
City of Gibraltar, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the City Council
City of Gibraltar, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gibraltar, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the City Council
City of Gibraltar, Michigan

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.



October 25, 2022

The following discussion and analysis of the City of Gibraltar, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's basic financial statements.

Financial Highlights

- Property taxes are the City's single largest source of revenue. The City's taxable value for fiscal year 2021-2022 increased modestly from approximately \$145 million to approximately \$148 million. The City's operating millage decreased to 14.5946 due to a Headlee millage reduction. The operating property tax revenue increased by approximately \$37,000.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 5,539,592	\$ 7,549,651	\$ 3,458,712	\$ 5,369,611	\$ 8,998,304	\$ 12,919,262
Capital assets	10,000,154	7,386,787	10,491,261	9,085,698	20,491,415	16,472,485
Total assets	15,539,746	14,936,438	13,949,973	14,455,309	29,489,719	29,391,747
Deferred Outflows of Resources						
	1,434,166	240,327	-	-	1,434,166	240,327
Liabilities						
Current liabilities:						
Accounts payable	90,956	122,884	117,166	423,597	208,122	546,481
Due to component units	-	-	12,159	-	12,159	-
Accrued liabilities and other	64,570	-	33,773	-	98,343	-
Unearned revenue	431,146	-	-	-	431,146	-
Noncurrent liabilities:						
Due within one year	321,478	309,132	204,642	201,796	526,120	510,928
Due in more than one year	8,672,351	8,800,476	4,463,278	4,698,824	13,135,629	13,499,300
Total liabilities	9,580,501	9,232,492	4,831,018	5,324,217	14,411,519	14,556,709
Deferred Inflows of Resources	(1,006,523)	(3,423,232)	-	-	(1,006,523)	(3,423,232)
Net Position						
Net investment in capital assets	6,819,039	4,045,108	7,736,546	7,884,591	14,555,585	11,929,699
Restricted	1,001,675	927,174	65,632	-	1,067,307	927,174
Unrestricted	(1,433,826)	(2,517,807)	1,316,777	1,211,843	(117,049)	(1,305,964)
Total net position	\$ 6,386,888	\$ 2,454,475	\$ 9,118,955	\$ 9,096,434	\$ 15,505,843	\$ 11,550,909

City of Gibraltar, Michigan

Management's Discussion and Analysis (Continued)

The City has combined net position of \$15,505,843, increasing by approximately \$4 million from 2021. Business-type activities compose \$9,118,955 of total net position, which is an increase of approximately \$22,000. Governmental activities net position increased by approximately \$4 million to \$6,386,888 primarily due to an increase in capital asset purchased with capital grants.

The following table shows the changes in net position during the current and prior year:

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 399,568	\$ 393,226	\$ 2,230,759	\$ 2,143,599	\$ 2,630,327	\$ 2,536,825
Operating grants	628,771	673,401	-	-	628,771	673,401
Capital contributions	2,624,793	-	65,632	-	2,690,425	-
General revenue:						
Property taxes	2,597,391	2,536,726	-	-	2,597,391	2,536,726
State-shared revenue	1,045,217	879,143	-	-	1,045,217	879,143
Investment earnings	20,171	20,214	1,985	3,548	22,156	23,762
Other revenue	23,696	8,772	18,732	-	42,428	8,772
Total revenue	7,339,607	4,511,482	2,317,108	2,147,147	9,656,715	6,658,629
Expenses						
General government	934,503	844,299	-	-	934,503	844,299
Public safety	1,271,636	574,247	-	-	1,271,636	574,247
Public works	923,822	845,083	-	-	923,822	845,083
Community and economic development	36,855	47,354	-	-	36,855	47,354
Parks and recreation	57,263	73,683	-	-	57,263	73,683
Debt service	183,115	101,984	-	-	183,115	101,984
Water and Sewer Fund	-	-	2,294,587	2,397,623	2,294,587	2,397,623
Total expenses	3,407,194	2,486,650	2,294,587	2,397,623	5,701,781	4,884,273
Change in Net Position	3,932,413	2,024,832	22,521	(250,476)	3,954,934	1,774,356
Net Position - Beginning of year	2,454,475	429,643	9,096,434	9,346,910	11,550,909	9,776,553
Net Position - End of year	\$ 6,386,888	\$ 2,454,475	\$ 9,118,955	\$ 9,096,434	\$ 15,505,843	\$ 11,550,909

Governmental Activities

During the current year, the City's total governmental revenue increased by approximately \$2.8 million. The increase is primarily due to capital grants received from the State of Michigan for bridge construction.

Total expenses increased by approximately \$921,000 primarily due to increases in public safety expenses related to changes in the pension and OPEB liabilities. In 2020, the City had significant negative expenses (recoveries) in both pension and OPEB that reduced public safety expenses. See Notes 8 and 9 for additional information.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Great Lakes Water Authority water system. The City provides sewage treatment through the South Huron Valley Utility Authority. The Water and Sewer Fund's revenue increased by approximately \$170,000, primarily due to increased water and sewer usage. The Water and Sewer Fund's expenses decreased by approximately \$100,000, primarily due to lower operating expenses.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Overall General Fund expenses were under budget by approximately 10 percent, and revenue was approximately 1 percent over budget.

Capital Assets and Debt Administration

The City continues to collect and dedicate the millage revenue approved by the voters in November 2013 and 2002 for bond payments related to improvements to streets and the construction of the new municipal complex, respectively.

At June 30, 2022, the City had approximately \$20,500,000 (net of depreciation) invested in a broad range of capital assets, including buildings, police and fire equipment, roads, and water and sewer lines. In the current year, the City had approximately \$5,000,000 of assets additions, which included road, bridge, and sewer infrastructure improvements.

At June 30, 2022, the City had approximately \$7,950,000 of outstanding debt (\$3,280,000 governmental activities and \$4,670,000 business-type activities). During the current year, the City issued a new governmental activities tax refunding bond. The new bond was used to pay off two outstanding bond issues. See Note 6 for additional information.

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A on the taxable value of properties located within the City, the City needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation before considering new property additions. The City has taken numerous actions to contain expenditures and will continue to look for cost-saving opportunities while continuing to provide high-quality service to residents.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the administration offices at city hall. This report, city budgets, and other financial information are available on the City's website at www.cityofgibraltar.net.

June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 2)	\$ 4,448,197	\$ 760,316	\$ 5,208,513	\$ 224,136
Receivables (Note 3)	222,657	519,055	741,712	-
Due from primary government	-	-	-	12,159
Prepaid expenses	50,642	84,750	135,392	9,120
Restricted assets	-	1,913,205	1,913,205	-
Investment in joint ventures (Note 10)	101,791	181,386	283,177	-
Net pension asset (Note 8)	716,305	-	716,305	-
Capital assets: (Note 4)				
Assets not subject to depreciation	253,337	2,082,927	2,336,264	834,731
Assets subject to depreciation - Net	9,746,817	8,408,334	18,155,151	1,915,497
Total assets	15,539,746	13,949,973	29,489,719	2,995,643
Deferred Outflows of Resources				
Deferred charges on bond refunding	98,071	-	98,071	20,949
Deferred pension costs (Note 8)	1,273,103	-	1,273,103	-
Deferred OPEB costs (Note 9)	62,992	-	62,992	-
Total deferred outflows of resources	1,434,166	-	1,434,166	20,949
Liabilities				
Accounts payable	90,956	117,166	208,122	7,149
Due to component units	-	12,159	12,159	-
Accrued liabilities and other	64,570	33,773	98,343	2,404
Unearned revenue	431,146	-	431,146	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	46,478	-	46,478	-
Current portion of long-term debt (Note 6)	275,000	204,642	479,642	260,000
Due in more than one year:				
Compensated absences	263,377	-	263,377	-
Net OPEB liability (Note 9)	5,404,788	-	5,404,788	-
Long-term debt - Net of current portion (Note 6)	3,004,186	4,463,278	7,467,464	265,000
Total liabilities	9,580,501	4,831,018	14,411,519	534,553
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	576,130	-	576,130	-
Deferred OPEB cost reductions (Note 9)	430,393	-	430,393	-
Total deferred inflows of resources	1,006,523	-	1,006,523	-
Net Position				
Net investment in capital assets	6,819,039	7,736,546	14,555,585	2,246,177
Restricted:				
Streets and highways	781,967	-	781,967	-
Debt service	199,817	-	199,817	-
Police	15,450	-	15,450	-
Solid waste	1,847	-	1,847	-
Cable TV	2,594	-	2,594	-
Capital improvements	-	65,632	65,632	-
Unrestricted	(1,433,826)	1,316,777	(117,049)	235,862
Total net position	\$ 6,386,888	\$ 9,118,955	\$ 15,505,843	\$ 2,482,039

City of Gibraltar, Michigan

Functions/Programs	Program Revenue			Capital Grants and Contributions
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 934,503	\$ 208,348	\$ 4,954	\$ -
Public safety	1,271,636	165,239	47,400	-
Public works	923,822	800	561,985	2,624,793
Community and economic development	36,855	366	14,432	-
Parks and recreation	57,263	24,815	-	-
Interest on long-term debt	183,115	-	-	-
Total governmental activities	3,407,194	399,568	628,771	2,624,793
Business-type activities - Water and sewer	2,294,587	2,230,759	-	65,632
Total primary government	\$ 5,701,781	\$ 2,630,327	\$ 628,771	\$ 2,690,425
Component units - Downtown Development Authority	\$ 319,780	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Income from joint venture				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (721,201)	\$ -	\$ (721,201)	\$ -
(1,058,997)	-	(1,058,997)	-
2,263,756	-	2,263,756	-
(22,057)	-	(22,057)	-
(32,448)	-	(32,448)	-
(183,115)	-	(183,115)	-
245,938	-	245,938	-
-	1,804	1,804	-
245,938	1,804	247,742	-
-	-	-	(319,780)
2,597,391	-	2,597,391	526,893
1,045,217	-	1,045,217	-
20,171	1,985	22,156	1,487
8,604	-	8,604	-
-	18,732	18,732	-
15,092	-	15,092	3,709
3,686,475	20,717	3,707,192	532,089
3,932,413	22,521	3,954,934	212,309
2,454,475	9,096,434	11,550,909	2,269,730
\$ 6,386,888	\$ 9,118,955	\$ 15,505,843	\$ 2,482,039

Governmental Funds
Balance Sheet

June 30, 2022

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 2)	\$ 3,512,887	\$ 406,157	\$ 529,153	\$ 4,448,197
Receivables (Note 3)	134,795	66,292	21,570	222,657
Due from other funds (Note 5)	21,735	4,417	-	26,152
Prepaid expenses	50,642	-	-	50,642
Total assets	\$ 3,720,059	\$ 476,866	\$ 550,723	\$ 4,747,648
Liabilities				
Accounts payable	\$ 89,347	\$ 416	\$ 1,193	\$ 90,956
Due to other funds	-	-	26,152	26,152
Accrued liabilities and other	49,595	-	-	49,595
Unearned revenue	431,146	-	-	431,146
Total liabilities	570,088	416	27,345	597,849
Deferred Inflows of Resources - Unavailable revenue	107,741	-	-	107,741
Fund Balances				
Nonspendable - Prepaids	50,642	-	-	50,642
Restricted:				
Roads	-	476,450	305,517	781,967
Police	-	-	15,450	15,450
Debt service	-	-	199,817	199,817
Cable TV	-	-	2,594	2,594
Solid waste	1,847	-	-	1,847
Assigned:				
Capital projects	887,438	-	-	887,438
Compensated absences	66,822	-	-	66,822
Unassigned	2,035,481	-	-	2,035,481
Total fund balances	3,042,230	476,450	523,378	4,042,058
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,720,059	\$ 476,866	\$ 550,723	\$ 4,747,648

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 4,042,058
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds	10,000,154
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	107,741
Investments in joint ventures are not financial resources and are not reported in the funds	101,791
Bonds payable and lease liabilities are not due and payable in the current period and are not reported in the funds	(3,181,115)
Accrued interest is not due and payable in the current period and is not reported in the funds	(14,975)
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:	
Employee compensated absences	(309,855)
Pension benefits	1,413,278
Retiree health care benefits	(5,772,189)
Net Position of Governmental Activities	<u>\$ 6,386,888</u>

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

Year Ended June 30, 2022

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Taxes	\$ 2,221,150	\$ -	\$ 376,241	\$ 2,597,391
Intergovernmental:				
Federal grants	60,112	-	-	60,112
State sources	1,043,560	424,019	205,765	1,673,344
Charges for services	114,010	-	-	114,010
Fines and forfeitures	13,243	-	-	13,243
Licenses and permits	4,737	-	-	4,737
Interest	15,964	2,436	1,771	20,171
Other revenue	217,102	-	10,205	227,307
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	3,689,878	426,455	593,982	4,710,315
Expenditures				
Current services:				
General government	985,198	-	-	985,198
Public safety	1,757,305	-	-	1,757,305
Public works	540,976	463,127	118,168	1,122,271
Community and economic development	-	-	12,409	12,409
Parks and recreation	33,805	-	-	33,805
Debt service	-	-	466,165	466,165
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	3,317,284	463,127	596,742	4,377,153
Other Financing Sources (Uses)				
Transfers in	-	-	100,000	100,000
Transfers out	-	(100,000)	-	(100,000)
Issuance of refunding bonds	-	-	2,995,000	2,995,000
Debt premium	-	-	298,707	298,707
Payment to bond refunding escrow agent	-	-	(3,181,621)	(3,181,621)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing (uses) sources	-	(100,000)	212,086	112,086
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	372,594	(136,672)	209,326	445,248
Fund Balances - Beginning of year	2,669,636	613,122	314,052	3,596,810
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - End of year	\$ 3,042,230	\$ 476,450	\$ 523,378	\$ 4,042,058

Governmental Funds

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$	445,248
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:		
Capital outlay		537,965
Depreciation expense		(549,391)
Capital contributions		2,624,793
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		4,499
Issuing debt including bond premiums provides current financial resources to governmental funds, but increase long-term liabilities in the statement of net position		(3,293,707)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)		3,451,621
Interest expense is recognized in the government-wide statements as it accrues		13,176
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		702,218
Net change in investment in joint venture reported in the statement of activities		<u>(4,009)</u>
Change in Net Position of Governmental Activities	\$	<u><u>3,932,413</u></u>

**Proprietary Fund
Statement of Net Position**

June 30, 2022

Water and
Sewer Fund

Assets

Current assets:

Cash and investments (Note 2)	\$ 760,316
Receivables (Note 3)	519,055
Prepaid expenses	<u>84,750</u>

Total current assets 1,364,121

Noncurrent assets:

Restricted assets	1,913,205
Investment in joint ventures (Note 10)	181,386
Capital assets: (Note 4)	
Assets not subject to depreciation	2,082,927
Assets subject to depreciation - Net	<u>8,408,334</u>

Total noncurrent assets 12,585,852

Total assets 13,949,973

Liabilities

Current liabilities:

Accounts payable	117,166
Due to component units	12,159
Accrued liabilities and other	33,773
Current portion of long-term debt (Note 6)	<u>204,642</u>

Total current liabilities 367,740

Noncurrent liabilities - Long-term debt - Net of current portion (Note 6) 4,463,278

Total liabilities 4,831,018

Net Position

Net investment in capital assets	7,736,546
Restricted - Water capital improvements	65,632
Unrestricted	<u>1,316,777</u>

Total net position **\$ 9,118,955**

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

Year Ended June 30, 2022

	Water and Sewer Fund
Operating Revenue	
Sale of water	\$ 847,380
Sewage disposal charges	<u>1,383,379</u>
Total operating revenue	2,230,759
Operating Expenses	
Cost of water	378,323
Cost of sewage treatment	913,823
Other operating and maintenance costs	461,077
Depreciation	<u>404,585</u>
Total operating expenses	<u>2,157,808</u>
Operating Income	72,951
Nonoperating Revenue (Expense)	
Investment income	1,985
Income from joint venture	18,732
Interest expense	<u>(136,779)</u>
Total nonoperating expense	<u>(116,062)</u>
Loss - Before capital contributions	(43,111)
Capital Contributions - Customer capital charges	<u>65,632</u>
Change in Net Position	22,521
Net Position - Beginning of year	<u>9,096,434</u>
Net Position - End of year	<u><u>\$ 9,118,955</u></u>

**Proprietary Fund
Statement of Cash Flows**

Year Ended June 30, 2022

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,218,611
Payments to suppliers	(1,758,989)
Payments to other funds	(332,257)
	127,365
Net cash and cash equivalents provided by operating activities	127,365
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(23,840)
Principal and interest paid on capital debt	(370,364)
Receipt of capital charges	65,632
	(328,572)
Net cash and cash equivalents used in capital and related financing activities	(328,572)
Cash Flows Provided by Investing Activities - Interest received on investments	1,985
Net Decrease in Cash and Cash Equivalents	(199,222)
Cash and Cash Equivalents - Beginning of year	959,538
Cash and Cash Equivalents - End of year	\$ 760,316
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 72,951
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	404,585
Changes in assets and liabilities:	
Receivables	(12,148)
Due to and from other funds	(37,156)
Prepaid and other assets	(6,595)
Accounts payable	(294,272)
Total adjustments	54,414
Net cash and cash equivalents provided by operating activities	\$ 127,365
Significant Noncash Transactions	
Income from equity interest in South Huron Valley Utility Authority (SHVUA) joint venture	\$ 18,732
Capital assets purchased with restricted assets held by SHVUA	1,786,308

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Pension and Other Employee Benefit Funds	Custodial Fund - Property Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 338,898	\$ 14,412	\$ 353,310
Investments:			
Pooled funds - Fixed income	965,736	-	965,736
Pooled funds - Equity	1,005,019	-	1,005,019
ETF - Equity	5,334,545	-	5,334,545
Mutual funds - Equity	2,197,388	-	2,197,388
Mutual funds - Fixed income	2,508,591	-	2,508,591
Receivables - Accrued interest	3,652	-	3,652
Total assets	12,353,829	14,412	12,368,241
Liabilities - Due to other governmental units	-	14,412	14,412
Net Position - Restricted			
Pension	11,704,635	-	11,704,635
Postemployment benefits other than pension	649,194	-	649,194
Total net position	\$ 12,353,829	\$ -	\$ 12,353,829

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Pension and Other Employee Benefit Funds	Custodial Fund - Property Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 260,701	\$ -	\$ 260,701
Net decrease in fair value of investments	(2,028,619)	-	(2,028,619)
Investment costs	(65,528)	-	(65,528)
Net investment loss	(1,833,446)	-	(1,833,446)
Contributions:			
Employer contributions	413,696	-	413,696
Employee contributions	51,247	-	51,247
Total contributions	464,943	-	464,943
Property tax collections for other governments	-	4,988,977	4,988,977
Total additions	(1,368,503)	4,988,977	3,620,474
Deductions			
Benefit payments	878,838	-	878,838
Administrative expenses	81,620	-	81,620
Tax distributions to other governments	-	4,988,977	4,988,977
Total deductions	960,458	4,988,977	5,949,435
Net Decrease in Fiduciary Net Position	(2,328,961)	-	(2,328,961)
Net Position - Beginning of year	14,682,790	-	14,682,790
Net Position - End of year	\$ 12,353,829	\$ -	\$ 12,353,829

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Gibraltar, Michigan (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.

Reporting Entity

The City of Gibraltar, Michigan is governed by an elected six-member council and mayor. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit - Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is approved by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue separate financial statements.

Fiduciary Component Units

General Employees' Retirement System

The General Employees' Retirement System is governed by a five-member board consisting of the city treasurer, two union members, one citizen (appointed by the City Council), and legal counsel (appointed by the City Council). Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City.

Public Safety Officers' Retirement System

The Public Safety Officers' Retirement System is governed by a five-member board consisting of the city treasurer, a police officer (elected by members of the police department), a fire member (elected by the fire department), and two citizens (appointed by the mayor). Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City.

Retiree Medical Plan

Management of the City's other postemployment benefit plan (OPEB) is vested with the City Council. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City governs the plan and the plan imposes a financial burden on 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. 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.

Note 1 - Significant Accounting Policies (Continued)

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 and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was 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. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as major governmental funds:

- 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.
- The Major Streets Fund is used to account for the resources of state gas and weight tax revenue that is restricted for use on major streets.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

Proprietary funds include the enterprise fund (which provides goods or services to users in exchange for charges or fees). The City reports the following fund as a major enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

Fiduciary Funds

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

- The Pension Trust Fund accounts for resources set aside by the City to provide retirement benefits for its employees in accordance with resolutions, ordinances, employee agreements, and union contracts.

Note 1 - Significant Accounting Policies (Continued)

- The Retiree Health Care Fund, which was established in compliance with Public Act 149 of 1999, accounts for the accumulated resources that have been set aside to fund postretirement health care costs.
- The custodial fund collects tax on behalf of all the taxing authorities (state, county, school district, and various other smaller authorities) and remits the taxes to each authority.

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 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.

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, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

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 and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note 1 - Significant Accounting Policies (Continued)

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.

Prepaid Items

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

Restricted Assets

Restricted assets consist of cash held by the South Huron Valley Utility Authority totaling \$1,913,205. These assets are unspent bond proceeds restricted for capital improvements of the sewer system.

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 \$2,000 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.

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

	Depreciable Life - Years
Roads and sidewalks	10-25
Water and sewer lines	50-75
Buildings and improvements	40
Furniture and equipment	5-15
Vehicles	3-10

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 premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. 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 General Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate long-term debt.

Note 1 - Significant Accounting Policies (Continued)

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 City has three items that qualify for reporting in this category. First is the deferred charge on refunding that results from the differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City's governmental activities report deferred outflows of resources related to pensions and OPEB, as discussed in Notes 8 and 9.

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 City has two items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet related to state-shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City's governmental activities report deferred inflows of resources related to pensions and OPEB, as discussed in Notes 8 and 9.

Net Position

Net position of the City is classified in three components. Net investment in capital assets 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 represents resources legally restricted by legislation to be spent for its intended purpose. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

Sometimes, the City will 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

Sometimes, the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. 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. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 1 - Significant Accounting Policies (Continued)

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

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

Property Tax Revenue

Property taxes are levied on each December 31 and become an enforceable lien on July 1 of the following year; these taxes are due without penalty during the period from July 1 through August 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. They are then added to the county rolls. The tax is based on the taxable valuation of property as of the preceding December 31.

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$148.4 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 14.5946 mills for operating purposes, 1.87 mills for solid waste services, and 2.54 mills for debt service. This resulted in approximately \$1,885,000 for operating purposes, \$241,000 for solid waste services, and \$376,000 for debt service. These amounts are recognized in the respective General Fund and debt service fund financial statements as tax revenue.

The City does not have any significant tax abatements.

Unearned Revenue

Unearned revenue represents advance funded federal grant money from the American Rescue Plan.

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension asset 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 asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension trust funds 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.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Gibraltar Retiree Medical Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick and vacation pay is accrued when earned. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the General Fund is 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 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 May 2020, the Governmental Accounting Standards Board 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.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total	Fiduciary Funds	Component Unit
Cash and cash equivalents	\$ 4,448,197	\$ 760,316	\$ 5,208,513	\$ 353,310	\$ 224,136
Investments	-	-	-	12,011,279	-
Restricted cash	-	1,913,205	1,913,205	-	-
Total deposits and investments	\$ 4,448,197	\$ 2,673,521	\$ 7,121,718	\$ 12,364,589	\$ 224,136

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 subdivisions 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 and Retiree Health Care Fund are 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 deposits and investment policies are in accordance with statutory authority 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 those investment vehicles listed above under the state 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 bank deposits of \$4,721,272 (checking and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority had bank deposits of \$224,136 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.

June 30, 2022

Note 2 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Carrying Value	Weighted- average Maturity (Years)
Fiduciary Funds		
Pooled funds - Fixed income	\$ 965,736	8.69
Mutual funds - Fixed income	1,989,968	4.41
Mutual funds - Fixed income	283,627	5.90
Mutual funds - Fixed income	<u>234,996</u>	5.86
Total	<u>\$ 3,474,327</u>	

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 year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Pooled funds - Fixed income	\$ 965,736	Not rated	Not rated
Mutual funds - Fixed income	1,989,968	Not rated	Not rated
Mutual funds - Fixed income	283,627	Not rated	Not rated
Mutual funds - Fixed income	<u>234,996</u>	Not rated	Not rated
Total	<u>\$ 3,474,327</u>		

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.

June 30, 2022

Note 2 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Debt securities:				
Pooled funds - Fixed income	\$ -	\$ 965,736	\$ -	\$ 965,736
Mutual funds - Fixed income	2,508,591	-	-	2,508,591
Total debt securities	2,508,591	965,736	-	3,474,327
Equity securities:				
ETF - Equity	5,334,545	-	-	5,334,545
Mutual funds - Equity	2,197,388	-	-	2,197,388
Pooled funds - Equity	-	1,005,019	-	1,005,019
Total equity securities	\$ 7,531,933	\$ 1,005,019	\$ -	\$ 8,536,952

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

The fair value of the pooled funds (fixed income and equity) at June 30, 2022 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using model-based valuation techniques, for which all significant assumptions are observable in the market.

Note 3 - Receivables

Receivables as of June 30, 2022 for the City's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government				
	Governmental Activities				Business-type Activities
	General Fund	Major Streets	Nonmajor Funds	Total	Water and Sewer Fund
Receivables:					
Customer receivables	\$ -	\$ -	\$ -	\$ -	\$ 519,055
Other receivables	27,054	-	-	27,054	-
Due from other governments	107,741	66,292	21,570	195,603	-
Net receivables	\$ 134,795	\$ 66,292	\$ 21,570	\$ 222,657	\$ 519,055

June 30, 2022

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 253,337	\$ -	\$ -	\$ -	\$ 253,337
Construction in progress	93,522	(93,522)	-	-	-
Subtotal	346,859	(93,522)	-	-	253,337
Capital assets being depreciated:					
Roads and sidewalks	9,264,468	93,522	3,085,506	-	12,443,496
Buildings and improvements	4,085,264	-	22,319	-	4,107,583
Furniture and equipment	1,240,635	-	11,277	-	1,251,912
Vehicles	2,990,372	-	43,656	-	3,034,028
Subtotal	17,580,739	93,522	3,162,758	-	20,837,019
Accumulated depreciation:					
Roads and sidewalks	5,708,974	-	327,993	-	6,036,967
Buildings and improvements	1,747,559	-	94,680	-	1,842,239
Machinery and equipment	986,533	-	40,703	-	1,027,236
Vehicles	2,097,745	-	86,015	-	2,183,760
Subtotal	10,540,811	-	549,391	-	11,090,202
Net capital assets being depreciated	7,039,928	93,522	2,613,367	-	9,746,817
Net governmental activities capital assets	\$ 7,386,787	\$ -	\$ 2,613,367	\$ -	\$ 10,000,154

June 30, 2022

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 26,007	\$ -	\$ -	\$ -	\$ 26,007
Construction in progress	270,612	-	1,786,308	-	2,056,920
Subtotal	296,619	-	1,786,308	-	2,082,927
Capital assets being depreciated:					
Water and sewer distribution system	17,453,893	-	19,393	-	17,473,286
Vehicles	687,238	-	4,447	-	691,685
Subtotal	18,141,131	-	23,840	-	18,164,971
Accumulated depreciation	9,352,052	-	404,585	-	9,756,637
Net capital assets being depreciated	8,789,079	-	(380,745)	-	8,408,334
Net business-type activities capital assets	<u>\$ 9,085,698</u>	<u>\$ -</u>	<u>\$ 1,405,563</u>	<u>\$ -</u>	<u>\$ 10,491,261</u>

Component Unit

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 834,731	\$ -	\$ -	\$ -	\$ 834,731
Capital assets being depreciated:					
Roads and sidewalks	114,154	-	-	-	114,154
Buildings and improvements	2,996,917	-	-	-	2,996,917
Vehicles	336,160	-	-	-	336,160
Subtotal	3,447,231	-	-	-	3,447,231
Accumulated depreciation:					
Roads and sidewalks	49,456	-	4,566	-	54,022
Buildings and improvements	1,141,968	-	67,810	-	1,209,778
Vehicles	260,021	-	7,913	-	267,934
Subtotal	1,451,445	-	80,289	-	1,531,734
Net capital assets being depreciated	1,995,786	-	(80,289)	-	1,915,497
Net component unit capital assets	<u>\$ 2,830,517</u>	<u>\$ -</u>	<u>\$ (80,289)</u>	<u>\$ -</u>	<u>\$ 2,750,228</u>

June 30, 2022

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 69,162
Public safety		71,242
Public works		379,760
Economic development		<u>29,227</u>
Total governmental activities		<u>\$ 549,391</u>
Business-type activities		<u>\$ 404,585</u>
Component unit activities		<u>\$ 80,289</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor funds	\$ 21,735
Major Streets Fund	Nonmajor funds	<u>4,417</u>
	Total	<u>\$ 26,152</u>

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Component unit	Water and Sewer Fund	\$ 12,159

These 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.

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

<u>Paying Fund (Transfer Out)</u>	<u>Receiving Fund (Transfer In)</u>	<u>Amount</u>
Major Streets Fund	Nonmajor funds	\$ 100,000

June 30, 2022

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

The transfers from the Major Streets Fund to the Local Streets Fund represents the sharing of gas and weight tax revenue in accordance with Act 51.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 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:							
Other debt:							
General Obligation Unlimited Tax Refunding Bonds - \$2,720,000			\$ 1,935,000	\$ -	\$(1,935,000)	\$ -	\$ -
General Obligation Unlimited Tax Bonds - \$2,400,000			1,500,000	-	(1,500,000)	-	-
2021 General Obligation Unlimited Tax Refunding Bonds - \$2,995,000 through 2034	3.00%	\$150,000 - \$355,000	-	2,995,000	-	2,995,000	275,000
Total other debt principal outstanding			3,435,000	2,995,000	(3,435,000)	2,995,000	275,000
Unamortized bond premium			-	298,707	(14,521)	284,186	-
Total bonds and contracts payable			3,435,000	3,293,707	(3,449,521)	3,279,186	275,000
Compensated absences			304,581	44,255	(38,981)	309,855	46,478
Total governmental activities long- term debt			<u>\$ 3,739,581</u>	<u>\$ 3,337,962</u>	<u>\$(3,488,502)</u>	<u>\$ 3,589,041</u>	<u>\$ 321,478</u>

June 30, 2022

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 and direct placements:							
2004 SHVUA Sewer System Plant Expansion:							
Amount of issue:							
\$1,523,882 Maturing through 2026	2.125%	\$86,772 - \$92,557	\$ 443,777	\$ -	\$ (85,119)	\$ 358,658	\$ 86,772
2011 SHVUA Sewer System - Trenton Arm Bonds:							
Amount of issue:							
\$330,801 Maturing through 2031	2.50%	\$16,990 - \$34,497	199,901	-	(18,489)	181,412	16,990
2016 SHVUA Sewer System Biodeck Conversion Project Bonds:							
Amount of issue:							
\$372,240 Maturing through 2026	2.95%	\$37,224	186,120	-	(37,224)	148,896	37,224
2020 SHVUA Sewage Improvement and Refunding Bonds:							
Amount of Issue:							
\$3,481,509 Maturing through 2042	3.00 - 5.00%	\$63,656 - \$259,297	3,421,846	-	(60,964)	3,360,882	63,656
Total direct borrowings and direct placements principal outstanding			4,251,644	-	(201,796)	4,049,848	204,642
Unamortized bond premiums			648,976	-	(30,904)	618,072	-
Total business-type activities long-term debt			<u>\$ 4,900,620</u>	<u>\$ -</u>	<u>\$ (232,700)</u>	<u>\$ 4,667,920</u>	<u>\$ 204,642</u>

Component Unit - Downtown Development Authority

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt - General Obligation Limited Tax Bonds:							
Amount of issue: \$2,350,000 Maturing through 2024	2.00 - 2.75%	\$260,000 - \$265,000	\$ 775,000	\$ -	\$ (250,000)	\$ 525,000	\$ 260,000

Note 6 - Long-term Debt (Continued)

The City's governmental activities had deferred outflows of \$98,071 related to deferred charges on bond refundings at June 30, 2022. The component unit had deferred outflows of \$20,949 related to deferred charges on bond refundings at June 30, 2022.

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$347,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Component Unit Activities		
	Other Debt			Other Debt		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 275,000	\$ 85,725	\$ 360,725	\$ 260,000	\$ 10,863	\$ 270,863
2024	290,000	77,250	367,250	265,000	3,644	268,644
2025	300,000	68,400	368,400	-	-	-
2026	310,000	59,250	369,250	-	-	-
2027	325,000	49,725	374,725	-	-	-
2028-2032	1,155,000	121,575	1,276,575	-	-	-
Thereafter	340,000	10,350	350,350	-	-	-
Total	\$ 2,995,000	\$ 472,275	\$ 3,467,275	\$ 525,000	\$ 14,507	\$ 539,507

The above contractual obligations of South Huron Valley Utility Authority (SHVUA) are the result of the authority's issuance of bonds on the City's behalf. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. Proceeds from the authority bonds provide financing for the improvement of the utility system. During the current year, net revenue of the system was \$477,536 compared to annual debt requirements of \$338,575.

Current Bond Refunding

During the year, the City issued \$2,995,000 in general obligation refunding bonds with an average interest rate of 3.0 percent. The proceeds of these bonds were used to refund \$1,820,000 of the 2012 General Obligation Unlimited Tax Refunding Bonds and \$1,345,600 of the 2014 Unlimited Tax General Obligation Bonds with an average interest rate of 3.35 and 3.10 percent, respectively. The net proceeds of \$3,293,707 (after payment of \$95,548 in underwriting fees, insurance, and other issuance costs) were used to pay off the original bonds. The refunding reduced total debt service payments over the next 12 years by approximately \$267,000, which represents an economic gain of approximately \$255,000.

Note 7 - 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 claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for general and property claims. 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.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 8 - Pension Plans

Plan Description

The City of Gibraltar, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements established by contractual agreements between the City and the various employee union representation. The benefits are provided through the General Employees' Retirement System (the "GE Retirement System"), a single-employer defined benefit pension plan administered by the General Employees' Retirement Pension Board, and the Public Safety Officers' Retirement System (the "P&F Retirement System"), a single-employer defined benefit pension plan administered by the Public Safety Officers' Retirement System Retirement Board.

The financial statements of the plans are included in these financial statements as pension and other employee benefit trust funds (fiduciary funds).

Management of the GE Retirement System is vested in the General Employees' Retirement Pension Board (the "GE Pension Board"), which consists of five members: the city treasurer, two union members (elected by members of the union), one citizen of the City (appointed by the City Council), and legal counsel (appointed by the City Council). Management of the P&F Retirement System is vested in the Public Safety Officers' Retirement System Retirement Board (the "P&F Pension Board"), which consists of five members: the city treasurer; a police member (elected by members of the police department); a fire member (elected by the fire department); and two citizens of the City of Gibraltar, Michigan (appointed by the mayor).

The City of Gibraltar, Michigan also contributes to the 401(k) plan, a defined contribution pension plan administered by the City for employees hired after January 1, 2012. The benefits are administered by a third party retained by the City.

Note 8 - Pension Plans (Continued)

Benefits Provided

General Employees' Retirement System

The GE Retirement System provides retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

Normal Retirement

Teamsters Union: 0.5 percent of average monthly compensation multiplied by years of participation prior to July 1, 1991 plus 1.0 percent of average monthly compensation in excess of \$350 multiplied by years of participation prior to July 1, 1991 plus 2.5 percent of average monthly compensation multiplied by years of participation after June 30, 1991 to date of termination or retirement.

Office Workers' Union: first 25 years of participation: 0.5 percent of average monthly compensation multiplied by years of participation prior to July 1, 1987 plus 1.0 percent of average monthly compensation in excess of \$350 multiplied by years of participation prior to July 1, 1987 plus 2.25 percent of average monthly compensation multiplied by years of participation from July 1, 1987 to June 30, 1998 plus 2.5 percent of average monthly compensation multiplied by years of participation after June 30, 1998 to date of termination or retirement, plus, if applicable, for years of participation greater than 25 but less than 30 years: 1 percent of average monthly compensation for each year of participation in excess of 25 but less than 30 years. As of the valuation date, all active employees are members of the Teamsters Union.

Early Retirement

Accrued benefit payable at normal retirement date or a benefit reduced by 6 percent for each year early retirement precedes normal retirement.

Disability

A total of 100 percent of the accrued benefit at date of disability. Actuarial equivalent reduction for payment prior to normal retirement.

Preretirement Death Benefit

Lump sum payable upon death of participant. Option for qualified preretirement survivor annuity is payable to the surviving spouse unless it is waived with spousal consent.

Vested Retirement Benefit

Teamsters Union: 10 percent per year of service commencing in the 5th year; 100 percent vesting in the 14th year.

Office Workers' Union: 10 percent per year of service; 100 percent in the 10th year.

Public Safety Officers' Retirement System

The P&F Retirement System provides retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The benefits are defined as follows:

Service Retirement

Annual amount: Straight-life pension equals 2.7 percent of 3-year average final compensation (AFC) multiplied by first 25 years of service plus 1 percent of AFC multiplied by years of service in excess of 25 years with a maximum benefit payable of 70 percent of AFC.

Note 8 - Pension Plans (Continued)

Deferred Retirement

Annual amount: Service retirement but based on service, AFC, and benefit in effect at termination. Benefit begins at the date retirement would have occurred had the member remained in employment.

Death after Retirement Survivor's Pension

Annual amount: Spouse's pension equals 60 percent of the straight-life pension the deceased retiree was receiving.

Nonduty Death-in-service Survivor's Pension

Annual amount: Accrued straight-life pension actuarially reduced in accordance with an Option I election.

Duty Death-in-service Survivor's Pension

Annual amount: Same amount that was paid by workers' compensation.

Nonduty Disability

Annual amount: To age 55, 1.5 percent of AFC times years of service. At age 55, same as service retirement pension.

Duty Disability

Annual amount: To age 55, 50 percent of AFC. At age 55, same as service retirement pension with service credit from date of disability to age 55.

Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process.

Benefit terms, including contribution requirements, for the 401(k) plan are established and may be amended by the City Council. The City is required to contribute 1.5 percent of base salary for every 1 percent contributed by the employee, to a maximum of 8 percent, to an individual employee account. 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 in city contributions and earnings on those contributions.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	General Employees' Retirement System	Public Safety Officers' Retirement System
Date of member count	June 30, 2022	June 30, 2021
Inactive plan members or beneficiaries currently receiving benefits	2	13
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	2	9
Total employees covered by the plan	<u>5</u>	<u>23</u>

The General Employees' Retirement System is currently closed to employees hired after January 1, 2012. The Public Safety Officers' Retirement System is currently open to new hires.

June 30, 2022

Note 8 - Pension Plans (Continued)

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the GE Pension Board and P&F Pension Board retain an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the GE Pension Board and the P&F Pension Board for their respective retirement systems, union contracts, and plan provisions. For the year ended June 30, 2022, the active member contribution rate was 5 percent and 7 percent of covered compensation for the GE Retirement System and the P&F Retirement System, respectively. The City contributed the actuarial required contribution of \$6,390 and \$104,767 for the GE Retirement System and the P&F Retirement System, respectively.

Net Pension Asset

The City chooses a date for each pension plan to measure its net pension asset. 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.

	General Employees' Retirement System	Public Safety Officers' Retirement System
Measurement date used for the City's net pension asset	June 30, 2022	June 30, 2022
Based on a comprehensive actuarial valuation as of	June 30, 2022	June 30, 2021

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

General Employees' Retirement System

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at July 1, 2021	\$ 1,731,707	\$ 2,365,553	\$ (633,846)
Changes for the year:			
Service cost	19,582	-	19,582
Interest	92,070	-	92,070
Differences between expected and actual experience	(22,679)	-	(22,679)
Changes in assumptions	(53,793)	-	(53,793)
Contributions - Employer	-	6,390	(6,390)
Contributions - Employee	-	4,550	(4,550)
Net investment loss	-	(276,727)	276,727
Benefit payments, including refunds	(60,701)	(60,701)	-
Administrative expenses	-	(6,983)	6,983
Net changes	(25,521)	(333,471)	307,950
Balance at June 30, 2022	\$ 1,706,186	\$ 2,032,082	\$ (325,896)

The plan's fiduciary net position represents 119.1 percent of the total pension liability.

June 30, 2022

Note 8 - Pension Plans (Continued)

Public Safety Officers' Retirement System

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
Balance at July 1, 2021	\$ 8,612,658	\$ 11,558,662	\$ (2,946,004)
Changes for the year:			
Service cost	151,773	-	151,773
Interest	547,019	-	547,019
Differences between expected and actual experience	(320,602)	-	(320,602)
Changes in assumptions	836,894	-	836,894
Contributions - Employer	-	104,767	(104,767)
Contributions - Employee	-	46,697	(46,697)
Net investment loss	-	(1,410,355)	1,410,355
Benefit payments, including refunds	(545,598)	(545,598)	-
Administrative expenses	-	(47,749)	47,749
Miscellaneous other charges	-	(33,871)	33,871
Net changes	669,486	(1,886,109)	2,555,595
Balance at June 30, 2022	\$ 9,282,144	\$ 9,672,553	\$ (390,409)

The plan's fiduciary net position represents 104.2 percent of the total pension liability.

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

For the year ended June 30, 2022, the City recognized total net pension recovery of \$(60,401). Details of pension (recovery) expense are as follows: \$(57,547), \$(36,315), and \$33,461 for the GE Retirement System, the P&F Retirement System, and the 401(k) system, respectively.

At June 30, 2022, 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	\$ 2,087	\$ (549,505)
Changes in assumptions	692,501	(26,625)
Net difference between projected and actual earnings on pension plan investments	578,515	-
Total	\$ 1,273,103	\$ (576,130)

Note 8 - Pension Plans (Continued)

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 asset and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 15,592
2024	54,173
2025	12,041
2026	555,511
2027	59,656
Total	<u>\$ 696,973</u>

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:

	General Employees' Retirement System	Public Safety Officers' Retirement System
Inflation	2.00 percent	2.50 percent
Salary increases (including inflation)	3.50 percent	3.50 percent
Investment rate of return (net of investment expenses)	6.06 percent	6.00 percent
Mortality rates	2010 Public General Employee and Healthy Retiree with MP-2021	PubS-2010 mortality table with generational improvements projected with MP-2020 improvement scales

The actuarial assumptions used in the Public Safety Officers' Retirement System June 30, 2021 actuarial valuation date valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

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:

	General Employees' Retirement System	Public Safety Officers' Retirement System
Assumed investment rate of return	6.06	6.00
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure total pension liability	6.06	6.00

Note 8 - Pension Plans (Continued)

Investment Rate of Return

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. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

General Employees' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	37.50 %	5.95 %
International equity	12.50	5.80
Fixed income	47.00	1.30
Cash or cash equivalents	3.00	(0.40)

Public Safety Officers' Retirement System

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large cap	28.00 %	4.90 %
Domestic mid cap	12.00	5.95
Domestic small cap	7.00	6.25
International equity	12.00	6.05
Emerging markets	5.00	8.50
Real estate	4.00	5.00
Fixed income	24.00	0.50
Cash or cash equivalents	3.00	(1.00)
Alternative investments	5.00	1.85

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

The following presents the net pension asset of the City, calculated using the discount rate for each plan, as well as what the City's net pension (asset) 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 (GE: 5.06%, P&F: 5.0%)	Current Discount Rate (GE: 6.06%, P&F: 6.0%)	1 Percentage Point Increase (GE: 7.06%, P&F: 7.0%)
Net pension asset of the General Employees' Retirement System	\$ (163,826)	\$ (325,896)	\$ (466,624)
Net pension liability (asset) of the Public Safety Officers' Retirement System	788,503	(390,409)	(1,362,787)
Total	<u>\$ 624,677</u>	<u>\$ (716,305)</u>	<u>\$ (1,829,411)</u>

Note 8 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

General Employees' Retirement System

The discount rate increased to 6.06 percent and the mortality table is the 2010 Public General Employee and Health Retiree with MP-2021.

Public Safety Officers' Retirement System

The Public Safety Officers' Retirement system discount rate decreased from 6.50 percent to 6.00 percent. The mortality table was also updated from the RP-2014 Blue Collar Healthy Annuitants Mortality table to the PubS-2010 Mortality tables with fully generational mortality improvements using scale MP-2020.

Investment Policy

General Employees' Retirement System

The GE Retirement System's policy in regard to the allocation of invested assets is established and may be amended by the GE Pension Board by a majority vote of its members. It is the policy of the GE Pension Board to pursue an investment strategy that emphasizes total return, including both capital appreciation and current income, in a long-term inflation-protected context. Fixed-income investments are restricted to investment-grade issues rated by Standard & Poor's as BBB or better. Individual equity commitment is not to exceed 10 percent of equity exposure or 5 percent of the GE Retirement System's assets. Fixed-income and equity holdings may be in mutual funds.

Public Safety Officers' Retirement System

The P&F Retirement System's policy in regard to the allocation of invested assets is established and may be amended by the P&F Retirement Board by a majority vote of its members. It is the policy of the P&F Retirement Board to pursue an investment strategy that meets or exceeds the assumed actuarial rate of return and to maximize the long-term total return of financial assets consistent with the fiduciary standards of a prudent investor.

Each respective board's adopted asset allocation policy as of June 30, 2022 is included in the *Investment Rate of Return* section above.

Concentrations

General Employees' Retirement System

At June 30, 2022, the GE Retirement System held approximately 48 percent, 12 percent, 10 percent, 8 percent, 8 percent, and 7 percent of its investment portfolio in the Principal/BlackRock U.S. Aggregate Bond Index CIT, Principal/BlackRock International Equity Index CIT, Principal/BlackRock S&P 500 Index CIT, Principal/BlackRock Large Cap Growth Index, Principal/BlackRock Large Cap Value Index, and Principal/BlackRock S&P Mid Cap Index, respectively.

June 30, 2022

Note 8 - Pension Plans (Continued)

Public Safety Officers' Retirement System

At June 30, 2022, the P&F Retirement System held approximately 28 percent, 19 percent, 12 percent, 12 percent, and 7 percent of its investment portfolio in the iShares Core S&P 500 Fund, Baird Intermediate Bond Fund, iShares Core S&P Mid-Cap ETF Fund, the Federated Hermes International Equity Fund, and iShares Core S&P Small-Cap ETF, respectively.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (12.11) and (13.2) percent for the GE Retirement System and the P&F Retirement System, respectively.

Pension Plan Reserves

In accordance with the GE Retirement System and the P&F Retirement System, 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 and credits interest annually at a rate of 1.0 and 2.0 percent for the GE Retirement System and P&F Retirement System, respectively. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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, 2022 are as follows:

General Employees' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 1,623,652	\$ 1,623,652
Employee reserve	408,430	408,430
Total	<u>\$ 2,032,082</u>	<u>\$ 2,032,082</u>

Public Safety Officers' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree and employer reserve	\$ 8,416,556	\$ 8,416,556
Employee reserve	1,255,997	1,255,997
Total	<u>\$ 9,672,553</u>	<u>\$ 9,672,553</u>

Note 9 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB for former public safety and general government employees and their spouses. The benefits are provided through the City of Gibraltar Retiree Medical Plan (the "Plan"), a single-employer defined benefit OPEB plan administered by the City.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested with the City Council.

Benefits Provided

The City of Gibraltar Retiree Medical Plan provides medical, dental, and vision coverage for retirees and spouses who meet the eligibility requirements. The Plan provides support for 4 percent per year of service up to a maximum of 100 percent for 25 years of service at retirement.

The Plan was closed to general employees and police employees hired after January 1, 2012 and January 1, 2014, respectively. The City established a defined contribution OPEB retirement health savings account, to which employees may elect to contribute a percentage of their base income. The City is the administrator of the Plan and matches employees' contributions, up to a maximum of 2 percent of the employees' base salary. There are no vesting requirements for the Plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Gibraltar Retiree Medical Plan
Date of member count	June 30, 2021
Inactive plan members or beneficiaries currently receiving or entitled to future benefits	20
Active plan members	7
Total plan members	27

Contributions

The Plan was established and is being funded under the authority of the City Council. Retiree health care costs 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 insurance premiums are due for payment. In the current year, the City paid postemployment health care premiums of \$272,539 and made a \$30,000 advanced funding contribution into the Plan.

Note 9 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	\$ 6,127,600	\$ 757,573	\$ 5,370,027
Changes for the year:			
Service cost	55,040	-	55,040
Interest	367,014	-	367,014
Differences between expected and actual experience	(50,974)	-	(50,974)
Changes in assumptions	(173,128)	-	(173,128)
Contributions - Employer	-	302,539	(302,539)
Net investment loss	-	(92,194)	92,194
Benefit payments, including refunds	(272,539)	(272,539)	-
Administrative expenses	-	(8,054)	8,054
Miscellaneous other charges	-	(39,100)	39,100
Net changes	(74,587)	(109,348)	34,761
Balance at June 30, 2022	\$ 6,053,013	\$ 648,225	\$ 5,404,788

The Plan's fiduciary net position represents 10.7 percent of the total OPEB liability.

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

For the year ended June 30, 2022, the City recognized OPEB recovery of \$200,166.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (320,681)
Changes in assumptions	25,737	(109,712)
Net difference between projected and actual earnings on OPEB plan investments	37,255	-
Total	\$ 62,992	\$ (430,393)

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

Years Ending June 30	Amount
2023	\$ (339,291)
2024	(56,160)
2025	518
2026	27,532
Total	\$ (367,401)

Note 9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using an inflation assumption of 2.25 percent; assumed salary increases (including inflation) of 3.00 percent; an investment rate of return (net of investment expenses) of 6.32 percent; a health care cost trend initial rate of 7.25 percent, decreasing 0.25 percent per year to a long-term rate of 4.50 percent; and the 2010 Public General and Public Safety, Headcount-weighted, with 2020 Mortality Improvement Scale mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.32 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB 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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large-cap core equity	28.00 %	4.90 %
Mid-cap equity	12.00	5.95
Small-cap equity	8.00	6.25
Developed large-cap growth	6.00	6.30
Developed large-cap value	6.00	5.80
Emerging markets	4.00	8.50
Domestic fixed income	20.00	0.05
Domestic high yield	5.00	2.75
Real estate	4.00	5.00
Cash or cash equivalents	2.00	(1.00)
Hedge funds	5.00	1.85

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.32 percent, as well as what the City's net OPEB 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 (5.32%)	Current Discount Rate (6.32%)	1 Percentage Point Increase (7.32%)
Net OPEB liability of the City of Gibraltar Retiree Medical Plan	\$ 6,150,091	\$ 5,404,788	\$ 4,787,438

Note 9 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate, as well as what the City's net 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	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the City of Gibraltar Retiree Medical Plan	\$ 4,771,327	\$ 5,404,788	\$ 6,181,843

Assumption Changes

The investment rate of return and discount rate increased from 6.07 percent to 6.32 percent.

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan'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.

Concentrations

At June 30, 2022, the Plan held approximately 30 percent, 21 percent, 12 percent, 11 percent, 8 percent, and 5 percent of its investment portfolio in iShares Core S&P 500, Baird Intermediate Bond, iShares Core S&P Mid-Cap, Federated Hermes International, iShares Core S&P Small Cap, and PGIM High Yield Fund, respectively.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (17.82) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Joint Ventures

33rd District Court

The City is a member of the 33rd District Court System (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, 2022, the City received net fines and forfeitures of \$13,243.

Complete financial statements for the District Court can be obtained from the administrative offices at 19000 Van Horn Rd., Woodhaven, MI 48183. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City's equity interest at June 30, 2022 is \$101,791.

Note 10 - Joint Ventures (Continued)

South Huron Valley Utility Authority

The City is a member of the South Huron Valley Utility Authority, which provides sanitary sewage disposal services. Each of the eight member communities appoints one member to the board. SHVUA receives its operating revenue through charges to the communities. The City's share of the debt of the joint venture, which is recorded in the Water and Sewer Fund, is being financed by the City through debt service charges.

During the year ended June 30, 2022, the City paid operating costs of \$913,823. In addition, the City paid \$201,796 in principal payments and \$136,779 in interest expense. Complete financial statements for SHVUA can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The City's equity interest at June 30, 2022 is \$181,386.

Note 11 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment health care plans at June 30, 2022:

	General Employees' Retirement System	Public Safety Officers' Retirement System	Retiree Health Care Fund	Total
Statement of Net Position -				
Investments	\$ 2,032,082	\$ 9,672,553	\$ 649,194	\$ 12,353,829
Statement of Changes in Net Position				
Investment loss	\$ (283,710)	\$ (1,410,355)	\$ (139,381)	\$ (1,833,446)
Contributions	10,940	151,464	302,539	464,943
Benefit payments	60,701	545,598	272,539	878,838
Other deductions	-	81,620	-	81,620
Net change in net position	\$ (333,471)	\$ (1,886,109)	\$ (109,381)	\$ (2,328,961)

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,309,409	\$ 2,245,794	\$ 2,221,150	\$ (24,644)
Intergovernmental:				
Federal grants	30,500	60,112	60,112	-
State sources	768,878	947,115	1,043,560	96,445
Charges for services	446,800	510,224	505,627	(4,597)
Fines and forfeitures	19,000	24,000	13,243	(10,757)
Licenses and permits	3,000	4,355	4,737	382
Interest	16,100	11,562	11,873	311
Other revenue	170,200	241,481	217,102	(24,379)
Total revenue	3,763,887	4,044,643	4,077,404	32,761
Expenditures				
Current services:				
General government:				
General government	322,100	416,910	353,475	63,435
Treasurer	140,428	166,350	161,875	4,475
Assessing	18,060	19,400	15,823	3,577
Clerk	67,150	75,350	70,488	4,862
Grants	27,800	35,169	34,147	1,022
Attorney	50,000	137,000	135,933	1,067
Elections	12,500	12,250	6,794	5,456
Solid waste	251,955	236,418	206,663	29,755
Public safety	1,903,644	1,969,541	1,757,305	212,236
Public works	950,387	1,012,838	932,593	80,245
Parks and recreation	50,337	43,537	33,805	9,732
Total expenditures	3,794,361	4,124,763	3,708,901	415,862
Other Financing Uses - Transfers out	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balance	(40,474)	(90,120)	358,503	448,623
Fund Balance - Beginning of year	1,729,466	1,729,466	1,729,466	-
Fund Balance - End of year	\$ 1,688,992	\$ 1,639,346	\$ 2,087,969	\$ 448,623

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Funds
 Major Streets Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 367,200	\$ 410,000	\$ 424,019	\$ 14,019
Interest - Investment earnings	3,500	2,250	2,436	186
Total revenue	370,700	412,250	426,455	14,205
Expenditures - Current services - Public works	370,700	525,500	463,127	62,373
Excess of Expenditures Over Revenue	-	(113,250)	(36,672)	76,578
Other Financing Uses - Transfer out	-	(100,000)	(100,000)	-
Net Change in Fund Balance	-	(213,250)	(136,672)	76,578
Fund Balance - Beginning of year	613,122	613,122	613,122	-
Fund Balance - End of year	<u>\$ 613,122</u>	<u>\$ 399,872</u>	<u>\$ 476,450</u>	<u>\$ 76,578</u>

Required Supplemental Information
 Schedule of Changes in the Net Pension Asset and Related Ratios
 General Employees' Retirement System

Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 19,582	\$ 31,053	\$ 33,821	\$ 25,153	\$ 27,010	\$ 32,622	\$ 30,470	\$ 17,636	\$ 16,352
Interest	92,070	94,672	92,199	94,131	96,241	87,142	85,852	84,303	77,244
Differences between expected and actual experience	(22,679)	(17,095)	38,909	(109,574)	20,853	(28,953)	(71,739)	(106,164)	-
Changes in assumptions	(53,793)	12,186	17,585	(7,147)	(158,788)	98,300	49,774	234,560	-
Benefit payments, including refunds	(60,701)	(49,639)	(49,639)	(37,229)	(1,531)	(3,675)	(3,675)	(3,675)	(3,675)
Net Change in Total Pension Liability	(25,521)	71,177	132,875	(34,666)	(16,215)	185,436	90,682	226,660	89,921
Total Pension Liability - Beginning of year	1,731,707	1,660,530	1,527,655	1,562,321	1,578,536	1,393,100	1,302,418	1,075,758	985,837
Total Pension Liability - End of year	\$ 1,706,186	\$ 1,731,707	\$ 1,660,530	\$ 1,527,655	\$ 1,562,321	\$ 1,578,536	\$ 1,393,100	\$ 1,302,418	\$ 1,075,758
Plan Fiduciary Net Position									
Contributions - Employer	\$ 6,390	\$ 5,385	\$ 9,311	\$ 20,000	\$ 22,966	\$ 27,285	\$ 22,893	\$ 11,148	\$ 25,000
Contributions - Member	4,550	6,332	6,149	5,972	6,190	9,250	9,286	10,621	11,261
Net investment (loss) income	(276,727)	463,133	87,591	102,705	124,616	168,882	4,963	42,276	185,665
Administrative expenses	(6,983)	(5,976)	(5,230)	(9,044)	(7,414)	(7,515)	(9,116)	-	(10,830)
Benefit payments, including refunds	(60,701)	(49,639)	(49,639)	(37,229)	(1,531)	(3,675)	(3,675)	(3,675)	(3,675)
Other	-	-	-	-	-	-	-	-	(2,500)
Net Change in Plan Fiduciary Net Position	(333,471)	419,235	48,182	82,404	144,827	194,227	24,351	60,370	204,921
Plan Fiduciary Net Position - Beginning of year	2,365,553	1,946,318	1,898,136	1,815,732	1,670,905	1,476,678	1,452,327	1,391,957	1,187,036
Plan Fiduciary Net Position - End of year	\$ 2,032,082	\$ 2,365,553	\$ 1,946,318	\$ 1,898,136	\$ 1,815,732	\$ 1,670,905	\$ 1,476,678	\$ 1,452,327	\$ 1,391,957
City's Net Pension Asset - Ending	\$ (325,896)	\$ (633,846)	\$ (285,788)	\$ (370,481)	\$ (253,411)	\$ (92,369)	\$ (83,578)	\$ (149,909)	\$ (316,199)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	119.10 %	136.60 %	117.21 %	124.25 %	116.22 %	105.85 %	106.00 %	111.51 %	129.39 %
Covered Payroll	\$ 166,770	\$ 214,040	\$ 218,356	\$ 205,914	\$ 277,858	\$ 263,303	\$ 248,810	\$ 244,126	\$ 246,419
City's Net Pension Liability as a Percentage of Covered Payroll	(195.42)%	(296.13)%	(130.88)%	(179.92)%	(91.20)%	(35.08)%	(33.59)%	(61.41)%	(128.32)%

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

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 6,390	\$ 5,385	\$ 9,311	\$ 7,633	\$ 22,966	\$ 27,285	\$ 22,893	\$ 11,148	\$ 25,000	\$ 48,083
Contributions in relation to the actuarially determined contribution	6,390	5,385	9,311	20,000	22,966	27,285	22,893	11,148	25,000	48,083
Contribution Excess	\$ -	\$ -	\$ -	\$ 12,367	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 166,770	\$ 214,040	\$ 218,356	\$ 205,914	\$ 277,858	\$ 263,303	\$ 248,810	\$ 244,126	\$ 246,419	\$ 233,142
Contributions as a Percentage of Covered Payroll	3.83 %	2.52 %	4.26 %	9.71 %	8.27 %	10.36 %	9.20 %	4.57 %	10.15 %	20.62 %

Notes to Schedule of City Contributions - General Employees' Retirement System

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	Individual aggregate
Asset valuation method	Market value
Inflation	2.00 percent
Salary increase	3.50 percent
Investment rate of return	6.00 percent
Retirement age	62 years
Mortality	As set forth in IRS Regulations for 2019 (1.430(h)(3)), separately for males and females, no preretirement mortality

Required Supplemental Information
 Schedule of Investment Returns
 General Employees' Retirement System

**Last Nine Fiscal Years
 Years Ended June 30**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	(12.11)%	23.72 %	4.38 %	5.17 %	6.95 %	10.85 %	(0.30)%	3.00 %	15.50 %

Required Supplemental Information
 Schedule of Changes in the Net Pension Asset and Related Ratios
 Public Safety Officers' Retirement System

Last Nine Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 151,773	\$ 163,935	\$ 160,846	\$ 150,072	\$ 156,286	\$ 188,933	\$ 161,134	\$ 158,240	\$ 148,002
Interest	547,019	559,629	551,816	548,748	549,076	518,610	530,812	534,204	517,468
Differences between expected and actual experience	(320,602)	(361,576)	(32,341)	(82,701)	(132,745)	284,100	(214,771)	(334,749)	-
Changes in assumptions	836,894	-	-	-	-	328,122	-	-	-
Benefit payments, including refunds	(545,598)	(554,090)	(569,229)	(579,374)	(569,747)	(443,486)	(403,735)	(411,445)	(451,580)
Net Change in Total Pension Liability	669,486	(192,102)	111,092	36,745	2,870	876,279	73,440	(53,750)	213,890
Total Pension Liability - Beginning of year	8,612,658	8,804,760	8,693,668	8,656,923	8,654,053	7,777,774	7,704,334	7,758,084	7,544,194
Total Pension Liability - End of year	\$ 9,282,144	\$ 8,612,658	\$ 8,804,760	\$ 8,693,668	\$ 8,656,923	\$ 8,654,053	\$ 7,777,774	\$ 7,704,334	\$ 7,758,084
Plan Fiduciary Net Position									
Contributions - Employer	\$ 104,767	\$ 110,078	\$ 97,726	\$ 97,155	\$ 99,969	\$ 147,065	\$ 117,800	\$ 89,650	\$ 140,766
Contributions - Member	46,697	48,777	45,025	47,859	45,341	51,835	46,719	45,449	43,810
Net investment (loss) income	(1,410,355)	2,836,231	379,600	543,436	779,190	805,974	74,057	448,465	1,254,828
Administrative expenses	(47,749)	(43,421)	(16,369)	(19,325)	(16,753)	(10,325)	-	(14,310)	(13,751)
Benefit payments, including refunds	(545,598)	(554,090)	(569,229)	(579,374)	(569,747)	(443,486)	(403,735)	(411,445)	(451,580)
Other	(33,871)	(16,636)	(20,188)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(1,886,109)	2,380,939	(83,435)	89,751	338,000	551,063	(165,159)	157,809	974,073
Plan Fiduciary Net Position - Beginning of year	11,558,662	9,177,723	9,261,158	9,171,407	8,833,407	8,282,344	8,447,503	8,289,694	7,315,621
Plan Fiduciary Net Position - End of year	\$ 9,672,553	\$ 11,558,662	\$ 9,177,723	\$ 9,261,158	\$ 9,171,407	\$ 8,833,407	\$ 8,282,344	\$ 8,447,503	\$ 8,289,694
City's Net Pension Liability - Ending	\$ (390,409)	\$ (2,946,004)	\$ (372,963)	\$ (567,490)	\$ (514,484)	\$ (179,354)	\$ (504,570)	\$ (743,169)	\$ (531,610)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.21 %	134.21 %	104.24 %	106.53 %	105.94 %	102.07 %	106.49 %	109.65 %	106.85 %
Covered Payroll	\$ 765,954	\$ 674,828	\$ 709,005	\$ 691,928	\$ 658,734	\$ 677,819	\$ 731,291	\$ 693,949	\$ 680,871
City's Net Pension Liability as a Percentage of Covered Payroll	(50.97)%	(436.56)%	(52.60)%	(82.02)%	(78.10)%	(26.46)%	(69.00)%	(107.09)%	(78.08)%

Required Supplemental Information
Schedule of City Contributions
Public Safety Officers' Retirement System

**Last Ten Fiscal Years
Years Ended June 30**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 104,767	\$ 110,073	\$ 80,137	\$ 97,155	\$ 99,969	\$ 119,780	\$ 117,800	\$ 89,650	\$ 140,766	\$ 144,412
Contributions in relation to the actuarially determined contribution	104,767	110,073	97,726	97,155	99,969	147,065	117,800	89,650	140,766	144,412
Contribution Excess	\$ -	\$ -	\$ 17,589	\$ -	\$ -	\$ 27,285	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 765,954	\$ 674,828	\$ 709,005	\$ 691,928	\$ 658,734	\$ 677,819	\$ 731,291	\$ 693,949	\$ 680,871	\$ 664,879
Contributions as a Percentage of Covered Payroll	13.68 %	16.31 %	13.78 %	14.04 %	15.18 %	21.70 %	16.11 %	12.92 %	20.67 %	21.72 %

Notes to Schedule of City Contributions - Public Safety Officers' Retirement System

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, one year 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 percentage of payroll, closed
Remaining amortization period	Five years
Asset valuation method	Four-year smoothed market
Inflation	2.50 percent
Salary increase	3.50 to 15.50 percent
Investment rate of return	6.00 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	PubS-2010 Mortality Tables for males and females with 2-dimensional, fully generational improvements projected with the MP-202C Mortality Improvement Scales

Required Supplemental Information
Schedule of Investment Returns
Public Safety Officers' Retirement System

	Last Nine Fiscal Years Years Ended June 30								
	<u>2022</u>	<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	(13.2)%	32.2 %	3.8 %	5.9 %	8.8 %	9.8 %	0.9 %	5.0 %	17.4 %

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Six Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 55,040	\$ 63,468	\$ 59,864	\$ 67,615	\$ 176,824	\$ 171,507
Interest	367,014	424,942	432,223	389,487	284,706	279,455
Differences between expected and actual experience	(50,974)	(929,337)	(111,325)	(135,981)	(45,842)	-
Changes in assumptions	(173,128)	76,493	111,218	413,674	(3,227,924)	-
Benefit payments, including refunds	(272,539)	(294,078)	(232,816)	(264,674)	(276,338)	(297,448)
Net Change in Total OPEB Liability	(74,587)	(658,512)	259,164	470,121	(3,088,574)	153,514
Total OPEB Liability - Beginning of year	6,127,600	6,786,112	6,526,948	6,056,827	9,145,401	8,991,887
Total OPEB Liability - End of year	\$ 6,053,013	\$ 6,127,600	\$ 6,786,112	\$ 6,526,948	\$ 6,056,827	\$ 9,145,401
Plan Fiduciary Net Position						
Contributions - Employer	\$ 302,539	\$ 324,078	\$ 262,816	\$ 264,674	\$ 376,338	\$ 297,448
Net investment (loss) income	(92,194)	171,571	19,645	24,622	6,660	2,394
Administrative expenses	(8,054)	(8,303)	(7,991)	(7,995)	-	-
Benefit payments, including refunds	(272,539)	(294,078)	(232,816)	(264,674)	(276,338)	-
Other	(39,100)	(1,300)	(4,308)	-	-	(297,448)
Net Change in Plan Fiduciary Net Position	(109,348)	191,968	37,346	16,627	106,660	2,394
Plan Fiduciary Net Position - Beginning of year	757,573	565,605	528,259	511,632	404,972	402,578
Plan Fiduciary Net Position - End of year	\$ 648,225	\$ 757,573	\$ 565,605	\$ 528,259	\$ 511,632	\$ 404,972
Net OPEB Liability - Ending	\$ 5,404,788	\$ 5,370,027	\$ 6,220,507	\$ 5,998,689	\$ 5,545,195	\$ 8,740,429
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	10.71 %	12.36 %	8.33 %	8.09 %	8.45 %	4.43 %
Covered-employee Payroll	\$ 784,887	\$ 762,026	\$ 691,651	\$ 657,733	\$ 915,969	\$ 1,033,963
Net OPEB Liability as a Percentage of Covered-employee Payroll	688.61 %	704.70 %	899.37 %	912.02 %	605.39 %	845.33 %

City of Gibraltar, Michigan

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Five Fiscal Years
Years Ended June 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return - Net of investment expense	(17.82)%	28.64 %	1.38 %	3.45 %	2.61 %

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the revenue and expenditures categories rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget process begins in March, with the finance director's budgeting of the personnel and fringe benefits expense for all the city employees and providing each department with a budget form to be completed by the department head. When these forms are returned, the finance director then analyzes these amounts and calculates the total budget. After a final review, the finance director organizes the final proposed budget to deliver to the City Council. The City Council requires that the City Council adopt a budget by the second meeting in May. City Council meetings, held in early May, provide all interested citizens an open forum where their concerns can be heard. Upon review and a subsequent public hearing, the City Council adopts the proposed budget resolution. After the budget has been adopted, all budget amendments must be approved by the City Council.

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, expenses, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures and Transfers Out	Excess of Revenue Over Expenditures
Amounts per operating statement	\$ 3,689,878	\$ 3,317,284	\$ 372,594
Land Revolving Fund	(2,523)	-	(2,523)
Public Safety Severance Reserve	(23)	10,000	(10,023)
Public Works Severance Reserve	(244)	-	(244)
Revenue-sharing Stabilization	(1,301)	-	(1,301)
Reimbursement of expenses from other funds	391,617	391,617	-
Amounts per budget statement	<u>\$ 4,077,404</u>	<u>\$ 3,718,901</u>	<u>\$ 358,503</u>

Pension Information

Changes in Assumptions

General Employees' Retirement System

2022 - The discount rate increased to 6.06 percent, and the mortality table is the 2010 Public General Employee and Health Retiree with MP-2021.

2021 - The inflation rate increased from 1.75 percent to 2.00 percent, and the discount rate changed from 5.68 percent to 5.35 percent.

2020 - The discount rate changed from 6.0 percent to 5.68 percent.

2018 - The mortality tables were updated to be as set forth in IRS Regulations for 2018 (4.430(h)(3)) for Non-annuitants.

2017 - The discount rate changed from 6.12 percent to 6.00 percent.

2016 - The discount rate changed from 6.45 percent to 6.12 percent.

2015 - The discount rate changed from 7.85 percent to 6.45 percent. In addition, mortality tables changed from 1983 Group Annuity Mortality for Males to RP-2000 Tables with Scale AA with no preretirement mortality.

Public Safety Officers' Retirement System

2022 - The discount rate changed to 6.0 percent, and the mortality tables were updated to the PubS-2010 Mortality Tables for males and females with two-dimensional, fully generational improvements projected with the MP-2020 Mortality Improvement Scale.

2017 - The discount rate changed from 7.0 percent to 6.5 percent. The mortality tables were updated to RP-2014 tables from the RP-2000 tables. The inflation rate changed from 4.0 percent to 2.5 percent.

OPEB Information

Changes in Assumptions

2022 - The investment rate of return and discount rate increased from 6.07 percent to 6.32 percent.

2021 - The investment rate of return and discount rate decreased from 6.34 percent to 6.07 percent. The inflation rate decreased from 2.50 percent to 2.25 percent. The assumed salary increases (including inflation) decreased from 3.50 to 3.00 percent. The mortality table, specifically the improvement scale, was updated from MP-2019 to MP-2020.

2020 - The investment rate of return and discount rate decreased from 6.68 percent to 6.34 percent.

2019 - The investment rate of return and discount rate increased from 6.50 to 6.68 percent, and the mortality table was updated.

2018 - The City changed its investment policy from being invested solely in certificates of deposit (3.10 percent rate of return) to investing in a broad range of assets (6.50 percent rate of return), resulting in a discount rate of 6.50 percent.

Other Supplemental Information

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2022

	Special Revenue Funds			Debt Service Funds		Total
	Local Streets	Drug Forfeiture	Cable TV	City Hall Bonds	Road Construction	
Assets						
Cash and investments	\$ 311,292	\$ 15,450	\$ 2,594	\$ 104,545	\$ 95,272	\$ 529,153
Receivables - Due from other governments	21,570	-	-	-	-	21,570
Total assets	\$ 332,862	\$ 15,450	\$ 2,594	\$ 104,545	\$ 95,272	\$ 550,723
Liabilities						
Accounts payable	\$ 1,193	\$ -	\$ -	\$ -	\$ -	\$ 1,193
Due to other funds	26,152	-	-	-	-	26,152
Total liabilities	27,345	-	-	-	-	27,345
Fund Balances						
Restricted:						
Roads	305,517	-	-	-	-	305,517
Police	-	15,450	-	-	-	15,450
Debt service	-	-	-	104,545	95,272	199,817
Cable TV	-	-	2,594	-	-	2,594
Total fund balances	305,517	15,450	2,594	104,545	95,272	523,378
Total liabilities and fund balances	\$ 332,862	\$ 15,450	\$ 2,594	\$ 104,545	\$ 95,272	\$ 550,723

City of Gibraltar, Michigan

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

Year Ended June 30, 2022

	Special Revenue Funds			Debt Service Funds		Total
	Local Streets	Drug Forfeiture	Cable TV	City Hall Bonds	Road Construction	
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ 176,283	\$ 199,958	\$ 376,241
Intergovernmental - State sources	137,966	-	-	32,971	34,828	205,765
Interest	1,019	71	16	402	263	1,771
Other revenue	-	-	8,604	-	1,601	10,205
Total revenue	138,985	71	8,620	209,656	236,650	593,982
Expenditures						
Current services:						
Public works	118,042	-	-	-	126	118,168
Community and economic development	-	-	12,409	-	-	12,409
Debt service	-	-	-	223,448	242,717	466,165
Total expenditures	118,042	-	12,409	223,448	242,843	596,742
Other Financing Sources (Uses)						
Transfers in	100,000	-	-	-	-	100,000
Issuance of refunding bonds	-	-	-	1,700,000	1,295,000	2,995,000
Debt premium	-	-	-	190,094	108,613	298,707
Payment to bond refunding escrow agent	-	-	-	(1,829,761)	(1,351,860)	(3,181,621)
Total other financing sources	100,000	-	-	60,333	51,753	212,086
Net Change in Fund Balances	120,943	71	(3,789)	46,541	45,560	209,326
Fund Balances - Beginning of year	184,574	15,379	6,383	58,004	49,712	314,052
Fund Balances - End of year	\$ 305,517	\$ 15,450	\$ 2,594	\$ 104,545	\$ 95,272	\$ 523,378

Other Supplemental Information
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2022

	Pension and Other Employee Benefit Funds			Total Pension and Other Employee Benefit Trust Funds
	General Employees' Retirement System	Public Safety Officers' Retirement System	Retiree Health Care Fund	
Assets				
Cash and cash equivalents	\$ 61,270	\$ 247,331	\$ 30,297	\$ 338,898
Investments:				
Pooled funds - Fixed income	965,736	-	-	965,736
Pooled funds - Equity	1,005,019	-	-	1,005,019
ETF - Equity	-	4,988,431	346,114	5,334,545
Mutual funds - Equity	-	2,098,817	98,571	2,197,388
Mutual funds - Fixed income	-	2,334,413	174,178	2,508,591
Receivables - Accrued interest receivable	57	3,561	34	3,652
Total assets	<u>2,032,082</u>	<u>9,672,553</u>	<u>649,194</u>	<u>12,353,829</u>
Net Position				
Restricted:				
Pension	2,032,082	9,672,553	-	11,704,635
Postemployment benefits other than pension	-	-	649,194	649,194
Total net position	<u>\$ 2,032,082</u>	<u>\$ 9,672,553</u>	<u>\$ 649,194</u>	<u>\$ 12,353,829</u>

**Other Supplemental Information
Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

Year Ended June 30, 2022

	Pension and Other Employee Benefit Funds			Total Pension and Other Employee Benefit Trust Funds
	General Employees' Retirement System	Public Safety Officers' Retirement System	Retiree Health Care Fund	
Additions				
Investment income (loss):				
Interest and dividends	\$ 153	\$ 352,775	\$ (92,227)	\$ 260,701
Net decrease in fair value of investments	(265,489)	(1,763,130)	-	(2,028,619)
Investment costs	(18,374)	-	(47,154)	(65,528)
Net investment loss	(283,710)	(1,410,355)	(139,381)	(1,833,446)
Contributions:				
Employer contributions	6,390	104,767	302,539	413,696
Employee contributions	4,550	46,697	-	51,247
Total contributions	10,940	151,464	302,539	464,943
Total additions	(272,770)	(1,258,891)	163,158	(1,368,503)
Deductions				
Benefit payments	60,701	545,598	272,539	878,838
Administrative expenses	-	81,620	-	81,620
Total deductions	60,701	627,218	272,539	960,458
Net Decrease in Fiduciary Net Position	(333,471)	(1,886,109)	(109,381)	(2,328,961)
Net Position - Beginning of year	2,365,553	11,558,662	758,575	14,682,790
Net Position - End of year	\$ 2,032,082	\$ 9,672,553	\$ 649,194	\$ 12,353,829