
City of Gibraltar, Michigan

**Financial Report
with Supplementary Information
June 30, 2023**

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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, 2023 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, 2023 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



September 8, 2023

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, 2023. 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 2022-2023 increased from approximately \$148 million to approximately \$154 million. The City's operating millage decreased to 14.4297 due to a Headlee millage reduction. The operating property tax revenue increased by approximately \$45,000.

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	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 6,026,646	\$ 5,539,592	\$ 3,017,323	\$ 3,458,712	\$ 9,043,969	\$ 8,998,304
Capital assets	9,919,319	10,000,154	11,580,850	10,491,261	21,500,169	20,491,415
Total assets	15,945,965	15,539,746	14,598,173	13,949,973	30,544,138	29,489,719
Deferred Outflows of Resources	1,043,862	1,434,166	-	-	1,043,862	1,434,166
Liabilities						
Current liabilities:						
Accounts payable	117,682	90,503	191,914	117,166	309,596	207,669
Due to component units	-	-	-	12,159	-	12,159
Accrued liabilities and other	110,093	64,570	32,864	33,773	142,957	98,343
Unearned revenue	200,948	431,146	-	-	200,948	431,146
Noncurrent liabilities:						
Due within one year	330,194	321,478	209,400	204,642	539,594	526,120
Due in more than one year	8,077,988	8,672,351	4,222,974	4,463,278	12,300,962	13,135,629
Total liabilities	8,836,905	9,580,048	4,657,152	4,831,018	13,494,057	14,411,066
Deferred Inflows of Resources	(813,719)	(1,006,523)	-	-	(813,719)	(1,006,523)
Net Position						
Net investment in capital assets	7,030,918	6,819,039	8,045,222	7,736,546	15,076,140	14,555,585
Restricted	1,449,887	1,001,675	300,155	65,632	1,750,042	1,067,307
Unrestricted	(1,141,602)	(1,433,826)	1,595,644	1,316,777	454,042	(117,049)
Total net position	\$ 7,339,203	\$ 6,386,888	\$ 9,941,021	\$ 9,118,955	\$ 17,280,224	\$ 15,505,843

City of Gibraltar, Michigan

Management's Discussion and Analysis (Continued)

The City has combined net position of \$17,280,224, increasing by approximately \$2 million from 2022. Business-type activities compose \$9,941,021 of total net position, which is an increase of approximately \$800,000. Governmental activities net position increased by approximately \$1.0 million to \$7,339,203 primarily due to an increase in the purchase of capital assets during the year.

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	
	2023	2022	2023	2022	2023	2022
Revenue						
Program revenue:						
Charges for services	\$ 458,201	\$ 399,568	\$ 2,396,305	\$ 2,230,759	\$ 2,854,506	\$ 2,630,327
Operating grants	808,340	628,771	37,616	-	845,956	628,771
Capital contributions	-	2,624,793	239,656	65,632	239,656	2,690,425
General revenue:						
Property taxes	2,687,996	2,597,391	381,275	-	3,069,271	2,597,391
State-shared revenue	1,020,193	1,045,217	-	-	1,020,193	1,045,217
Investment earnings	61,795	20,171	11,321	1,985	73,116	22,156
Other revenue	67,964	23,696	118,492	18,732	186,456	42,428
Total revenue	5,104,489	7,339,607	3,184,665	2,317,108	8,289,154	9,656,715
Expenses						
General government	1,049,572	934,503	-	-	1,049,572	934,503
Public safety	1,762,889	1,271,636	-	-	1,762,889	1,271,636
Public works	1,155,483	923,822	-	-	1,155,483	923,822
Community and economic development	37,501	36,855	-	-	37,501	36,855
Recreation and culture	79,658	57,263	-	-	79,658	57,263
Debt service	67,071	183,115	-	-	67,071	183,115
Water and Sewer Fund	-	-	2,362,599	2,294,587	2,362,599	2,294,587
Total expenses	4,152,174	3,407,194	2,362,599	2,294,587	6,514,773	5,701,781
Change in Net Position	952,315	3,932,413	822,066	22,521	1,774,381	3,954,934
Net Position - Beginning of year	6,386,888	2,454,475	9,118,955	9,096,434	15,505,843	11,550,909
Net Position - End of year	\$ 7,339,203	\$ 6,386,888	\$ 9,941,021	\$ 9,118,955	\$ 17,280,224	\$ 15,505,843

Governmental Activities

During the current year, the City's total governmental revenue decreased by approximately \$2.2 million. The decrease is primarily due to capital grants received from the State of Michigan for bridge construction in the prior year.

Total expenses increased by approximately \$745,000 primarily due to increases in public safety expenses related to wages, benefits, and capital outlay.

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 \$870,000, primarily due to an increase in joint venture, capital contributions, and the new water and sewer capital improvement millage. The Water and Sewer Fund's expenses increased by approximately \$70,000, primarily due to higher 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 5 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, 2023, the City had approximately \$21,500,000 (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 \$2,000,000 of assets additions, which included road, bridge, and sewer infrastructure improvements.

At June 30, 2023, the City had approximately \$7,410,000 of outstanding debt (\$2,980,000 governmental activities and \$4,430,000 business-type activities). No new debt was issued during the year.

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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 2)	\$ 4,432,362	\$ 1,339,092	\$ 5,771,454	\$ 304,619
Receivables (Note 3)	236,073	529,203	765,276	-
Due from component units	-	52,044	52,044	-
Internal balances	99,640	(99,640)	-	-
Prepaid expenses and other assets	125,719	-	125,719	4,186
Restricted assets	-	896,746	896,746	-
Investment in joint ventures (Note 10)	98,854	299,878	398,732	-
Net pension asset (Note 8)	1,033,998	-	1,033,998	-
Capital assets: (Note 4)				
Assets not subject to depreciation	277,633	3,275,703	3,553,336	834,731
Assets subject to depreciation - Net	9,641,686	8,305,147	17,946,833	1,835,208
Total assets	15,945,965	14,598,173	30,544,138	2,978,744
Deferred Outflows of Resources				
Deferred charges on bond refunding	90,893	-	90,893	10,477
Deferred pension costs (Note 8)	944,760	-	944,760	-
Deferred OPEB costs (Note 9)	8,209	-	8,209	-
Total deferred outflows of resources	1,043,862	-	1,043,862	10,477
Liabilities				
Accounts payable	117,682	191,914	309,596	88,693
Due to primary government	-	-	-	52,044
Accrued liabilities and other	110,093	32,864	142,957	1,213
Unearned revenue	200,948	-	200,948	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	40,194	-	40,194	-
Current portion of long-term debt (Note 6)	290,000	209,400	499,400	265,000
Due in more than one year:				
Compensated absences	227,767	-	227,767	-
Net OPEB liability (Note 9)	5,160,927	-	5,160,927	-
Long-term debt - Net of current portion (Note 6)	2,689,294	4,222,974	6,912,268	-
Total liabilities	8,836,905	4,657,152	13,494,057	406,950
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 8)	621,279	-	621,279	-
Deferred OPEB cost reductions (Note 9)	192,440	-	192,440	-
Total deferred inflows of resources	813,719	-	813,719	-
Net Position				
Net investment in capital assets	7,030,918	8,045,222	15,076,140	2,415,416
Restricted:				
Streets and highways	1,086,353	-	1,086,353	-
Debt service	291,992	-	291,992	-
Police and fire	43,054	-	43,054	-
Solid waste	27,186	-	27,186	-
Cable TV	1,302	-	1,302	-
Capital improvements	-	300,155	300,155	-
Unrestricted	(1,141,602)	1,595,644	454,042	166,855
Total net position	\$ 7,339,203	\$ 9,941,021	\$ 17,280,224	\$ 2,582,271

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	\$ 1,049,572	\$ 202,396	\$ 4,948	\$ -
Public safety	1,762,889	201,841	203,763	-
Public works	1,155,483	17,210	589,721	-
Community and economic development	37,501	428	9,908	-
Parks and recreation	79,658	36,326	-	-
Interest on long-term debt	67,071	-	-	-
Total governmental activities	4,152,174	458,201	808,340	-
Business-type activities - Water and sewer	2,362,599	2,396,305	37,616	239,656
Total primary government	\$ 6,514,773	\$ 2,854,506	\$ 845,956	\$ 239,656
Component units - Downtown Development Authority	\$ 470,981	\$ -	\$ -	\$ -
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, 2023

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (842,228)	\$ -	\$ (842,228)	\$ -
(1,357,285)	-	(1,357,285)	-
(548,552)	-	(548,552)	-
(27,165)	-	(27,165)	-
(43,332)	-	(43,332)	-
(67,071)	-	(67,071)	-
(2,885,633)	-	(2,885,633)	-
-	310,978	310,978	-
(2,885,633)	310,978	(2,574,655)	-
-	-	-	(470,981)
2,687,996	381,275	3,069,271	561,255
1,020,193	-	1,020,193	-
61,795	11,321	73,116	4,468
10,118	-	10,118	-
-	118,492	118,492	-
57,846	-	57,846	5,490
3,837,948	511,088	4,349,036	571,213
952,315	822,066	1,774,381	100,232
6,386,888	9,118,955	15,505,843	2,482,039
\$ 7,339,203	\$ 9,941,021	\$ 17,280,224	\$ 2,582,271

Governmental Funds
Balance Sheet

June 30, 2023

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	\$ 3,086,445	\$ 1,345,917	\$ 4,432,362
Receivables (Note 3)	136,035	100,038	236,073
Due from other funds (Note 5)	131,088	4,417	135,505
Prepaid expenses and other assets	125,719	-	125,719
	<u>\$ 3,479,287</u>	<u>\$ 1,450,372</u>	<u>\$ 4,929,659</u>
Total assets			
Liabilities			
Accounts payable	\$ 99,851	\$ 17,831	\$ 117,682
Due to other funds	-	35,865	35,865
Accrued liabilities and other	96,558	-	96,558
Unearned revenue	200,948	-	200,948
	<u>397,357</u>	<u>53,696</u>	<u>451,053</u>
Total liabilities			
Deferred Inflows of Resources - Unavailable revenue	105,640	-	105,640
Fund Balances			
Nonspendable - Prepaids	125,719	-	125,719
Restricted:			
Roads	-	1,086,353	1,086,353
Police and fire	26,025	17,029	43,054
Debt service	-	291,992	291,992
Cable TV	-	1,302	1,302
Solid waste	27,186	-	27,186
Assigned:			
Capital projects	901,216	-	901,216
Compensated absences	53,706	-	53,706
Unassigned	1,842,438	-	1,842,438
	<u>2,976,290</u>	<u>1,396,676</u>	<u>4,372,966</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,479,287</u>	<u>\$ 1,450,372</u>	<u>\$ 4,929,659</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2023

Fund Balances Reported in Governmental Funds	\$ 4,372,966
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	9,919,319
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	105,640
Investments in joint ventures are not financial resources and are not reported in the funds	98,854
Bonds payable are not due and payable in the current period and are not reported in the funds	(2,888,401)
Accrued interest is not due and payable in the current period and is not reported in the funds	(13,535)
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	(267,961)
Pension benefits	1,357,479
Retiree health care benefits	(5,345,158)
Net Position of Governmental Activities	<u><u>\$ 7,339,203</u></u>

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

Year Ended June 30, 2023

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenue			
Taxes	\$ 2,307,466	\$ 380,530	\$ 2,687,996
Intergovernmental:			
Federal grants	206,291	-	206,291
State sources	1,034,639	659,876	1,694,515
Charges for services	155,789	-	155,789
Fines and forfeitures	12,067	1,653	13,720
Licenses and permits	5,045	-	5,045
Interest	45,042	16,753	61,795
Other revenue	268,084	13,355	281,439
	4,034,423	1,072,167	5,106,590
Expenditures			
Current services:			
General government	994,832	599	995,431
Public safety	2,286,534	299	2,286,833
Public works	734,419	302,019	1,036,438
Community and economic development	-	11,427	11,427
Recreation and culture	84,578	-	84,578
Debt service	-	360,975	360,975
	4,100,363	675,319	4,775,682
Other Financing Sources (Uses)			
Transfers in	-	100,000	100,000
Transfers out	-	(100,000)	(100,000)
	(65,940)	396,848	330,908
Net Change in Fund Balances	(65,940)	396,848	330,908
Fund Balances - Beginning of year	3,042,230	999,828	4,042,058
Fund Balances - End of year	\$ 2,976,290	\$ 1,396,676	\$ 4,372,966

Governmental Funds

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

Year Ended June 30, 2023

Net Change in Fund Balances Reported in Governmental Funds	\$ 330,908
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	515,442
Depreciation expense	(596,277)
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	(2,101)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	292,714
Interest expense is recognized in the government-wide statements as it accrues	1,440
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	413,126
Net change in investment in joint venture reported in the statement of activities	<u>(2,937)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 952,315</u></u>

Proprietary Fund
Statement of Net Position

June 30, 2023

	Water and Sewer Fund
Assets	
Current assets:	
Cash and investments (Note 2)	\$ 1,339,092
Receivables (Note 3)	529,203
Due from component units	52,044
Total current assets	1,920,339
Noncurrent assets:	
Restricted assets	896,746
Investment in joint ventures (Note 10)	299,878
Capital assets: (Note 4)	
Assets not subject to depreciation	3,275,703
Assets subject to depreciation - Net	8,305,147
Total noncurrent assets	12,777,474
Total assets	14,697,813
Liabilities	
Current liabilities:	
Accounts payable	191,914
Due to other funds	99,640
Accrued liabilities and other	32,864
Current portion of long-term debt (Note 6)	209,400
Total current liabilities	533,818
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	4,222,974
Total liabilities	4,756,792
Net Position	
Net investment in capital assets	8,045,222
Restricted - Water capital improvements	300,155
Unrestricted	1,595,644
Total net position	\$ 9,941,021

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

Year Ended June 30, 2023

	Water and Sewer Fund
Operating Revenue	
Sale of water	\$ 910,651
Sewage disposal charges	1,485,654
Total operating revenue	2,396,305
Operating Expenses	
Cost of water	332,508
Cost of sewage treatment	1,046,904
Other operating and maintenance costs	460,855
Depreciation	388,272
Total operating expenses	2,228,539
Operating Income	167,766
Nonoperating Revenue (Expense)	
Property tax revenue	381,275
Investment income	11,321
Income from joint venture	118,492
Interest expense	(134,060)
Grants	37,616
Total nonoperating revenue	414,644
Income - Before capital contributions	582,410
Capital Contributions - Customer capital charges and capital contributions	239,656
Change in Net Position	822,066
Net Position - Beginning of year	9,118,955
Net Position - End of year	\$ 9,941,021

**Proprietary Fund
Statement of Cash Flows**

Year Ended June 30, 2023

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,386,157
Payments to suppliers	(1,447,716)
Payments to other funds	(197,616)
	740,825
Net cash and cash equivalents provided by operating activities	
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	37,616
Property taxes restricted for capital items	381,275
Purchase of capital assets	(319,985)
Principal and interest paid on capital debt	(370,515)
Receipt of capital charges	98,239
	(173,370)
Net cash and cash equivalents used in capital and related financing activities	
Cash Flows Provided by Investing Activities - Interest received on investments	11,321
Net Increase in Cash and Cash Equivalents	578,776
Cash and Cash Equivalents - Beginning of year	760,316
Cash and Cash Equivalents - End of year	\$ 1,339,092
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 167,766
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	388,272
Changes in assets and liabilities:	
Receivables	(62,192)
Due to and from other funds	99,640
Prepaid and other assets	84,750
Accounts payable	62,589
Total adjustments	573,059
Net cash and cash equivalents provided by operating activities	\$ 740,825
Significant Noncash Transactions	
Capital assets purchased with restricted assets held by SHVUA	\$ 1,016,459
Capital assets donated from the Downtown Development Authority	141,417
Income from equity interest in South Huron Valley Utility Authority (SHVUA) joint venture	118,492

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2023

	Pension and Other Employee Benefit Funds	Custodial Fund - Property Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 275,918	\$ 12,920	\$ 288,838
Investments:			
ETF - Equity	5,747,254	-	5,747,254
Mutual funds - Equity	2,851,551	-	2,851,551
Mutual funds - Fixed income	2,242,049	-	2,242,049
ETF - Fixed income	763,043	-	763,043
Receivables - Accrued interest	4,091	-	4,091
Total assets	11,883,906	12,920	11,896,826
Liabilities - Due to other governmental units	-	12,920	12,920
Net Position - Restricted			
Pension	11,142,431	-	11,142,431
Postemployment benefits other than pension	741,475	-	741,475
Total net position	\$ 11,883,906	\$ -	\$ 11,883,906

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Pension and Other Employee Benefit Funds	Custodial Fund - Property Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 371,502	\$ -	\$ 371,502
Net increase in fair value of investments	748,202	-	748,202
Investment costs	(25,952)	-	(25,952)
Net investment income	1,093,752	-	1,093,752
Contributions:			
Employer contributions	473,602	-	473,602
Employee contributions	28,331	-	28,331
Total contributions	501,933	-	501,933
Property tax collections for other governments	-	5,166,120	5,166,120
Total additions	1,595,685	5,166,120	6,761,805
Deductions			
Benefit payments	1,998,032	-	1,998,032
Administrative expenses	67,576	-	67,576
Tax distributions to other governments	-	5,166,120	5,166,120
Total deductions	2,065,608	5,166,120	7,231,728
Net Decrease in Fiduciary Net Position	(469,923)	-	(469,923)
Net Position - Beginning of year	12,353,829	-	12,353,829
Net Position - End of year	\$ 11,883,906	\$ -	\$ 11,883,906

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 General Fund is the City's only major governmental fund. The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

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.
- 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.

Note 1 - Significant Accounting Policies (Continued)

- 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 \$896,746. 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 2022 property tax revenue was levied and collectible on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the City totaled \$154.7 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 14.4297 mills for operating purposes, 1.85 mills for solid waste services, 2.46 mills for debt service, and 2.4718 mills for water and sewer improvements. This resulted in approximately \$1,935,000 for operating purposes, \$248,000 for solid waste services, \$380,000 for debt service, and \$381,000 for water and sewer capital improvements. 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 April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

Note 1 - Significant Accounting Policies (Continued)

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 8, 2023, which is the date the financial statements were available to be issued.

On July 20, 2023, the Downtown Development Authority, a component unit of the City, issued \$3,455,000 of limited tax general obligation bonds to fund capital improvements within the Downtown Development Authority district.

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	\$ 4,432,362	\$ 1,339,092	\$ 5,771,454	\$ 288,838	\$ 304,619
Investments	-	-	-	11,603,897	-
Restricted cash	-	896,746	896,746	-	-
Total deposits and investments	<u>\$ 4,432,362</u>	<u>\$ 2,235,838</u>	<u>\$ 6,668,200</u>	<u>\$ 11,892,735</u>	<u>\$ 304,619</u>

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.

Note 2 - Deposits and Investments (Continued)

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 \$6,109,915 (checking and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority had bank deposits of \$304,619 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.

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.

At year end, the City had the following investments:

Investment	Carrying Value	Weighted-average Maturity (Years)
Fiduciary Funds		
ETF - Fixed income	\$ 763,043	8.38
Mutual funds - Fixed income	1,893,682	4.34
Mutual funds - Fixed income	186,246	5.6
Mutual funds - Fixed income	162,121	5.17
Total	<u>\$ 3,005,092</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			
ETF - Fixed income	\$ 763,043	Not rated	Not rated
Mutual funds - Fixed income	1,893,682	Not rated	Not rated
Mutual funds - Fixed income	186,246	Not rated	Not rated
Mutual funds - Fixed income	162,121	Not rated	Not rated
Total	<u>\$ 3,005,092</u>		

Note 2 - Deposits and Investments (Continued)

Fair Value Measurements

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

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

The City has the following recurring fair value measurements as of June 30, 2023:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Debt securities:				
ETF- Fixed income	\$ 763,043	\$ -	\$ -	\$ 763,043
Mutual funds - Fixed income	2,242,049	-	-	2,242,049
Total debt securities	3,005,092	-	-	3,005,092
Equity securities:				
ETF - Equity	5,747,254	-	-	5,747,254
Mutual funds - Equity	2,851,551	-	-	2,851,551
Total equity securities	\$ 8,598,805	\$ -	\$ -	\$ 8,598,805

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

Note 3 - Receivables

Receivables as of June 30, 2023 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	Nonmajor Funds	Total	Water and Sewer Fund
Receivables:				
Customer receivables	\$ -	\$ -	\$ -	\$ 529,203
Other receivables	30,395	-	30,395	-
Due from other governments	105,640	100,038	205,678	-
Net receivables	\$ 136,035	\$ 100,038	\$ 236,073	\$ 529,203

June 30, 2023

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, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated - Land	\$ 253,337	\$ -	\$ 24,296	\$ -	\$ 277,633
Capital assets being depreciated:					
Roads and sidewalks	12,443,496	-	69,956	-	12,513,452
Buildings and improvements	4,107,583	-	10,122	-	4,117,705
Furniture and equipment	1,251,912	-	129,493	-	1,381,405
Vehicles	3,034,028	-	281,575	-	3,315,603
Subtotal	20,837,019	-	491,146	-	21,328,165
Accumulated depreciation:					
Roads and sidewalks	6,036,967	-	360,484	-	6,397,451
Buildings and improvements	1,842,239	-	95,502	-	1,937,741
Machinery and equipment	1,027,236	-	50,556	-	1,077,792
Vehicles	2,183,760	-	89,735	-	2,273,495
Subtotal	11,090,202	-	596,277	-	11,686,479
Net capital assets being depreciated	9,746,817	-	(105,131)	-	9,641,686
Net governmental activities capital assets	<u>\$ 10,000,154</u>	<u>\$ -</u>	<u>\$ (80,835)</u>	<u>\$ -</u>	<u>\$ 9,919,319</u>

Business-type Activities

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 26,007	\$ -	\$ -	\$ -	\$ 26,007
Construction in progress	2,056,920	-	1,192,776	-	3,249,696
Subtotal	2,082,927	-	1,192,776	-	3,275,703
Capital assets being depreciated:					
Water and sewer distribution system	17,473,286	-	259,462	-	17,732,748
Vehicles	691,685	-	25,623	-	717,308
Subtotal	18,164,971	-	285,085	-	18,450,056
Accumulated depreciation	9,756,637	-	388,272	-	10,144,909
Net capital assets being depreciated	8,408,334	-	(103,187)	-	8,305,147
Net business-type activities capital assets	<u>\$ 10,491,261</u>	<u>\$ -</u>	<u>\$ 1,089,589</u>	<u>\$ -</u>	<u>\$ 11,580,850</u>

June 30, 2023

Note 4 - Capital Assets (Continued)

Component Unit

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
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	54,022	-	4,566	-	58,588
Buildings and improvements	1,209,778	-	67,810	-	1,277,588
Vehicles	267,934	-	7,913	-	275,847
Subtotal	1,531,734	-	80,289	-	1,612,023
Net capital assets being depreciated	1,915,497	-	(80,289)	-	1,835,208
Net component unit capital assets	\$ 2,750,228	\$ -	\$ (80,289)	\$ -	\$ 2,669,939

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

Governmental activities:	
General government	\$ 72,586
Public safety	89,986
Public works	404,207
Economic development	29,498
Total governmental activities	\$ 596,277
Business-type activities	\$ 388,272
Component unit activities	\$ 80,289

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Major Streets Fund	\$ 15,724
	Local Streets Fund	15,724
	Water and Sewer Fund	99,640
	Total General Fund	131,088
Major Streets Fund	Local Streets Fund	4,417
	Total	\$ 135,505

June 30, 2023

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

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

Receivable	Payable	Amount
Water and Sewer Fund	Component unit	\$ 52,044

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:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Major Streets Fund	Local Streets Fund	\$ 100,000

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, 2023 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:							
2021 General Obligation Unlimited Tax Refunding Bonds - \$2,995,000 through 2034	3.00%	\$150,000 - \$350,000	\$ 2,995,000	\$ -	\$ (275,000)	\$ 2,720,000	\$ 290,000
Unamortized bond premium			284,186	-	(24,892)	259,294	-
Total bonds and contracts payable			3,279,186	-	(299,892)	2,979,294	290,000
Compensated absences			309,855	48,054	(89,948)	267,961	40,194
Total governmental activities long- term debt			<u>\$ 3,589,041</u>	<u>\$ 48,054</u>	<u>\$ (389,840)</u>	<u>\$ 3,247,255</u>	<u>\$ 330,194</u>

June 30, 2023

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%	\$88,425 - \$92,557	\$ 358,658	\$ -	\$ (86,772)	\$ 271,886	\$ 88,425
2011 SHVUA Sewer System - Trenton Arm Bonds:							
Amount of issue:							
\$330,801 Maturing through 2031	2.50%	\$17,490 - \$34,497	181,412	-	(16,990)	164,422	17,490
2016 SHVUA Sewer System Biodeck Conversion Project Bonds:							
Amount of issue:							
\$372,240 Maturing through 2026	2.95%	\$37,224	148,896	-	(37,224)	111,672	37,224
2020 SHVUA Sewage Improvement and Refunding Bonds:							
Amount of issue:							
\$3,481,509 Maturing through 2042	3.00 - 5.00%	\$66,262 - \$259,297	3,360,882	-	(63,656)	3,297,226	66,261
Total direct borrowings and direct placements principal outstanding			4,049,848	-	(204,642)	3,845,206	209,400
Unamortized bond premiums			618,072	-	(30,904)	587,168	-
Total business-type activities long-term debt			<u>\$ 4,667,920</u>	<u>\$ -</u>	<u>\$ (235,546)</u>	<u>\$ 4,432,374</u>	<u>\$ 209,400</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%	\$265,000	\$ 525,000	\$ -	\$ (260,000)	\$ 265,000	\$ 265,000

Note 6 - Long-term Debt (Continued)

The City's governmental activities had deferred outflows of \$90,893 related to deferred charges on bond refundings at June 30, 2023. The component unit had deferred outflows of \$10,477 related to deferred charges on bond refundings at June 30, 2023.

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$221,000. 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
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	335,000	39,825	374,825	-	-	-
2029-2033	985,000	89,475	1,074,475	-	-	-
Thereafter	175,000	2,625	177,625	-	-	-
Total	\$ 2,720,000	\$ 386,550	\$ 3,106,550	\$ 265,000	\$ 3,644	\$ 268,644

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 \$556,156 compared to annual debt requirements of \$338,702.

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.

Note 7 - Risk Management (Continued)

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.

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.

Note 8 - Pension Plans (Continued)

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.

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.

Note 8 - Pension Plans (Continued)

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, 2023	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	2	13
Inactive plan members entitled to but not yet receiving benefits	-	1
Active plan members	1	9
Total employees covered by the plan	<u>3</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.

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, 2023, 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 \$7,318 and \$118,914 for the GE Retirement System and the P&F Retirement System, respectively.

June 30, 2023

Note 8 - Pension Plans (Continued)

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, 2023	June 30, 2023
Based on a comprehensive actuarial valuation as of	June 30, 2023	June 30, 2022

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, 2022	\$ 1,706,186	\$ 2,032,082	\$ (325,896)
Changes for the year:			
Service cost	12,606	-	12,606
Interest	71,239	-	71,239
Differences between expected and actual experience	252,477	-	252,477
Changes in assumptions	(30,572)	-	(30,572)
Contributions - Employer	-	7,318	(7,318)
Contributions - Employee	-	4,184	(4,184)
Net investment income	-	103,026	(103,026)
Benefit payments, including refunds	(1,086,477)	(1,086,477)	-
Administrative expenses	-	(17,977)	17,977
Net changes	(780,727)	(989,926)	209,199
Balance at June 30, 2023	\$ 925,459	\$ 1,042,156	\$ (116,697)

The plan's fiduciary net position represents 112.6 percent of the total pension liability.

June 30, 2023

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, 2022	\$ 9,282,144	\$ 9,672,553	\$ (390,409)
Changes for the year:			
Service cost	204,612	-	204,612
Interest	545,242	-	545,242
Differences between expected and actual experience	(254,839)	-	(254,839)
Contributions - Employer	-	118,914	(118,914)
Contributions - Employee	-	24,147	(24,147)
Net investment income	-	924,210	(924,210)
Benefit payments, including refunds	(594,185)	(594,185)	-
Administrative expenses	-	(41,543)	41,543
Miscellaneous other charges	-	(3,821)	3,821
Net changes	(99,170)	427,722	(526,892)
Balance at June 30, 2023	\$ 9,182,974	\$ 10,100,275	\$ (917,301)

The plan's fiduciary net position represents 109.99 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, 2023, the City recognized total net pension expense of \$229,788. Details of pension expense are as follows: \$60,581, \$121,449, and \$47,758 for the GE Retirement System, the P&F Retirement System, and the 401(k) system, respectively.

At June 30, 2023, 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	\$ 167,468	\$ (601,001)
Changes in assumptions	540,816	(20,278)
Net difference between projected and actual earnings on pension plan investments	236,476	-
Total	\$ 944,760	\$ (621,279)

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
2024	\$ 7,387
2025	(36,987)
2026	434,009
2027	(61,847)
2028	(19,081)
Total	<u>\$ 323,481</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)	6.60 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, 2022 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	6.60	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	6.60	6.00

June 30, 2023

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, 2023 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
Equity	50.00 %	8.22 %
Real estate	4.00	7.80
Fixed income	39.00	4.50
Cash or cash equivalents	2.00	3.00
Alternative investments	5.00	7.23

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	8.00	6.25
International equity	12.00	6.05
Emerging markets	4.00	8.50
Real estate	4.00	5.00
Fixed income	25.00	0.05
Cash or cash equivalents	2.00	(2.25)
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: 5.60%, P&F: 5.0%)	Current Discount Rate (GE: 6.60%, P&F: 6.0%)	1 Percentage Point Increase (GE: 7.60%, P&F: 7.0%)
Net pension asset of the General Employees' Retirement System	\$ (58,997)	\$ (116,697)	\$ (170,006)
Net pension liability (asset) of the Public Safety Officers' Retirement System	260,228	(917,301)	(1,889,867)
Total	<u>\$ 201,231</u>	<u>\$ (1,033,998)</u>	<u>\$ (2,059,873)</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 6.60 percent.

Public Safety Officers' Retirement System

None

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, 2023 is included in the *Investment Rate of Return* section above.

Concentrations

General Employees' Retirement System

At June 30, 2023, the GE Retirement System held approximately 26 percent, 22 percent, 10 percent, 10 percent, 9 percent, and 6 percent of its investment portfolio in the Baird Intermediate Bond Fund, iShares Core S&P 500 Fund, Federated Hermes International Equity Fund, iShares Barclays 7-10 Year Treasury, iShares Core S&P Mid-Cap, and iShares Core S&P Small-Cap ETF, respectively.

Note 8 - Pension Plans (Continued)

Public Safety Officers' Retirement System

At June 30, 2023, the P&F Retirement System held approximately 29 percent, 15 percent, 13 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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.9 and 9.3 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, 2023 are as follows:

General Employees' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 625,416	\$ 625,416
Employee reserve	416,740	416,740
Total	<u>\$ 1,042,156</u>	<u>\$ 1,042,156</u>

Public Safety Officers' Retirement System

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree and employer reserve	\$ 8,795,011	\$ 8,795,011
Employee reserve	1,305,264	1,305,264
Total	<u>\$ 10,100,275</u>	<u>\$ 10,100,275</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, 2023
Inactive plan members or beneficiaries currently receiving or entitled to future benefits	23
Active plan members	<u>4</u>
Total plan members	<u><u>27</u></u>

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 \$317,370 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, 2022	\$ 6,053,013	\$ 648,225	\$ 5,404,788
Changes for the year:			
Service cost	48,640	-	48,640
Interest	375,595	-	375,595
Differences between expected and actual experience	(51,235)	-	(51,235)
Changes in assumptions	(206,295)	-	(206,295)
Contributions - Employer	-	347,370	(347,370)
Net investment income	-	71,171	(71,171)
Benefit payments, including refunds	(317,370)	(317,370)	-
Administrative expenses	-	(7,975)	7,975
Net changes	(150,665)	93,196	(243,861)
Balance at June 30, 2023	\$ 5,902,348	\$ 741,421	\$ 5,160,927

The Plan's fiduciary net position represents 12.56 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, 2023, the City recognized OPEB recovery of \$79,660.

At June 30, 2023, 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	\$ -	\$ (39,994)
Changes in assumptions	-	(152,446)
Net difference between projected and actual earnings on OPEB plan investments	8,209	-
Total	\$ 8,209	\$ (192,440)

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
2024	\$ (187,076)
2025	(12,884)
2026	21,630
2027	(5,901)
Total	\$ (184,231)

Note 9 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 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 6.73 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 2021 Mortality Improvement Scale mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73 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, 2023 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	6.15
Small-cap equity	8.00	6.60
Developed large-cap growth	6.00	6.05
Developed large-cap value	6.00	5.35
Emerging markets	4.00	7.75
Domestic fixed income	20.00	1.45
Domestic high yield	5.00	3.95
Real estate	4.00	5.10
Cash or cash equivalents	2.00	0.75
Hedge funds	5.00	2.55

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 6.73 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 (5.73%)	Current Discount Rate (6.73%)	1 Percentage Point Increase (7.73%)
Net OPEB liability of the City of Gibraltar Retiree Medical Plan	\$ 5,858,719	\$ 5,160,927	\$ 4,583,840

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	\$ 4,543,374	\$ 5,160,927	\$ 5,912,205

Assumption Changes

Mortality Improvement Scale updated from MP-2020 to MP-2021. Discount rate updated from 6.32 percent to 6.73 percent. Medical trend rates updated to those prescribed by PA 202 for year 2023.

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, 2023, the Plan held approximately 30 percent, 15 percent, 13 percent, 12 percent, 8 percent, and 7 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 iShares Barclays 7-10 year Treasury, respectively.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 9.71 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, 2023, the City received net fines and forfeitures of \$12,067.

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, 2023 is \$98,854.

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, 2023, the City paid operating costs of \$914,981. In addition, the City paid \$204,642 in principal payments and \$134,060 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, 2023 is \$299,878.

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, 2023:

	General Employees' Retirement System	Public Safety Officers' Retirement System	Retiree Health Care Fund	Total
Statement of Net Position -				
Investments and accrued interest	\$ 1,042,156	\$ 10,100,275	\$ 741,475	\$ 11,883,906
Statement of Changes in Net Position				
Investment income	\$ 85,049	\$ 946,422	\$ 62,281	\$ 1,093,752
Contributions	11,502	143,061	347,370	501,933
Benefit payments	1,086,477	594,185	317,370	1,998,032
Other deductions	-	67,576	-	67,576
Net change in net position	\$ (989,926)	\$ 427,722	\$ 92,281	\$ (469,923)

Required Supplementary Information

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund**

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,338,631	\$ 2,323,361	\$ 2,307,466	\$ (15,895)
Intergovernmental:				
Federal grants	284,950	206,004	206,291	287
State sources	830,459	963,856	1,034,639	70,783
Charges for services	505,400	557,282	541,379	(15,903)
Fines and forfeitures	20,000	12,067	12,067	-
Licenses and permits	3,500	4,575	5,045	470
Interest - Investment earnings	16,100	33,155	33,940	785
Other revenue	196,200	208,101	211,416	3,315
Total revenue	4,195,240	4,308,401	4,352,243	43,842
Expenditures				
Current services:				
General government:				
General government	411,800	422,207	393,779	28,428
Treasurer	138,940	157,250	155,309	1,941
Assessing	19,948	17,425	17,137	288
Clerk	84,720	84,720	78,286	6,434
Grants	27,800	43,020	38,074	4,946
Attorney	75,000	85,000	77,495	7,505
Elections	14,500	15,175	12,515	2,660
Solid waste	247,561	253,661	222,237	31,424
Public safety	2,144,957	2,382,454	2,286,534	95,920
Public works	1,166,131	1,137,734	1,092,825	44,909
Parks and recreation	55,155	92,755	84,578	8,177
Total expenditures	4,386,512	4,691,401	4,458,769	232,632
Other Financing Sources - Transfers in	-	137,148	13,900	(123,248)
Net Change in Fund Balance	(191,272)	(245,852)	(92,626)	153,226
Fund Balance - Beginning of year	2,087,969	2,087,969	2,087,969	-
Fund Balance - End of year	<u>\$ 1,896,697</u>	<u>\$ 1,842,117</u>	<u>\$ 1,995,343</u>	<u>\$ 153,226</u>

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

Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 12,606	\$ 19,582	\$ 31,053	\$ 33,821	\$ 25,153	\$ 27,010	\$ 32,622	\$ 30,470	\$ 17,636	\$ 16,352
Interest	71,239	92,070	94,672	92,199	94,131	96,241	87,142	85,852	84,303	77,244
Differences between expected and actual experience	252,477	(22,679)	(17,095)	38,909	(109,574)	20,853	(28,953)	(71,739)	(106,164)	-
Changes in assumptions	(30,572)	(53,793)	12,186	17,585	(7,147)	(158,788)	98,300	49,774	234,560	-
Benefit payments, including refunds	(1,086,477)	(60,701)	(49,639)	(49,639)	(37,229)	(1,531)	(3,675)	(3,675)	(3,675)	(3,675)
Net Change in Total Pension Liability	(780,727)	(25,521)	71,177	132,875	(34,666)	(16,215)	185,436	90,682	226,660	89,921
Total Pension Liability - Beginning of year	1,706,186	1,731,707	1,660,530	1,527,655	1,562,321	1,578,536	1,393,100	1,302,418	1,075,758	985,837
Total Pension Liability - End of year	\$ 925,459	\$ 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	\$ 7,318	\$ 6,390	\$ 5,385	\$ 9,311	\$ 20,000	\$ 22,966	\$ 27,285	\$ 22,893	\$ 11,148	\$ 25,000
Contributions - Member	4,184	4,550	6,332	6,149	5,972	6,190	9,250	9,286	10,621	11,261
Net investment income (loss)	103,026	(276,727)	463,133	87,591	102,705	124,616	168,882	4,963	42,276	185,665
Administrative expenses	(17,977)	(6,983)	(5,976)	(5,230)	(9,044)	(7,414)	(7,515)	(9,116)	-	(10,830)
Benefit payments, including refunds	(1,086,477)	(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	(989,926)	(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	2,032,082	2,365,553	1,946,318	1,898,136	1,815,732	1,670,905	1,476,678	1,452,327	1,391,957	1,187,036
Plan Fiduciary Net Position - End of year	\$ 1,042,156	\$ 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	\$ (116,697)	\$ (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	112.61 %	119.10 %	136.60 %	117.21 %	124.25 %	116.22 %	105.85 %	106.00 %	111.51 %	129.39 %
Covered Payroll	\$ 86,627	\$ 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	(134.71)%	(195.42)%	(296.13)%	(130.88)%	(179.92)%	(91.20)%	(35.08)%	(33.59)%	(61.41)%	(128.32)%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 7,318	\$ 6,390	\$ 5,385	\$ 9,311	\$ 7,633	\$ 22,966	\$ 27,285	\$ 22,893	\$ 11,148	\$ 25,000
Contributions in relation to the actuarially determined contribution	7,318	6,390	5,385	9,311	20,000	22,966	27,285	22,893	11,148	25,000
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ 12,367	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 86,627	\$ 166,770	\$ 214,040	\$ 218,356	\$ 205,914	\$ 277,858	\$ 263,303	\$ 248,810	\$ 244,126	\$ 246,419
Contributions as a Percentage of Covered Payroll	8.45 %	3.83 %	2.52 %	4.26 %	9.71 %	8.27 %	10.36 %	9.20 %	4.57 %	10.15 %

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
Investment rate of return	5.00 percent
Retirement age	62 years
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)), separately for males and females, no preretirement mortality

City of Gibraltar, Michigan

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

	Last Ten Fiscal Years Years Ended June 30									
	<u>2023</u>	<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	4.88 %	(12.11)%	23.72 %	4.38 %	5.17 %	6.95 %	10.85 %	(0.30)%	3.00 %	15.50 %

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

Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 204,612	\$ 151,773	\$ 163,935	\$ 160,846	\$ 150,072	\$ 156,286	\$ 188,933	\$ 161,134	\$ 158,240	\$ 148,002
Interest	545,242	547,019	559,629	551,816	548,748	549,076	518,610	530,812	534,204	517,468
Differences between expected and actual experience	(254,839)	(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	(594,185)	(545,598)	(554,090)	(569,229)	(579,374)	(569,747)	(443,486)	(403,735)	(411,445)	(451,580)
Net Change in Total Pension Liability	(99,170)	669,486	(192,102)	111,092	36,745	2,870	876,279	73,440	(53,750)	213,890
Total Pension Liability - Beginning 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	7,544,194
Total Pension Liability - End of year	\$ 9,182,974	\$ 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	\$ 118,914	\$ 104,767	\$ 110,078	\$ 97,726	\$ 97,155	\$ 99,969	\$ 147,065	\$ 117,800	\$ 89,650	\$ 140,766
Contributions - Member	24,147	46,697	48,777	45,025	47,859	45,341	51,835	46,719	45,449	43,810
Net investment income (loss)	924,210	(1,410,355)	2,836,231	379,600	543,436	779,190	805,974	74,057	448,465	1,254,828
Administrative expenses	(41,543)	(47,749)	(43,421)	(16,369)	(19,325)	(16,753)	(10,325)	-	(14,310)	(13,751)
Benefit payments, including refunds	(594,185)	(545,598)	(554,090)	(569,229)	(579,374)	(569,747)	(443,486)	(403,735)	(411,445)	(451,580)
Other	(3,821)	(33,871)	(16,636)	(20,188)	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	427,722	(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	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	7,315,621
Plan Fiduciary Net Position - End of year	\$ 10,100,275	\$ 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	\$ (917,301)	\$ (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	109.99 %	104.21 %	134.21 %	104.24 %	106.53 %	105.94 %	102.07 %	106.49 %	109.65 %	106.85 %
Covered Payroll	\$ 741,811	\$ 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	(123.66)%	(50.97)%	(436.56)%	(52.60)%	(82.02)%	(78.10)%	(26.46)%	(69.00)%	(107.09)%	(78.08)%

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 118,914	\$ 104,767	\$ 110,073	\$ 80,137	\$ 97,155	\$ 99,969	\$ 119,780	\$ 117,800	\$ 89,650	\$ 140,766
Contributions in relation to the actuarially determined contribution	118,914	104,767	110,073	97,726	97,155	99,969	147,065	117,800	89,650	140,766
Contribution Excess	\$ -	\$ -	\$ -	\$ 17,589	\$ -	\$ -	\$ 27,285	\$ -	\$ -	\$ -
Covered Payroll	\$ 741,811	\$ 765,954	\$ 674,828	\$ 709,005	\$ 691,928	\$ 658,734	\$ 677,819	\$ 731,291	\$ 693,949	\$ 680,871
Contributions as a Percentage of Covered Payroll	16.03 %	13.68 %	16.31 %	13.78 %	14.04 %	15.18 %	21.70 %	16.11 %	12.92 %	20.67 %

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	15 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.50 to 12.00 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 two-dimensional, fully generational improvements projected with the MP-2020 Mortality Improvement Scales

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	9.3 %	(13.2)%	32.2 %	3.8 %	5.9 %	8.8 %	9.8 %	0.9 %	5.0 %	17.4 %

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

	Last Seven Fiscal Years						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service cost	\$ 48,640	\$ 55,040	\$ 63,468	\$ 59,864	\$ 67,615	\$ 176,824	\$ 171,507
Interest	375,595	367,014	424,942	432,223	389,487	284,706	279,455
Differences between expected and actual experience	(51,235)	(50,974)	(929,337)	(111,325)	(135,981)	(45,842)	-
Changes in assumptions	(206,295)	(173,128)	76,493	111,218	413,674	(3,227,924)	-
Benefit payments, including refunds	(317,370)	(272,539)	(294,078)	(232,816)	(264,674)	(276,338)	(297,448)
Net Change in Total OPEB Liability	(150,665)	(74,587)	(658,512)	259,164	470,121	(3,088,574)	153,514
Total OPEB Liability - Beginning of year	6,053,013	6,127,600	6,786,112	6,526,948	6,056,827	9,145,401	8,991,887
Total OPEB Liability - End of year	\$ 5,902,348	\$ 6,053,013	\$ 6,127,600	\$ 6,786,112	\$ 6,526,948	\$ 6,056,827	\$ 9,145,401
Plan Fiduciary Net Position							
Contributions - Employer	\$ 347,370	\$ 302,539	\$ 324,078	\$ 262,816	\$ 264,674	\$ 376,338	\$ 297,448
Net investment income (loss)	71,171	(92,194)	171,571	19,645	24,622	6,660	2,394
Administrative expenses	(7,975)	(8,054)	(8,303)	(7,991)	(7,995)	-	-
Benefit payments, including refunds	(317,370)	(272,539)	(294,078)	(232,816)	(264,674)	(276,338)	(297,448)
Other	-	(39,100)	(1,300)	(4,308)	-	-	-
Net Change in Plan Fiduciary Net Position	93,196	(109,348)	191,968	37,346	16,627	106,660	2,394
Plan Fiduciary Net Position - Beginning of year	648,225	757,573	565,605	528,259	511,632	404,972	402,578
Plan Fiduciary Net Position - End of year	\$ 741,421	\$ 648,225	\$ 757,573	\$ 565,605	\$ 528,259	\$ 511,632	\$ 404,972
Net OPEB Liability - Ending	\$ 5,160,927	\$ 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	12.56 %	10.71 %	12.36 %	8.33 %	8.09 %	8.45 %	4.43 %
Covered-employee Payroll	\$ 808,434	\$ 784,887	\$ 762,026	\$ 691,651	\$ 657,733	\$ 915,969	\$ 1,033,963
Net OPEB Liability as a Percentage of Covered-employee Payroll	638.39 %	688.61 %	704.70 %	899.37 %	912.02 %	605.39 %	845.33 %

Required Supplementary Information
Schedule of OPEB Contributions

	Last Ten Fiscal Years									
	Years Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 797,225	\$ 741,702	\$ 823,348	\$ 806,281	\$ 843,372	\$ 1,025,638	\$ 647,051	\$ 614,245	\$ 537,103	\$ 576,630
Contributions in relation to the actuarially determined contribution	347,370	302,539	324,078	262,816	264,674	376,338	262,492	334,889	340,021	351,676
Contribution Deficiency	\$ (449,855)	\$ (439,163)	\$ (499,270)	\$ (543,465)	\$ (578,698)	\$ (649,300)	\$ (384,559)	\$ (279,356)	\$ (197,082)	\$ (224,954)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30 at 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 - Level percentage of payroll
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.25 percent
Salary increase	3.00 percent
Investment rate of return	6.73 percent
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021

City of Gibraltar, Michigan

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

**Last Six Fiscal Years
Years Ended June 30**

	<u>2023</u>	<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	9.71 %	(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 and Transfers In	Total Expenditures and Transfers Out	Excess of Expenditures Over Revenue
Amounts per operating statement	\$ 4,034,423	\$ 4,100,363	\$ (65,940)
Land Revolving Fund	(37,030)	(27,184)	(9,846)
Public Safety Severance Reserve	(43)	13,900	(13,943)
Public Works Severance Reserve	(740)	-	(740)
Revenue-sharing Stabilization	(3,932)	-	(3,932)
Fire escrow	(26,025)	-	(26,025)
Reimbursement of expenses from other funds	385,590	385,590	-
Amounts per budget statement	<u>\$ 4,352,243</u>	<u>\$ 4,472,669</u>	<u>\$ (120,426)</u>

Pension Information

Changes in Assumptions

General Employees' Retirement System

2023 - The discount rate increased to 6.60 percent.

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

2023 - Mortality Improvement Scale updated from MP-2020 to MP-2021. Discount rate updated from 6.32 percent to 6.73 percent. Medical trend rates updated to those prescribed by PA 202 for year 2023.

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 Supplementary Information

Other Supplementary Information
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds				Debt Service Funds		Total
	Major Streets	Local Streets	Drug Forfeiture	Cable TV	City Hall Bonds	Road Construction	
Assets							
Cash and investments	\$ 610,066	\$ 425,215	\$ 17,029	\$ 1,615	\$ 144,452	\$ 147,540	\$ 1,345,917
Receivables - Due from other governments	75,466	24,572	-	-	-	-	100,038
Due from other funds	4,417	-	-	-	-	-	4,417
Total assets	\$ 689,949	\$ 449,787	\$ 17,029	\$ 1,615	\$ 144,452	\$ 147,540	\$ 1,450,372
Liabilities							
Accounts payable	\$ 13,066	\$ 4,452	\$ -	\$ 313	\$ -	\$ -	\$ 17,831
Due to other funds	15,724	20,141	-	-	-	-	35,865
Total liabilities	28,790	24,593	-	313	-	-	53,696
Fund Balances							
Restricted:							
Roads	661,159	425,194	-	-	-	-	1,086,353
Police and fire	-	-	17,029	-	-	-	17,029
Debt service	-	-	-	-	144,452	147,540	291,992
Cable TV	-	-	-	1,302	-	-	1,302
Total fund balances	661,159	425,194	17,029	1,302	144,452	147,540	1,396,676
Total liabilities and fund balances	\$ 689,949	\$ 449,787	\$ 17,029	\$ 1,615	\$ 144,452	\$ 147,540	\$ 1,450,372

City of Gibraltar, Michigan

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

Year Ended June 30, 2023

	Special Revenue Funds				Debt Service Funds		Total
	Major Streets	Local Streets	Drug Forfeiture	Cable TV	City Hall Bonds	Road Construction	
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 170,188	\$ 210,342	\$ 380,530
Intergovernmental - State sources	444,926	144,795	-	-	32,868	37,287	659,876
Fines and forfeitures	-	-	1,653	-	-	-	1,653
Interest	8,163	4,434	225	17	1,975	1,939	16,753
Other revenue	1,655	1,582	-	10,118	-	-	13,355
Total revenue	454,744	150,811	1,878	10,135	205,031	249,568	1,072,167
Expenditures							
Current services:							
General government	-	-	-	-	599	-	599
Public safety	-	-	299	-	-	-	299
Public works	170,035	131,134	-	-	-	850	302,019
Community and economic development	-	-	-	11,427	-	-	11,427
Debt service	-	-	-	-	164,525	196,450	360,975
Total expenditures	170,035	131,134	299	11,427	165,124	197,300	675,319
Other Financing Sources (Uses)							
Transfers in	-	100,000	-	-	-	-	100,000
Transfers out	(100,000)	-	-	-	-	-	(100,000)
Total other financing (uses) sources	(100,000)	100,000	-	-	-	-	-
Net Change in Fund Balances	184,709	119,677	1,579	(1,292)	39,907	52,268	396,848
Fund Balances - Beginning of year	476,450	305,517	15,450	2,594	104,545	95,272	999,828
Fund Balances - End of year	\$ 661,159	\$ 425,194	\$ 17,029	\$ 1,302	\$ 144,452	\$ 147,540	\$ 1,396,676

**Other Supplementary Information
Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2023

	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	\$ 28,661	\$ 227,182	\$ 20,075	\$ 275,918
Investments:				
ETF - Equity	-	5,338,008	409,246	5,747,254
Mutual funds - Equity	608,873	2,120,776	121,902	2,851,551
Mutual funds - Fixed income	300,292	1,805,045	136,712	2,242,049
ETF - Fixed income	103,651	606,165	53,227	763,043
Receivables - Accrued interest receivable	679	3,099	313	4,091
Total assets	<u>1,042,156</u>	<u>10,100,275</u>	<u>741,475</u>	<u>11,883,906</u>
Net Position				
Restricted:				
Pension	1,042,156	10,100,275	-	11,142,431
Postemployment benefits other than pension	-	-	741,475	741,475
Total net position	<u>\$ 1,042,156</u>	<u>\$ 10,100,275</u>	<u>\$ 741,475</u>	<u>\$ 11,883,906</u>

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

Year Ended June 30, 2023

	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	\$ 17,272	\$ 283,974	\$ 70,256	\$ 371,502
Net increase in fair value of investments	85,754	662,448	-	748,202
Investment costs	(17,977)	-	(7,975)	(25,952)
Net investment income	85,049	946,422	62,281	1,093,752
Contributions:				
Employer contributions	7,318	118,914	347,370	473,602
Employee contributions	4,184	24,147	-	28,331
Total contributions	11,502	143,061	347,370	501,933
Total additions	96,551	1,089,483	409,651	1,595,685
Deductions				
Benefit payments	1,086,477	594,185	317,370	1,998,032
Administrative expenses	-	67,576	-	67,576
Total deductions	1,086,477	661,761	317,370	2,065,608
Net (Decrease) Increase in Fiduciary Net Position	(989,926)	427,722	92,281	(469,923)
Net Position - Beginning of year	2,032,082	9,672,553	649,194	12,353,829
Net Position - End of year	<u>\$ 1,042,156</u>	<u>\$ 10,100,275</u>	<u>\$ 741,475</u>	<u>\$ 11,883,906</u>