
City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2021**

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Component Units:	
Statement of Net Position	19
Statement of Activities	20-21
Notes to Financial Statements	22-52
Required Supplemental Information	53
Budgetary Comparison Schedule - General Fund	54
Police Officers and Firefighters Retirement System:	
Schedule of Changes in the Net Pension Liability and Related Ratios	55-56
Schedule of Pension Investment Returns	57
Schedule of City Contributions	58
Municipal Employees' Retirement System:	
Schedule of Changes in the total Pension Liability and Related Ratios	59
Schedule of City Contributions	60
Stipends - Police Officers and Firefighters Retirement System and Municipal Employees' Retirement System:	
Schedule of Changes in the Total Pension Liability and Related Ratios	61
Schedule of Changes in the Total OPEB Liability and Related Ratios	62
Notes to Required Supplemental Information	63-64

Other Supplemental Information	65
Nonmajor Governmental Funds:	
Combining Balance Sheet	66-67
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	68-69
Internal Service Funds:	
Combining Statement of Net Position	70
Combining Statement of Revenue, Expenses, and Changes in Net Position	71
Combining Statement of Cash Flows	72

Independent Auditor's Report

To the Mayor and City Council
City of Lincoln Park, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted the new accounting pronouncement called Governmental Accounting Standards Board No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Mayor and City Council
City of Lincoln Park, Michigan

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lincoln Park, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021 on our consideration of the City of Lincoln Park, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Lincoln Park, Michigan's internal control over financial reporting and compliance.



November 30, 2021

The following discussion and analysis of the City of Lincoln Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please review it in conjunction with the City's financial statements.

Financial Highlights

• Total net position (deficit)	\$(21,430,730)
• Change in total net position	\$6,237,831
• Fund balances, governmental funds	\$9,123,316
• Unassigned fund balance, General Fund	\$5,061,484
• Change in fund balance, General Fund	\$1,280,713

Using This Annual Report

The annual report is made up of three main components. These components are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in the report is supplemental information to the financial statements.

Government-wide financial statements are like those found in the private sector, with their basis in full accrual accounting. Fund financial statements show city operations in more detail than government-wide statements, as they provide information about the City's most important funds.

The City's Net Position

The statement of net position and the statement of activities supply data about the activities of the City as a whole and provide information regarding the City's finances. For governmental activities, these statements provide long- and short-term information that may be used as indicators of the City's overall status.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets:						
Cash and investments	\$ 7,748,721	\$ 9,371,768	\$ 9,896,824	\$ 635,388	\$ 17,645,545	\$ 10,007,156
Receivables	4,521,131	2,275,750	2,342,558	3,322,092	6,863,689	5,597,842
Other assets	1,301,211	3,882,267	2,689,748	2,550,803	3,990,959	6,433,070
Capital assets	36,831,344	33,071,249	45,675,206	43,972,978	82,506,550	77,044,227
Total assets	50,402,407	48,601,034	60,604,336	50,481,261	111,006,743	99,082,295
Deferred Outflows of Resources	3,317,135	4,267,667	780,361	700,507	4,097,496	4,968,174
Liabilities						
Current liabilities	3,336,119	2,461,284	10,644,480	1,356,904	13,980,599	3,818,188
Noncurrent liabilities	92,597,626	102,308,824	25,455,044	24,261,581	118,052,670	126,570,405
Total liabilities	95,933,745	104,770,108	36,099,524	25,618,485	132,033,269	130,388,593
Deferred Inflows of Resources	4,442,183	1,294,332	59,517	36,105	4,501,700	1,330,437
Net Position (Deficit)						
Net investment in capital assets	31,981,821	30,081,380	29,447,590	28,938,216	61,429,411	59,019,596
Restricted	3,062,890	3,865,050	1,297,279	1,201,082	4,360,169	5,066,132
Unrestricted	(81,701,097)	(87,142,169)	(5,519,213)	(4,612,120)	(87,220,310)	(91,754,289)
Total net position (deficit)	<u>\$ (46,656,386)</u>	<u>\$ (53,195,739)</u>	<u>\$ 25,225,656</u>	<u>\$ 25,527,178</u>	<u>\$ (21,430,730)</u>	<u>\$ (27,668,561)</u>

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The City's governmental activities were in a deficit of \$(46.7) million this year compared to \$(53.2) million last year. Unrestricted net position (deficit) is \$(81.7) million this year compared to \$(87.1) million in the previous year. Unrestricted net position represents financial resources that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations. The negative unrestricted net position amount reflects that restricted position and net investments in capital assets exceeded total net position in the current year. The governmental activities net position increased by \$6.5 million during 2021. This increase was mostly due to a decrease in pension and OPEB liabilities for the year.

The City's business-type activities net position was \$25.2 million this year compared to \$25.5 million last year. Unrestricted net position (deficit) is \$(5.5) million this year compared to net position of \$(4.6) million in the previous year. The business-type activities net position decreased by approximately \$300,000 during 2021 because the charges for water and sewer were not adequate to cover the cost of providing services.

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 7,046,983	\$ 7,532,642	\$ 10,410,945	\$ 9,544,541	\$ 17,457,928	\$ 17,077,183
Operating grants	7,319,421	5,184,876	276,791	340,333	7,596,212	5,525,209
Capital grants	55,658	172,478	-	3,632	55,658	176,110
General revenue:						
Taxes	12,359,505	11,638,975	159,607	129,000	12,519,112	11,767,975
Intergovernmental	5,495,600	4,784,379	-	-	5,495,600	4,784,379
Investment earnings	30,874	95,205	-	12,500	30,874	107,705
Other revenue	720,121	750,665	-	-	720,121	750,665
Total revenue	33,028,162	30,159,220	10,847,343	10,030,006	43,875,505	40,189,226
Expenses						
General government	5,292,154	6,037,930	-	-	5,292,154	6,037,930
District court	1,402,812	1,273,833	-	-	1,402,812	1,273,833
Public safety	11,437,258	13,079,618	-	-	11,437,258	13,079,618
Public works	6,284,300	6,013,510	-	-	6,284,300	6,013,510
Community and economic development	1,274,567	687,496	-	-	1,274,567	687,496
Recreation and culture	589,862	804,322	-	-	589,862	804,322
Debt service	207,856	215,889	-	-	207,856	215,889
Water and Sewer Fund	-	-	11,148,865	11,484,512	11,148,865	11,484,512
Total expenses	26,488,809	28,112,598	11,148,865	11,484,512	37,637,674	39,597,110
Change in Net Position	6,539,353	2,046,622	(301,522)	(1,454,506)	6,237,831	592,116
Net Position (Deficit) - Beginning of year	(53,195,739)	(55,242,361)	25,527,178	26,981,684	(27,668,561)	(28,260,677)
Net Position (Deficit) - End of year	<u>\$ (46,656,386)</u>	<u>\$ (53,195,739)</u>	<u>\$ 25,225,656</u>	<u>\$ 25,527,178</u>	<u>\$ (21,430,730)</u>	<u>\$ (27,668,561)</u>

Governmental Activities

The governmental activities revenue increased by approximately \$2.9 million. This increase was largely due to the continued growth in property taxes and federal grants. While there was growth in revenue, revenue from fines and forfeitures dropped from \$2.5 million in 2020 to \$1.8 million in 2021. The governmental activities expenses decreased by approximately \$1.6 million. During 2020, the governmental activities expenses decreased primarily due to a pension recovery of approximately \$2.5 million and an OPEB expense of approximately \$269,000. The decrease in expenditures for 2021 is attributed to a decrease in public safety expenditures.

Business-type Activities

The business-type activities revenue increased slightly by approximately \$800,000. This increase is attributed to an increase in charges for services, as there was an increase in water and sewer units sold.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to appropriately react to events during the year. Total General Fund expenditures were less than budgeted by \$1.37 million due to all city departments being fiscally responsible. While expenditures were less than budgeted, revenue for FY 2020-2021 was approximately \$600,000 more than expected, resulting in an increase in fund balance in the amount of approximately \$1.28 million.

Capital Assets and Debt Administration

At the close of the year, the City had invested \$82.5 million in capital assets, such as land, buildings and improvements, and equipment or infrastructure. A total of \$77.0 million was invested in similar assets last year.

At the close of the year, the City had \$23.5 million in outstanding bonds and notes, as compared to \$23.0 million in the previous year. This increase is mostly attributed to additional bonds from the Downriver Utility Wastewater Authority.

Economic Factors and Next Year's Budgets and Rates

The City of Lincoln Park, Michigan continues its financial recovery. At the close of fiscal year 2020-2021, it appears the City has been able to confront the immediate economic impacts of the COVID-19 pandemic. The City continues to see consistent growth in property taxes and has controlled expenditures leading to positive outcomes.

The City continues to strengthen its financial position and ability to deal with unexpected circumstances. The City enters fiscal year 2021-2022 with an unassigned General Fund fund balance that represents over 20 percent of General Fund expenditures.

While much of the stabilization in the community can be attributed to enforcement of good financial practices and departments limiting their expenditures as best as possible, increased tax revenue is a key part of the equation. General Fund property tax revenue increased by 5.8 percent over fiscal year 2019-2020. Over the next fiscal year, property tax revenue is expected to continue to grow as the City's taxable value continues to increase.

However, it must be noted that, as optimism strengthens regarding the City's taxable value, there is continued caution, as state-shared revenue continues to be volatile; while there was a slight increase this year, state-shared revenue has not come near past levels. Decreases in state-shared revenue due to declining economic activity statewide is a condition for which the City must be prepared. State-shared revenue represented over 22 percent of General Fund revenue. Another area of concern is the drop in revenue from fines and forfeitures. Over the past year this revenue has dropped approximately 28 percent.

While fiscal years 2018 and 2019 saw a dramatic increase in construction value of building permits issued, 2020 saw a slight decrease in total building department revenue. This was due to the brief shutdown of the construction industry during the fourth quarter to combat the COVID-19 pandemic. However, it is important to note that this activity regained momentum during the final month of the 2020 fiscal year and continued to increase in 2021. This is a hopeful sign for future fiscal years. Another hopeful sign was the increased sale prices for homes in the City. According to sales records, since January 2020, average home prices have increased approximately 17 percent.

The City's two pension systems continue to move in a positive direction. Following the changes made to the benefits of the systems, increased annual funding, and a favorable stock market, the funded level of the police and firefighter plan increased, and the MERS plan remained stable. In the most recent valuations, the City of Lincoln Park, Michigan's Police Officers and Firefighters Retirement System has reached a funded level of over 43 percent, while the MERS pension plan is now at 22 percent.

Both systems still rank near the bottom of pension systems in the state of Michigan because of the low funding levels. Additionally, the City is required to contribute a large portion of resources from the General Fund (over 31 percent) to achieve this small but steady improvement. However, the continued improvement is not guaranteed. Should the stock market experience a significant downturn, returns on the small investments would disappear, reducing the funded level and increasing the annual required contribution necessary to sustain the fragile systems.

Requests for Further Information

This report has been created to give our citizens, taxpayers, investors, and creditors a summary of city finances and to show how city revenue is used. If you have any questions regarding this report, or if you need additional financial information, please contact:

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June 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 7,748,721	\$ 9,896,824	\$ 17,645,545	\$ 1,711,996
Receivables:				
Special assessments receivable	14,082	-	14,082	-
Customers	774,958	3,646,377	4,421,335	-
Loans receivable	-	-	-	12,619
Other receivables	304,706	-	304,706	-
Due from other governments	2,083,066	-	2,083,066	-
Due from component units (Note 5)	40,500	-	40,500	6,099
Due from primary government (Note 5)	-	-	-	301,634
Internal balances (Note 5)	1,303,819	(1,303,819)	-	-
Prepaid expenses and other assets	232,608	-	232,608	-
Restricted assets (Note 8)	1,067,603	2,689,748	3,757,351	-
Land held for resale	1,000	-	1,000	-
Capital assets: (Note 4)				
Assets not subject to depreciation	11,747,303	1,426,056	13,173,359	284,670
Assets subject to depreciation - Net	25,084,041	44,249,150	69,333,191	1,178,658
Total assets	50,402,407	60,604,336	111,006,743	3,495,676
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 10)	3,317,135	780,361	4,097,496	-
Liabilities				
Accounts payable	1,862,779	786,741	2,649,520	33,290
Due to other governmental units	27,445	-	27,445	121,032
Due to component units (Note 5)	301,634	-	301,634	6,099
Due to primary government (Note 5)	-	-	-	40,500
Accrued liabilities and other	757,520	281,231	1,038,751	4,151
Provision for property tax refunds	184,381	3,277	187,658	5,532
Unearned revenue	202,360	9,573,231	9,775,591	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	50,343	-	50,343	-
Compensated absences (Note 6)	266,578	16,529	283,107	-
Current portion of long-term debt (Note 6)	728,138	1,005,262	1,733,400	-
Due in more than one year:				
Compensated absences (Note 6)	799,733	49,588	849,321	-
Net pension liability (Notes 10 and 11)	76,799,623	6,773,057	83,572,680	-
Net OPEB liability (Note 11)	8,814,566	995,785	9,810,351	-
Long-term debt (Note 6)	5,138,645	16,614,823	21,753,468	-
Total liabilities	95,933,745	36,099,524	132,033,269	210,604
Deferred Inflows of Resources - Deferred inflows related to pensions	4,442,183	59,517	4,501,700	-
Net Position (Deficit)				
Net investment in capital assets	31,981,821	29,447,590	61,429,411	1,463,328
Restricted:				
Roads	765,225	-	765,225	-
Debt service	169,825	647,279	817,104	-
Grants	138,051	-	138,051	-
Police	184,006	-	184,006	-
Cable	739,399	-	739,399	-
Sewer replacement	-	650,000	650,000	-
Construction code	1,066,384	-	1,066,384	-
Unrestricted	(81,701,097)	(5,519,213)	(87,220,310)	1,821,744
Total net position (deficit)	\$ (46,656,386)	\$ 25,225,656	\$ (21,430,730)	\$ 3,285,072

City of Lincoln Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 5,292,154	\$ 353,064	\$ -	\$ -
District court	1,402,812	1,830,736	-	-
Public safety	11,437,258	739,895	1,714,724	-
Public works	6,284,300	2,835,813	4,359,445	55,658
Community and economic development	1,274,567	1,168,014	1,174,012	-
Recreation and culture	589,862	119,461	71,240	-
Interest on long-term debt	207,856	-	-	-
Total governmental activities	26,488,809	7,046,983	7,319,421	55,658
Business-type activities	11,148,865	10,410,945	276,791	-
Total primary government	\$ 37,637,674	\$ 17,457,928	\$ 7,596,212	\$ 55,658
Component units:				
Downtown Development Authority	\$ 258,930	\$ -	\$ -	\$ -
Economic Development Corporation	27,104	21,925	-	-
Brownfield Development Area	18,214	-	-	-
Library Authority	288,994	-	-	-
Total component units	\$ 593,242	\$ 21,925	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,939,090)	\$ -	\$ (4,939,090)	\$ -
427,924	-	427,924	-
(8,982,639)	-	(8,982,639)	-
966,616	-	966,616	-
1,067,459	-	1,067,459	-
(399,161)	-	(399,161)	-
(207,856)	-	(207,856)	-
(12,066,747)	-	(12,066,747)	-
-	(461,129)	(461,129)	-
(12,066,747)	(461,129)	(12,527,876)	-
-	-	-	(258,930)
-	-	-	(5,179)
-	-	-	(18,214)
-	-	-	(288,994)
-	-	-	(571,317)
12,359,505	159,607	12,519,112	687,304
5,495,600	-	5,495,600	101,238
30,874	-	30,874	943
626,217	-	626,217	-
6,225	-	6,225	-
87,679	-	87,679	11,202
18,606,100	159,607	18,765,707	800,687
6,539,353	(301,522)	6,237,831	229,370
(53,195,739)	25,527,178	(27,668,561)	3,055,702
\$ (46,656,386)	\$ 25,225,656	\$ (21,430,730)	\$ 3,285,072

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet

June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 3,133,197	\$ 3,515,543	\$ 6,648,740
Receivables:			
Special assessments receivable	-	14,082	14,082
Customers	-	774,958	774,958
Other receivables	304,706	-	304,706
Due from other governments	1,286,104	796,962	2,083,066
Due from component units (Note 5)	2,000	35,000	37,000
Due from other funds (Note 5)	3,018,298	90,227	3,108,525
Prepaid expenses and other assets	232,608	-	232,608
Restricted assets (Note 8)	-	1,067,603	1,067,603
Land held for resale	-	1,000	1,000
	<u>\$ 7,976,913</u>	<u>\$ 6,295,375</u>	<u>\$ 14,272,288</u>
Total assets			
Liabilities			
Accounts payable	\$ 663,029	\$ 1,158,941	\$ 1,821,970
Due to other governmental units	27,445	-	27,445
Due to component units (Note 5)	301,634	-	301,634
Due to other funds (Note 5)	-	1,844,139	1,844,139
Accrued liabilities and other	681,949	20,669	702,618
Provision for property tax refunds	174,988	9,393	184,381
Unearned revenue	-	202,360	202,360
Payable from restricted assets	-	50,343	50,343
	<u>1,849,045</u>	<u>3,285,845</u>	<u>5,134,890</u>
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue	<u>-</u>	<u>14,082</u>	<u>14,082</u>
Total liabilities and deferred inflows of resources	<u>1,849,045</u>	<u>3,299,927</u>	<u>5,148,972</u>
Fund Balances			
Restricted:			
Roads	-	1,764,167	1,764,167
Police	-	184,006	184,006
Debt service	-	169,825	169,825
Grants	-	138,051	138,051
Cable	-	739,399	739,399
Construction code	1,066,384	-	1,066,384
Unassigned	5,061,484	-	5,061,484
	<u>6,127,868</u>	<u>2,995,448</u>	<u>9,123,316</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,976,913</u>	<u>\$ 6,295,375</u>	<u>\$ 14,272,288</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 9,123,316
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds (excludes ISF assets)	34,864,861
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	14,082
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds (excludes ISF debt)	(5,500,000)
Accrued interest is not due and payable in the current period and is not reported in the funds (excludes ISF)	(48,125)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities (excludes ISF):	
Employee compensated absences	(1,066,311)
Pension benefits	(77,822,736)
Retiree health care benefits	(8,658,002)
Internal service funds are included as part of governmental activities	<u>2,436,529</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (46,656,386)</u>

City of Lincoln Park, Michigan

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 11,432,460	\$ 921,691	\$ 12,354,151
Intergovernmental:			
Federal grants	1,256,181	1,174,012	2,430,193
State sources:			
State-shared revenue	5,362,772	48,936	5,411,708
Act 51 gas and weight tax	-	4,236,013	4,236,013
Local Community Stabilization Authority	83,892	-	83,892
State grants	110,667	598,206	708,873
Charges for services	3,135,230	2,721,123	5,856,353
Fines and forfeitures	1,790,727	-	1,790,727
Licenses and permits	753,480	113,913	867,393
Investment income	70,156	727	70,883
Other revenue	127,702	6,367	134,069
	24,123,267	9,820,988	33,944,255
Expenditures			
Current services:			
General government	5,750,693	234,828	5,985,521
District court	1,434,252	-	1,434,252
Public safety	14,128,241	794,061	14,922,302
Public works	721,968	10,713,631	11,435,599
Community and economic development	-	1,276,620	1,276,620
Recreation and culture	581,693	49,172	630,865
Debt service - Interest and fiscal charges	-	797,975	797,975
	22,616,847	13,866,287	36,483,134
Excess of Revenue Over (Under) Expenditures	1,506,420	(4,045,299)	(2,538,879)
Other Financing Sources (Uses)			
Transfers in	-	1,324,781	1,324,781
Transfers out	(225,707)	(1,099,074)	(1,324,781)
	(225,707)	225,707	-
Net Change in Fund Balances	1,280,713	(3,819,592)	(2,538,879)
Fund Balances - Beginning of year	4,847,155	6,815,040	11,662,195
Fund Balances - End of year	\$ 6,127,868	\$ 2,995,448	\$ 9,123,316

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ (2,538,879)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (excludes ISF activity):	
Capital outlay	6,384,253
Depreciation expense	(2,406,919)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt) (excludes ISF activity)	585,000
Interest expense is recognized in the government-wide statements as it accrues (excludes ISF activity)	5,119
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds (excludes ISF activity)	4,642,074
Internal service funds are included as part of governmental activities	(131,295)
Change in Net Position of Governmental Activities	<u>\$ 6,539,353</u>

Proprietary Funds
Statement of Net Position

June 30, 2021

	Enterprise Fund	Governmental
	Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 9,896,824	\$ 1,099,981
Receivables	3,646,377	-
Due from component units (Note 5)	-	3,500
Due from other funds (Note 5)	51,834	39,433
Total current assets	13,595,035	1,142,914
Noncurrent assets:		
Restricted assets (Note 8)	2,689,748	-
Capital assets:		
Assets not subject to depreciation (Note 4)	1,426,056	-
Assets subject to depreciation - Net (Note 4)	44,249,150	1,966,483
Total noncurrent assets	48,364,954	1,966,483
Total assets	61,959,989	3,109,397
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 10)	780,361	-
Liabilities		
Current liabilities:		
Accounts payable	786,741	40,809
Due to other funds (Note 5)	1,355,653	-
Accrued liabilities and other	281,231	6,777
Provision for property tax refunds	3,277	-
Unearned revenue	9,573,231	-
Compensated absences (Note 6)	16,529	-
Current portion of long-term debt (Note 6)	1,005,262	118,138
Total current liabilities	13,021,924	165,724
Noncurrent liabilities:		
Compensated absences (Note 6)	49,588	-
Net pension liability (Notes 10 and 11)	6,773,057	101,935
Net OPEB liability (Note 11)	995,785	156,564
Long-term debt (Note 6)	16,614,823	248,645
Total noncurrent liabilities	24,433,253	507,144
Total liabilities	37,455,177	672,868
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 10)	59,517	-
Net Position		
Net investment in capital assets	29,447,590	1,599,700
Restricted:		
Debt service	647,279	-
Sewer replacement	650,000	-
Unrestricted	(5,519,213)	836,829
Total net position	\$ 25,225,656	\$ 2,436,529

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2021

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Sale of water	\$ 3,518,759	\$ -
Sewage disposal charges	5,160,973	-
System maintenance charge	1,298,290	-
Other	432,923	-
Charges to other funds	-	1,089,249
Total operating revenue	10,410,945	1,089,249
Operating Expenses		
Cost of water	2,394,225	-
Cost of sewage treatment	4,020,576	-
Other operating and maintenance costs	432,503	766,788
Billing and administrative costs	1,924,116	-
Depreciation	1,780,394	444,745
Total operating expenses	10,551,814	1,211,533
Operating Loss	(140,869)	(122,284)
Nonoperating Revenue (Expense)		
Property tax revenue	159,607	-
Interest expense	(591,251)	(15,236)
Other nonoperating expenses	(5,800)	-
Gain on sale of assets	-	6,225
Operating grants	276,791	-
Total nonoperating expense	(160,653)	(9,011)
Change in Net Position	(301,522)	(131,295)
Net Position - Beginning of year	25,527,178	2,567,824
Net Position - End of year	\$ 25,225,656	\$ 2,436,529

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2021

	Enterprise Fund	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 10,034,826	\$ -
Receipts from interfund services and reimbursements	-	1,085,257
Payments to suppliers	(6,341,421)	(614,623)
Payments to employees and fringes	(1,913,480)	(144,363)
Payments to other funds	(901,874)	-
	<u>878,051</u>	<u>326,271</u>
Net cash and cash equivalents provided by operating activities	878,051	326,271
Cash Flows from Noncapital Financing Activities		
Operating grants	276,791	-
Loans received from other funds	1,355,653	-
Grant expenses	(5,800)	-
	<u>1,626,644</u>	<u>-</u>
Net cash and cash equivalents provided by noncapital financing activities	1,626,644	-
Cash Flows from Capital and Related Financing Activities		
Proceeds for capital lease	-	100,520
Proceeds from sale of capital assets	-	6,225
Property taxes restricted for capital items	159,607	-
Purchase of capital assets	(1,870,258)	(227,506)
Principal and interest paid on capital debt	(1,095,905)	(231,315)
Grant proceeds for capital projects	9,573,231	-
	<u>6,766,675</u>	<u>(352,076)</u>
Net cash and cash equivalents provided by (used in) capital and related financing activities	6,766,675	(352,076)
Net Increase (Decrease) in Cash and Cash Equivalents	9,271,370	(25,805)
Cash and Cash Equivalents - Beginning of year	1,732,925	1,125,786
Cash and Cash Equivalents - End of year	<u><u>\$ 11,004,295</u></u>	<u><u>\$ 1,099,981</u></u>
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 9,896,824	\$ 1,099,981
Restricted cash	1,107,471	-
	<u><u>\$ 11,004,295</u></u>	<u><u>\$ 1,099,981</u></u>
Total cash and cash equivalents	<u><u>\$ 11,004,295</u></u>	<u><u>\$ 1,099,981</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (140,869)	\$ (122,284)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,780,394	444,745
Changes in assets and liabilities:		
Receivables	(376,119)	-
Due to and from other funds	-	(3,992)
Prepaid and other assets	-	634
Accounts payable	(393,419)	25,600
Net pension or OPEB liability	(40,529)	(17,865)
Deferrals related to pension or OPEB	(56,442)	-
Accrued and other liabilities	105,035	(567)
	<u>1,018,920</u>	<u>448,555</u>
Total adjustments	1,018,920	448,555
Net cash and cash equivalents provided by operating activities	<u><u>\$ 878,051</u></u>	<u><u>\$ 326,271</u></u>

Noncash Capital and Related Financing Activities - During the current year, there was an increase in the City's debt of \$1,655,113 due to an increase in the City's allocation of the Downriver Utility Wastewater Authority (DUWA) debt, which was caused by an increase in the City's sewage flow compared to the total sewage flow of the system. Additionally, there was \$1,612,365 of noncash DUWA capital assets additions.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2021

	Police Officers and Firefighters Retirement Trust Fund	Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 748,021	\$ 574,648	\$ 1,322,669
Investments:			
EFT - Equity	8,400,187	-	8,400,187
Mutual funds - Equity	17,900,975	-	17,900,975
Mutual funds - Fixed income	7,446,211	-	7,446,211
Receivables - Accrued interest receivable	8,819	-	8,819
Total assets	34,504,213	574,648	35,078,861
Liabilities - Due to other governmental units	-	574,648	574,648
Net Position	\$ 34,504,213	\$ -	\$ 34,504,213

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Police Officers and Firefighters Retirement Trust Fund	Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (expense):			
Interest and dividends	\$ 662,412	\$ -	\$ 662,412
Net increase in fair value of investments	6,662,912	-	6,662,912
Investment-related expenses	(19,999)	-	(19,999)
Net investment income	7,305,325	-	7,305,325
Contributions:			
Employer contributions	5,682,424	-	5,682,424
Employee contributions	436,912	-	436,912
Total contributions	6,119,336	-	6,119,336
Property tax collections	-	21,521,462	21,521,462
Total additions	13,424,661	21,521,462	34,946,123
Deductions			
Benefit payments	5,332,053	-	5,332,053
Administrative expenses	178,022	-	178,022
Property tax disbursements to other governments	-	21,521,462	21,521,462
Total deductions	5,510,075	21,521,462	27,031,537
Net Increase in Net Position	7,914,586	-	7,914,586
Net Position - Beginning of year	26,589,627	-	26,589,627
Net Position - End of year	\$ 34,504,213	\$ -	\$ 34,504,213

City of Lincoln Park, Michigan

**Component Units
Statement of Net Position**

June 30, 2021

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Area	Library Authority	Total
Assets					
Cash and cash equivalents	\$ 584,962	\$ 329,842	\$ -	\$ 797,192	\$ 1,711,996
Receivables - Loans	-	12,619	-	-	12,619
Due from component units	6,099	-	-	-	6,099
Due from primary government	301,634	-	-	-	301,634
Capital assets:					
Assets not subject to depreciation	284,670	-	-	-	284,670
Assets subject to depreciation - Net	1,178,658	-	-	-	1,178,658
Total assets	2,356,023	342,461	-	797,192	3,495,676
Liabilities					
Accounts payable	27,043	2,031	-	4,216	33,290
Due to other governmental units	121,032	-	-	-	121,032
Due to component units	-	-	-	6,099	6,099
Due to primary government	38,500	2,000	-	-	40,500
Accrued liabilities and other	1,048	199	-	2,904	4,151
Provision for property tax refunds	-	-	-	5,532	5,532
Total liabilities	187,623	4,230	-	18,751	210,604
Net Position					
Net investment in capital assets	1,463,328	-	-	-	1,463,328
Unrestricted	705,072	338,231	-	778,441	1,821,744
Total net position	<u>\$ 2,168,400</u>	<u>\$ 338,231</u>	<u>\$ -</u>	<u>\$ 778,441</u>	<u>\$ 3,285,072</u>

City of Lincoln Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	\$ 258,930	\$ -	\$ -	\$ -
Economic Development Corporation	27,104	21,925	-	-
Brownfield Development Area	18,214	-	-	-
Library Authority	288,994	-	-	-
Total	\$ 593,242	\$ 21,925	\$ -	\$ -

General revenue:

- Property taxes
- State-shared revenue
- Investment income
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units
Statement of Activities

Year Ended June 30, 2021

Net (Expense) Revenue and Changes in Net Position				
Downtown Development Authority	Economic Development Corporation	Brownfield Development Area	Library Authority	Total
\$ (258,930)	\$ -	\$ -	\$ -	\$ (258,930)
-	(5,179)	-	-	(5,179)
-	-	(18,214)	-	(18,214)
-	-	-	(288,994)	(288,994)
(258,930)	(5,179)	(18,214)	(288,994)	(571,317)
325,233	-	18,214	343,857	687,304
-	-	-	101,238	101,238
162	781	-	-	943
10,677	-	-	525	11,202
336,072	781	18,214	445,620	800,687
77,142	(4,398)	-	156,626	229,370
2,091,258	342,629	-	621,815	3,055,702
\$ 2,168,400	\$ 338,231	\$ -	\$ 778,441	\$ 3,285,072

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Lincoln Park, Michigan (the "City") is governed by an elected six-member council and the mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for descriptions).

Blended Component Units

Building Authority

The Building Authority is a city-created and city-directed authority whose sole business activity is acquiring and leasing property to the City. The Building Authority is governed by a board appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

Police Officers and Firefighters Retirement System

The City of Lincoln Park, Michigan's Police Officers and Firefighters Retirement System has been blended into the City's financial statements. The system is governed by a five-member pension board. The mayor and one member of the City Council sit on the board. Two members of the board are elected by the participants. In addition, the City Council appoints one city resident to the board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operation of the retirement system.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of eight individuals, is appointed by the City's mayor. The appointment is subject to approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Economic Development Corporation

The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, which consists of nine individuals, is selected by the City Council and the mayor.

Brownfield Development Area

The Brownfield Development Area (the "Area") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of an environmentally distressed area within the City designated as a brownfield development area. The Area's governing body, which consists of nine individuals, is selected by the City Council and the mayor.

Library Authority

The Library Authority was created to provide library services to the City's residents. The library board is governed by a five-member board that is appointed by the mayor and City Council.

The component units above do not issue separate financial statements.

Note 1 - Significant Accounting Policies (Continued)

The City has excluded the Lincoln Park Housing Commission from this report because the City is not able to impose its will on the Lincoln Park Housing Commission.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the City's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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, if any, are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the City to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, and capital projects funds. The City has one major governmental fund. The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (ISF) (which provide goods or services to other funds of the City). The City reports one major enterprise fund, the Water and Sewer Fund, which accounts for the activities of the water distribution system and the sewage collection system.

The City's internal service funds are used to allocate vehicle and information technology purchases and maintenance to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Police Officers and Firefighters Retirement Trust Fund accounts for the activities of the Police Officers and Firefighters Retirement System, which accumulates resources for pension benefit payments to qualified police and fire employees.
- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, and the various smaller authorities).

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and state gas and weight tax revenue associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow of resources.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Land Held for Resale

The City records an asset for land inventory acquired under the Department of Housing and Urban Development's Neighborhood Stabilization Program 1 and Dollar Home Program. The property is recorded at the lower of cost or market. The homes are sold to eligible individuals based on grant guidelines.

Restricted Assets

The restricted assets in the Water and Sewer Fund consist of cash and cash equivalents related to moneys received from a tax levy that are restricted for the payment of outstanding Water and Sewer Fund debt. In addition, restricted assets result from the establishment of debt reserves and unspent bond proceeds related to the Wayne County Downriver Sewage Disposal System judgment levy debt and the Downriver Utility Wastewater Authority Bonds.

The restricted assets in the governmental activities consist of cash and cash equivalents related to unspent bond proceeds, which are restricted to provide for the replacement of the City's roads.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Roads and sidewalks	25
Water and sewer distribution systems	20 to 75
Buildings and building improvements	10 to 45
Vehicles	5 to 20
Machinery and equipment	10 to 45

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The long-term debt in the governmental activities is liquidated by the General Fund and internal service fund through charges for service. The Water and Sewer Fund is used to liquidate business-type activities long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. The governmental activities, business-type activities, and the Water and Sewer Fund report deferred outflows of resources related to pensions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the governmental and business-type activities, the deferred inflows of resources are related to pensions.

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.

Assigned: Intent to spend resources on specific purposes expressed by the City Council or finance director, who is authorized by resolution approved by the City Council to make assignments

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The fund balance policy prescribes the minimum fund balance as no less than 20 percent or more than 30 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year. If the unassigned fund balance at fiscal year end falls below the minimum, the City shall develop a restoration plan to achieve and maintain the minimum fund balance. If the unassigned fund balance at fiscal year end exceeds the maximum goal, the City may transfer funds to the Road Bond Fund or other funds, as designated by the City Council.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. The taxes are due on February 28 before they are added to the county tax rolls. Taxpayers who do not pay one-third of the tax by August 20, one-third by October 15, and the balance by February 28 are subject to penalties. Property tax receivables are shown net of allowance for uncollectible amounts.

The City's 2020 property tax revenue was levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The Charter County of Wayne, Michigan treasurer (the "Treasurer") is required by the General Property Tax Law, as amended, to collect delinquent real property taxes levied by the City. Under the act, the Treasurer pays the City in full for delinquent real property taxes owed according to the delinquent tax roll transferred to the Treasurer. Taxes eligible for payment include all delinquent taxes, except on personal property, due and payable to the City. The Treasurer is then responsible for the collection of the outstanding delinquent taxes. Delinquent property taxes not collected within two years after the sale to the county are charged back to the City. A liability for property tax chargebacks has been recorded throughout various funds for approximately \$193,000.

The 2020 taxable valuation of the City totaled \$583 million (a portion of which is captured by the Brownfield Development Area and Downtown Development Authority). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	15.3629 \$	8,958,000
Police and fire special voted mills	3.4373	2,004,000
Library	0.5938	346,000
Judgment levy - Wayne County Downriver Sewage Disposal System	0.2205	129,000
Road bonds	1.5742	918,000
Total		<u>\$ 12,355,000</u>

Pension

The City offers a defined benefit pension plan (see Note 10) and a supplemental pension benefit (see Note 11) to certain employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability has historically been liquidated from the funds from which the individual salaries are paid, which are the General Fund, internal service funds, and the Water and Sewer Fund.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to certain retirees, as described in Note 11. The City records a net OPEB liability equal to the total OPEB liability calculated by the actuary since there is no qualifying OPEB trust fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. The net OPEB liability historically has been liquidated from the funds from which the benefits are paid, which are the General Fund, internal service funds, and the Water and Sewer Fund.

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (primarily the General Fund and Water and Sewer Fund) are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the City's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the tax collection fund now reports additions and deductions within the fiduciary statement of changes in net position, which were not previously reported. In addition, the City's payroll fund that was previously reported in an agency fund has been reported as part of the City's Combined General Fund.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2020	\$ 821,983
Current year permit revenue	1,156,014
Related expenses - Direct costs	<u>(911,613)</u>
Current year surplus	<u>244,401</u>
Cumulative surplus June 30, 2021	<u><u>\$ 1,066,384</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits and investments are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$20,065,851 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority, Economic Development Corporation, and Library Authority had \$567,589, \$329,842, and \$797,192, respectively, of bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Police Officers and Firefighters Retirement System		
Mutual funds - Fixed income	\$ 3,731,466	5.10
Mutual funds - Fixed income	3,714,745	5.84
Total	<u>\$ 7,446,211</u>	

June 30, 2021

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2021, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Police Officers and Firefighters Retirement System			
Mutual funds - Fixed income	\$ 7,446,211	Not rated	Not rated

Risk and Uncertainties

The City invests in various securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The City has the following recurring fair value measurements as of June 30, 2021:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Investments by Fair Value Level				
Debt securities - Mutual funds - Fixed income	\$ 7,446,211	\$ -	\$ -	\$ 7,446,211
Equity securities:				
Mutual funds - Equity	17,900,975	-	-	17,900,975
ETF - Equity	8,400,187	-	-	8,400,187
Total equity securities	26,301,162	-	-	26,301,162
Total investments by fair value level	<u>\$ 33,747,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,747,373</u>

June 30, 2021

Note 3 - Deposits and Investments (Continued)

Debt securities and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2020	Reclassifications	Additions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 9,614,700	\$ -	\$ -	\$ 9,614,700
Construction in progress	3,783,224	(7,333,928)	5,683,307	2,132,603
Subtotal	13,397,924	(7,333,928)	5,683,307	11,747,303
Capital assets being depreciated:				
Roads and sidewalks	111,264,306	7,333,928	264,366	118,862,600
Buildings and improvements	6,401,146	-	-	6,401,146
Equipment	12,312,544	-	436,580	12,749,124
Machinery and equipment - ISF	372,967	-	13,779	386,746
Vehicles - ISF	5,311,869	-	213,727	5,525,596
Subtotal	135,662,832	7,333,928	928,452	143,925,212
Accumulated depreciation:				
Roads and sidewalks	96,260,473	-	1,694,847	97,955,320
Buildings and improvements	5,863,541	-	52,193	5,915,734
Equipment	10,364,379	-	659,879	11,024,258
Machinery and equipment - ISF	227,246	-	21,193	248,439
Vehicles - ISF	3,273,868	-	423,552	3,697,420
Subtotal	115,989,507	-	2,851,664	118,841,171
Net capital assets being depreciated	19,673,325	7,333,928	(1,923,212)	25,084,041
Net governmental activities capital assets	\$ 33,071,249	\$ -	\$ 3,760,095	\$ 36,831,344

June 30, 2021

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2020	Reclassifications	Additions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Construction in progress	1,218,258	(1,591,962)	1,783,220	1,409,516
Subtotal	1,234,798	(1,591,962)	1,783,220	1,426,056
Capital assets being depreciated:				
Buildings and improvements	1,683,467	-	-	1,683,467
Machinery and equipment	6,333,678	-	20,114	6,353,792
Water and sewer distribution systems	69,405,357	1,591,962	1,679,288	72,676,607
Subtotal	77,422,502	1,591,962	1,699,402	80,713,866
Accumulated depreciation:				
Buildings and improvements	1,588,461	-	14,343	1,602,804
Machinery and equipment	2,847,482	-	144,996	2,992,478
Water and sewer distribution systems	30,248,379	-	1,621,055	31,869,434
Subtotal	34,684,322	-	1,780,394	36,464,716
Net capital assets being depreciated	42,738,180	1,591,962	(80,992)	44,249,150
Net business-type activities capital assets	<u>\$ 43,972,978</u>	<u>\$ -</u>	<u>\$ 1,702,228</u>	<u>\$ 45,675,206</u>

Component Unit - Downtown Development Authority

	Balance July 1, 2020	Reclassifications	Additions	Balance June 30, 2021
Capital assets not being depreciated - Land	\$ 284,670	\$ -	\$ -	\$ 284,670
Capital assets being depreciated:				
Infrastructure	1,236,953	-	-	1,236,953
Equipment	695,195	-	-	695,195
Vehicles	25,134	-	-	25,134
Subtotal	1,957,282	-	-	1,957,282
Accumulated depreciation:				
Infrastructure	395,631	-	49,478	445,109
Equipment	258,718	-	49,663	308,381
Vehicles	25,134	-	-	25,134
Subtotal	679,483	-	99,141	778,624
Net capital assets being depreciated	1,277,799	-	(99,141)	1,178,658
Net capital assets	<u>\$ 1,562,469</u>	<u>\$ -</u>	<u>\$ (99,141)</u>	<u>\$ 1,463,328</u>

June 30, 2021

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 306,219
Public safety		261,800
Public works		1,767,308
Economic development		71,592
Internal service funds depreciation is charged to the various functions based on their usage of the asset		444,745
		<u>444,745</u>
Total governmental activities		<u>\$ 2,851,664</u>
Business-type activities - Water and Sewer Fund		<u>\$ 1,780,394</u>
Component unit activities - Downtown Development Authority		<u>\$ 99,141</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 1,727,406
	Water and Sewer Fund	1,290,892
	Total General Fund	3,018,298
Water and Sewer Fund	Nonmajor governmental funds	51,834
Nonmajor governmental funds	Nonmajor governmental funds	25,466
	Water and Sewer Fund	64,761
	Total nonmajor governmental funds	90,227
Internal Service Funds	Nonmajor governmental funds	39,433
	Total	<u>\$ 3,199,792</u>

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
Nonmajor governmental fund - Local Streets Fund	Downtown Development Authority	\$ 35,000
General Fund	Economic Development Corporation	2,000
Internal Service Funds	Downtown Development Authority	3,500
Downtown Development Authority	General Fund	301,634
	Total	<u>\$ 342,134</u>

June 30, 2021

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 225,707
Nonmajor governmental fund - Major Streets Fund	Nonmajor governmental fund - Local Streets Fund	1,099,074
	Total	<u>\$ 1,324,781</u>

The interfund receivables balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The interfund transfer reported from the Major Streets Fund to the Local Streets Fund was to finance a portion of the cost of the City's Local Streets Fund road programs. The interfund transfers from the General Fund to the nonmajor governmental funds were to finance the cost of the City's capital projects and operating expenditures.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2021 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings:							
Capital lease - Vehicles:							
Amount of issue - \$100,520							
Maturing through 2024	3.59%	\$18,711 - \$20,800	\$ 78,973	\$ -	\$ (18,711)	\$ 60,262	\$ 19,383
Capital lease - Vehicles:							
Amount of issue - \$682,913							
Maturing through 2024	3.2%	\$95,486 - \$105,632	402,007	-	(95,486)	306,521	98,755
2019 UTGO Road Construction Bonds:							
Amount of issue - \$6,700,000							
Maturing through 2029	3.5%	\$585,000 - \$775,000	6,085,000	-	(585,000)	5,500,000	610,000
Total bonds and contracts payable			6,565,980	-	(699,197)	5,866,783	728,138
Compensated absences			1,001,646	315,077	(250,412)	1,066,311	266,578
Total governmental activities long-term debt			<u>\$ 7,567,626</u>	<u>\$ 315,077</u>	<u>\$ (949,609)</u>	<u>\$ 6,933,094</u>	<u>\$ 994,716</u>

June 30, 2021

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings:							
Wayne County Downriver Sewage Disposal System Bonds							
Amount of issue - Various							
		\$56,547 -					
Maturing through 2028	2.0% - 5.7%	\$98,758	\$ 560,246	\$ -	\$ (98,760)	\$ 461,486	\$ 56,547
Downriver Utility Wastewater Authority Bonds							
Amount of issue - Various							
		\$425,732 -					
Maturing through 2042	1.63% - 5.0%	\$1,109,226	12,664,395	1,655,113	(582,075)	13,737,433	653,715
Michigan Finance Authority - Clean Water Loan (SRF)							
Amount of issue - \$1,043,784							
		\$50,000 -					
Maturing through 2035	2.5%	\$84,843	909,842	-	(50,000)	859,842	50,000
Michigan Finance Authority - Clean Water Loan (SRF)							
Amount of issue - \$526,324							
		\$40,000 -					
Maturing through 2031	2.0%	\$55,000	-	526,324	(40,000)	486,324	45,000
Total direct borrowings principal outstanding			14,134,483	2,181,437	(770,835)	15,545,085	805,262
Other debt - Water and Sewer System Improvement Bonds -							
Amount of issue - \$3,445,000							
		\$175,000 -					
Maturing through 2030	3.0% - 4.125%	\$275,000	2,250,000	-	(175,000)	2,075,000	200,000
Total bonds and contracts payable			16,384,483	2,181,437	(945,835)	17,620,085	1,005,262
Compensated absences			67,727	15,322	(16,932)	66,117	16,529
Total business-type activities long-term debt			<u>\$ 16,452,210</u>	<u>\$ 2,196,759</u>	<u>\$ (962,767)</u>	<u>\$ 17,686,202</u>	<u>\$ 1,021,791</u>

June 30, 2021

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities				
	Direct Borrowings		Total	Direct Borrowings		Other Debt		Total
	Principal	Interest		Principal	Interest	Principal	Interest	
2022	\$ 728,138	\$ 205,157	\$ 933,295	\$ 805,262	\$ 494,842	\$ 200,000	\$ 78,831	\$ 1,578,935
2023	752,214	179,730	931,944	830,999	502,381	200,000	72,331	1,605,711
2024	776,431	153,463	929,894	1,271,427	477,156	200,000	65,531	2,014,114
2025	675,000	126,350	801,350	882,281	451,041	225,000	58,531	1,616,853
2026	695,000	102,725	797,725	906,632	471,817	225,000	50,375	1,653,824
2027-2031	2,240,000	926,151	3,166,151	4,515,109	1,686,814	1,025,000	106,625	7,333,548
2032-2036	-	-	-	3,139,812	1,074,326	-	-	4,214,138
2037-2041	-	-	-	2,258,661	593,892	-	-	2,852,553
2042-2046	-	-	-	934,902	70,715	-	-	1,005,617
Total	\$ 5,866,783	\$ 1,693,576	\$ 7,560,359	\$ 15,545,085	\$ 5,822,984	\$ 2,075,000	\$ 432,224	\$ 23,875,293

Assets Pledged as Collateral

Direct Borrowings and Direct Placements

The City's outstanding installment purchase agreements are secured with collateral of the related assets purchased with the installment purchase agreement proceeds.

Note 7 - Leases

Capital Leases

During 2018, the City entered into a lease agreement as lessee for financing the purchase of three vehicles. During 2020, the City entered into a new lease agreement as lessee for financing the purchase of an additional vehicle. The lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date (see Note 6). The cost of the vehicles totaled \$788,433. Accumulated depreciation as of June 30, 2021 on the leased assets is approximately \$390,000. The future minimum lease obligations for the years ending June 30 and the net present value are as follows:

Years Ending	Amount
2022	\$ 130,795
2023	130,795
2024	130,795
Total	392,385
Less amount representing interest	25,602
Present value	\$ 366,783

Note 8 - Restricted Assets

The restricted assets in the business-type activities consist of cash and cash equivalents and receivables restricted to provide for the replacement of enterprise fund assets. Also, moneys received from a tax levy are restricted for the payment of outstanding enterprise fund debt related to the Wayne County Downriver Sewage Disposal System bonds. In addition, restricted assets result from the establishment of debt reserves and unspent bond proceeds related to the Wayne County Downriver Sewage Disposal System (the "System") and Downriver Utility Wastewater Authority (DUWA) bonds.

Note 8 - Restricted Assets (Continued)

The restricted assets in the governmental activities consist of unspent bond proceeds.

At June 30, 2021, restricted assets are composed of the following:

	Governmental Activities	Business-type Activities
Cash and cash equivalents:		
Ecorse Creek replacement reserve	\$ -	\$ 650,000
Tax funds for Wayne County Downriver Sewage Disposal System		
Bonds	-	457,471
Road bonds - Unspent bond proceeds	<u>1,067,603</u>	<u>-</u>
Cash and cash equivalents	1,067,603	1,107,471
Wayne County Downriver Sewage Disposal System - Assets held at the System for future debt service	-	189,808
Downriver Utility Wastewater Authority - Assets held at DUWA for future debt service and capital projects	<u>-</u>	<u>1,392,469</u>
Total restricted assets	<u>\$ 1,067,603</u>	<u>\$ 2,689,748</u>

The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds. The Ecorse Creek replacement reserve is dictated by the EPA.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefit claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Pension Plans

Plan Description

The City of Lincoln Park, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Police Officers and Firefighters Retirement System (the "P&F Retirement System"), a single-employer plan administered by the pension commission, and the Municipal Employees' Retirement System (MERS), an agent multiple-employer plan administered by the retirement board.

The financial statements of the Police Officers and Firefighters Retirement System are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

June 30, 2021

Note 10 - Pension Plans (Continued)

Management of the P&F Retirement System is vested in the pension commission, which consists of five members: the mayor, a city council member appointed by the City Council, a resident appointed by the City Council, and two members of the P&F Retirement System elected by plan members.

The City of Lincoln Park, Michigan also contributes to the City of Lincoln Park Defined Contribution Plan, a defined contribution pension plan for certain employees who meet the eligibility requirements. The City established the defined contribution plan under Section 401(a), and it covers all full-time employees (with the exception of elected officials and commission or board members) hired on or after December 1, 2004. The benefits are administered by the Municipal Employees' Retirement System.

Benefits Provided

The Police Officers and Firefighters Retirement System and the Municipal Employees' Retirement System provide retirement, disability, and death benefits to plan members and beneficiaries. The P&F Retirement System's benefit terms are established by contractual agreements between the City and various employee union representation; amendments are subject to the same process. Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

Police Officers and Firefighters Retirement System

Final Average Compensation

Police Patrol and Police Command Officers

Hired before April 21, 2010 - Average of base compensation (at current pay rates) for ranks held during five years before retirement. Equivalent to one-year average if no promotions during that period.

Hired on or after April 21, 2010 - Highest five-consecutive-year average of compensation of employee's last year of service before retirement.

Firefighters

Average of base compensation (at current pay rates) for ranks held during five years before retirement. Equivalent to one-year average if no promotion during that period.

Voluntary Retirement

Police Patrol and Police Command Officers

Hired before April 21, 2010 - Eligible for voluntary retirement at age 50 with 25 years of service or 28 years of service regardless of age. The annual amount is calculated as 2.80 percent of FAC times service accrued to June 1, 2014; 2.50 percent of FAC times service accrued from June 1, 2014 to November 1, 2014; and 2.00 percent of FAC times service accrued after November 1, 2014, reverting to 2.50 percent if the member meets the voluntary retirement eligibility conditions.

Hired on or after April 21, 2010 - Eligible for voluntary retirement at age 55 with 25 years of service. The annual amount is calculated as 2.25 percent of FAC times service.

Hired on or after January 1, 2014 (police patrol only) - Eligible for voluntary retirement at age 55 with 25 years of service. The annual amount is calculated as 2.00 percent of FAC times service.

Firefighters

Hired before July 1, 2013 - Eligible for voluntary retirement at age 50 with 25 years of service or 28 years of service regardless of age. The annual amount is calculated as 2.80 percent of FAC times service accrued to July 1, 2013; 2.50 percent of FAC times service accrued from July 1, 2013 to March 1, 2015; and 2.00 percent of FAC times service accrued after March 1, 2015, reverting to 2.50 percent if the member meets the voluntary retirement eligibility conditions.

June 30, 2021

Note 10 - Pension Plans (Continued)

Hired on or after July 1, 2013 - Eligible for voluntary retirement at age 55 with 25 years of service. Maximum benefit is 78.4 percent of final average base compensation.

Mandatory Retirement - Age 60 with 18 years of service.

Early Retirement - 20 or more years of service. The annual amount is computed as a voluntary retirement benefit described above but reduced by a certain percentage for each year prior to the voluntary retirement date. The annual percentage reduction is 7.2 percent for the first 2 years, 6.0 percent for the next 3 years, and 4.8 percent thereafter.

Postretirement Death Benefit - Annual amount: Effective July 1, 1979, all members whose retirement benefits commenced after June 30, 1975 shall be covered by an automatic 50 percent spouse (or dependent children under age 18) benefit at no cost to the members.

The benefits also include nonduty disability benefits and disability retirement benefits, in limited situations. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest. Police patrol and police command members hired after January 1, 2014 will not receive an annuity refund as an option.

Postretirement Cost of Living Adjustments - A one-time increase for retirees on the rolls was enacted on July 1, 1975. The annual amount of the increase was \$50 (\$25 for beneficiaries) for each year since retirement. For fire retirees after July 1, 1995 and police retirees after September 6, 1996 (and their eventual beneficiaries), retirement benefits will increase \$300 annually (\$150 for beneficiaries) each January 1, beginning with the January 1 that is at least one year after retirement. Beginning on July 1, 1980, the minimum benefit for retirees was gradually raised to \$7,500 (\$3,750 for survivors). For fire retirees, the minimum was raised to \$9,683 (\$4,842 for survivors). For police retirees, the minimum was raised to \$9,683 (two persons) or \$7,570 (one person).

Municipal Employees' Retirement System

Retirement benefits for employees are calculated as 2.5 percent (70 percent maximum) of the employee's best three-year-average salary times the employee's years of service. Normal retirement age is 60 with 10 years of service. Early retirement is available at age 50 with 28 years of service, with reduced benefit at age 50 with 25 years of service, or age 55 with 15 years of service. The vesting period is 10 years.

Hired after November 2, 2004 - Retirement benefits for employees are calculated as 1.0 percent of the employee's best three-year-average salary times the employee's years of service. Normal retirement age is 60. The vesting period is 6 years.

The benefits also include nonduty disability benefits and disability retirement benefits, in limited situations. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are \$300.

Benefit terms, including contribution requirements, for the City of Lincoln Park Defined Contribution Plan are established and may be amended by the mayor and City Council. For each employee in the defined contribution plan, the City is required to contribute 7 percent of annual earnings. Employees are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and employee contributions and earnings on those contributions.

June 30, 2021

Note 10 - Pension Plans (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Date of member count	June 30, 2021	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	141	139
Inactive plan members entitled to but not yet receiving benefits	8	8
Active plan members	67	63
Total employees covered by the plan	<u>216</u>	<u>210</u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The P&F Retirement System requires contributions from employees of 10.68 percent for police patrol and 10.18 percent for police command and firefighters. MERS requires contributions from employees of 8.41 percent. For the year ended June 30, 2021, the City contributed the actuarially determined contribution of \$5,682,424 for the P&F Retirement System. For the year ended June 30, 2021, the City contributed the actuarially determined contribution of \$3,486,201 for MERS.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Measurement date used for the City's net pension liability	June 30, 2021	December 31, 2020
Based on a comprehensive actuarial valuation as of	June 30, 2020	December 31, 2020

Note 10 - Pension Plans (Continued)

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

Police Officers and Firefighters Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2020	\$ 79,448,792	\$ 26,589,575	\$ 52,859,217
Changes for the year:			
Service cost	928,285	-	928,285
Interest	4,827,932	-	4,827,932
Differences between expected and actual experience	(313,999)	-	(313,999)
Contributions - Employer	-	5,682,424	(5,682,424)
Contributions - Employee	-	436,912	(436,912)
Net investment income	-	7,154,479	(7,154,479)
Benefit payments, including refunds	(5,332,053)	(5,332,053)	-
Administrative expenses	-	(28,612)	28,612
Net changes	110,165	7,913,150	(7,802,985)
Balance at June 30, 2021	\$ 79,558,957	\$ 34,502,725	\$ 45,056,232

The plan's fiduciary net position represents 43.37 percent of the total pension liability.

Municipal Employees' Retirement System

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2020	\$ 40,679,508	\$ 8,608,279	\$ 32,071,229
Changes for the year:			
Service cost	206,004	-	206,004
Interest	2,953,287	-	2,953,287
Differences between expected and actual experience	75,271	-	75,271
Changes in assumptions	1,482,717	-	1,482,717
Contributions - Employer	-	3,609,195	(3,609,195)
Contributions - Employee	-	54,276	(54,276)
Net investment income	-	1,011,399	(1,011,399)
Benefit payments, including refunds	(3,846,944)	(3,846,944)	-
Administrative expenses	-	(16,460)	16,460
Net changes	870,335	811,466	58,869
Balance at December 31, 2020	\$ 41,549,843	\$ 9,419,745	\$ 32,130,098

The plan's fiduciary net position represents 22.67 percent of the total pension liability.

June 30, 2021

Note 10 - Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the City recognized pension expense of \$5,491,340 from all plans, which includes defined contribution plan expense of \$2,932.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 341,101	\$ (525,820)
Changes in assumptions	1,634,795	(364,866)
Net difference between projected and actual earnings on pension plan investments	-	(3,611,014)
Employer contributions to the plan subsequent to the measurement date	2,121,600	-
Total	\$ 4,097,496	\$ (4,501,700)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2022	\$ (382,409)
2023	76,961
2024	(1,053,619)
2025	(1,166,737)
Total	\$ (2,525,804)

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Inflation	2.25%	2.5%
Salary increases (including inflation)	2.75% - 5.85%	3.0% - 11.0%
Investment rate of return (net of investment expenses)	6.25%	7.35%
Mortality rates	PubS-2010 Mortality Tables	PubS-2010 Mortality Tables

The actuarial assumptions used in the MERS December 31, 2020 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Note 10 - Pension Plans (Continued)

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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

	Police Officers and Firefighters Retirement System	Municipal Employees' Retirement System
Assumed investment rate of return	6.25%	7.6%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	6.25%	7.6%

Investment Rate of Return

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 for the P&F Retirement System (geometric real rates of return) and as of December 31, 2020 for MERS (arithmetic real rates of return) are summarized in the following tables:

Police Officers and Firefighters Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	68.00 %	4.70 %
Global fixed income	25.00	1.00
Real estate	7.00	4.00

Municipal Employees' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private assets	20.00	7.25

June 30, 2021

Note 10 - Pension Plans (Continued)

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.25 percent for P&F Retirement Systems and 7.6 percent for MERS percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (P&F - 5.25%, MERS - 6.6%)	Current Discount Rate (P&F - 6.25%, MERS - 7.6%)	1 Percentage Point Increase (P&F - 7.25%, MERS - 8.6%)
Net pension liability of the Police Officers and Firefighters Retirement System	\$ 53,880,791	\$ 45,056,232	\$ 37,743,034
Net pension liability of the Municipal Employees' Retirement System	36,254,057	32,130,098	28,650,996

Assumption Changes

Municipal Employees' Retirement System

The mortality tables used in the actuarial valuation changed from the RP-2014 Mortality Tables to the PubS-2010 Mortality Tables.

Police Officers and Firefighters Retirement System

Investment Policy

The P&F Retirement System's policy in regard to the allocation of invested assets is established and may be amended by the pension commission by a majority vote of its members. It is the policy of the pension commission to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The P&F Retirement System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension commission's adopted asset allocation policy as of June 30, 2021 is included in the table above.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on P&F Retirement System plan investments, net of pension plan investment expense, was 27.21 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the pension commission, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee but does not credit the contributions with any interest. For any employee who terminates before vesting in the P&F Retirement System, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

Note 10 - Pension Plans (Continued)

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 60,481,000	\$ 28,425,308
Employee reserve	6,077,417	6,077,417
Total	<u>\$ 66,558,417</u>	<u>\$ 34,502,725</u>

Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits

Plan Description

The City provides OPEB and supplemental pension benefits (collectively, the "benefits") for all retirees who retired from the City of Lincoln Park, Michigan on or before April 22, 2015 and received city-provided retiree health care. The emergency manager issued an executive order to terminate retiree health care effective July 1, 2015, as provided under Sections 12(1)k and 12(2) of PA 436 of 2012. Effective April, 1, 2019, the City offered eligible retirees the option of enrolling in an enhanced benefits agreement (the "Enhanced Benefits"), which settled all claims between the eligible retiree and the City.

Regardless of whether the eligible retiree enrolled in the Enhanced Benefits, eligible retirees have the option of a monthly stipend used toward the purchase of health insurance through the City's plan, with the retiree contributing the difference between the premium and the stipend (in effect, an OPEB benefit), or a monthly stipend may be taken by the retiree as a supplement to income (in effect, a supplemental pension benefit). Additionally, the City provides Medicare supplemental coverage options to Medicare-eligible retirees who enrolled in the Enhanced Benefits. The total cost of the benefits may not exceed 6 percent of the City's General Fund revenue. If this should occur, the benefits may be reduced by the City. For the year ended June 30, 2021, the total cost of the benefits did not exceed 6 percent of the City's General Fund revenue.

The benefits are provided by the City of Lincoln Park, Michigan's primary government.

No assets are accumulated in a trust that meet the criteria the criteria in GASB 68 or GASB 75.

The benefits are provided only to retirees who retired from the City of Lincoln Park, Michigan on or before April 22, 2015.

Benefits Provided

Nonenhanced Benefit

The City will pay the following stipend amounts based on health insurance coverage being offered to the retiree:

Non-Medicare-eligible Retirees

- Single: \$150 per month
- Couple: \$350 per month
- Family: \$425 per month

Medicare-eligible Retirees

\$50 per month

June 30, 2021

**Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits
(Continued)**

Enhanced Benefit

The City will pay the following stipend amounts based on health insurance coverage being offered to the retiree:

Non-Medicare-eligible Retirees

- Single: \$400 per month
- Couple: \$600 per month
- Family: \$800 per month

Medicare-eligible Retirees

The City provides eligible retirees who are eligible for Medicare with Medicare Supplemental Coverage as follows:

- Option 1: The City offers eligible retirees the option to enroll in Option 1 or its plan equivalent. An eligible retiree who enrolls in Option 1 shall be responsible for contributing 40 percent of the monthly cost of the coverage.
- Option 2: The City offers to eligible retirees a Medicare Supplement Plan that shall be based on the benefits contained in the health care plan offered to active employees of the City, which may change from time to time. The City shall pay the full cost of this Medicare Supplement Plan.
- Option 3: The City offers to eligible retirees the option to enroll in Option 3 or its plan equivalent. An eligible retiree who enrolls in Option 3 shall be responsible for contributing 10 percent of the monthly cost of the coverage.
- Opt-out - Medicare eligible retirees who do not choose one of the options above receive a \$200 per month stipend.

Other Benefits

The City also provides an additional subsidy for retirees who have elected to purchase health insurance through the City's plan. The monthly stipend payment amounts are approved annually and are reevaluated each budget year by the City Council.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	OPEB	Supplemental Pension Benefit
Date of member count	June 30, 2021	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	177	124

Contributions

Benefits are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the stipends are due for payment. For the fiscal year ended June 30, 2021, the City made payments for OPEB and supplemental pension benefits of \$754,087 and \$500,299, respectively.

June 30, 2021

**Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits
(Continued)**

Total OPEB Liability and Total Pension Liability

The City chooses a date to measure its total OPEB liability and total pension liability. This is based on the measurement date, which is the City's fiscal year end, June 30, 2021.

Changes in the total OPEB liability and total pension liability during the measurement year were as follows:

OPEB

Changes in Total OPEB Liability	Total OPEB Liability
Balance at July 1, 2020	\$ 10,857,955
Changes for the year:	
Interest	256,782
Differences between expected and actual experience	(1,146,477)
Changes in assumptions	596,178
Benefit payments	(754,087)
Net changes	(1,047,604)
Balance at June 30, 2021	\$ 9,810,351

Supplemental Pension Benefits

Changes in Total Pension Liability	Total Pension Liability
Balance at July 1, 2019	\$ 6,458,146
Changes for the year:	
Interest	152,096
Differences between expected and actual experience	(90,808)
Changes in assumptions	367,215
Benefit payments	(500,299)
Net changes	(71,796)
Balance at June 30, 2021	\$ 6,386,350

June 30, 2021

**Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits
(Continued)**

OPEB and Pension Expense Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB and Pensions

For the year ended June 30, 2021, the City recognized OPEB and supplemental pension (recovery) expense of \$(293,517) and \$428,502, respectively.

At June 30, 2021, the City did not report deferred outflows of resources and deferred inflows of resources related to OPEB or the supplemental pension benefits.

Actuarial Assumptions

The total OPEB liability and total pension liability in each actuarial valuation were determined using the following actuarial assumptions:

	OPEB	Supplemental Pension Benefits
Mortality rates	PubS-2010 Healthy Retiree Mortality Table with the MP-2018 Mortality Improvement Scales	PubS-2010 Healthy Retiree Mortality Table with the MP-2018 Mortality Improvement Scales
Health care cost trend rate	3.5% in all future years	N/A

Other OPEB Assumption

The City also provides an additional subsidy for retiree premiums. The most recent subsidy paid for retiree premiums was approximately \$216,694. For the purpose of computing the total OPEB liability, it is being estimated that this amount will reduce to \$0 gradually over the next 15 years.

Inactive plan members share in the cost of OPEB by contributing the difference between the premium and the stipend.

Discount Rate

The discount rate used to measure the total OPEB liability and total pension liability was the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 1.92 percent (as referenced by Fidelity 20-Year Municipal GO AA Index at June 30, 2021).

Sensitivity of the Total OPEB Liability and Total Pension Liability to Changes in the Discount Rate

The following presents the total OPEB liability and total pension liability of the City, calculated using the discount rate of 1.92 percent, as well as what the City's total OPEB liability and total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (0.92%)	Current Discount Rate (1.92%)	1 Percentage Point Increase (2.92%)
Total OPEB liability of the OPEB	\$ 11,153,524	\$ 9,810,351	\$ 8,739,511
Total pension liability of the supplemental pension benefits	7,202,484	6,386,350	5,724,769

Note 11 - Other Postemployment Benefits and Supplemental Pension Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate 3.5 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (2.5%)	Current Health Care Cost Trend Rate (3.5%)	1 Percentage Point Increase (4.5%)
Total OPEB liability of the OPEB	\$ 8,818,406	\$ 9,810,351	\$ 11,037,944

Assumption Changes

The discount rate used to measure the total OPEB liability and the total pension liability as of June 30, 2021 was changed from 2.45 percent to 1.92 percent. The discount rate changed due to changes in the municipal bond rate.

Note 12 - Joint Venture

Downriver Utility Wastewater Authority

The City, along with 12 other communities, jointly participates in Downriver Utility Wastewater Authority. Previously, this sewer system was operated by the Charter County of Wayne, Michigan (the "County") and was known as the Downriver Sewage Disposal System. On September 27, 2018, the System transferred from the Charter County of Wayne, Michigan to the Downriver Utility Wastewater Authority. DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the authority. The System's assets and all of System's debt, except for the judgment levy debt, was transferred to DUWA. The judgment levy debt from the System still remains as an obligation of the County and will continue to be paid from the communities to the County.

The City's share of capital assets, restricted cash (for debt service), and related debt is recorded in the Water and Sewer Fund. For DUWA, the City paid \$997,249 for operations of the authority and paid \$1,060,401 for debt service. For the judgment levy debt, the City paid \$208,489 to the County for debt service. The City is not aware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Financial statements for DUWA can be obtained from its administrative offices at 25605 Northline Road, Taylor, MI 48180.

25th District Court

The City is a member of the 25th District Court (the "District Court"). The City appoints one member to the joint venture's governing board, which then approves the annual budget. The District Court receives its operating revenue principally through contributions from the member communities. During the year ended June 30, 2021, the City received fines and forfeitures of approximately \$1,791,000 and paid approximately \$1,435,000 for operations. The City is unaware of any circumstances that would cause additional financial benefit or burden to the participating governments in the near future. The City does not have an equity interest in the District Court.

June 30, 2021

Note 13 - Litigation

A proposed class action lawsuit arising out of the flooding of Lincoln Park residents' basements during a very severe rainstorm on April 30 and May 1, 2019 was filed on February 17, 2021 in the Wayne County Circuit Court. The City, as well as the County, the Wayne County Drain Commissioner, and two drainage districts, are defendants in the lawsuit. There are over 800 potential basement flooding plaintiffs resulting from the storm. Based upon the claim information submitted, the homeowners are seeking between \$5,000 and \$20,000 per home. At this stage in the proceedings, no opinion as to the probable outcome or a reasonable estimate can be offered. The cause of the flooding has yet to be determined, which will effect who (if any) is responsible for the damages. The total amount has a potentially material effect on the City. No provision has been made for the potential liability, if any, that may result from the resolution of this matter.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 11,133,999	\$ 11,142,682	\$ 11,432,460	\$ 289,778
Intergovernmental	4,962,128	6,231,211	6,813,512	582,301
Charges for services	3,531,511	3,236,545	3,135,230	(101,315)
Fines and forfeitures	3,193,348	2,000,000	1,790,727	(209,273)
Licenses and permits	665,341	655,341	753,480	98,139
Investment income	115,932	81,932	70,156	(11,776)
Other revenue	131,100	169,698	127,702	(41,996)
Total revenue	23,733,359	23,517,409	24,123,267	605,858
Expenditures				
Current services:				
General government:				
Mayor and City Council	65,519	65,519	55,829	9,690
Finance	285,133	285,133	285,864	(731)
Treasury department	168,649	168,649	150,078	18,571
City assessor	347,433	347,033	285,346	61,687
Clerk	150,758	150,758	136,904	13,854
Municipal building and grounds	616,440	616,440	488,780	127,660
City attorney	209,500	224,500	273,532	(49,032)
Election commission	64,773	105,122	80,760	24,362
City manager	321,582	321,582	307,260	14,322
General government	3,968,394	3,970,124	3,686,340	283,784
District court - Costs	1,443,936	1,443,936	1,434,252	9,684
Public safety:				
Police	9,300,195	9,274,496	8,686,827	587,669
Fire and EMS	4,173,028	4,193,028	4,111,015	82,013
Police/Fire clerical	500,978	496,433	468,540	27,893
Animal shelter	76,290	76,290	42,183	34,107
Building department	904,057	904,057	819,676	84,381
Public works:				
Planning commission	56,525	56,525	91,937	(35,412)
Street lighting	515,000	515,000	624,951	(109,951)
Department of public services	5,547	5,547	5,080	467
Recreation and culture:				
Recreation and culture	228,688	188,392	156,533	31,859
Social services	170,000	170,000	43,330	126,670
Community center	337,797	300,096	309,023	(8,927)
Parks	110,794	110,794	72,807	37,987
Total expenditures	24,021,016	23,989,454	22,616,847	1,372,607
Excess of Revenue (Under) Over Expenditures	(287,657)	(472,045)	1,506,420	1,978,465
Other Financing Sources (Uses) - Transfers in (out)	287,657	287,657	(225,707)	(513,364)
Net Change in Fund Balance	-	(184,388)	1,280,713	1,465,101
Fund Balance - Beginning of year	4,840,215	4,840,215	4,840,215	-
Fund Balance - End of year	\$ 4,840,215	\$ 4,655,827	\$ 6,120,928	\$ 1,465,101

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Police Officers and Firefighters Retirement System

	Last Eight Fiscal Years							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 928,285	\$ 972,542	\$ 1,005,910	\$ 992,045	\$ 908,542	\$ 886,933	\$ 1,082,063	\$ 1,259,975
Interest	4,827,932	5,048,695	5,066,826	5,072,185	5,013,052	4,976,226	4,454,414	4,444,635
Changes in benefit terms	-	-	(237,679)	-	-	444,641	-	-
Differences between expected and actual experience	(313,999)	(160,724)	(474,395)	(478,047)	386,840	(418,001)	(680,675)	-
Changes in assumptions	-	(930,199)	-	-	-	-	5,363,010	-
Benefit payments, including refunds	(5,332,053)	(5,334,964)	(5,910,856)	(5,440,265)	(5,440,649)	(5,227,430)	(4,967,651)	(5,949,555)
Net Change in Total Pension Liability	110,165	(404,650)	(550,194)	145,918	867,785	662,369	5,251,161	(244,945)
Total Pension Liability - Beginning of year	79,448,792	79,853,442	80,403,636	80,257,718	79,389,933	78,727,564	73,476,403	73,721,348
Total Pension Liability - End of year	\$ 79,558,957	\$ 79,448,792	\$ 79,853,442	\$ 80,403,636	\$ 80,257,718	\$ 79,389,933	\$ 78,727,564	\$ 73,476,403
Plan Fiduciary Net Position								
Contributions - Employer	\$ 5,682,424	\$ 5,883,721	\$ 6,050,163	\$ 6,027,815	\$ 6,937,765	\$ 5,475,223	\$ 3,464,682	\$ 3,363,725
Contributions - Member	436,912	419,912	402,106	369,980	283,385	253,631	272,176	395,148
Net investment income	7,154,479	549,351	896,322	1,182,368	1,879,693	126,371	284,004	2,254,104
Administrative expenses	(28,612)	(28,584)	(28,388)	(40,689)	(65,266)	(22,241)	(20,512)	(42,135)
Benefit payments, including refunds	(5,332,053)	(5,334,964)	(5,910,856)	(5,440,265)	(5,440,649)	(5,227,430)	(4,967,651)	(5,949,555)
Other	-	-	-	-	-	-	51,401	(72,793)
Net Change in Plan Fiduciary Net Position	7,913,150	1,489,436	1,409,347	2,099,209	3,594,928	605,554	(915,900)	(51,506)
Plan Fiduciary Net Position - Beginning of year	26,589,575	25,100,139	23,690,792	21,591,583	17,996,655	17,391,101	18,307,001	18,358,507
Plan Fiduciary Net Position - End of year	\$ 34,502,725	\$ 26,589,575	\$ 25,100,139	\$ 23,690,792	\$ 21,591,583	\$ 17,996,655	\$ 17,391,101	\$ 18,307,001
City's Net Pension Liability - Ending	\$ 45,056,232	\$ 52,859,217	\$ 54,753,303	\$ 56,712,844	\$ 58,666,135	\$ 61,393,278	\$ 61,336,463	\$ 55,169,402
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	43.37 %	33.47 %	31.43 %	29.46 %	26.90 %	22.67 %	22.09 %	24.92 %

City of Lincoln Park, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios (Continued) Police Officers and Firefighters Retirement System

	Last Eight Fiscal Years															
Covered Payroll	\$	4,000,781	\$	3,949,934	\$	3,837,215	\$	3,784,325	\$	3,307,029	\$	3,124,496	\$	3,551,594	\$	4,119,461
City's Net Pension Liability as a Percentage of Covered Payroll		1,126.19 %		1,338.23 %		1,426.90 %		1,498.63 %		1,773.98 %		1,964.90 %		1,727.01 %		1,339.24 %

City of Lincoln Park, Michigan

Required Supplemental Information
Schedule of Pension Investment Returns
Police Officers and Firefighters Retirement System

	Last Eight Fiscal Years							
	Years Ended June 30							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	27.21 %	2.08 %	3.68 %	5.17 %	10.60 %	0.60 %	2.80 %	13.40 %

Required Supplemental Information
Schedule of City Contributions
Police Officers and Firefighters Retirement System

		Last Ten Fiscal Years Years Ended June 30								
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 5,682,424	\$ 5,883,721	\$ 6,050,163	\$ 6,027,815	\$ 6,030,575	\$ 6,371,872	\$ 3,464,682	\$ 3,332,855	\$ 3,186,996	\$ 3,086,121
Contributions in relation to the actuarially determined contribution	5,682,424	5,883,721	6,050,163	6,027,815	6,937,765	5,475,223	3,464,682	3,332,855	3,186,996	3,086,121
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ 907,190	\$ (896,649)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,000,781	\$ 3,949,934	\$ 3,837,215	\$ 3,784,325	\$ 3,307,029	\$ 3,124,496	\$ 3,551,594	\$ 4,119,461	\$ 4,752,332	\$ 4,691,970
Contributions as a Percentage of Covered Payroll	142.03 %	148.96 %	157.67 %	159.28 %	209.79 %	175.24 %	97.55 %	80.91 %	67.06 %	65.77 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market; 25 percent corridor
Inflation	Price inflation: 2.75 percent Wage inflation: 3.0 percent
Salary increase	2.75 to 5.85 percent per year
Investment rate of return	6.50 percent
Retirement age	Age and experience-based table of rates that are specific to the type of eligibility condition
Mortality	PubS-2010 Healthy Annuitant and Employee Mortality Tables for male and females with two-dimensional, fully generated improvements projected with the MP-2014 Mortality Improvement Scales
Other information	None

Required Supplemental Information
 Schedule of Changes in the total Pension Liability and Related Ratios
 Municipal Employees' Retirement System

Last Seven Plan Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 206,004	\$ 213,968	\$ 212,473	\$ 196,534	\$ 177,412	\$ 177,514	\$ 174,572
Interest	2,953,287	3,003,290	3,072,222	3,153,514	3,172,540	3,126,379	3,180,992
Changes in benefit terms	-	14,832	(143,057)	-	-	-	-
Differences between expected and actual experience	75,271	581,841	(382,669)	(879,895)	21,683	548,992	-
Changes in assumptions	1,482,717	1,292,633	-	-	-	1,842,225	-
Benefit payments, including refunds	(3,846,944)	(3,722,415)	(3,520,328)	(3,468,155)	(3,769,911)	(4,097,689)	(3,940,357)
Net Change in Total Pension Liability	870,335	1,384,149	(761,359)	(998,002)	(398,276)	1,597,421	(584,793)
Total Pension Liability - Beginning of year	40,679,508	39,295,359	40,056,718	41,054,720	41,452,996	39,855,575	40,440,368
Total Pension Liability - End of year	\$ 41,549,843	\$ 40,679,508	\$ 39,295,359	\$ 40,056,718	\$ 41,054,720	\$ 41,452,996	\$ 39,855,575
Plan Fiduciary Net Position							
Contributions - Employer	\$ 3,609,195	\$ 2,581,330	\$ 3,835,370	\$ 3,621,661	\$ 3,744,948	\$ 3,082,910	\$ 2,043,176
Contributions - Member	54,276	64,192	67,568	61,693	62,881	71,069	483,626
Net investment income (loss)	1,011,399	1,091,920	(334,671)	962,450	714,299	(85,856)	515,455
Administrative expenses	(16,460)	(18,792)	(16,499)	(15,203)	(14,096)	(14,746)	(18,297)
Benefit payments, including refunds	(3,846,944)	(3,722,415)	(3,520,328)	(3,468,155)	(3,769,911)	(4,097,689)	(3,940,357)
Net Change in Plan Fiduciary Net Position	811,466	(3,765)	31,440	1,162,446	738,121	(1,044,312)	(916,397)
Plan Fiduciary Net Position - Beginning of year	8,608,279	8,612,044	8,580,604	7,418,158	6,680,037	7,724,349	8,640,746
Plan Fiduciary Net Position - End of year	\$ 9,419,745	\$ 8,608,279	\$ 8,612,044	\$ 8,580,604	\$ 7,418,158	\$ 6,680,037	\$ 7,724,349
City's Net Pension Liability - Ending	\$ 32,130,098	\$ 32,071,229	\$ 30,683,315	\$ 31,476,114	\$ 33,636,562	\$ 34,772,959	\$ 32,131,226
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	22.67 %	21.16 %	21.92 %	21.42 %	18.07 %	16.11 %	19.38 %
Covered Payroll	\$ 3,054,439	\$ 2,969,964	\$ 2,806,083	\$ 2,293,608	\$ 1,954,573	\$ 1,778,320	\$ 1,455,328
City's Net Pension Liability as a Percentage of Covered Payroll	1,051.91 %	1,079.85 %	1,093.46 %	1,372.34 %	1,720.92 %	1,955.38 %	2,207.83 %

Required Supplemental Information
 Schedule of City Contributions
 Municipal Employees' Retirement System

Last Ten Fiscal Years
 Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 3,486,201	\$ 3,491,375	\$ 3,261,473	\$ 3,725,923	\$ 3,527,338	\$ 3,082,910	\$ 2,180,451	\$ 2,221,647	\$ 1,832,066	\$ 1,992,507
Contributions in relation to the actuarially determined contribution	3,486,201	3,491,375	3,261,473	3,725,923	3,527,338	3,082,910	2,180,451	2,221,647	1,832,066	1,992,507
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,054,439	\$ 2,969,964	\$ 2,806,083	\$ 2,293,608	\$ 1,954,573	\$ 1,778,320	\$ 1,455,328	\$ 1,557,000	\$ 2,234,000	\$ 2,200,000
Contributions as a Percentage of Covered Payroll	114.14 %	117.56 %	116.23 %	162.45 %	180.47 %	173.36 %	149.83 %	142.69 %	82.01 %	90.57 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, 2015, which provided the ARC for a 10-year period.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18-23 years depending on division
Asset valuation method	5-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	7.75 percent, including inflation
Retirement age	60 years
Mortality	50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Mortality Tables
Other information	None

City of Lincoln Park, Michigan

Required Supplemental Information
 Schedule of Changes in the Total Pension Liability and Related Ratios
 Supplemental Pension Benefits

	Last Four Fiscal Years			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability				
Interest	\$ 152,096	\$ 192,309	\$ 78,194	\$ 82,332
Changes in benefit terms	-	-	3,828,232	-
Differences between expected and actual experience	(90,808)	(60,971)	77,480	-
Changes in assumptions	367,215	442,067	381,924	11,464
Benefit payments, including refunds	<u>(500,299)</u>	<u>(518,700)</u>	<u>(244,831)</u>	<u>(248,100)</u>
Net Change in Total Pension Liability	(71,796)	54,705	4,120,999	(154,304)
Total Pension Liability - Beginning of year	<u>6,458,146</u>	<u>6,403,441</u>	<u>2,282,442</u>	<u>2,436,746</u>
Total Pension Liability - End of year	<u>\$ 6,386,350</u>	<u>\$ 6,458,146</u>	<u>\$ 6,403,441</u>	<u>\$ 2,282,442</u>

Contributions to the pension plan are not based on a measure of pay; therefore, no covered payroll is presented.

City of Lincoln Park, Michigan

Required Supplemental Information
 Schedule of Changes in the Total OPEB Liability and Related Ratios
 Retiree Health Care

	Last Four Fiscal Years			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Interest	\$ 256,782	\$ 318,955	\$ 134,275	\$ 148,590
Changes in benefit terms	-	-	6,389,705	-
Differences between expected and actual experience	(1,146,477)	(137,442)	21,448	-
Changes in assumptions	596,178	850,176	664,902	16,166
Benefit payments, including refunds	<u>(754,087)</u>	<u>(727,996)</u>	<u>(730,638)</u>	<u>(528,100)</u>
Net Change in Total OPEB Liability	(1,047,604)	303,693	6,479,692	(363,344)
Total OPEB Liability - Beginning of year	<u>10,857,955</u>	<u>10,554,262</u>	<u>4,074,570</u>	<u>4,437,914</u>
Total OPEB Liability - End of year	<u>\$ 9,810,351</u>	<u>\$ 10,857,955</u>	<u>\$ 10,554,262</u>	<u>\$ 4,074,570</u>

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

June 30, 2021

Budgetary Information

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

The budget process begins with goals and objectives meetings in April with the City Council and administrative staff. Based upon presentations by the City's staff and discussion between the mayor and the City Council, goals and objectives are prioritized by the City Council for the next fiscal year. The budget is scheduled for adoption at the first regular City Council meeting in June.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 24,123,267	\$ 22,616,847	\$ 6,127,868
Compensated Absences Fund	-	-	(5,300)
Street Improvement Fund	-	-	(1,640)
Amounts per budget statement	<u>\$ 24,123,267</u>	<u>\$ 22,616,847</u>	<u>\$ 6,120,928</u>

During the year, the General Fund incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Finance	\$ 285,133	\$ 285,864	\$ (731)
City attorney	224,500	273,532	(49,032)
Planning commission	56,525	91,937	(35,412)
Street lighting	515,000	624,951	(109,951)
Community center	300,096	309,023	(8,927)

Pension Information

Police Officers and Firefighters Retirement System

Changes in Assumptions

2020: The following assumptions were updated:

- Investment rate of return and discount rate decreased to 6.25 percent
- Wage inflation rate of 2.75 percent
- Price inflation of 2.25 percent
- Mortality rates are based on the PubS-2010 Mortality Tables

Municipal Employees' Retirement System

Changes in Assumptions

2021: The mortality tables used in the actuarial valuation changed from the RP-2014 Mortality Tables to the PubS-2010 Mortality Tables.

2020: The discount rate was decreased from 8.0 to 7.6 percent.

2016: The mortality rates were updated to be based on the RP-2014 tables.

June 30, 2021

Other Postemployment Benefits and Supplemental Pension Benefits

Benefit Changes

Effective April 1, 2019, the City offered eligible retirees the option of enrolling in the Enhanced Benefits, which settled all claims between the eligible retiree and the City. The non-Medicare-eligible retirees who enrolled in the Enhanced Benefits were provided an increased monthly stipend used toward the purchase of health insurance through the City's plan, with the retiree contributing the difference between the premium and the stipend. The Medicare-eligible retirees who enrolled in the Enhanced Benefits were offered Medicare supplemental coverage options.

Changes in Assumptions

2021: The discount rate was changed from 2.45 to 1.92 percent. The discount rate changed due to changes in the municipal bond rate.

2020: The discount rate was changed from 3.13 to 2.45 percent. The discount rate changed due to changes in the municipal bond rate.

2019: The discount rate was changed from 3.62 to 3.13 percent. The discount rate changed due to changes in the municipal bond rate.

Other Supplemental Information

City of Lincoln Park, Michigan

	Special Revenue Funds				
	Major Streets Fund	Local Streets Fund	Sanitation Fund	Drug Forfeiture Fund	Cable Fund
Assets					
Cash and cash equivalents	\$ 935,743	\$ 249,074	\$ 120,573	\$ 206,255	\$ 739,615
Receivables:					
Special assessments receivable	-	-	-	-	-
Customers	-	-	774,958	-	-
Due from other governments	516,876	175,889	-	-	-
Due from component units	-	35,000	-	-	-
Due from other funds	15,495	9,971	-	-	-
Restricted assets	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ 1,468,114	\$ 469,934	\$ 895,531	\$ 206,255	\$ 739,615
Liabilities					
Accounts payable	\$ 694,339	\$ 347,095	\$ 64,069	\$ 22,249	\$ 216
Due to other funds	-	116,571	831,462	-	-
Accrued liabilities and other	8,550	6,268	-	-	-
Provision for property tax refunds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Payable from restricted assets	-	-	-	-	-
Total liabilities	702,889	469,934	895,531	22,249	216
Deferred Inflows of Resources -					
Unavailable revenue	-	-	-	-	-
Fund Balances					
Restricted:					
Roads	765,225	-	-	-	-
Police	-	-	-	184,006	-
Debt service	-	-	-	-	-
Grants	-	-	-	-	-
Cable	-	-	-	-	739,399
Total fund balances	765,225	-	-	184,006	739,399
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,468,114	\$ 469,934	\$ 895,531	\$ 206,255	\$ 739,615

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

Special Revenue Funds			Debt Service Fund	Capital Improvement Fund	Road Bond Fund	Total
Advertising Fund	CDBG Fund	Indigent Defense Fund	Road Bond Debt Fund			
\$ 1,661	\$ 827,242	\$ 217,450	\$ 114,457	\$ 103,473	\$ -	\$ 3,515,543
-	-	-	-	14,082	-	14,082
-	-	-	-	-	-	774,958
365	103,832	-	-	-	-	796,962
-	-	-	-	-	-	35,000
-	-	-	64,761	-	-	90,227
-	-	-	-	-	1,067,603	1,067,603
-	1,000	-	-	-	-	1,000
\$ 2,026	\$ 932,074	\$ 217,450	\$ 179,218	\$ 117,555	\$ 1,067,603	\$ 6,295,375
\$ -	\$ 2,888	\$ 15,090	\$ -	\$ 12,995	\$ -	\$ 1,158,941
2,026	785,284	-	-	90,478	18,318	1,844,139
-	5,851	-	-	-	-	20,669
-	-	-	9,393	-	-	9,393
-	-	202,360	-	-	-	202,360
-	-	-	-	-	50,343	50,343
2,026	794,023	217,450	9,393	103,473	68,661	3,285,845
-	-	-	-	14,082	-	14,082
-	-	-	-	-	998,942	1,764,167
-	-	-	-	-	-	184,006
-	-	-	169,825	-	-	169,825
-	138,051	-	-	-	-	138,051
-	-	-	-	-	-	739,399
-	138,051	-	169,825	-	998,942	2,995,448
\$ 2,026	\$ 932,074	\$ 217,450	\$ 179,218	\$ 117,555	\$ 1,067,603	\$ 6,295,375

City of Lincoln Park, Michigan

	Special Revenue Funds				
	Major Streets Fund	Local Streets Fund	Sanitation Fund	Drug Forfeiture Fund	Cable Fund
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental:					
Federal grants	-	-	-	-	-
State sources:					
State-shared revenue	20,936	28,000	-	-	-
Act 51 gas and weight tax	3,156,713	1,079,300	-	-	-
State grants	61	-	-	158,977	-
Charges for services	-	-	2,721,123	-	-
Licenses and permits - Cable franchise fees	-	-	-	-	113,913
Investment income	-	-	-	-	-
Other revenue - Other miscellaneous income	1,910	4,457	-	-	-
Total revenue	3,179,620	1,111,757	2,721,123	158,977	113,913
Expenditures					
Current services:					
General government	-	-	-	-	-
Public safety	-	-	-	404,893	-
Public works	3,009,509	2,216,132	2,841,696	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	49,172
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,009,509	2,216,132	2,841,696	404,893	49,172
Excess of Revenue Over (Under) Expenditures	170,111	(1,104,375)	(120,573)	(245,916)	64,741
Other Financing Sources (Uses)					
Transfers in	-	1,099,074	120,573	-	-
Transfers out	(1,099,074)	-	-	-	-
Total other financing (uses) sources	(1,099,074)	1,099,074	120,573	-	-
Net Change in Fund Balances	(928,963)	(5,301)	-	(245,916)	64,741
Fund Balances - Beginning of year	1,694,188	5,301	-	429,922	674,658
Fund Balances - End of year	\$ 765,225	\$ -	\$ -	\$ 184,006	\$ 739,399

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2021

Special Revenue Funds			Debt Service Funds	Capital Improvement Fund	Road Bond Fund	Total
Advertising Fund	CDBG Fund	Indigent Defense Fund	Road Bond Debt Fund			
\$ -	\$ -	\$ -	\$ 921,691	\$ -	\$ -	\$ 921,691
-	1,174,012	-	-	-	-	1,174,012
-	-	-	-	-	-	48,936
-	-	-	-	-	-	4,236,013
-	-	389,168	-	50,000	-	598,206
-	-	-	-	-	-	2,721,123
-	-	-	-	-	-	113,913
-	-	-	-	-	727	727
-	-	-	-	-	-	6,367
-	1,174,012	389,168	921,691	50,000	727	9,820,988
-	-	-	-	234,828	-	234,828
-	-	389,168	-	-	-	794,061
9,064	1,267,556	-	-	68,398	2,577,896	10,713,631
-	-	-	-	-	-	1,276,620
-	-	-	-	-	-	49,172
-	-	-	585,000	-	-	585,000
-	-	-	212,975	-	-	212,975
9,064	1,267,556	389,168	797,975	303,226	2,577,896	13,866,287
(9,064)	(93,544)	-	123,716	(253,226)	(2,577,169)	(4,045,299)
1,661	-	-	-	103,473	-	1,324,781
-	-	-	-	-	-	(1,099,074)
1,661	-	-	-	103,473	-	225,707
(7,403)	(93,544)	-	123,716	(149,753)	(2,577,169)	(3,819,592)
7,403	231,595	-	46,109	149,753	3,576,111	6,815,040
\$ -	\$ 138,051	\$ -	\$ 169,825	\$ -	\$ 998,942	\$ 2,995,448

City of Lincoln Park, Michigan

**Other Supplemental Information
Combining Statement of Net Position
Internal Service Funds**

June 30, 2021

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,090,671	\$ 9,310	\$ 1,099,981
Due from component units	3,500	-	3,500
Due from other funds	-	39,433	39,433
Total current assets	1,094,171	48,743	1,142,914
Noncurrent assets - Capital assets - Assets subject to depreciation - Net	1,897,941	68,542	1,966,483
Total assets	2,992,112	117,285	3,109,397
Liabilities			
Current liabilities:			
Accounts payable	38,735	2,074	40,809
Accrued liabilities and other	6,777	-	6,777
Current portion of long-term debt	118,138	-	118,138
Total current liabilities	163,650	2,074	165,724
Noncurrent liabilities:			
Net pension liability	101,935	-	101,935
Net OPEB liability	156,564	-	156,564
Long-term debt	248,645	-	248,645
Total liabilities	670,794	2,074	672,868
Net Position			
Net investment in capital assets	1,531,158	68,542	1,599,700
Unrestricted	790,160	46,669	836,829
Total net position	\$ 2,321,318	\$ 115,211	\$ 2,436,529

City of Lincoln Park, Michigan

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds

Year Ended June 30, 2021

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Operating Revenue - Changes to other funds	\$ 905,421	\$ 183,828	\$ 1,089,249
Operating Expenses			
Other operating and maintenance costs	554,580	212,208	766,788
Depreciation	432,869	11,876	444,745
Total operating expenses	<u>987,449</u>	<u>224,084</u>	<u>1,211,533</u>
Operating Loss	(82,028)	(40,256)	(122,284)
Nonoperating Expense - Interest expense	<u>(9,011)</u>	-	<u>(9,011)</u>
Change in Net Position	(91,039)	(40,256)	(131,295)
Net Position - Beginning of year	<u>2,412,357</u>	<u>155,467</u>	<u>2,567,824</u>
Net Position - End of year	<u><u>\$ 2,321,318</u></u>	<u><u>\$ 115,211</u></u>	<u><u>\$ 2,436,529</u></u>

Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2021

	Motor Pool Fund	Information Technology Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 904,421	\$ 180,836	\$ 1,085,257
Payments to suppliers	(402,888)	(211,735)	(614,623)
Payments to employees and fringes	(144,363)	-	(144,363)
	357,170	(30,899)	326,271
Net cash and cash equivalents provided by (used in) operating activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds for capital lease	100,520	-	100,520
Proceeds from sale of capital assets	6,225	-	6,225
Purchase of capital assets	(213,727)	(13,779)	(227,506)
Principal and interest paid on capital debt	(231,315)	-	(231,315)
	(338,297)	(13,779)	(352,076)
Net cash and cash equivalents used in capital and related financing activities			
Net Increase (Decrease) in Cash and Cash Equivalents	18,873	(44,678)	(25,805)
Cash and Cash Equivalents - Beginning of year	1,071,798	53,988	1,125,786
Cash and Cash Equivalents - End of year	\$ 1,090,671	\$ 9,310	\$ 1,099,981
Classification of Cash and Cash Equivalents - Cash and cash equivalents	\$ 1,090,671	\$ 9,310	\$ 1,099,981
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (82,028)	\$ (40,256)	\$ (122,284)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	432,869	11,876	444,745
Changes in assets and liabilities:			
Due to and from other funds	(1,000)	(2,992)	(3,992)
Prepaid and other assets	-	634	634
Accounts payable	25,761	(161)	25,600
Net pension or OPEB liability	(17,865)	-	(17,865)
Accrued and other liabilities	(567)	-	(567)
	439,198	9,357	448,555
Net cash and cash equivalents provided by (used in) operating activities	\$ 357,170	\$ (30,899)	\$ 326,271