

DRAFT

City of Mackinac Island, Michigan

BASIC FINANCIAL STATEMENTS

March 31, 2025

CITY OF MACKINAC ISLAND, MICHIGAN

MEMBERS OF THE CITY COUNCIL

MAYOR

MARGARET DOUD

MAYOR PRO TEM

ANNEKE MYERS

COUNCILMAN

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LINDEY WHITE

MAYOR'S ASSISTANT

TRISTA FRANCE

CLERK (ELECTED)

DANIELLE LEACH

TREASURER (ELECTED)

RICHARD LINN

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	15
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes of Fiduciary Net Position	21
NOTES TO FINANCIAL STATEMENTS	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedules:	
General Fund	41
Major Street Fund	43
Local Street Fund	44
SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	47

TABLE OF CONTENTS (Continued)

	<u>Page</u>
SUPPLEMENTARY INFORMATION: (Continued)	
Combining Statement of Net Position – Department of Public Works	49
Combining Statement of Revenues, Expenses, and Changes in Net Position – Department of Public Works	50
Combining Statement of Cash Flows – Department of Public Works.....	51
Schedule of Indebtedness.....	52
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 <i>Government Auditing Standards</i>	55
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	57
Schedule of Expenditures of Federal Awards.....	60
Notes to Schedule of Expenditures of Federal Awards	61
Schedule of Findings and Questioned Costs:	
Section I – Summary of Auditor’s Results	62
Section II – Financial Statement Findings.....	63
Section III – Federal Award Findings	63
Summary Schedule of Prior Audit Findings:	
Section III – Federal Award Findings	64

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, 2025, 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, 2025, 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 15, 2025, 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 15, 2025

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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, 2025.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$69,509,000 (net position). Of this amount, approximately \$9,059,644 (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 \$32,762,932, 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 \$1,602,424 or 40.6 percent of total General Fund expenditures excluding transfers.

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.

City of Mackinac Island, Michigan

Management's Discussion and Analysis
March 31, 2025

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 \$69,509,000 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	
	2025	2024	2025	2024	2025	2024
Assets						
Current Assets	\$ 4,500,299	\$ 3,767,630	\$ 4,367,813	\$ 5,537,260	\$ 8,868,112	\$ 9,304,890
Capital Assets	18,901,055	16,623,650	52,289,617	27,752,853		44,376,503
Other Noncurrent Assets	568,446	484,041	3,851,634	3,453,058	4,420,080	3,937,099
Total Assets	23,969,800	20,875,321	60,509,064	36,743,171	84,478,864	57,618,492
Liabilities						
Current Liabilities	978,110	748,384	1,730,602	3,211,687	2,708,712	3,960,071
Noncurrent Liabilities	9,909,595	7,445,742	9,229,197	9,457,888	19,138,792	16,903,630
Total Liabilities	10,887,705	8,194,126	10,959,799	12,669,575	21,847,504	20,863,701
DEFERRED INFLOWS OF RESOURCES:						
Leases	122,360	22,338	-	-	122,360	22,338
Net Position						
Net Investment in						
Capital Assets	8,427,478	8,731,803	49,534,528	17,830,309	57,962,006	26,562,112
Restricted	455,274	469,257	2,032,079	1,733,346	2,487,353	2,202,603
Unrestricted	4,076,983	3,457,797	4,982,661	4,523,556	9,059,644	7,981,353
Total Net Position	\$ 12,959,735	\$ 12,658,857	\$ 56,549,268	\$ 24,087,211	\$ 69,509,003	\$ 36,746,068

A substantial portion of the City's net position (83.4%) 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 (3.6%) 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 \$9,059,644 (13%) 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.

Management's Discussion and Analysis
March 31, 2025

Net Position of the governmental activities had a net increase of \$300,878. Net position of the business-type activities increased by \$32,462,054 during fiscal year 2025.

The following table shows the activities of the City.

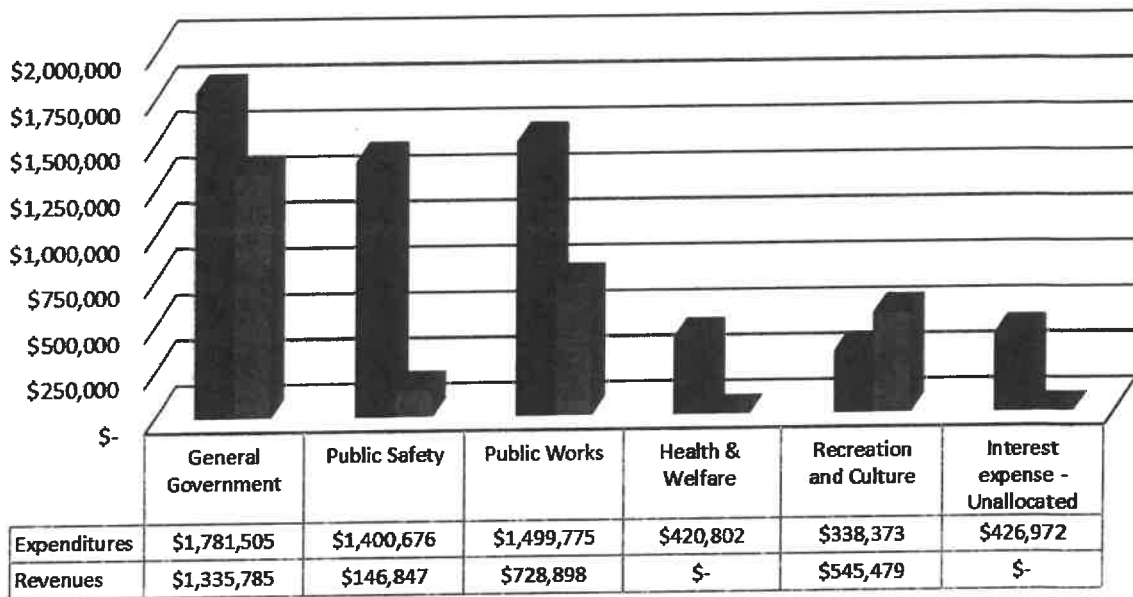
City of Mackinac Island
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for Services	\$ 1,482,890	\$ 1,475,937	\$ 4,267,883	\$ 3,969,096	\$ 5,750,773	\$ 5,445,033
Operating Grants and Contributions	942,192	677,193	31,711,618	13,145,874	32,653,810	13,823,067
Capital Grants and Contributions	331,927	1,218,078	-	-	331,927	1,218,078
General Revenues						
Property Taxes	3,054,429	2,855,354	367,444	345,814	3,421,873	3,201,168
State Revenue Sharing	62,799	63,489	-	-	62,799	63,489
Investment Earnings	126,459	191,009	166,029	104,607	292,488	295,616
Gain on Disposal of Assets	-	-	(63,976)	34,115	(63,976)	34,115
Other	168,285	384,744	16,256	16,607	184,541	401,351
Total Revenues	6,168,981	6,865,804	36,465,254	17,616,113	42,634,235	24,481,917
Expenses						
General Government	1,781,505	1,593,738	-	-	1,781,505	1,593,738
Public Safety	1,400,676	1,562,858	-	-	1,400,676	1,562,858
Public Works	1,499,775	1,400,421	-	-	1,499,775	1,400,421
Health and Welfare	420,802	362,594	-	-	420,802	362,594
Recreation and Culture	338,373	233,643	-	-	338,373	233,643
Interest Expense - Unallocated	426,972	290,369	-	-	426,972	290,369
DPW						
Water	-	-	1,118,931	1,151,274	1,118,931	1,151,274
Sewer	-	-	1,545,489	1,629,712	1,545,489	1,629,712
Landfill	-	-	1,338,780	1,303,285	1,338,780	1,303,285
Total Expenses	5,868,103	5,443,623	4,003,200	4,084,271	9,871,303	9,527,894
Changes in Net Position	300,878	1,422,181	32,462,054	13,531,842	32,762,932	14,954,023
Net Position - Beginning	12,658,857	11,236,676	24,087,211	10,555,369	36,746,068	21,792,045
Net Position - Ending	\$ 12,959,735	\$ 12,658,857	\$ 56,549,265	\$ 24,087,211	\$ 69,509,000	\$ 36,746,068

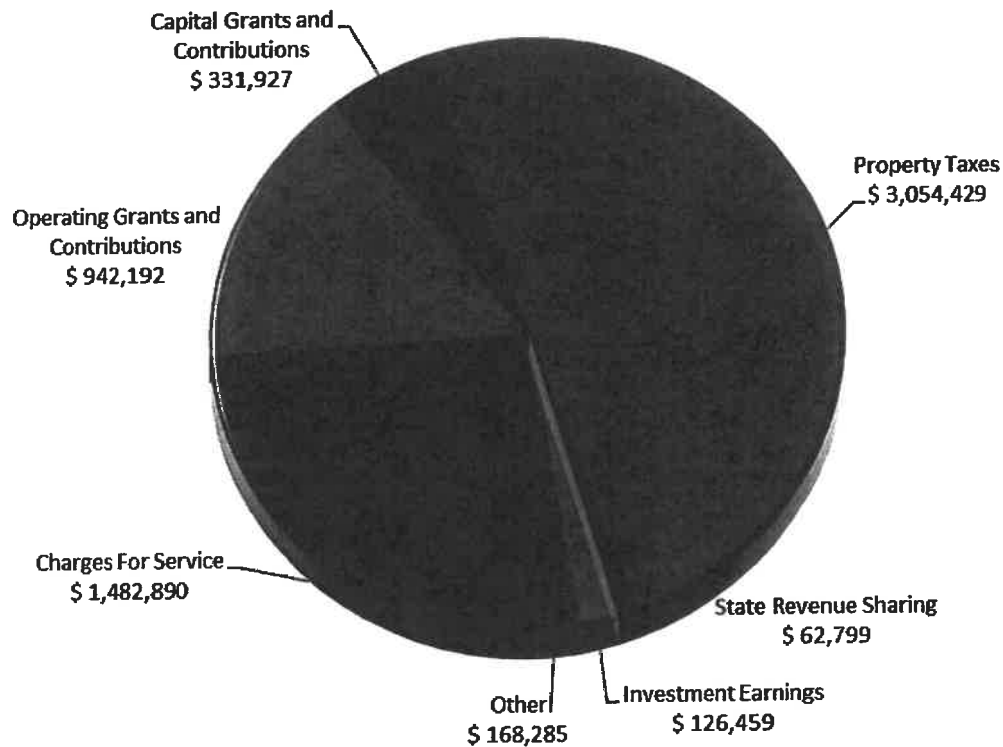
Governmental Activities. The City's total governmental revenues decreased by \$696,823, primarily due to an decrease Capital grants and contributions when compared to the previous year. Taxes increased by \$199,075 due largely to an increase in taxable value of property within the City.

Total governmental type expenses increased by \$424,480. This was primarily due to an increase in general government expenditures.

Expenses and Program Revenues - Governmental Activities

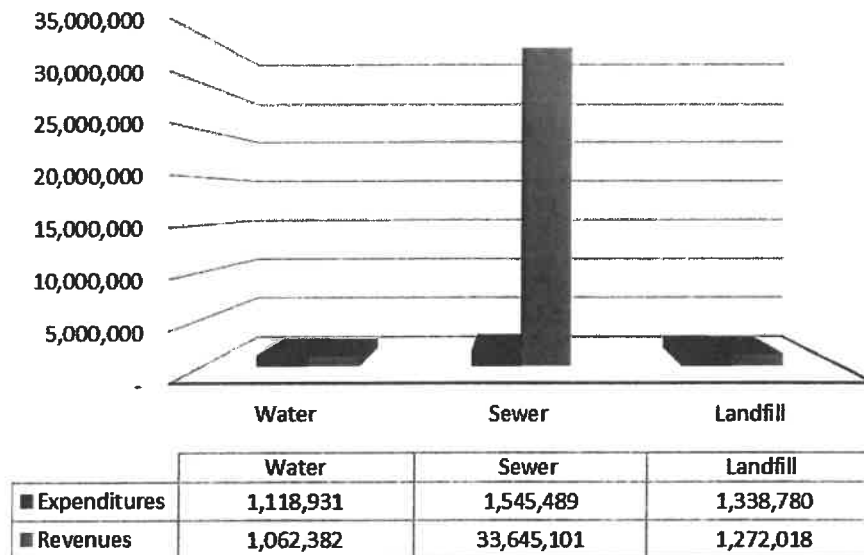


Revenues by Source - Governmental Activities



Business-type Activities. The City's total business type revenues increased by \$18,849,141, primarily due to an increase in grants revenues relating to the ongoing wastewater project. Total business type program expenses decreased by \$81,071. This is primarily due to a decrease in the administrative costs.

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 \$4,703,970, an increase of \$609,242 in comparison with the prior year. Of this amount, 34.1% (\$1,602,424) 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 \$4,982,661. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

City of Mackinac Island, Michigan

Management's Discussion and Analysis
March 31, 2025**General Fund Budgetary Highlights**

During the year, General Fund budgeted revenues exceeded actual amounts by \$5,408 and total expenditures were less than budgeted amounts by \$130,549. The end result was an increase in the fund balance of \$137,353 compared to a final amended budgeted increase of \$9,502. 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, 2025, amounted to \$78,190,672 (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 \$25,720,589 in assets in 2025. The project is financed by the American Rescue Plan-State Revolving Funds. In addition, the city received a capital contribution from the Mackinac Island Transportation Authority of \$331,927, a bond for the Forest Way Townhome phase III project which added \$2,073,202 in assets in 2025, purchased a John Deer front end loader, and various building and road improvements.

City of Mackinac Island
Capital Assets
(net of depreciation, where applicable)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 1,450,005	\$ 1,450,005	\$ -	\$ -	\$ 1,450,005	\$ 1,450,005
Construction in Progress	2,082,202	82,358	38,193,853	17,018,327	40,276,055	17,100,685
Buildings	8,926,649	8,894,064	910,576	967,035	9,837,225	9,861,099
Dock	2,891,882	2,913,503	-	-	2,891,882	2,913,503
Equipment	1,240,397	1,419,875	795,880	649,793	2,036,277	2,069,668
Infrastructure	2,309,920	1,863,845	-	-	2,309,920	1,863,845
Water and Sewer System	-	-	19,389,308	9,117,698	19,389,308	9,117,698
Total Capital Assets, Net	<u>\$ 18,901,055</u>	<u>\$ 16,623,650</u>	<u>\$ 59,289,617</u>	<u>\$ 27,752,853</u>	<u>\$ 78,190,672</u>	<u>\$ 44,376,503</u>

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	
	2025	2024	2025	2024	2025	2024
Bonds and installment loans	\$ 10,473,577	\$ 7,891,847	\$ 9,755,092	\$ 9,922,544	\$ 20,228,669	\$ 17,814,391
Compensated absences	44,544	47,504	18,415	33,095	62,959	80,599
Total long-term debt	<u>\$ 10,518,121</u>	<u>\$ 7,939,351</u>	<u>\$ 9,773,507</u>	<u>\$ 9,955,639</u>	<u>\$ 20,291,628</u>	<u>\$ 17,894,990</u>

The City's total debt (excluding vested benefits) increased by \$2,396,638 primarily due to the scheduled payments (\$232,860) and the issuance of new bonds for \$3,633,892. 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 2026 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.

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Basic Financial Statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Mackinac Island Transportation Authority 9/30/2024
ASSETS:				
Current Assets:				
Cash and Equivalents - Unrestricted	\$ 3,400,336	\$ 3,279,865	\$ 6,680,201	\$ 289,648
Cash and Equivalents - Restricted	64,101	-	64,101	-
Taxes Receivable	19,803	-	19,803	-
Accounts Receivable, net	-	70,397	70,397	-
Advance to Comp Unit	771,448	-	771,448	-
Due from Governmental Units	28,240	988,563	1,016,803	-
Prepaid Expenses	216,371	28,988	245,359	10,254
Total Current Assets	4,500,299	4,367,813	8,868,112	299,902
Noncurrent Assets				
Restricted Cash	-	3,357,782	3,357,782	-
Restricted Investments	-	493,852	493,852	-
Lease Receivable, net current portion	122,360	-	122,360	200,916
Other Assets - Restricted	446,086	-	446,086	-
Capital Assets (Not Depreciated)	3,532,207	38,193,853	41,726,060	-
Capital Assets (Net of Accumulated Depreciation)	15,368,848	21,095,764	36,464,612	1,259,984
Total Noncurrent Assets	19,469,501	63,141,251	82,610,752	1,460,900
TOTAL ASSETS	23,969,800	67,509,064	91,478,864	1,760,802
LIABILITIES:				
Current Liabilities				
Accounts Payable	178,844	1,133,143	1,311,987	331,926
Accrued Liabilities	63,571	36,355	99,926	-
Accrued Interest Payable	127,169	16,795	143,964	-
Advance from Primary Government	-	-	-	571,448
Installment Loans - Due within one year	133,526	68,092	201,618	-
Bonds Payable - Due within one year	475,000	476,215	951,215	-
Total Current Liabilities	978,110	1,730,600	2,708,710	903,374
Noncurrent Liabilities				
Lease Liability, net current portion	-	-	-	54,851
Vested Employee Benefits - Due in more than one year	44,544	18,414	62,958	-
Installment Loans - Due in more than one year	669,944	534,097	1,204,041	-
Bonds Payable - Due in more than one year	9,195,107	8,676,688	17,871,795	-
Total Noncurrent Liabilities	9,909,595	9,229,199	19,138,794	54,851
TOTAL LIABILITIES	10,887,705	10,959,799	21,847,504	958,225
DEFERRED INFLOWS OF RESOURCES:				
Leases	122,360	-	122,360	183,921
NET POSITION:				
Net Investment in Capital Assets	8,427,478	49,534,525	57,962,003	1,205,133
Restricted for:				
Perpetual Care - Nonspendable	446,086	-	446,086	-
Employee Health Care	5,444	-	5,444	-
Capital Improvements	-	1,246,268	1,246,268	-
Debt Service	-	785,811	785,811	-
Cemetery Care	3,744	-	3,744	-
Unrestricted	4,076,983	4,982,661	9,059,644	(586,477)
TOTAL NET POSITION	\$ 12,959,735	\$ 56,549,265	\$ 69,509,000	\$ 618,656

Statement of Activities
For the Year Ended March 31, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					Component Unit 9/30/2024
	Program Revenues			Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
General Government	1,781,505	-	-	(445,720)	-	(445,720)
Public Safety	1,400,676	22,541	-	(1,253,829)	-	(1,253,829)
Public Works	1,499,775	383,796	331,927	(770,877)	-	(770,877)
Health & Welfare	420,802	-	-	(420,802)	-	(420,802)
Recreation and Culture	338,373	9,624	535,855	207,106	-	207,106
Interest expense - Unallocated	426,972	-	-	(426,972)	-	(426,972)
Total Governmental Activities	5,868,103	942,192	331,927	(3,111,094)	-	(3,111,094)
Business-type Activities:						
Water	1,118,931	-	-	-	(56,549)	(56,549)
Sewer	1,545,489	31,711,618	-	-	32,099,612	32,099,612
Landfill	1,338,780	-	-	-	(66,762)	(66,762)
Total Business-type Activities	4,003,200	31,711,618	-	-	31,976,301	31,976,301
Total Primary Government	\$ 9,871,303	\$ 32,653,810	\$ 331,927	(3,111,094)	31,976,301	28,865,207
Component Unit:						
Mackinac Island Transportation Authority	\$ 478,711	\$ 16,625	\$ -			(341,862)
General Revenues and Transfers:						
Property Taxes				3,054,429	367,444	3,421,873
State Revenue Sharing				62,799	-	62,799
Investment Earnings				126,459	166,029	292,488
Gain on Disposal of Assets				-	(63,976)	(63,976)
Other				168,285	16,256	184,541
Total General Revenues and Transfers				3,411,972	485,753	3,897,725
Change in Net Position				300,878	32,462,054	32,762,932
Net Position - Beginning				12,658,857	24,087,211	36,746,068
Net Position - Ending				\$ 12,959,735	\$ 56,549,265	\$ 69,509,000
						\$ 618,656

Balance Sheet
Governmental Funds
March 31, 2025

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 1,025,347	\$ -	\$ -	\$ 2,374,989	\$ 3,400,336
Cash and Equivalents - Restricted	5,444	-	-	58,657	64,101
Lease Receivable	122,360	-	-	-	122,360
Taxes Receivable	19,129	-	-	674	19,803
Due from Component Unit	771,448	-	-	-	771,448
Due from Other Funds	18,563	-	-	13,870	32,433
Due from Governmental Units	10,351	11,886	6,003	-	28,240
Prepaid Expenses	39,923	-	-	176,448	216,371
Other Assets - Restricted Investment	-	-	-	446,086	446,086
TOTAL ASSETS	<u>\$ 2,012,565</u>	<u>\$ 11,886</u>	<u>\$ 6,003</u>	<u>\$ 3,070,724</u>	<u>\$ 5,101,178</u>
LIABILITIES:					
Due to Other Funds	\$ 13,870	\$ 11,886	\$ 6,003	\$ 674	\$ 32,433
Accounts Payable	177,282	-	-	1,562	178,844
Accrued Liabilities	51,262	-	-	12,309	63,571
TOTAL LIABILITIES	<u>242,414</u>	<u>11,886</u>	<u>6,003</u>	<u>14,545</u>	<u>274,848</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Leases	122,360	-	-	-	122,360
FUND BALANCES:					
Nonspendable	39,923	-	-	622,534	662,457
Restricted	5,444	-	-	1,180,849	1,186,293
Committed	-	-	-	1,031,027	1,031,027
Assigned	-	-	-	221,769	221,769
Unassigned	1,602,424	-	-	-	1,602,424
TOTAL FUND BALANCES	<u>1,647,791</u>	<u>-</u>	<u>-</u>	<u>3,056,179</u>	<u>4,703,970</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,012,565</u>	<u>\$ 11,886</u>	<u>\$ 6,003</u>	<u>\$ 3,070,724</u>	
Reconciliation to amounts reported for governmental activities in the statement of net position:					
Capital assets used by governmental activities					18,901,055
Long-term installment and bonds payable for governmental activities					(10,473,577)
Vested employee benefits					(44,544)
Accrued interest payable					(127,169)
Net position of governmental activities					<u>\$ 12,959,735</u>

City of Mackinac Island, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended March 31, 2025

	General	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES:					
Taxes	\$ 2,069,413	\$ -	\$ -	\$ 985,016	\$ 3,054,429
Licenses and Permits	1,250,490	-	-	122,386	1,372,876
Federal Sources	-	-	-	-	-
State Sources	140,284	249,543	35,208	774	425,809
State Revenue Marine Assistance Grant	16,820	-	-	-	16,820
Local Sources	110,636	-	-	64,432	175,068
Charges for Services	90,103	-	-	17,991	108,094
Fines & Forfeitures	1,920	-	-	-	1,920
Interest and Rentals	166,864	-	-	127,880	294,744
Other Revenue	385,734	-	-	1,560	387,294
TOTAL REVENUES	4,232,264	249,543	35,208	1,320,039	5,837,054
EXPENDITURES:					
General Government	1,590,455	-	-	-	1,590,455
Public Safety	1,026,584	-	-	218,108	1,244,692
Public Works	428,052	348,247	197,015	79,722	1,053,036
Health & Welfare	386,723	-	-	-	386,723
Recreation and Cultural	122,687	-	-	108,597	231,284
Capital Outlay	390,577	220,500	210,000	2,062,302	2,883,379
Debt Service	-	-	-	913,350	913,350
TOTAL EXPENDITURES	3,945,078	568,747	407,015	3,382,079	8,302,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	287,186	(319,204)	(371,807)	(2,062,040)	(2,465,865)
OTHER FINANCING SOURCES (USES):					
Bond Proceeds	-	-	-	3,100,000	3,100,000
Discount on Bond Proceeds	-	-	-	(24,893)	(24,893)
Transfers In	706,682	319,204	371,807	165,504	1,563,197
Transfers Out	(856,515)	-	-	(706,682)	(1,563,197)
TOTAL OTHER FINANCING SOURCES (USES)	(149,833)	319,204	371,807	2,533,929	3,075,107
NET CHANGE IN FUND BALANCES	137,353	-	-	471,889	609,242
FUND BALANCE BEGINNING OF YEAR	1,510,438	-	-	2,584,290	4,094,728
FUND BALANCE AT END OF YEAR	\$ 1,647,791	\$ -	\$ -	\$ 3,056,179	\$ 4,703,970

**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, 2025**

Net changes in fund balances - total governmental funds \$ 609,242

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.

Capital outlay	2,883,379	
Capital contributions	331,927	
Less current year depreciation and amortization	<u>(937,901)</u>	
		2,277,405

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.

Bond Proceeds	(3,100,000)	
Discount on Bond Proceeds	24,893	
Principal payments	<u>493,377</u>	
		(2,581,730)

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	(6,999)	
Compensated absences	<u>2,960</u>	

Changes in net position of governmental activities	<u>\$ 300,878</u>
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Statement of Net Position
Proprietary Fund
March 31, 2025

	<u>Department of Public Works</u>
ASSETS:	
Current Assets:	
Cash and Equivalents - Unrestricted	\$ 3,279,865
Accounts Receivable, net	70,397
Due from Governmental Units	988,563
Prepaid Expenses	<u>28,988</u>
Total Current Assets	<u>4,367,813</u>
Noncurrent Assets:	
Restricted Cash	3,357,782
Restricted Investments	493,852
Capital Assets (Not Depreciated)	38,193,853
Capital Assets (Net of Accumulated Depreciation)	<u>21,095,764</u>
Total Noncurrent Assets	<u>63,141,251</u>
TOTAL ASSETS	<u>67,509,064</u>
LIABILITIES:	
Current Liability:	
Accounts Payable	1,133,143
Accrued Liabilities	36,355
Accrued Interest Payable	16,795
Bonds Payable - due within one year	476,215
Notes Payable - due within one year	<u>68,092</u>
Total Current Liabilities	<u>1,730,600</u>
Noncurrent Liabilities:	
Vested Employee Benefits - Due in more than one year	18,414
Bonds Payable - due after one year	8,676,688
Notes Payable - due after one year	<u>534,097</u>
Total Noncurrent Liabilities	<u>9,229,199</u>
TOTAL LIABILITIES	<u>10,959,799</u>
NET POSITION:	
Net Investment in Capital Assets	49,534,525
Restricted:	
Capital Improvements	1,246,268
Debt Service	785,811
Unrestricted	<u>4,982,661</u>
TOTAL NET POSITION	<u>\$ 56,549,265</u>

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended March 31, 2025**

	Department of Public Works
OPERATING REVENUES:	
Charges for Services	\$ 1,355,200
Charges for Service pledged as Security for Revenue Bonds	<u>2,654,154</u>
Total Operating Revenues	<u>4,009,354</u>
OPERATING EXPENSES:	
Cost of Sales and Services	2,566,882
Administration	356,592
Depreciation	<u>844,924</u>
Total Operating Expenses	<u>3,768,398</u>
OPERATING INCOME (LOSS)	<u>240,956</u>
NON-OPERATING REVENUES (EXPENSES):	
Property Taxes	367,444
Impact Fees	258,529
Local Sources	-
Federal Sources	31,711,618
Interest & Rental Revenues	166,029
Gain on Sale of Asset	(63,976)
Other Revenues	16,256
Interest Expense	<u>(234,802)</u>
Total Non-operating Revenues (Expenses)	<u>32,221,098</u>
CHANGE IN NET POSITION	32,462,054
NET POSITION, April 1	<u>24,087,211</u>
NET POSITION, March 31	<u><u>\$ 56,549,265</u></u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2025

	Department of Public Works
Cash Flows From Operating Activities:	
Cash Received from Customers or Users	\$ 5,557,030
Cash Payments to Employees	(853,443)
Cash Payments for Operating and Administrative Expenses	(3,428,220)
Net Cash Provided by Operating Activities	1,275,367
Cash Flows from Non-Capital Financing Activities:	
Cash Collected from Property Taxes	367,444
Impact Fees	258,529
Federal Grant	31,711,618
Other Receipts	16,256
Net Cash Provided by Non-Capital Financing Activities	32,353,847
Cash Flows From Capital and Related Financing Activities:	
Purchase of Capital Assets	(32,445,664)
Note Proceeds	257,722
Proceeds from Bond	301,063
Principal paid on Notes	(69,238)
Principal paid on Bonds	(656,999)
Interest Payments	(234,802)
Net Cash Used by Capital and Related Financing Activities	(32,847,918)
Cash Flows From Investing Activities:	
Interest Income	134,333
Rental Income	31,696
(Purchase), Sale, or Reclass of Investments	(23,922)
Net Cash Provided by Investing Activities	142,107
Net Increase in Cash and Equivalents	923,403
Cash and Equivalents, Including Restricted at Beginning of Year	5,714,244
Cash and Equivalents, Including Restricted at End of Year	6,637,647
Restricted Cash, End of Year	3,357,782
Cash and Equivalents, End of Year	\$ 3,279,865
RECONCILIATION OF OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 240,956
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation Expense	844,924
Changes in operating assets and liabilities which provided (used) cash	
Accounts Receivable	24,874
Taxes Receivable	6,617
Due from Other Governments	1,516,185
Prepays	170,520
Accounts Payable	(1,501,003)
Accrued Liabilities	2,590
Accrued Interest	(15,615)
Compensated Absence Payable	(14,681)
Net Cash Provided by Operating Activities	\$ 1,275,367

Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2025

	Custodial Funds
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 1,903,296
LIABILITIES:	
Due to Others	\$ 1,903,296
NET POSITION	
Unrestricted	\$ -

Statement of Changes of Fiduciary Net Position
Fiduciary Funds
March 31, 2025

	Custodial Funds
ADDITIONS:	
Taxes Collected for Other Governments	\$ 10,776,022
Miscellaneous	233
TOTAL ADDITIONS	10,776,255
DEDUCTIONS:	
Payment of Taxes to Other Governments	10,776,255
TOTAL DEDUCTIONS	10,776,255
Change in Net Position	-
Net Position, Beginning of Year	-
Net Position, End of Year	\$ -

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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, 2024, 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 \$446,086 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 \$662,457 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 \$1,186,293 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 \$1,031,027 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 \$221,769.
- 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, 2025:

	<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	\$ 3,400,336	\$ 3,279,865	\$ 6,680,201	\$ 1,903,296	\$ 289,648
Cash and Equivalents - Restricted	64,101	3,357,782	3,421,883	-	-
Restricted Investments	-	493,852	493,852	-	-
Other Assets - Restricted	<u>446,086</u>	<u>-</u>	<u>446,086</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,910,523</u>	<u>\$ 7,131,499</u>	<u>\$ 11,042,022</u>	<u>\$ 1,903,296</u>	<u>\$ 289,648</u>

Deposits and investments (Primary Government)

Bank deposits:	
Checking, savings and certificate of deposit accounts (3 months or less)	\$ 10,283,687
Checking, savings and certificate of deposit accounts (> 3 months)	312,024
Investments held at Mackinac Island Community Foundation	446,086
Cash on hand	<u>225</u>
903,296	
Total	<u>\$ 11,042,022</u>

Deposits and investments (Fiduciary Funds)

Bank deposits:	
Checking, savings and certificate of deposit accounts (1yr or less)	<u>\$ 1,903,296</u>

Deposits and investments (Component Unit)

Bank deposits:	
Checking, savings and certificate of deposit accounts (1yr or less)	<u>\$ 289,648</u>

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 \$13,627,128 of the City's bank balance of approximately \$14,388,948 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.

City of Mackinac Island, Michigan

Notes to Financial Statements
March 31, 2025

NOTE 4 - RECEIVABLES

Receivables are comprised of the following at year-end:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Receivable	\$ -	\$ 70,397
Taxes Receivable	19,803	-
Due from other governments	<u>28,240</u>	<u>988,563</u>
Total receivable	48,043	1,058,960
Less: allowance for doubtful accounts	<u>-</u>	<u>30,000</u>
	<u><u>\$ 48,043</u></u>	<u><u>\$ 1,028,960</u></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	\$ 178,844	\$ 1,133,143
Accrued liabilities	<u>63,571</u>	<u>36,355</u>
	<u><u>\$ 242,415</u></u>	<u><u>\$ 1,169,498</u></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	<u>8,563</u>	<u>104,108</u>
	<u><u>\$ 129,687</u></u>	<u><u>\$ 129,687</u></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	\$ 706,682	\$ 856,515
Major Streets Fund	319,204	-
Local Streets Fund	371,807	-
Nonmajor Governmental Funds	165,504	706,682
	<u>\$ 1,563,197</u>	<u>\$ 1,563,197</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, 2025, advances to the Component Unit totaled \$771,448.

NOTE 7 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended March 31, 2025, 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	82,358	2,073,502	(73,658)	-	2,082,202
	<u>1,532,363</u>	<u>2,073,502</u>	<u>(73,658)</u>	<u>-</u>	<u>3,532,207</u>
<i>Capital assets, being depreciated:</i>					
Buildings	13,368,246	285,500	73,658	-	13,727,404
Dock	3,517,737	331,927	-	-	3,849,664
Equipment	3,329,357	-	-	-	3,329,357
Infrastructure	3,009,597	524,377	-	-	3,533,974
Book collection	43,066	-	-	-	43,066
	<u>23,268,003</u>	<u>1,141,804</u>	<u>73,658</u>	<u>-</u>	<u>24,483,465</u>
<i>Less accumulated depreciation for:</i>					
Buildings	(4,474,182)	(326,573)	-	-	(4,800,755)
Dock	(604,234)	(353,548)	-	-	(957,782)
Equipment	(1,909,482)	(179,478)	-	-	(2,088,960)
Infrastructure	(1,145,752)	(78,302)	-	-	(1,224,054)
Book collection	(43,066)	-	-	-	(43,066)
	<u>(8,176,716)</u>	<u>(937,901)</u>	<u>-</u>	<u>-</u>	<u>(9,114,617)</u>
Total capital assets being depreciated, net	<u>15,091,287</u>	<u>203,903</u>	<u>73,658</u>	<u>-</u>	<u>15,368,848</u>
Capital assets, net	<u>\$ 16,623,650</u>	<u>\$ 2,277,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,901,055</u>

City of Mackinac Island, Michigan

Notes to Financial Statements
March 31, 2025

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	\$ 193,434
Public safety	155,965
Public works	447,359
Recreation and culture	107,064
Health and welfare	34,079
Total	<u>\$ 937,901</u>

Business-type activities capital assets, are as follows for the year ended March 31, 2025

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals & Adjustments</u>	<u>Ending Balance</u>
Business-type Activities					
<i>Capital assets, not being depreciated:</i>					
Construction in progress	<u>17,018,327</u>	<u>25,739,387</u>	<u>(4,563,861)</u>	<u>-</u>	<u>38,193,853</u>
<i>Capital assets, being depreciated:</i>					
Buildings	<u>2,114,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,114,282</u>
Water and Sewer System	<u>27,508,140</u>	<u>6,396,684</u>	<u>4,563,861</u>	<u>(722,656)</u>	<u>37,746,029</u>
Machinery and Equipment	<u>4,011,664</u>	<u>309,593</u>	<u>-</u>	<u>(543,873)</u>	<u>3,777,384</u>
Subtotals	<u>33,634,086</u>	<u>6,706,277</u>	<u>4,563,861</u>	<u>(1,266,529)</u>	<u>43,637,695</u>
<i>Less accumulated depreciation for:</i>					
Buildings	<u>(1,147,247)</u>	<u>(56,459)</u>	<u>-</u>	<u>-</u>	<u>(1,203,706)</u>
Water and Sewer System	<u>(18,390,442)</u>	<u>(661,931)</u>	<u>-</u>	<u>695,652</u>	<u>(18,356,721)</u>
Machinery and Equipment	<u>(3,361,871)</u>	<u>(126,534)</u>	<u>-</u>	<u>506,901</u>	<u>(2,981,504)</u>
Subtotals	<u>(22,899,560)</u>	<u>(844,924)</u>	<u>-</u>	<u>1,202,553</u>	<u>(22,541,931)</u>
Total capital assets being depreciated, net	<u>10,734,526</u>	<u>5,861,353</u>	<u>4,563,861</u>	<u>(63,976)</u>	<u>21,095,764</u>
Capital assets, net	<u>\$ 27,752,853</u>	<u>\$ 31,600,740</u>	<u>\$ -</u>	<u>\$ (63,976)</u>	<u>\$ 59,289,617</u>

Depreciation of business-type activities by function	
Water	\$ 297,692
Sewer	448,885
Landfill	98,347
Total	<u>\$ 844,924</u>

NOTE 7 - CAPITAL ASSETS (Continued)

Business-type activities capital assets, net, by activity are as follows for the year ended March 31, 2025

	Water	Sewer	Landfill	Total DPW
<i>Capital assets, not being depreciated:</i>				
Construction in progress	\$ 234,881	\$ 37,958,972	\$ -	\$ 38,193,853
<i>Capital assets, being depreciated:</i>				
Buildings	332,182	335,332	1,446,768	2,114,282
Water and sewer system	10,797,566	26,948,463	-	37,746,029
Machinery and equipment	311,456	1,095,445	2,370,483	3,777,384
	<u>11,441,204</u>	<u>28,379,240</u>	<u>3,817,251</u>	<u>43,637,695</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(49,867)	(53,017)	(1,100,822)	(1,203,706)
Water and sewer system	(8,784,427)	(9,572,294)	-	(18,356,721)
Machinery and equipment	(230,626)	(832,137)	(1,918,741)	(2,981,504)
	<u>(9,064,920)</u>	<u>(10,457,448)</u>	<u>(3,019,563)</u>	<u>(22,541,931)</u>
Total capital assets being depreciated, net	<u>2,376,284</u>	<u>17,921,792</u>	<u>797,688</u>	<u>21,095,764</u>
Capital assets, net	<u>\$ 2,611,165</u>	<u>\$ 55,880,764</u>	<u>\$ 797,688</u>	<u>\$ 59,289,617</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	1,517,737	331,927	-	-	1,849,664
	<u>1,844,631</u>	<u>331,927</u>	<u>-</u>	<u>-</u>	<u>2,176,558</u>
<i>Less accumulated depreciation for:</i>					
Right-to-Use-Asset	(204,309)	(54,483)	-	-	(258,792)
Leasehold Improvements	(354,234)	(303,547)	-	-	(657,781)
	<u>(558,543)</u>	<u>(358,030)</u>	<u>-</u>	<u>-</u>	<u>(916,573)</u>
Total capital assets being depreciated, net	<u>\$ 1,286,088</u>	<u>\$ (26,103)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,259,985</u>

A depreciation expense of \$358,030 was charged to the operating expenses of the transportation authority.

City of Mackinac Island, Michigan

Notes to Financial Statements
March 31, 2025**NOTE 8 - LONG-TERM DEBT**

Long-term debt activity for the year ended March 31, 2025, was as follows:

due April 2039.*	\$ 2,950,000	\$ -	\$ (85,000)	\$ 2,865,000	\$ 90,000
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	1,605,000	-	(125,000)	1,480,000	130,000
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	2,405,000	-	(155,000)	2,250,000	160,000
4.0% Capital Improvement Bond, Series 2024, due in installments ranging from \$95,000 to \$235,000, Interest due in semiannual installments final payment due May 2051	-	3,100,000	-	3,100,000	95,000
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.	337,229	-	(60,656)	276,573	64,004
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.	594,618	-	(67,721)	526,897	69,522
Discount on Bond	-	(24,893)	-	(24,893)	-
Accrued compensated absences	47,504	44	(3,004)	44,544	-
Total governmental activities	<u>\$ 7,939,351</u>	<u>\$ 3,075,151</u>	<u>\$ (496,381)</u>	<u>\$ 10,518,121</u>	<u>\$ 608,526</u>

NOTE 8 - LONG-TERM DEBT (Continued)

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.	\$ 5,246,000	\$ -	\$ (122,000)	\$ 5,124,000	\$ 126,000
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.	715,000	-	(185,000)	530,000	190,000
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.	3,497,840	301,063	(350,000)	3,448,903	160,215
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	-
5.85% Installment Purchase Agreement due in monthly principal and interest installments of \$4,135 through March 2028 with a balloon payment of \$101,369 due April 2028.	-	257,722	-	257,722	37,883
2.87% Act 99 Installment Purchase Agreement due in annual principal and interest installments of \$41,240 through November 2035.	413,704	-	(29,366)	384,338	30,209
Accrued Compensated Absences	33,095	-	(14,679)	18,416	-
Total business-type activities	\$ 9,955,639	\$ 558,785	\$ (701,045)	\$ 9,813,379	\$ 544,307

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
2026	607,281	408,956	544,308	239,839
2027	632,384	386,300	556,451	226,276
2028	652,710	362,730	671,991	226,445
2029	678,490	338,171	341,101	194,007
2030	637,155	314,202	351,044	186,076
2031-2035	3,624,244	1,175,265	1,879,355	804,175
2036-2040	2,578,777	528,089	1,963,164	580,336
2041-2045	1,062,536	134,448	1,706,678	352,113
2046-2050	-	-	1,206,000	175,176
2051-2053	-	-	536,000	22,248
Total	\$ 10,473,577	\$ 3,648,161	\$ 9,756,092	\$ 3,006,691

Total interest expense for governmental activities for the year was \$352,404.

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

Water	\$ 5,753
Sewer	210,784
Landfill	18,265
Total interest expense	\$ 234,802

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 \$1,246,268, and \$987,739 for March 31, 2025 and 2024 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, 2025:

	<u>Beginning Balance</u>	<u>Deposits</u>	<u>Interest Earned</u>	<u>Ending Balance</u>	<u>Cumulative Required Balance</u>	<u>Overage (Shortage)</u>
Bond Reserve	\$ 284,081	\$ -	\$ 3,142	\$ 287,223	\$ 280,000	\$ 7,223
Repair, replacement and improvement fund	<u>344,138</u>	<u>59,667</u>	<u>3,554</u>	<u>407,359</u>	<u>403,805</u>	<u>3,554</u>
Total reserves	<u>\$ 628,219</u>	<u>\$ 59,667</u>	<u>\$ 6,696</u>	<u>\$ 694,582</u>	<u>\$ 683,805</u>	<u>\$ 10,777</u>

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:

	<u>Beginning Balance</u>	<u>Deposits</u>	<u>Interest Earned</u>	<u>Ending Balance</u>	<u>Cumulative Required Balance</u>	<u>Overage (Shortage)</u>
Bond interest and redemption	\$ 71,927	\$ -	\$ -	\$ 71,927	\$ 49,968	\$ 21,959
Bond reserve	<u>183,447</u>	<u>-</u>	<u>2,356</u>	<u>185,803</u>	<u>53,000</u>	<u>132,803</u>
Total reserves	<u>\$ 255,374</u>	<u>\$ -</u>	<u>\$ 2,356</u>	<u>\$ 257,730</u>	<u>\$ 102,968</u>	<u>\$ 154,762</u>

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

	<u>2012 Bond</u>	<u>2016 Bond</u>	<u>Total 2025</u>
Water	\$ -	\$ 13,261	\$ 13,261
Sewer	<u>683,805</u>	<u>88,745</u>	<u>772,550</u>
	<u>\$ 683,805</u>	<u>\$ 102,006</u>	<u>\$ 785,811</u>

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 March of 2025, the City renewed two leases with the Mackinac Island Carriage Tours with lease terms ending March 31, 2030. 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 \$12,693 and \$14,715 with a 3% increase each year per lease respectively. 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 7.50%. The initial lease receivable and deferred inflow of resources related to leases was calculated at \$122,360 as of April 1, 2025. In Fiscal Year 2025, the City recognized \$23,813 of lease revenue and \$833 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, 2025, are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2026	\$ 19,309	\$ 8,098	\$ 27,407
2027	21,673	6,557	28,230
2028	24,245	4,832	29,077
2029	27,044	2,905	29,949
2030	30,089	759	30,848
	<u>\$ 122,360</u>	<u>\$ 23,151</u>	<u>\$ 145,511</u>

NOTE 10 - LEASES (Continued)

Deferred Inflows of Resources-The deferred inflow of resources on lease activity for fiscal year 2025 is as follows:

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

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of March 31, 2025, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Capital assets:			
Capital assets being depreciated, net	\$ 15,368,848	\$ 21,095,764	\$ 1,259,984
Capital assets not being depreciated	3,532,207	38,193,853	-
	<u>18,901,055</u>	<u>59,289,617</u>	<u>1,259,984</u>
Related debt:			
Current bonds and notes payable	475,000	476,215	-
long-term bonds and notes payable	<u>9,195,107</u>	<u>8,676,688</u>	<u>-</u>
	<u>9,670,107</u>	<u>9,152,903</u>	<u>-</u>
Net investment in capital assets	<u>\$ 9,230,948</u>	<u>\$ 50,136,714</u>	<u>\$ 1,259,984</u>

The composition of net investment in capital assets by activity for the business-type activities, as of March 31, 2025, was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Landfill</u>	<u>Total</u>
Capital assets:				
Capital assets being depreciated, net	\$ 2,376,284	\$ 17,921,792	\$ 797,688	\$ 21,095,764
Capital assets not being depreciated	234,881	37,958,972	-	38,193,853
Total Capital assets	<u>2,611,165</u>	<u>55,880,764</u>	<u>797,688</u>	<u>59,289,617</u>
Less related debt:				
Bonds payable	68,900	9,084,003	-	9,152,903
Notes payable	<u>128,112</u>	<u>128,112</u>	<u>345,965</u>	<u>602,189</u>
Total related debt	<u>197,012</u>	<u>9,212,115</u>	<u>345,965</u>	<u>9,755,092</u>
Net investment in capital assets	<u>\$ 2,414,153</u>	<u>\$ 46,668,649</u>	<u>\$ 451,723</u>	<u>\$ 49,534,525</u>

NOTE 12 - IMPLEMENTATION OF GASB STATEMENT NO. 100, ACCOUNTING CHANGES AND ERROR CORRECTIONS

In June of 2022, GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

The City implemented GASB Statement No. 100, Accounting Change and Error Corrections for the period ending March 31, 2025. The effects of the implementation were limited to presentation of the footnote disclosures.

NOTE 13 - IMPLEMENTATION OF GASB STATEMENT NO.101, COMPENSATED ABSENCES

In June of 2022, the GASB Statement No. 101, Compensated Absences, was issued. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The City implemented GASB Statement No. 101, Compensated Absences, for the period ending March 31, 2025. The effects of the implementation were limited to presentation of the footnote disclosures.

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Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 2,083,348	\$ 2,067,832	\$ 2,069,413	\$ 1,581
Licenses and Permits	1,077,310	1,248,210	1,250,490	2,280
State Sources	133,500	161,749	140,284	(21,465)
State Revenue Marine Assistance	200,000	-	16,820	16,820
Local Sources	105,246	104,046	110,636	6,590
Charges for Services	84,600	99,300	90,103	(9,197)
Fines & Forfeitures	2,800	2,000	1,920	(80)
Interest and Rentals	187,047	184,047	166,864	(17,183)
Other Revenue	314,572	359,672	385,734	26,062
TOTAL REVENUES	4,188,423	4,226,856	4,232,264	5,408
EXPENDITURES:				
General Government:				
City Council	301,203	215,056	197,523	17,533
Mayor's Assistant	65,208	62,908	64,739	(1,831)
Elections	14,576	8,916	8,534	382
Professional Service Accounting	54,500	70,500	59,570	10,930
Professional Service Legal	275,000	458,000	384,947	73,053
City Assessor	87,406	58,730	58,738	(8)
City Clerk	68,712	68,312	70,277	(1,965)
City Treasurer	60,423	59,973	60,600	(627)
Board of Review	400	1,100	-	1,100
Insurance	341,724	350,324	343,440	6,884
City Hall & Other Property	382,376	338,226	342,087	(3,861)
Total General Government	1,651,528	1,692,045	1,590,455	101,590
Public Safety:				
Police Department	847,905	834,355	791,755	42,600
Fire Department	178,147	213,847	181,224	32,623
Marine Rescue	48,500	54,350	53,605	745
Total Public Safety	1,074,552	1,102,552	1,026,584	75,968

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Health & Welfare:				
Ambulance	278,880	297,880	356,723	(58,843)
Medical Center	30,000	30,000	30,000	-
Total Health & Welfare	308,880	327,880	386,723	(58,843)
Public Works:				
Marine Assistance Grant				-
General Public Works	472,469	432,569	428,052	4,517
Total Public Works	472,469	432,569	428,052	4,517
Recreation and Cultural:				
Park & Recreation	125,110	110,120	109,936	184
Stuart House	16,488	12,898	12,751	147
Total Recreation and Cultural	141,598	123,018	122,687	331
Capital Outlay	110,413	397,563	390,577	6,986
TOTAL EXPENDITURES	3,759,440	4,075,627	3,945,078	130,549
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	428,983	151,229	287,186	135,957
OTHER FINANCING SOURCES (USES):				
Transfers In	-	706,000	706,682	(682)
Transfers Out	(443,747)	(847,727)	(856,515)	8,788
TOTAL OTHER FINANCING SOURCES (USES)	(443,747)	(141,727)	(149,833)	8,106
NET CHANGE IN FUND BALANCES	<u>\$ (14,764)</u>	<u>\$ 9,502</u>	137,353	<u>\$ 144,063</u>
FUND BALANCE BEGINNING OF YEAR			1,510,438	
FUND BALANCE AT END OF YEAR			<u>\$ 1,647,791</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Streets
For the Year Ended March 31, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
State Sources	\$ 255,000	\$ 252,000	\$ 249,543	\$ (2,457)
TOTAL REVENUES	<u>255,000</u>	<u>252,000</u>	<u>249,543</u>	<u>(2,457)</u>
EXPENDITURES:				
Public Works	346,100	346,800	348,247	(1,447)
Capital Outlay	-	220,500	220,500	-
TOTAL EXPENDITURES	<u>346,100</u>	<u>567,300</u>	<u>568,747</u>	<u>(1,447)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(91,100)</u>	<u>(315,300)</u>	<u>(319,204)</u>	<u>(3,904)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	91,100	315,300	319,204	3,904
TOTAL OTHER FINANCING SOURCES (USES)	<u>91,100</u>	<u>315,300</u>	<u>319,204</u>	<u>3,904</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, 2025**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES:				
State Sources	\$ 33,000	\$ 36,300	\$ 35,208	\$ (1,092)
TOTAL REVENUES	33,000	36,300	35,208	(1,092)
EXPENDITURES:				
Public Works	197,100	197,250	197,015	235
Capital Outlay	-	210,000	210,000	-
TOTAL EXPENDITURES	197,100	407,250	407,015	235
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(164,100)	(370,950)	(371,807)	(857)
OTHER FINANCING SOURCES (USES):				
Transfers In	164,100	370,950	371,807	857
TOTAL OTHER FINANCIAL SOURCES (USES)	164,100	370,950	371,807	857
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, 2025

	Special Revenue Funds				Debt Services Funds			
	Cemetery	Library	Engineering	Utility Escrow	Fire Truck	Forest Way Townhomes	Coal Dock	
ASSETS:								
Cash and Equivalents - Unrestricted	\$ -	\$ 155,037	\$ -	\$ 11,820	\$ -	\$ -	\$ 80,421	
Cash and Equivalents - Restricted	-	-	-	-	-	54,913	-	
Accounts Receivable	-	-	-	-	-	-	-	
Taxes Receivable	-	-	-	-	674	-	-	
Due from Other Funds	-	4,258	9,612	-	-	-	-	
Prepaid Expenses	-	-	-	-	-	19,980	156,468	
Other Assets - Restricted Investment	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ -	\$ 159,295	\$ 9,612	\$ 11,820	\$ 674	\$ 74,893	\$ 236,889	
LIABILITIES:								
Accounts Payable	\$ -	\$ 1,345	\$ 217	\$ -	\$ -	\$ -	\$ -	
Accrued Liabilities	-	2,914	9,395	-	-	-	-	
Due to Other Funds	-	-	-	-	674	-	-	
TOTAL LIABILITIES	-	4,259	9,612	-	674	-	-	
FUND BALANCES:								
Nonspendable	-	-	-	-	-	19,980	156,468	
Restricted	-	-	-	-	-	-	-	
Committed	-	-	-	-	-	-	80,421	
Assigned	-	155,036	-	11,820	-	54,913	-	
TOTAL FUND BALANCES	-	155,036	-	11,820	-	74,893	236,889	
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 159,295	\$ 9,612	\$ 11,820	\$ 674	\$ 74,893	\$ 236,889	

Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2025

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	Capital Project Funds		Permanent Trust	Totals
	Capital Projects	Forest Way Townhome Capital Projects	Cemetery Perpetual Care	
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 950,606	\$ 1,177,105	\$ -	\$ 2,374,989
Cash and Equivalents - Restricted	-	-	3,744	58,657
Accounts Receivable	-	-	-	-
Taxes Receivable	-	-	-	674
Due from Other Funds	-	-	-	13,870
Prepaid Expenses	-	-	-	176,448
Other Assets - Restricted Investment	-	-	446,086	446,086
TOTAL ASSETS	\$ 950,606	\$ 1,177,105	\$ 449,830	\$ 3,070,724
LIABILITIES:				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,562
Accrued Liabilities	-	-	-	12,309
Due to Other Funds	-	-	-	674
TOTAL LIABILITIES	-	-	-	14,545
FUND BALANCES:				
Nonspendable	-	-	446,086	622,534
Restricted	-	1,177,105	3,744	1,180,849
Committed	950,606	-	-	1,031,027
Assigned	-	-	-	221,769
TOTAL FUND BALANCES	950,606	1,177,105	449,830	3,056,179
TOTAL LIABILITIES AND FUND BALANCES	\$ 950,606	\$ 1,177,105	\$ 449,830	\$ 3,070,724

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	\$ -	\$ -	\$ -	\$ -	\$ 84,108	\$ 470,642	\$ 294,487	
Licenses and Permits	-	-	122,386	-	-	-	-	
State Sources	-	774	-	-	-	-	-	
Local Sources	22,321	37,151	-	-	-	-	-	
Charges for Services	8,350	4,816	-	-	-	-	-	
Interest and Rentals	-	7,426	-	12	-	1,862	2,254	
Fines & Forfeitures	-	-	-	-	-	-	-	
Other Revenue	-	1,560	-	-	-	-	-	
TOTAL REVENUES	30,671	51,727	122,386	12	84,108	472,504	296,741	
EXPENDITURES:								
General Government	-	-	-	-	-	-	-	
Public Safety	-	-	218,108	-	-	-	-	
Public Works	32,218	-	-	-	-	-	-	
Recreation and Cultural	-	108,597	-	-	-	-	-	
Capital Outlay	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	83,426	466,580	296,275	
TOTAL EXPENDITURES	32,218	108,597	218,108	-	83,426	466,580	296,275	
EXCESS OF REVENUES OVER (UNDER)	(1,547)	(56,870)	(95,722)	12	682	5,924	466	
EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)								
OTHER FINANCING SOURCES (USES):								
Bond Proceeds	-	-	-	-	-	-	-	
Discount on Bond Proceeds	-	-	-	-	-	-	-	
Transfers In	1,547	68,235	95,722	-	-	-	-	
Transfers Out	-	-	-	-	(682)	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	1,547	68,235	95,722	-	(682)	-	-	
NET CHANGE IN FUND BALANCES	-	11,365	-	12	-	5,924	466	
FUND BALANCE BEGINNING OF YEAR	-	143,671	-	11,808	-	68,969	236,423	
FUND BALANCE AT END OF YEAR	\$ -	\$ 155,036	\$ -	\$ 11,820	\$ -	\$ 74,893	\$ 236,889	

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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, 2025

	Capital Project Funds		Permanent Trust	Totals
	Capital Projects	Forest Way Townhome Capital Project	Cemetery Perpetual Care	
REVENUES:				
Taxes	\$ 135,779	\$ -	\$ -	\$ 985,016
Licenses and Permits	-	-	-	122,386
State Sources	-	-	-	774
Local Sources	-	-	4,960	64,432
Charges for Services	-	-	4,825	17,991
Interest and Rentals	76,290	16,529	23,507	127,880
Fines & Forfeitures	-	-	-	-
Other Revenue	-	-	-	1,560
TOTAL REVENUES	212,069	16,529	33,292	1,320,039
EXPENDITURES:				
General Government	-	-	-	-
Public Safety	-	-	-	218,108
Public Works	-	-	47,504	79,722
Recreation and Cultural	-	-	-	108,597
Capital Outlay	-	2,062,302	-	2,062,302
Debt Service	-	67,069	-	913,350
TOTAL EXPENDITURES	-	2,129,371	47,504	3,382,079
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	212,069	(2,112,842)	(14,212)	(2,062,040)
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	-	3,100,000	-	3,100,000
Discount on Bond Proceeds	-	(24,893)	-	(24,893)
Transfers In	-	-	-	165,504
Transfers Out	(706,000)	-	-	(706,682)
TOTAL OTHER FINANCING SOURCES (USES)	(706,000)	3,075,107	-	2,533,929
NET CHANGE IN FUND BALANCES	(493,931)	962,265	(14,212)	471,889
FUND BALANCE BEGINNING OF YEAR	1,444,537	214,840	464,042	2,584,290
FUND BALANCE AT END OF YEAR	\$ 950,606	\$ 1,177,105	\$ 449,830	\$ 3,056,179

Supplementary Information
Combining Statement of Net Position - Department of Public Works
Proprietary Funds
March 31, 2025

	Enterprise Funds			
	Water	Sewer	Landfill	Totals
ASSETS:				
Current Assets:				
Cash and Equivalents - Unrestricted	\$ 345,550	\$ 2,666,344	\$ 267,971	\$ 3,279,865
Accounts Receivable, net	15,991	37,668	16,738	70,397
Due from Other Governmental Units	-	988,563	-	988,563
Prepaid Expense	14,411	11,500	3,077	28,988
Internal Balances	(232,254)	(1,394,051)	1,626,305	-
Total Current Assets	143,698	2,310,024	1,914,091	4,367,813
Noncurrent Assets				
Restricted Cash	862,103	2,201,795	293,884	3,357,782
Restricted Investments	60,728	433,124	-	493,852
Capital Assets (Not Depreciated)	234,881	37,958,972	-	38,193,853
Capital Assets (Net of Accumulated Depreciation)	2,376,284	17,921,792	797,688	21,095,764
Total Noncurrent Assets	3,533,996	58,515,683	1,091,572	63,141,251
TOTAL ASSETS	3,677,694	60,825,707	3,005,663	67,509,064
LIABILITIES:				
Current Liability:				
Accounts Payable	12,877	1,073,535	46,731	1,133,143
Accrued Liabilities	14,034	14,832	7,489	36,355
Accrued Interest Payable	1,592	13,673	1,530	16,795
Bonds Payable - due within one year	24,700	451,515	-	476,215
Notes Payable - due within one year	10,069	10,069	47,954	68,092
Total Current Liabilities	63,272	1,563,624	103,704	1,730,600
Noncurrent Liabilities:				
Vested Employee Benefits - Due in more than one year	7,451	7,167	3,796	18,414
Bonds Payable - due after one year	44,200	8,632,488	-	8,676,688
Notes Payable - due after one year	118,043	118,043	298,011	534,097
Total Noncurrent Liabilities	169,694	8,757,698	301,807	9,229,199
TOTAL LIABILITIES	232,966	10,321,322	405,511	10,959,799
NET POSITION:				
Net Investment in Capital Assets	2,414,153	46,668,649	451,723	49,534,525
Restricted:				
Capital Improvements	535,895	710,373	-	1,246,268
Debt Service	13,261	772,550	-	785,811
Unrestricted	481,419	2,352,813	2,148,429	4,982,661
TOTAL NET POSITION	\$ 3,444,728	\$ 50,504,385	\$ 2,600,152	\$ 56,549,265

Supplementary Information
Combining Statement of Revenues, Expenses, and
Changes in Net Position - Department of Public Works
Proprietary Funds
For the Year Ended March 31, 2025

	Enterprise Funds			
	Water	Sewer	Landfill	Totals
OPERATING REVENUES:				
Charges for Services	\$ 48,902	\$ 34,280	\$ 1,272,018	\$ 1,355,200
Charges for Services pledged as security for revenue bonds	915,239	1,738,915	-	2,654,154
Total Operating Revenues	964,141	1,773,195	1,272,018	4,009,354
OPERATING EXPENSES				
Cost of Sales & Services:				
Salaries	238,861	248,879	174,523	662,263
Fringe Benefits	100,902	81,005	83,095	265,002
Equipment Insurance	29,084	23,816	6,284	59,184
Collection Supplies	-	-	63,608	63,608
Maintenance/Repairs	163,154	45,257	41,720	250,131
Process Chemicals	32,112	44,399	-	76,511
Lab Supplies	19,862	22,431	-	42,293
Process Monitoring	-	15,360	-	15,360
Sludge Removal	227	102,427	-	102,654
Lab Certification (MDPH)	808	-	-	808
Contract Lab Services	2,535	11,991	-	14,526
Bulk Item Removal	-	-	645,594	645,594
Ground Water Monitoring	-	-	4,004	4,004
Electrical Power	89,188	143,680	9,276	242,144
Recyclable collection	-	-	51,763	51,763
Fuel	1,937	1,657	10,532	14,126
Recyclable Shipping	-	-	40,221	40,221
HHW Program	-	-	16,690	16,690
Total Cost of Sales & Services	678,670	740,902	1,147,310	2,566,882
Administrative:				
DPW- Administrative Salaries	82,381	66,263	30,445	179,089
Safety Program	1,015	7,656	168	8,839
Engineering (consulting)	150	8,533	-	8,683
Accounting Fees	11,545	11,545	11,545	34,635
Legal	1,210	3,755	380	5,345
Engineering	282	1,146	-	1,428
Freight	4,017	5,302	4,639	13,958
Telephone	6,245	10,228	6,552	23,025
Office Supplies	2,247	2,017	583	4,847
Postage	2,051	2,051	2,051	6,153
Uniforms	993	500	1,913	3,406
Training & Seminars	4,093	-	200	4,293
Miscellaneous	20,587	25,922	16,382	62,891
Total Administrative	136,816	144,918	74,858	356,592
Depreciation	297,692	448,885	98,347	844,924
TOTAL OPERATING EXPENSES	1,113,178	1,334,705	1,320,515	3,768,398
OPERATING INCOME (LOSS)	(149,037)	438,490	(48,497)	240,956
NON-OPERATING REVENUES (EXPENSES):				
Property Taxes	-	238,398	129,046	367,444
Impact Fees	98,241	160,288	-	258,529
Federal Sources	-	31,711,618	-	31,711,618
Interest & Rental Revenue	20,997	118,706	26,326	166,029
Loss on Sale of Assets	-	(63,976)	-	(63,976)
Other Revenues	75	16,181	-	16,256
Interest Expense	(5,753)	(210,784)	(18,265)	(234,802)
Total Non-operating Revenues (Expenses)	113,560	31,970,431	137,107	32,221,098
CHANGE IN NET POSITION	(35,477)	32,408,921	88,610	32,462,054
NET POSITION, APRIL 1	3,480,205	18,095,464	2,511,542	24,087,211
NET POSITION, MARCH 31	\$ 3,444,728	\$ 50,504,385	\$ 2,600,152	\$ 56,549,265

Combining Statement of Cash Flows - Department of Public Works

Proprietary Funds

For the Year Ended March 31, 2025

	Enterprise Funds			
	Water	Sewer	Landfill	Totals
Cash Flows From Operating Activities:				
Cash Received from Customers or Users	\$ 961,056	\$ 3,294,754	\$ 1,301,220	\$ 5,557,030
Cash Payments to Employees	(326,648)	(320,279)	(206,516)	(853,443)
Cash Payments for Operating and Administrative Expenses	(499,204)	(1,910,065)	(1,018,951)	(3,428,220)
Net Cash Provided by Operating Activities	135,204	1,064,410	75,753	1,275,367
Cash Flows from Non-Capital Financing Activities:				
Cash Collected from Property Taxes	-	238,398	129,046	367,444
Impact Fees	98,241	160,288	-	258,529
Federal Grant	-	31,711,618	-	31,711,618
Other Receipts	75	16,181	-	16,256
Net Cash Provided (Used) by Non-Capital Financing Activities	98,316	32,126,485	129,046	32,353,847
Cash Flows From Capital and Related Financing Activities:				
Purchase of Capital Assets	(7,237)	(32,180,705)	(257,722)	(32,445,664)
Note Proceeds	-	-	257,722	257,722
Bond Proceeds	-	301,063	-	301,063
Principal Paid on Notes	(9,791)	(9,790)	(49,657)	(69,238)
Principal Paid on Bonds	(24,050)	(632,949)	-	(656,999)
Interest Payments	(5,753)	(210,784)	(18,265)	(234,802)
Net Cash Used by Capital and Related Financing Activities	(46,831)	(32,733,165)	(67,922)	(32,847,918)
Cash Flows From Investing Activities:				
Interest Income	10,432	108,141	15,760	134,333
Rental Income	10,565	10,565	10,566	31,696
(Purchase), Sale, or Reclass of Investments	(310)	(23,612)	-	(23,922)
Net Cash Provided by Investing Activities	20,687	95,094	26,326	142,107
Net Increase in Cash and Cash Equivalents	207,376	552,824	163,203	923,403
Cash and Equivalents, Including Restricted at Beginning of Year	1,000,277	4,315,315	398,652	5,714,244
Cash and Equivalents, Including Restricted at End of Year	1,207,653	4,868,139	561,855	6,637,647
Restricted Cash, End of Year	862,103	2,201,795	293,884	3,357,782
Cash and Equivalents, End of Year	\$ 345,550	\$ 2,666,344	\$ 267,971	\$ 3,279,865
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (149,037)	\$ 438,490	\$ (48,497)	\$ 240,956
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation Expense	297,692	448,885	98,347	844,924
Changes in operating assets and liabilities which provided (used) cash				
Accounts Receivable	(3,085)	1,081	26,878	24,874
Taxes Receivable	-	4,293	2,324	6,617
Due from Other Governments	-	1,516,185	-	1,516,185
Prepays	(2,302)	173,138	(316)	170,520
Accounts Payable	(2,520)	(1,497,166)	(1,317)	(1,501,003)
Accrued Liabilities	1,335	776	479	2,590
Accrued Interest	(138)	(15,359)	(118)	(15,615)
Compensated Absence Payable	(6,741)	(5,913)	(2,027)	(14,681)
Net Cash Provided by Operating Activities	\$ 135,204	\$ 1,064,410	\$ 75,753	\$ 1,275,367

	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	04/01/25	90,000	130,848
Payments Due		4.64	04/01/26	95,000	126,556
Principal and interest - April 1st		4.64	04/01/27	100,000	122,032
Interest only - October 1st		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>2,865,000</u>	<u>1,195,612</u>
2020 Capital Improvement Bond	\$ 2,070,000	2.70	10/01/25	130,000	39,960
Payments Due		2.70	10/01/26	135,000	36,450
Principal and interest - October 1st		2.70	10/01/27	140,000	32,805
Interest only - April 1st		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>1,480,000</u>	<u>228,429</u>
2021 Capital Improvement Bond	\$ 2,700,000	3.00	5/1/2025	160,000	65,100
Payments Due		3.00	5/1/2026	165,000	60,225
Principal and interest - May 1st		3.00	5/1/2027	165,000	55,275
Interest only - November 1st		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>2,250,000</u>	<u>427,800</u>

Supplementary Information
Schedule of Indebtedness
March 31, 2025

	Original Amount of Issue	Interest Rate	Date of Maturity	Amount Outstanding	Interest Payable if Held to Maturity
2024 Capital Improvement Bond	\$ 3,100,000	4.00	9/1/2025	95,000	146,780
Payments Due		4.00	9/1/2026	100,000	141,905
Principal and interest - May 1st		4.00	9/1/2027	105,000	136,780
Interest only - November 1st		4.00	9/1/2028	110,000	131,405
		4.00	9/1/2029	115,000	125,780
		4.00	9/1/2030	120,000	119,905
		4.00	9/1/2031	125,000	113,780
		4.00	9/1/2032	130,000	107,405
		4.00	9/1/2033	140,000	100,655
		4.00	9/1/2034	145,000	93,530
		4.00	9/1/2035	155,000	86,456
		4.00	9/1/2036	160,000	79,408
		4.00	9/1/2037	170,000	71,983
		4.00	9/1/2038	175,000	64,111
		4.00	9/1/2039	185,000	55,786
		4.00	9/1/2040	195,000	46,876
		4.00	9/1/2041	205,000	37,376
		4.00	9/1/2042	210,000	27,468
		4.00	9/1/2043	225,000	16,971
		4.00	9/1/2044	235,000	5,757
				<u>3,100,000</u>	<u>1,710,117</u>
Total governmental-type activities bond indebtedness				<u>\$ 9,695,000</u>	<u>\$ 3,561,958</u>
Business-type activities					
Sanitary Sewage Disposal and Water Supply System	\$ 2,050,000	2.08	03/01/26	190,000	11,024
Revenue Refunding 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 1st					
Interest only - September 1st				<u>530,000</u>	<u>21,216</u>
Sanitary Sewage Disposal and Water Supply System	\$ 5,011,100	3.00	03/01/26	126,000	140,910
Junior Lien Revenue Bonds, Series 2012 (Taxable)		3.00	03/01/27	130,000	137,446
Payments Due		3.00	03/01/28	134,000	133,370
Principal and interest - February 1st		3.00	03/01/29	138,000	130,186
Interest only - August 1st		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
				<u>5,124,000</u>	<u>2,222,556</u>

Supplementary Information
Schedule of Indebtedness
March 31, 2025

	Original Amount of Issue	Interest Rate	Date of Maturity	Amount Outstanding	Interest Payable if Held to Maturity
Sanitary Sewage Disposal and Water Supply System	\$ 3,798,903	1.88	04/01/26	160,215	64,666
Junior Lien Revenue Bonds, Series 2022A		1.88	04/01/27	165,215	61,663
Payments Due		1.88	04/01/28	165,215	58,565
Principal and interest - April 1st		1.88	04/01/29	170,215	55,467
Interest only - October 1st		1.88	04/01/30	175,215	52,276
		1.88	04/01/31	175,215	48,991
		1.88	04/01/32	180,215	45,705
		1.88	04/01/33	185,215	42,326
		1.88	04/01/34	190,215	38,853
		1.88	04/01/35	190,215	35,287
		1.88	04/01/36	195,215	31,720
		1.88	04/01/37	200,215	28,060
		1.88	04/01/38	205,215	24,306
		1.88	04/01/39	210,215	20,458
		1.88	04/01/40	215,215	16,517
		1.88	04/01/41	220,215	12,481
		1.88	04/01/42	220,215	8,352
		1.88	04/01/43	225,248	4,169
				<u>3,448,903</u>	<u>649,862</u>
Sanitary Sewage Disposal and Water Supply System	\$ 50,000	1.88	04/01/25	-	469
Junior Lien Revenue Bonds, Series 2023		1.88	04/01/26	-	469
Payments Due		1.88	04/01/27	50,000	469
Principal and interest - April 1st					
Interest only - October 1st				<u>50,000</u>	<u>1407</u>
Total business-type activities bonded indebtedness				<u>\$ 9,152,903</u>	<u>\$ 2,895,041</u>
Governmental-type activities notes payable					
2019 Installment Purchase Contract	\$ 600,000	5.00	2026	64,004	12,364
Payments due		5.00	2027	67,278	9,089
Principal and interest - 28th of each month		5.00	2028	70,721	5,647
		5.00	2029	74,570	2,029
				<u>276,573</u>	<u>29,129</u>
2022 Installment Purchase Contract	\$ 724,894	2.64	11/2/2025	69,522	13,904
Annual Principal and interest - November 2		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	81,279	2,146
				<u>526,897</u>	<u>57,084</u>
Total governmental-type activities notes payable				<u>\$ 803,470</u>	<u>\$ 86,213</u>

	Original Amount of Issue	Interest Rate	Date of Maturity	Amount Outstanding	Interest Payable if Held to Maturity
Business-type activities notes and lease payable					
Act 99 Installment Purchase					
Agreement -	500,000	2.87	2026	30,209	11,030
Payments due - annually		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
				<u>384,337</u>	<u>69,299</u>
2024 John Deere installment Purchase					
Agreement -	257722	5.85	2026	37883	11739
Payments due - annually			2027	40160	9463
			2028	139808	7049
				<u>217,851</u>	<u>28,251</u>
Total business-type activities notes payable				<u>\$ 602,188</u>	<u>\$ 97,550</u>

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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, 2025, 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 15, 2025.

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 15, 2025

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, 2025. 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, 2025.

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 15, 2025

**Schedule of Expenditures of Federal Awards
Year Ended March 31, 2025**

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 TREASURY						
SLFRF-Clean Water Centralized Wastewater Treatment Grant (ARP Funded)	Y	21.027	MEGLE	SLRFP0127	-	31,711,618
Total - U.S. Department of Treasury					-	31,711,618
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Clean Water State Revolving Fund Cluster</i>						
Capitalization Grant for Clean Water State Revolving Fund	N	66.458	MEGLE	NA	-	185,869
Total - U.S. Environmental Protection Agency					-	185,869
TOTAL EXPENDITURES OF FEDERAL AWARDS					\$ -	\$ 31,897,487

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, 2025. 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	\$ 31,897,487
Less: CWSRF Loans Disbursed by EGLE	<u>(185,869)</u>
Total Federal Sources per Financial Statements	<u>\$ 31,711,618</u>
Total Federal Sources per Financial Statements of	
Primary Government	<u>\$ 31,711,618</u>

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.027	SLFRF-Clean Water Centralized Wastewater Treatment Grant
Dollar threshold used to distinguish between types A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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, 2025, and have issued our report thereon dated September 15, 2025. 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 July 28, 2025. 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 and Note 13 to the financial statements, the City of Mackinac Island changed accounting policies related to accounting changes and error corrections by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 100, Accounting Changes and Error Corrections and policies related to compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, Compensated Absences in 2025. 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:

- \$122,360 adjustment in the General fund to record lease receivable.
- \$17,889 adjustment to the street funds to recognize state revenue.

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 15, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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: In Progress

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: In Progress

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: Corrected.

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: In Progress

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: Corrected

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: In Progress

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 15, 2025

DRAFT