	2031	34,800	6,439
		2.87	2032	35,799	5,441
		2.87	2033	36,826	4,413
		2.87	2034	37,883	3,356
		2.87	2035	38,971	2,269
		2.87	2036	40,090	1,152
				413,704	81,172
Total business-type activities notes payable				\$ 413,704	\$ 81,172

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Reports on Compliance

**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 Honorable Mayor and Members
of the City Council
City of Mackinac Island, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mackinac Island, Michigan, as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Mackinac Island, Michigan's basic financial statements, and have issued our report thereon dated September 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

Honorable Mayor and Members
of the City Council
City of Mackinac Island, Michigan

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mackinac Island's financial statements are free of 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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

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

September 5, 2024

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

To the Honorable Mayor and Members
of the City Council
City of Mackinac Island, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Mackinac Island, Michigan's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Mackinac Island, Michigan's major federal programs for the year ended March 31, 2024. City of Mackinac Island, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Mackinac Island, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 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 City of Mackinac Island, Michigan and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Mackinac Island, Michigan's compliance with the compliance requirements referred to above.

To the Honorable Mayor and Members
of the City Council

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

To the Honorable Mayor and Members
of the City Council

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.

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

September 5, 2024

Schedule of Expenditures of Federal Awards
Year Ended March 31, 2024

Federal Agency / Cluster / Program Title	COVID-19 Related	Federal Assistance Listing Number	Pass-through Grantor	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation CARES Operating Assistance- Section 5311	Y	20.509	MDOT	2022-0090 P3	\$ -	\$ 4,541
Total - U.S. Department of Transportation						4,541
U.S. DEPARTMENT OF TREASURY Coronavirus State and Local Fiscal recovery Funds (COVID)	Y	21.027	DIRECT	NA	-	5,687
SLRRF-Clean Water Centralized Wastewater Treatment Grant (ARP Funded)	Y	21.027	MEGLE	SLRRFP0127	-	13,045,874
Total - U.S. Department of Treasury					-	13,051,561
U.S. ENVIRONMENTAL PROTECTION AGENCY Clean Water State Revolving Fund Cluster Capitalization Grant for Clean Water State Revolving Fund	N	66.458	MEGLE	NA	-	490,527
Total - U.S. Environmental Protection Agency					-	490,527
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ -	\$ 13,546,629

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NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Mackinac Island, Michigan under programs of the federal government for the year ended March 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Mackinac Island, Michigan it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Mackinac Island, Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST

For purposes of charging indirect costs to federal awards, the City has elected to use the 10% de minimis cost rate as permitted by CFR Section 200.414 of the Uniform Guidance.

NOTE 4 - RECONCILIATION TO THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The following is a reconciliation of the amounts reported on the basic financial statements to the Schedule of Expenditures of Federal Awards:

Total Federal Revenue Recognized per Schedule of	
Expenditures of Federal Awards	\$ 13,546,629
Less: CWSRF Loans Disbursed by EGLE	<u>(490,527)</u>
Total Federal Sources per Financial Statements	\$ <u>13,056,102</u>
Total Federal Sources per Financial Statements of	
Primary Government	\$ <u>13,056,102</u>

Section I – Summary of Auditor’s Results**Financial Statements**

Type of auditor’s report issued:	Unmodified
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Internal control over financial reporting:	
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· Material weaknesses identified?	No
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· Significant deficiencies identified that are not considered to be material weaknesses?	No
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Noncompliance material to financial statements noted?	No
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Federal Awards

Internal control over major programs:	
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· Material weaknesses identified?	No
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· Significant deficiencies identified that are not considered to be material weaknesses?	No
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Type of auditor’s report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Title 2 (CFR) part 200, Uniform Guidance?	No
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Identification of Major Programs**Assistance Listing Numbers****Name of Federal Program or Cluster**

21.027	SLFRF-Clean Water Centralized Wastewater Treatment Grant
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Dollar threshold used to distinguish between types A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE

Section III – Federal Award Findings and Questioned Costs

NONE.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Honorable Mayor and Members
of the City Council
City of Mackinac Island, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mackinac Island, Michigan for the year ended March 31, 2024, and have issued our report thereon dated September 5, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 6, 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 of Mackinac Island are described in Note 1 to the financial statements. As described in Note 12 to the financial statements, the City of Mackinac Island changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements* in 2024. The application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of collectability of utility billing receivable is based on historic allowance. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the lease discount rate used to calculate the lease receivable and their related deferred inflows is based on the incremental borrowing rate. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- \$175,000 adjustment in the Sewer fund to reclassify debt payment.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention.

Trial Balance (Prior Year)

The Accounting Procedures Manual for Units of Local Government in Michigan requires that every fund of the local unit be included in the general ledger. Currently, there is not a general ledger to support the Cemetery Perpetual Care Fund. It is recommended that the City begin maintaining a general ledger for this fund.

Status: Uncorrected.

Long Outstanding Checks (Prior Year)

During the audit, it was noted that there are several long outstanding checks. Although the amounts are immaterial, it is recommended that the City review these items and reissue or send to escheats, as necessary.

Status: Uncorrected.

Library Bank Account (Prior Year)

The Treasurer currently has no access to one of the bank accounts listed as Book Fund. The Accounting Procedures Manual for Local Units of Government in Michigan states that the Treasurer must maintain control of all bank accounts. It is recommended that the City review this manual and ensure that it is complied with.

Status: Uncorrected.

Accrued Interest (Prior Year)

It was noted during our review of CD balances that one CD held by the City had accrued interest that was not recorded by the City as of year-end. We recommend that the City perform a review of and record interest revenue/accrual on a yearly basis at a minimum to ensure accurate cash records.

Status: Uncorrected.

Timesheets (Prior Year)

During testing of payroll, it was noted that for the firefighter's hours we were unable to obtain supporting documentation for these payroll transactions. It does not appear that there is a timekeeping system in which the employee signs off on the hours worked as well as the supervisor. It is recommended that the City review the payroll procedures in place to ensure the established procedures are followed by all departments.

Status: Uncorrected

Due to & Due From (Prior Year)

It was noted in our examination of the interfund payables that some of these accounts did not change from the prior year. As these accounts are intended to be used as interfund payables and receivables if they are expected to be paid back within one year. We recommend that these accounts be reviewed to ensure the accounts are not stale and that the outstanding balance begin to be repaid or reclassify these funds to interfund advances.

Status: Uncorrected

Transfer In & Out (Prior Year)

It was noted in our review of the interfund transfer that in one instance the City combined both the transfer in and transfer out activities in one line item of the ledger. We recommend that the city always separate transfers in and out of a fund into separate line items to ensure that they are in compliance with the state chart of accounts.

Status: Uncorrected

Department of Public Works Restricted Cash

It was noted in our review of restricted cash balances related to the water/sewer debt that the required accounts for the new bond have not been established and all bond proceeds related to the issuance of new debt for the construction project is being recorded in the DPW's savings account. It is recommended that the City review the debt documentation to determine the proper reserve balances required by the granting agency.

Status: Corrected

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our 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 fund financial statements and schedule of indebtedness, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council Members, and management of City of Mackinac Island, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

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

September 5, 2024