

**CITY OF ISHPEMING, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council of the  
City of Ishpeming, Michigan  
100 East Division Street  
Ishpeming, Michigan 49849

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan (the City), as of and for the year ended December 31, 2021, 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 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 December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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.

#### ***Current Year Bond Issues***

As described in Note J to the financial statements, in 2021, the City issued the General Obligation Limited Tax Bonds for the purposes of paying down the City's unfunded pension liability. Proceeds from the bonds were allocated between governmental activities and business-type activities based on the applicable portion of the net pension obligation. During the year the City also issued the 2021 Limited Tax General Obligation Refunding Bonds for the purpose of refunding the 2000 Building Authority Bonds, the 2002 Building Authority Bonds, and the 2011 Capital Improvement Bonds. Proceeds from the bonds were allocated between the governmental activities and the discretely presented component unit. Our opinion is not modified with respect to these matters.

### ***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 controls 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 twelve 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional 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 the Required Supplementary Information, as listed 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***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 Financial Information, as listed in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2020, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The major governmental funds budgetary comparison schedules, enterprise funds' comparative statements, and internal service fund's comparative statements related to the 2020 financial statements for the year ended December 31, 2020, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statements. The information was subjected to the auditing procedures applied in the audit of those 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 2020 major governmental funds budgetary comparison schedules, the enterprise funds' comparative statements and internal service fund's comparative statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 28, 2022

## City of Ishpeming, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Ishpeming, Michigan's (the City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2021. Please read it in conjunction with the financial statements included below.

#### FINANCIAL HIGHLIGHTS

- Net position for the City as a whole increased by \$2,249,651 as a result of this year's operations. Net position of our business-type activities increased by \$928,235 or 5 percent, and net position of our governmental activities increased by \$1,321,416 or almost 11 percent.
- During the year, the City had expenses for governmental activities that were \$5,476,304 and generated \$6,797,720 in general revenues and other program sources.
- The City's business-type activities had expenses of \$3,251,655 and generated \$4,179,890 in revenues.
- The General Fund reported a net change in fund balance of \$104,760; this is \$307,879 higher than the forecasted decrease of \$203,119.

#### 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. Fund financial statements are presented below as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Reporting the City as a Whole

Our analysis of the City as a whole is included below. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

These two statements present financial information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources with the difference reported as net position. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

The Statement of Net Position and the Statement of Activities present information about the following:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type Activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer and water systems and activities are reported here.
- *Component Units* – The City includes one separate legal entity in its report – The Downtown Development Authority. Although legally separate, this component unit is included because the City is financially accountable for it

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds is presented below. The fund financial statements provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

Table 1 provides a summary of the City's net position as of December 31, 2021 and 2020.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$9222,689	\$7,524,312	\$4,416,334	\$3,450,466	\$13,639,023	\$10,974,778
Non-current assets	-	-	8,196,866	7,975,705	8,196,866	7,975,705
Capital assets, net	19,753,504	19,195,351	18,599,460	19,035,503	38,352,964	38,230,854
Total Assets	<u>28,976,193</u>	<u>26,719,663</u>	<u>31,212,660</u>	<u>30,461,674</u>	<u>60,188,853</u>	<u>57,181,337</u>
Deferred outflows of resources	<u>694,134</u>	<u>685,930</u>	<u>192,884</u>	<u>204,166</u>	<u>887,018</u>	<u>890,096</u>
Current and other liabilities	1,714,972	905,691	259,187	213,911	1,974,159	1,119,602
Long-term liabilities	10,409,305	11,466,860	11,328,878	11,814,645	21,738,183	23,281,505
Total Liabilities	<u>12,124,277</u>	<u>12,372,551</u>	<u>11,588,065</u>	<u>12,028,556</u>	<u>23,712,342</u>	<u>24,401,107</u>
Deferred inflows of resources	<u>3,731,963</u>	<u>2,540,371</u>	<u>329,657</u>	<u>77,697</u>	<u>4,061,620</u>	<u>2,618,068</u>
Net Position:						
Net investment in capital assets	16,573,562	15,969,074	17,526,421	17,656,427	34,099,983	33,625,501
Restricted	3,843,029	2,914,171	761,871	677,230	(4,604,900)	3,591,401
Unrestricted	<u>(6,602,504)</u>	<u>(6,390,574)</u>	<u>1,199,530</u>	<u>225,930</u>	<u>5,402,974</u>	<u>(6,164,644)</u>
Total Net Position	<u>\$13,814,087</u>	<u>\$12,492,671</u>	<u>19,487,822</u>	<u>\$18,559,587</u>	<u>\$33,301,909</u>	<u>\$31,052,258</u>

Net position of the City's governmental activities stood at \$13,814,087. *Unrestricted* net position—the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at (\$6,602,504).

The (\$6,602,504) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The net position of our business-type activities stood at \$19,487,822. The City can generally only use these net positions to finance continuing operations of the water and sewer systems.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2021 and 2020.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Program Revenues:</b>						
Charges for services	\$1,118,687	\$1,081,285	\$4,076,676	\$3,911,283	\$5,195,363	\$4,992,568
Operating grants and contributions	2,220,139	1,243,906	-	-	2,220,139	1,243,906
Capital grants and contributions	-	971,938	97,977	280,910	97,977	1,252,848
<b>General Revenues:</b>						
Property taxes	2,263,242	2,234,757	-	-	2,263,242	2,234,757
Unrestricted intergovernmental	1,001,458	850,014	-	-	1,001,458	850,014
Investment earnings	5,379	26,088	5,237	6,645	10,616	32,733
Fines and forfeitures	28,322	42,135	-	-	28,322	42,135
Miscellaneous	160,493	208,216	-	-	160,493	208,216
Gain/(loss) on sale of assets	-	(151,931)	-	-	-	(151,931)
Total Revenues	<u>6,797,720</u>	<u>6,506,408</u>	<u>4,179,890</u>	<u>4,198,838</u>	<u>10,977,610</u>	<u>10,705,246</u>
<b>Program Expenses:</b>						
Legislative	16,485	13,714	-	-	16,485	13,714
General government	1,456,497	1,718,014	-	-	1,456,497	1,718,014
Public safety	1,088,844	976,699	-	-	1,088,844	976,699
Public works	1,948,185	2,146,610	-	-	1,948,185	2,146,610
Community and economic development	44,552	45,642	-	-	44,552	45,642
Recreation and culture	709,276	535,281	-	-	709,276	535,281
Other governmental	-	-	-	-	-	-
Capital outlay	-	72,136	-	-	-	72,136
Interest on long-term debt	212,465	120,252	-	-	212,465	120,252
Sewer	-	-	1,291,403	1,534,967	1,291,403	1,534,967
Water	-	-	1,960,252	1,630,023	1,960,252	1,630,023
Total Expenses	<u>5,476,304</u>	<u>5,628,348</u>	<u>3,251,655</u>	<u>3,164,990</u>	<u>8,727,959</u>	<u>8,793,338</u>
Excess (deficiency) before transfers	1,321,416	878,060	928,235	1,033,848	2,249,651	1,911,908
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	1,321,416	878,060	928,235	1,033,848	2,249,651	1,911,908
Net Position, Beginning	12,492,671	11,614,611	18,559,587	17,525,739	31,052,258	29,140,350
Net Position, Ending	<u>\$13,814,087</u>	<u>\$12,492,671</u>	<u>\$19,487,822</u>	<u>\$18,559,587</u>	<u>\$33,301,909</u>	<u>\$31,052,258</u>

The City's total revenues were \$10,977,610; the total cost of all programs and services was \$8,727,959 leaving an increase in net position of \$2,249,651. Our analysis below separately considers the operations of governmental and business-type activities:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Governmental Activities

Government activities net position increased by \$1,321,416. This overall increase was due to a change in combined governmental fund balance of \$695,067, changes in general fixed assets of \$302,471, proceeds from borrowing of (\$6,943,599), principal payments on debt of \$1,070,926, a change in accrued interest of (\$23,419), adjustments due to amortization of deferred amounts on bond of (\$54,767), internal service fund activity of \$103,158, change in pension liability and related of \$6,072,077 for MERS, change pension liability and related of \$124,973 for the Police and Fire Retirement System, and a change in compensated absences of (\$25,471).

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
General Government	\$1,456,497	\$918,604
Public Safety	1,088,844	1,028,525
Public Works	1,948,185	(185,184)

### Business-type Activities

Business-type activities net position increased by \$928,235. The Sewer Fund and the Water Fund experienced a change in net position of \$395,807 and \$532,428, respectively, resulting in a net increase in Business-Type Activities of \$928,235.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a *combined* fund balance of \$4,602,790, an increase of \$645,067 from the beginning of the year.

The combined fund balance increase of \$695,067 was due to decreases in the capital projects funds for Public Improvement Fund and the Senior Center offset by increases in the General Fund, Major Street Fund, Local Street Fund, Garbage & Rubbish Fund, and Other Governmental Funds. The overall increase is partially due to management closely monitoring expenditures in the General Fund resulting in net income in the General Fund of \$104,760; a reduction in projects in the current year in the Major Street Fund resulting in income of \$227,303; a reduction in projects in the current year in the Local Street Fund resulting in income of \$714,556; an increase in charges to reduce the discrepancy between income and expense in the Garbage & Rubbish Fund resulting in an increase of \$72,490; more capital outlay in the current year in the Public Improvement Fund resulting in a loss of (\$101,822) mainly due to a transfer in the current year of approximately \$300,000 to the Local Street Fund for future road projects; reimbursements lagging behind expenditures in the Senior Center Fund resulting a loss of (\$379,259), which will be rectified once the City receives the grant reimbursements for allowable expenditures incurred; and net income of \$57,039 in the Other Governmental Funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### General Fund Budgetary Highlights

General Fund expenses, not including other financing uses, were \$6,337,729 more than the final budget because of the payment made to MERS with the proceeds from the 2021 General Obligation Limited Tax Bonds. The City Council approved the debt issue and payment to MERS, but, due to staffing transitions, the City failed to amend the final budget to reflect the change.

When adopting the budget, the City budgets revenues conservatively. As a result, General Fund revenues came in \$588,707 more than the final budget, not including other financing sources. The most notable area over budget is Federal Sources. In September 2021 the City received the first half of its American Rescue and Recovery Act monies totaling \$356,051. The City does not budget for grant revenue until the grant has been awarded.

As noted above, the City issued General Obligation Bonds in the current year to pay down the unfunded liability of the City's MERS defined benefit pension plan. The General Fund's portion of the proceeds are reported as an "other finance source" and amounted to \$6,056,901. Issuance costs related to the bonds are reported in debt service expenditures.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2021, the City had \$38,352,965 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

**Table 4  
Capital Assets at Year-End  
(Net of Depreciation)**

	2021			2020 Total
	Governmental Activities	Business-type Activities	Total	
Land	\$1,280,750	\$10,888	\$1,291,638	\$1,291,638
Historical treasures	135,275	-	135,275	135,275
Construction in progress	1,993,405	136,041	2,129,446	1,072,467
Buildings and improvements	3,737,433	22,464	3,759,897	3,947,096
Land improvements	2,551,035	-	2,551,035	2,591,997
Equipment and vehicles	1,709,087	180,813	1,889,900	1,755,337
Infrastructure	8,346,519	-	8,346,519	8,699,072
Sewer system and equipment	-	5,081,011	5,081,011	5,211,147
Water system and equipment	-	13,168,243	13,168,243	13,526,825
Total	<u>\$19,753,504</u>	<u>\$18,599,460</u>	<u>\$38,352,964</u>	<u>\$38,230,854</u>

#### Governmental Activities

In 2021, the City's major governmental activities capital additions security upgrades at the Police station, new lawn mowers for the cemetery and park and recreation, flooring upgrades in the Council Chambers, reconstruction of streets, light pole replacements, a new concrete apron at the Fire Hall, and DPW computers/software for mapping snow routes.

During the year the City traded-in or disposed of various vehicles and heavy duty equipment. As a result, the City entered into new lease agreements for the purchase of a new police vehicle, new DPW vehicle and CAT wheel loader. The City also disposed of two dump trucks and purchased two used international dump trucks.

## MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Residents of the City began working to create an Ishpeming Heritage Plaza to celebrate notable people with ties to the City. In the current year the City contracted with a local artist to create a bronze sculpture, dubbed the “3 Sons” Statue, which was affixed to a hematite boulder from the Republic Mine. The statue honors three famous “Sons of Ishpeming” – Nobel Prize-winning physicist Dr. Glenn Seaborg; Presidential Medal of Freedom recipient and aeronautical engineer Clarence “Kelly” Johnson; and John Voelker, famous author (best known for *Anatomy of a Murder* written under his pseudonym Robert Traver) and Michigan Supreme Court Justice. The monument was unveiled in July 2021.

In 2021, construction continued on the new Senior Center project, which was substantially completed in the summer of 2021, but due to supply-chain issues some of the final materials are not expected to arrive until 2022. Other construction in progress includes engineering costs related to the upcoming Empire Street Reconstruction project, which will be partially funded through a grant from the Michigan Department of Transportation’s Local Agency Small Urban Grant. Various other future road projects are in the preliminary engineering phase.

### Business-Type Activities

In 2020 the City received a \$250,000 grant through the Michigan Department of Treasury’s Financially Distress Cities, Townships and Villages grant for the replacement of water meters within the city. At the end of the fiscal year, the City has expended \$129,398 related to this project, which is reported in the Water Fund as construction in progress. In the Water Fund the other major addition had to do with the new Taco Bell location water hydrant installation.

In the Sewer Fund, the City completed the Park Street Lift Station and placed it into service. The City began construction on the Davis Street Storm Sewer, which is reported as construction in progress in the Sewer Fund. Other additions in the current year related to various reconstruction projects and emergency repairs.

Further details on capital assets can be found in the Notes to the Financial Statements.

### **Debt**

At year-end, the City had \$20,686,942 in bonds and notes outstanding as depicted in Table 5 below.

**Table 5  
Outstanding Debt at Year-End**

	2021			2020 Total
	Governmental Activities	Business-type Activities	Total	
General Obligation Bonds	\$8,091,901	\$3,068,099	\$11,160,000	\$3,079,600
Refunding Bonds	854,630	-	854,630	
Revenue Bonds	-	8,382,000	8,382,000	8,536,000
Contracts and notes payable	290,312	-	290,312	146,677
Total	<u>\$9,236,843</u>	<u>\$11,450,099</u>	<u>\$20,686,942</u>	<u>\$11,762,277</u>

During the year, the City leased a police vehicle in the Public Improvement Fund. In the Motor Pool Fund the City leased a DPW vehicle and a CAT wheel loader.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

Also, during the year, the City issued refunding bonds to refund the 2000 Building Authority Bonds, the 2002 Building Authority Bonds, and the 2011 Capital Improvement Bonds. These bonds are considered defeased and no longer reported in the long term liabilities for Governmental Activities and the Component Unit. The bond sold at a premium and proceeds from the refunding bonds are reported in the Governmental Activities and Component Unit.

In addition to the Refunding Bonds, the City issued \$9.125 million in Limited Tax General Obligation Bonds in the current year for the purpose of funding a portion of the unfunded liability of the City's MERS defined benefit pension plan. Proceeds from the bond were recorded in the General Fund, Water Fund, and Sewer Fund proportionate to the funds' share of the estimated pension liability. Future principal and interest payments will be made from those funds accordingly.

No other debt was issued during the year.

During the year the City made principal on governmental activities and business-type activities debt payments in the amount of \$1,165,548, and \$154,000, respectively (including amounts paid to the refunded bond escrow agent).

Further details on long-term debt can be found in the Notes to the Financial Statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City of Ishpeming's elected officials and management consider many factors while preparing the annual budget, including matters at the state, national, and global levels as these various economies can impact the local economy. Some of the factor's considered when setting the fiscal year 2022 budget are as follows:

Property Taxes (Real and Personal) are a primary source of revenue for the City and these taxes are calculated on taxable value. The annual growth in taxable value is capped by law at the lesser of inflation or five percent, unless a property is sold, in which case the taxable value becomes uncapped and the capping processing begins again. The City has seen steady growth of two to two-and-a-half percent in its taxable value base over the past several years. Management believes this trend will continue into the near future as home sale prices continue to rise. Additionally, three new businesses have announced they will be opening in 2021, two of which will fill an empty storefront on the downtown's Main Street.

State Revenue Sharing is another significant portion of the City's General Fund revenue. Back in the year 2000, the City received approximately \$1.2 million in State Revenue Sharing. Over the last 20 years, the State Revenue Sharing has been reduced to approximately \$800,000; however, there has been a recent reversal to that trend, and the City is expecting approximately \$896,500 in State Revenue Sharing for fiscal year 2021. This does not factor in possible reductions based on the impact of the pandemic which will be discussed below.

As identified in the notes to the financial statements-Note AB, on March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak in the United State has resulted in some interruptions to the City's revenues, mostly impacting State Revenue Sharing which was supplanted by CARES Act funding in 2020, parks revenue, and rental inspection revenue. As the country is in the midst of recovery from the pandemic and gathering restrictions lift, management anticipates the restoration of these revenue streams.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

The City continues to support further development of the ski and biking trails within Ishpeming, including the Iron Ore Heritage Trail and the RAMBA trail network just to name a few. Biking events such as the Marji Gesick and the 906 Polar Roll are helping to establish Ishpeming as a mountain biking destination. In order to meet the needs from the increase in tourism, in 2021 the City was awarded a \$100,000 grant by the Michigan Department of Agriculture and Rural Development which, when combined with a local match, will construct a rustic campground on Malton Road. The campground is expected to be completed by August 2022. This is just one of several of the many exciting changes taking place within the City of Ishpeming.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Ishpeming, 100 East Division Street, Ishpeming, Michigan 49849.

City of Ishpeming, Michigan

STATEMENT OF NET POSITION

December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,524,600	\$ 3,521,308	\$ 8,045,908	\$ 253,897
Investments	970,347	54,451	1,024,798	15,617
Receivables, net	3,494,112	796,634	4,290,746	211,360
Primary government internal balances	-	-	-	-
Advance to primary government	-	-	-	484,213
Prepays and other assets	233,630	43,941	277,571	2,000
Non-current Assets:				
Cash and cash equivalents - restricted	-	887,905	887,905	-
Investment in Wastewater Treatment Facility	-	3,801,638	3,801,638	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land, construction in progress and other non-depreciable assets	3,409,430	146,929	3,556,359	-
Other capital assets, net of depreciation	16,344,074	18,452,531	34,796,605	1,515,356
Total Capital Assets	19,753,504	18,599,460	38,352,964	1,515,356
<b>TOTAL ASSETS</b>	<b>28,976,193</b>	<b>31,212,660</b>	<b>60,188,853</b>	<b>2,482,443</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	404,132	192,884	597,016	-
Contributions subsequent to measurement date	290,002	-	290,002	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>694,134</b>	<b>192,884</b>	<b>887,018</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	594,486	42,804	637,290	2,000
Advance from component unit	484,213	-	484,213	-
Customer deposits payable	-	176,381	176,381	-
Accrued liabilities	141,738	12,049	153,787	71
Accrued interest	54,676	27,953	82,629	7,836
Unearned revenue	35,641	-	35,641	-
Non-current Liabilities:				
Portion due or payable within one year:				
Bonds payable	482,831	301,579	784,410	121,590
Notes payable	98,080	-	98,080	-
Compensated absences	142,981	1,191	144,172	-
Portion due or payable after one year:				
Bonds payable	8,507,905	11,148,520	19,656,425	1,111,173
Notes payable	192,232	-	192,232	-
Compensated absences	124,528	17,443	141,971	-
Net pension liability (asset)	860,748	(139,855)	720,893	-
<b>TOTAL LIABILITIES</b>	<b>11,720,059</b>	<b>11,588,065</b>	<b>23,308,124</b>	<b>1,242,670</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	2,204,167	-	2,204,167	255,517
Transportation appropriation	-	-	-	-
Deferred amounts related to pension	1,192,019	329,657	1,521,676	-
Unavailable revenue	739,995	-	739,995	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,136,181</b>	<b>329,657</b>	<b>4,465,838</b>	<b>255,517</b>
<b>NET POSITION</b>				
Net investment in capital assets	16,573,562	17,526,421	34,099,983	282,593
Restricted	3,843,029	761,871	4,604,900	484,213
Unrestricted	(6,602,504)	1,199,530	(5,402,974)	217,450
<b>TOTAL NET POSITION</b>	<b>\$ 13,814,087</b>	<b>\$ 19,487,822</b>	<b>\$ 33,301,909</b>	<b>\$ 984,256</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Legislative	\$ 16,485	\$ -	\$ -	\$ -	\$ (16,485)	\$ -	\$ (16,485)	\$ -
General government	1,456,497	200,543	337,350	-	(918,604)	-	(918,604)	-
Public safety	1,088,844	31,733	28,586	-	(1,028,525)	-	(1,028,525)	-
Public works	1,948,185	840,096	1,293,273	-	185,184	-	185,184	-
Community and economic development	44,552	-	-	-	(44,552)	-	(44,552)	-
Recreation and culture	709,276	46,315	35,062	-	(627,899)	-	(627,899)	-
Other governmental	-	-	-	-	-	-	-	-
Capital outlay	-	-	525,868	-	525,868	-	525,868	-
Interest on long-term debt	212,465	-	-	-	(212,465)	-	(212,465)	-
Total Governmental Activities	<u>5,476,304</u>	<u>1,118,687</u>	<u>2,220,139</u>	<u>-</u>	<u>(2,137,478)</u>	<u>-</u>	<u>(2,137,478)</u>	<u>-</u>
Business-Type Activities:								
Sewer	1,291,403	1,684,644	-	-	-	393,241	393,241	-
Water	1,960,252	2,392,032	-	97,977	-	529,757	529,757	-
Total Business-Type Activities	<u>3,251,655</u>	<u>4,076,676</u>	<u>-</u>	<u>97,977</u>	<u>-</u>	<u>922,998</u>	<u>922,998</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 8,727,959</u>	<u>\$ 5,195,363</u>	<u>\$ 2,220,139</u>	<u>\$ 97,977</u>	<u>(2,137,478)</u>	<u>922,998</u>	<u>(1,214,480)</u>	<u>-</u>
<b>Component Unit:</b>								
Downtown Development Authority	<u>\$ 248,557</u>	<u>\$ -</u>	<u>\$ 1,900</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,657)</u>
General Revenues:								
Property taxes					2,263,242	-	2,263,242	247,706
Unrestricted intergovernmental sources					1,001,458	-	1,001,458	-
Interest and investment earnings					5,379	5,237	10,616	291
Fines and Forfeitures					28,322	-	28,322	-
Miscellaneous					160,493	-	160,493	-
Gain/(loss) on sale of assets					-	-	-	-
Transfers					-	-	-	-
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>					<u>3,458,894</u>	<u>5,237</u>	<u>3,464,131</u>	<u>247,997</u>
<b>CHANGE IN NET POSITION</b>					<u>1,321,416</u>	<u>928,235</u>	<u>2,249,651</u>	<u>1,340</u>
Net position, beginning of year					<u>12,492,671</u>	<u>18,559,587</u>	<u>31,052,258</u>	<u>982,916</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 13,814,087</u>	<u>\$ 19,487,822</u>	<u>\$ 33,301,909</u>	<u>\$ 984,256</u>				

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2021

	Special Revenue				Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Garbage & Rubbish Fund	Public Improvement Fund	Senior Center Fund		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,155,362	\$ 874,449	\$ 802,396	\$ 209,616	\$ 248,312	\$ 24,959	\$ 867,362	\$ 4,182,456
Investments	48,000	-	-	-	-	-	922,347	970,347
Accounts receivable, net	27,931	-	-	39,084	-	-	-	67,015
Taxes receivable	909,521	-	-	1,517	522,775	-	112,982	1,546,795
Other receivable	684,256	-	-	120,992	-	-	-	805,248
Due from other governments	506,563	116,985	47,288	-	-	404,218	-	1,075,054
Due from other funds	174,867	-	-	-	-	-	-	174,867
Inventory	195,511	-	-	-	-	-	-	195,511
Prepays	38,119	-	-	-	-	-	-	38,119
<b>TOTAL ASSETS</b>	<b>3,740,130</b>	<b>991,434</b>	<b>849,684</b>	<b>371,209</b>	<b>771,087</b>	<b>429,177</b>	<b>1,902,691</b>	<b>9,055,412</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,740,130</b>	<b>\$ 991,434</b>	<b>\$ 849,684</b>	<b>\$ 371,209</b>	<b>\$ 771,087</b>	<b>\$ 429,177</b>	<b>\$ 1,902,691</b>	<b>\$ 9,055,412</b>
<b>LIABILITIES</b>								
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	148,982	-	-	35,757	217	404,217	150	589,323
Due to component unit	484,213	-	-	-	-	-	-	484,213
Accrued payroll and related	129,142	5,982	3,212	22	-	-	-	138,358
Accrued sick and vacation leave	36,058	-	-	-	-	-	-	36,058
Due to other funds	-	-	-	-	-	-	174,867	174,867
Unearned revenue	21,828	-	-	13,813	-	-	-	35,641
<b>TOTAL LIABILITIES</b>	<b>820,223</b>	<b>5,982</b>	<b>3,212</b>	<b>49,592</b>	<b>217</b>	<b>404,217</b>	<b>175,017</b>	<b>1,458,460</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Taxes levied for a subsequent period	1,568,410	-	-	-	522,775	-	112,982	2,204,167
Transportation appropriation	-	-	-	-	-	-	-	-
Unavailable revenue	335,777	-	-	-	-	404,218	-	739,995
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,904,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>522,775</b>	<b>404,218</b>	<b>112,982</b>	<b>2,944,162</b>
<b>FUND BALANCE</b>								
Non-spendable	233,630	-	-	-	-	-	988,983	1,222,613
Restricted	-	985,452	846,472	-	248,095	-	540,397	2,620,416
Committed	-	-	-	-	-	-	-	-
Assigned	960	-	-	321,617	-	(379,258)	85,312	28,631
Unassigned	781,130	-	-	-	-	-	-	781,130
<b>TOTAL FUND BALANCE</b>	<b>1,015,720</b>	<b>985,452</b>	<b>846,472</b>	<b>321,617</b>	<b>248,095</b>	<b>(379,258)</b>	<b>1,614,692</b>	<b>4,652,790</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 3,740,130</b>	<b>\$ 991,434</b>	<b>\$ 849,684</b>	<b>\$ 371,209</b>	<b>\$ 771,087</b>	<b>\$ 429,177</b>	<b>\$ 1,902,691</b>	<b>\$ 9,055,412</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION

December 31, 2021

**Total Fund Balances for Governmental Funds** \$ 4,652,790

*Amounts reported for governmental activities in the statement of net position are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land, construction in progress and historical treasures	\$ 3,409,430	
Other capital assets, net of depreciation	<u>15,425,631</u>	18,835,061

Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.

Net pension liability (asset) -		
Michigan Municipal Employees' Retirement System	835,859	
Police and Fire Retirement System	(1,696,607)	
Deferred outflows of resources related to pension -		
Michigan Municipal Employees' Retirement System	404,132	
Police and Fire Retirement System	-	
Employer contributions subsequent to measurement date		
Police and Fire Retirement System	290,002	
Deferred (inflows) of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	(711,018)	
Police and Fire Retirement System	<u>(481,001)</u>	(1,358,633)

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles, to individual funds. The assets and liabilities of the internal internal service funds are included in governmental activities in the statement of net position, net of capital assets.

Net position	<u>997,564</u>	997,564
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	(197,410)	
Current portion of pension obligation bonds payable	(285,421)	
Current portion of notes and contracts payable	(27,525)	
Accrued interest on debt	(54,676)	
Compensated absences	(223,268)	
Long-term bonds payable	(2,692,220)	
Long-term pension obligation bonds payable	(5,771,480)	
Long-term contracts and notes payable	(16,490)	
Deferred amounts on bonds	(44,205)	
Deferred gain on refunding		<u>(9,312,695)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 13,814,087</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2021

	Special Revenue			Capital Projects		Other Governmental Funds	Total Governmental Funds	
	General Fund	Major Street Fund	Local Street Fund	Garbage & Rubbish Fund	Public Improvement Fund			Senior Center Fund
<b>REVENUES:</b>								
Taxes	\$ 1,637,208	\$ -	\$ -	\$ -	\$ 514,807	\$ -	\$ 111,226	\$ 2,263,241
Federal sources	356,051	-	-	-	-	525,868	-	881,919
State sources	1,011,620	882,889	410,384	-	-	-	12,545	2,317,438
Licenses and permits	181,406	-	-	-	-	-	-	181,406
Charges for service	84,467	-	-	840,096	-	-	18,700	943,263
Interest income and rentals	2,872	1,477	53	281	1,089	2	(336)	5,438
Contributions	-	-	-	-	15,600	24,956	14,354	54,910
Fines and forfeitures	36,208	-	-	-	-	-	-	36,208
Other revenues	108,590	149	-	-	5,157	-	1	113,897
<b>TOTAL REVENUES</b>	<b>3,418,422</b>	<b>884,515</b>	<b>410,437</b>	<b>840,377</b>	<b>536,653</b>	<b>550,826</b>	<b>156,490</b>	<b>6,797,720</b>
<b>EXPENDITURES:</b>								
Current Operations:								
Legislative	16,485	-	-	-	-	-	-	16,485
General government	7,194,315	-	-	-	-	-	-	7,194,315
Public safety	1,068,516	-	-	-	-	-	6,459	1,074,975
Public works	419,213	357,212	296,632	767,887	-	-	-	1,840,944
Community and economic development	44,552	-	-	-	-	-	-	44,552
Recreation and culture	589,870	-	-	-	-	-	24,196	614,066
Other governmental	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	80,326	-	103,000	183,326
Interest and fiscal charges	44,312	-	-	-	28,297	-	87,162	159,771
Capital outlay	-	-	-	-	125,625	930,085	-	1,055,710
<b>TOTAL EXPENDITURES</b>	<b>9,377,263</b>	<b>357,212</b>	<b>296,632</b>	<b>767,887</b>	<b>234,248</b>	<b>930,085</b>	<b>220,817</b>	<b>12,184,144</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,958,841)</b>	<b>527,303</b>	<b>113,805</b>	<b>72,490</b>	<b>302,405</b>	<b>(379,259)</b>	<b>(64,327)</b>	<b>(5,386,424)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Proceeds from borrowing	6,056,901	-	-	-	32,068	-	-	6,088,969
Refunding bonds	-	-	-	-	371,287	-	483,343	854,630
Premium on refunding bonds	-	-	-	-	20,674	-	23,531	44,205
Payment to refunded bond escrow agent	-	-	-	-	(376,341)	-	(529,972)	(906,313)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Transfers in	12,200	-	600,751	-	-	-	156,664	769,615
Transfers (out)	(5,500)	(300,000)	-	-	(451,915)	-	(12,200)	(769,615)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,063,601</b>	<b>(300,000)</b>	<b>600,751</b>	<b>-</b>	<b>(404,227)</b>	<b>-</b>	<b>121,366</b>	<b>6,081,491</b>
<b>CHANGE IN FUND BALANCE</b>	<b>104,760</b>	<b>227,303</b>	<b>714,556</b>	<b>72,490</b>	<b>(101,822)</b>	<b>(379,259)</b>	<b>57,039</b>	<b>695,067</b>
Fund balance, beginning of year	910,960	758,149	131,916	249,127	349,917	1	1,557,653	3,957,723
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,015,720</b>	<b>\$ 985,452</b>	<b>\$ 846,472</b>	<b>\$ 321,617</b>	<b>\$ 248,095</b>	<b>\$ (379,258)</b>	<b>\$ 1,614,692</b>	<b>\$ 4,652,790</b>

The accompanying notes are an integral part of these financial statements.

**City of Ishpeming, Michigan**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 695,067</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	\$ 1,094,611	
Depreciation expense	(792,140)	
Net book value of disposed assets	-	302,471
Proceeds of borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		
		(6,943,599)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,070,926
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(23,419)
Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt.		
Current year amortization of deferred amounts on bond		(54,767)
Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.		
Change in net position		103,158
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pension liability expense	6,072,077	
Pension liability expense - Fire-Police Retirement	124,973	
Compensated absences	(25,471)	6,171,579
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 1,321,416</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

December 31, 2021

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,696,855	\$ 1,824,453	\$ 3,521,308	\$ 342,144
Investments	54,451	-	54,451	-
Accounts receivable	256,829	363,198	620,027	-
Allowance for uncollectible accounts	-	-	-	-
Delinquent utilities	10,457	36,763	47,220	-
Due from other governmental units	-	129,387	129,387	-
Prepays	43,941	-	43,941	-
Non-current Assets:				
Cash and cash equivalents - restricted	-	887,905	887,905	-
Investment in Wastewater Treatment Facility	3,801,638	-	3,801,638	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital Assets:				
Land and construction in progress	6,643	140,286	146,929	-
Other capital assets, net of depreciation	5,239,277	13,213,254	18,452,531	918,443
Total Capital Assets	5,245,920	13,353,540	18,599,460	918,443
<b>TOTAL ASSETS</b>	<b>11,110,091</b>	<b>20,102,569</b>	<b>31,212,660</b>	<b>1,260,587</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	70,469	122,415	192,884	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>70,469</b>	<b>122,415</b>	<b>192,884</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	39,931	2,873	42,804	5,163
Customer deposits payable	-	176,381	176,381	-
Accrued payroll and related	3,837	8,212	12,049	3,380
Accrued interest	5,679	22,274	27,953	-
Non-current Liabilities:				
Portion due or payable within one year				
Revenue bonds	-	157,000	157,000	-
Pension obligation bonds	60,935	83,644	144,579	-
Notes payable	-	-	-	70,555
Compensated absences	397	794	1,191	8,183
Portion due or payable after one year				
Revenue bonds	-	8,225,000	8,225,000	-
Pension obligation bonds	1,232,169	1,691,351	2,923,520	-
Notes payable	-	-	-	175,742
Compensated absences	2,273	15,170	17,443	-
Net pension liability (asset)	(379,410)	239,555	(139,855)	-
<b>TOTAL LIABILITIES</b>	<b>965,811</b>	<b>10,622,254</b>	<b>11,588,065</b>	<b>263,023</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	156,296	173,361	329,657	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>156,296</b>	<b>173,361</b>	<b>329,657</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	9,047,558	8,478,863	17,526,421	672,146
Restricted:				
Debt service	-	761,871	761,871	-
Unrestricted	1,010,895	188,635	1,199,530	325,418
<b>TOTAL NET POSITION</b>	<b>\$ 10,058,453</b>	<b>\$ 9,429,369</b>	<b>\$ 19,487,822</b>	<b>\$ 997,564</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2021

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
<b>OPERATING REVENUES:</b>				
Rentals	\$ -	\$ -	\$ -	\$ 642,330
Charges for services	1,684,644	2,391,064	4,075,708	-
Other operating revenue	-	968	968	354
<b>TOTAL OPERATING REVENUES</b>	<b>1,684,644</b>	<b>2,392,032</b>	<b>4,076,676</b>	<b>642,684</b>
<b>OPERATING EXPENSES:</b>				
Personal services	358,953	656,715	1,015,668	153,540
Contractual services	510,416	534,151	1,044,567	3,327
Supplies	10,670	41,838	52,508	213,727
Utilities	2,179	17,658	19,837	-
Depreciation	439,926	383,993	823,919	116,354
Equipment rental	63,577	109,104	172,681	-
Other expenses	52,040	39,818	91,858	57,687
<b>TOTAL OPERATING EXPENSES</b>	<b>1,437,761</b>	<b>1,783,277</b>	<b>3,221,038</b>	<b>544,635</b>
<b>OPERATING INCOME</b>	<b>246,883</b>	<b>608,755</b>	<b>855,638</b>	<b>98,049</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest (expense)	(5,679)	(176,975)	(182,654)	(3,492)
Gain/(loss) on wastewater facility	152,037	-	152,037	-
Gain/(loss) on sale of assets	-	-	-	7,900
Interest income	2,566	2,671	5,237	701
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>148,924</b>	<b>(174,304)</b>	<b>(25,380)</b>	<b>5,109</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>395,807</b>	<b>434,451</b>	<b>830,258</b>	<b>103,158</b>
State sources	-	97,977	97,977	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>395,807</b>	<b>532,428</b>	<b>928,235</b>	<b>103,158</b>
Net position, beginning of year	9,662,646	8,896,941	18,559,587	894,406
<b>NET POSITION, END OF YEAR</b>	<b>\$ 10,058,453</b>	<b>\$ 9,429,369</b>	<b>\$ 19,487,822</b>	<b>\$ 997,564</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2021

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from fees and charges for services	\$ 1,695,685	\$ 2,397,568	\$ 4,093,253	\$ -
Other operating revenues	-	(97,009)	(97,009)	642,684
Cash payments to employees for services	(1,680,640)	(2,468,824)	(4,149,464)	(276,778)
Cash payments to suppliers for goods and services	(643,852)	(752,567)	(1,396,419)	(274,783)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(628,807)</b>	<b>(920,832)</b>	<b>(1,549,639)</b>	<b>91,123</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Increase (decrease) in cash overdraft	-	-	-	-
(Increase) decrease in due from other funds	-	3,520	3,520	-
Increase (decrease) in due to other funds	(3,520)	-	(3,520)	-
Transfers in (out)	-	-	-	-
Proceeds from pension obligation bonds	1,293,104	1,774,995	3,068,099	-
Principal on pension obligation bonds	-	-	-	-
Interest on pension obligation bonds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>1,289,584</b>	<b>1,778,515</b>	<b>3,068,099</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal payments on debt	-	(154,000)	(154,000)	(94,622)
Interest paid on debt	-	(169,180)	(169,180)	(3,492)
Proceeds from borrowing	-	-	-	232,515
Cash payments for capital assets	(238,457)	(149,418)	(387,875)	(372,036)
Proceeds sale of capital assets	-	-	-	7,900
Proceeds from federal and state grants for capital assets	-	97,977	97,977	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(238,457)</b>	<b>(374,621)</b>	<b>(613,078)</b>	<b>(229,735)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
(Increase) decrease in investments	(117)	-	(117)	-
Investment income	2,566	2,671	5,237	701
(Increase) decrease in restricted assets	-	(69,124)	(69,124)	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>2,449</b>	<b>(66,453)</b>	<b>(64,004)</b>	<b>701</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>424,769</b>	<b>416,609</b>	<b>841,378</b>	<b>(137,911)</b>
Cash and cash equivalents, beginning of year	1,272,086	1,407,844	2,679,930	480,055
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,696,855</b>	<b>\$ 1,824,453</b>	<b>\$ 3,521,308</b>	<b>\$ 342,144</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 246,883	\$ 608,755	\$ 855,638	\$ 98,049
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	439,926	383,993	823,919	116,354
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	11,041	6,504	17,545	-
(Increase) decrease in due from other governmental units	-	(97,977)	(97,977)	-
(Increase) decrease in prepaid	(43,941)	-	(43,941)	-
Increase (decrease) in accounts payable	38,971	(27,348)	11,623	(42)
Increase (decrease) in customer deposits payable	-	17,350	17,350	-
Increase (decrease) in accrued payroll	250	2,578	2,828	1,664
Increase (decrease) in accrued sick and vacation	210	117	327	(3,375)
Increase (decrease) in net pension liability and related	(1,322,147)	(1,814,804)	(3,136,951)	(121,527)
<b>NET ADJUSTMENTS</b>	<b>(875,690)</b>	<b>(1,529,587)</b>	<b>(2,405,277)</b>	<b>(6,926)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (628,807)</b>	<b>\$ (920,832)</b>	<b>\$ (1,549,639)</b>	<b>\$ 91,123</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

December 31, 2021

	Pension Trust Fund	Custodial Funds		Total
	Police Pension Trust Fund	Trust & Agency Fund	Tax Collection Fund	
<b>ASSETS</b>				
Cash and equivalents	\$ 108,591	\$ 31,721	\$ 1,325,929	\$ 1,466,241
Investments	5,186,362	-	-	5,186,362
Taxes receivable	335,546	-	-	335,546
Other receivables	1	-	-	1
Due from other governments	-	-	-	-
<b>TOTAL ASSETS</b>	<b>5,630,500</b>	<b>31,721</b>	<b>1,325,929</b>	<b>6,988,150</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
Due to others	-	31,721	-	31,721
Due to other governmental units	-	-	1,325,929	1,325,929
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>31,721</b>	<b>1,325,929</b>	<b>1,357,650</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	335,546	-	-	335,546
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>335,546</b>	<b>-</b>	<b>-</b>	<b>335,546</b>
<b>NET POSITION</b>				
Restricted for:				
Pensions	5,294,954	-	-	5,294,954
<b>TOTAL NET POSITION</b>	<b>\$ 5,294,954</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,294,954</b>

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

FIDUCIARY FUNDS

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2021

	Pension Trust Fund	Custodial Funds		Total
	Police Pension Trust Fund	Trust & Agency Fund	Tax Collection Fund	
<b>ADDITIONS:</b>				
Contributions:				
Taxes	\$ 290,002	\$ -	\$ -	\$ 290,002
Employer	-	-	-	-
Employee	28,723	-	-	28,723
Gifts, bequests and endowments	-	-	-	-
Total Contributions	<u>318,725</u>	<u>-</u>	<u>-</u>	<u>318,725</u>
Investment Income:				
Net appreciation (depreciation) in fair value of investments	277,274	-	-	277,274
Interest and dividends	331,872	-	-	331,872
Administrative expense	(44,132)	-	-	(44,132)
Net Investment Income (Loss)	<u>565,014</u>	<u>-</u>	<u>-</u>	<u>565,014</u>
Other Additions:				
Collections for individuals, organizations, and other governments	-	61,459	-	61,459
Property tax collections for other governments	-	-	3,697,713	3,697,713
Total Other Additions	<u>-</u>	<u>61,459</u>	<u>3,697,713</u>	<u>3,759,172</u>
<b>TOTAL ADDITIONS</b>	<u>883,739</u>	<u>61,459</u>	<u>3,697,713</u>	<u>4,642,911</u>
<b>DEDUCTIONS:</b>				
Benefits and annuity withdrawals	477,823	-	-	477,823
Refunds of contributions	3,559	-	-	3,559
Other expenditures	-	-	-	-
Payments to individuals, organizations, and other governments	-	61,459	-	61,459
Payments of property tax collections for other governments	-	-	3,697,713	3,697,713
<b>TOTAL DEDUCTIONS</b>	<u>481,382</u>	<u>61,459</u>	<u>3,697,713</u>	<u>4,240,554</u>
<b>CHANGE IN NET POSITION</b>	<u>402,357</u>	<u>-</u>	<u>-</u>	<u>402,357</u>
Net position, beginning of year	<u>4,892,597</u>	<u>-</u>	<u>-</u>	<u>4,892,597</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 5,294,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,294,954</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ISHPEMING, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Ishpeming, Michigan (the City) conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

**REPORTING ENTITY**

The City of Ishpeming, Michigan was incorporated in 1873 in accordance with the laws of the State of Michigan and operates under a Council-Manager form of government. As required by generally accepted accounting principles, the City's financial statements present the City (the primary government) and its component units. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a December 31<sup>st</sup> year-end.

***Policemen and Firemen Retirement System*** – The City of Ishpeming is the administrator of a single-employer public employee retirement system established and administered by the City to provide pension benefits for the Police and Fire Department employees. The Policemen and Firemen Retirement System is considered part of the City of Ishpeming financial reporting entity and is included in the City's financial report as a pension trust fund.

**BLENDED COMPONENT UNITS**

**Governmental Fund Type**

***City of Ishpeming Building Authority*** – The Building Authority's governing body consists of the City Manager, Finance Director, and City Treasurer which are appointed by the governing board of the reporting entity. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

The reporting entity has guaranteed the debt issues of the Authority.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### DISCRETELY PRESENTED COMPONENT UNITS

#### Governmental Fund Type

**City of Ishpeming Downtown Development Authority** – The Downtown Development Authority’s governing board is appointed by the City’s Manager with consent of the Council and includes the City Manager of the reporting entity. The reporting entity has the responsibility to fund deficits and operating deficiencies, as well as guarantee for any debt the Authority issues.

Separate financial statements for the City of Ishpeming Downtown Development Authority are not developed; however, information can be obtained from the City’s Finance Department upon request located at 100 East Division Street, Ishpeming, Michigan 49849.

### RELATED ORGANIZATIONS

**Ishpeming Housing Commission** – The Ishpeming Housing Commission was created to provide low-income housing for the City residents. The Ishpeming Housing Commission’s governing board is appointed by the City Mayor with the confirmation of the Commission; however, the City does not provide any financial assistance to the Housing Commission. Management of the Housing Commission is not designated by the City nor does the City have the ability to significantly influence operations. The City does not subsidize the operations of the Housing Commission and does not guarantee its debt service. The Ishpeming Housing Commission has not been included as a component unit of the City’s reporting entity because there is no accountability for fiscal matters to the City.

Summary financial information as of and for the fiscal year ended December 31, 2020, is as follows:

Total Assets	\$2,601,778
Total Liabilities	164,625
Total Net Position	2,437,153
Total Operating Revenues	768,023
Total Operating Expenses	1,044,776
Total Non-Operating Revenues(expenses)	1,919
Capital Grant Contributions	99,760
Net Increase (Decrease) in Net Position	(175,074)

### BASIS OF PRESENTATION

#### Government-Wide Financial Statements

The City of Ishpeming, Michigan’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City’s police and fire protection, public works, culture and recreation, and general administrative services are classified as governmental activities. The City’s sewer and water services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds:*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Proprietary Funds:*

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### *Fiduciary Funds:*

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent for others and therefore are not available to support the City's programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

### *Major Funds:*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities, and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Special Revenue – Major Street Fund** accounts for the activities related to receipt of allocated state shared gas and weight taxes to be spent on certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Special Revenue – Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.
- The **Special Revenue – Garbage & Rubbish Fund** accounts for activities related to garbage and rubbish collection and disposal.
- The **Capital Projects – Public Improvement Fund** accounts for the activities related to development and improvement of the City's general capital assets.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- The **Capital Projects – Senior Center Fund** accounts for the activities related to construction of the new Senior Citizen Center building.

The City reports the following major proprietary funds:

- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension trust fund and custodial funds). Since by definition these assets are being held for the benefit of a third-party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

### BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### FINANCIAL STATEMENT AMOUNTS

#### Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### Investments

Investments are stated at fair value. The fair value measurement of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

#### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

#### Inventory

Inventory costs are recorded at average cost which approximates market. Inventories consist of expandable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than purchased.

#### Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Interfund receivables and payables have been eliminated from the Statement of Net Position.

#### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Depreciation Life</u>
Buildings, structures, and improvements	20-50 years
Vehicles and equipment	5-15 years
Water supply and sewage disposal systems	20-50 years

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

### Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports the following in this category:

The government reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

The City's Policemen and Firemen Retirement System has a plan year of January 1 to December 31; however, the actuarial valuation for the plan is not available at the time of the preparation of the financial statements. Therefore, the most recent actuarial valuation is used which is for the previous plan year ended December 31. Under GASB 71, the contributions made to the plan subsequent to the measurement date are reported as deferred outflows of resources.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as a prepaid and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

Bond issuance costs whether or not withheld from the actual debt received, are reported as debt service and expensed the year incurred.

### Pensions

For the purpose of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan or the Policemen and Firemen Retirement System (the System) and additions to/deductions from MERS' or the System's fiduciary net position have been determined on the same basis as they are reported by MERS or the System. 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 A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Deferred Inflows of Resources

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

In the government-wide and governmental fund financial statements property taxes levied during the year that were intended to finance future periods, which arises only under a modified accrual basis of accounting are deferred and recognized as an inflow of resources in the period that the amount becomes available.

In the government-wide and governmental fund financial statements transportation appropriations from the State applicable to future periods are deferred and recognized as an inflow of resources in the period that the amount becomes available.

The government reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

The government reports deferred inflows of resources for grant funds that are not available, but for which expenses have been incurred. For the year ended December 31, 2021 the City incurred expenses related to various grants, but the funds were not received within the 60-day window under the modified accrual method of accounting.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Ishpeming because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### Equity Classification

#### *Government-Wide Statements*

Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

3. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “net invested in capital assets.”

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

### Revenues

#### *Government-Wide Statements*

In the government-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions, and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the City’s policy to use the restricted resources first.

### Property Taxes

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, the county, the Downtown Development Authority, and the Iron Ore Heritage Trail Authority. Collections of taxes on behalf of other local units of government are accounted for in the Tax Collection Fund. Property taxes are levied on December 1<sup>st</sup> based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

### Expenses/Expenditures

#### *Government-Wide Statements*

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and non-operating and are sub-classified by function such as personnel services and other services and charges.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Not later than October 15, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than November 30, the budget is adopted by the City Council in accordance with the provisions of the City Charter.
4. The City Council adopts the budget by functional categories. Any transfers of appropriations between functions must be approved by the City Council. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each fund's method of accounting.

### Use of Estimates

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

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 28, 2022, which is the date

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

**NOTE B – CASH AND EQUIVALENTS:**

The composition of cash and cash equivalents reported on the Statement of Net Position are as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total Reporting Entity
Cash and cash equivalents:				
Unrestricted	\$8,045,908	\$1,466,241	\$253,897	\$9,766,046
Restricted	887,905	-	-	887,905
TOTAL	<u>\$8,933,813</u>	<u>\$1,466,241</u>	<u>\$253,897</u>	<u>\$10,653,951</u>

*Custodial Credit Risk – 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. State law does not require, and the City does not have, a deposit policy for custodial credit risk. As of December 31, 2021, the carrying amount of the City’s deposits with financial institutions was \$10,653,951 and the bank balance was \$10,324,700, of which, \$619,971 or approximately 6% was covered by federal depository insurance according to FDIC regulations. The bank balance is categorized as follows:

Amount insured by the FDIC or uncollateralized with securities held by the City in its name	\$619,971
Amount collateralized with securities held by the pledging financial institutions trust department in the City's name:	
Collateralized and uninsured	9,704,729
TOTAL REPORTING ENTITY	\$10,340,700

**NOTE C – INVESTMENTS:**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2021, the City had the following investments:

	Fair Value	Investment Maturity (in Years)			
		Less Than 1	1-5	6-10	More Than 10
<b>PRIMARY GOVERNMENT:</b>					
CDs and money market <sup>2</sup>	\$901,001	\$825,859	\$76,142	\$-	\$-
U.S. Government Agencies <sup>1</sup>	122,797	-	107,362	15,435	-
U.S. Treasury Bonds <sup>1</sup>	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$1,024,798</u>	<u>\$825,859</u>	<u>\$183,504</u>	<u>\$15,435</u>	<u>\$-</u>

**NOTE C – INVESTMENTS (Continued):**

	Fair Value	Investment Maturity (in Years)			
		Less Than 1	1-5	6-10	More Than 10
<b>FIDUCIARY FUNDS:</b>					
Mutual Equity Funds <sup>1</sup>	\$3,886,502	\$-	\$-	\$-	\$3,886,502
Mutual Equity Index Funds <sup>1</sup>	1,299,860	-	-	-	1,299,860
<b>TOTAL FIDUCIARY</b>	<b>\$5,186,362</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$5,186,362</b>
<b>COMPONENT UNIT:</b>					
CDs and money market <sup>2</sup>	\$15,617	\$15,617	\$-	\$-	\$-
<b>TOTAL COMPONENT UNIT</b>	<b>\$15,617</b>	<b>\$15,617</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

1 – Level 1 input; 2 – Level 2 input; 3 – Level 3 input

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City’s investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers’ acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system’s assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds.

The City has no investment policy that would further limit its investment choices. The City’s investments are in accordance with statutory authority.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in any one issuer. There were no investments subject to concentration credit risk disclosure.

**NOTE D – RESTRICTED ASSETS:**

Certain resources set aside for the repayment of debt proceeds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Assets restricted by applicable bond covenants are as follows:

		December 31, 2021	
		Required Balance	Actual Balance
<b>I. Construction accounts</b>			
These accounts are used to receive loan/grant proceeds and pay construction costs.			
a. To be used for the monies received from the utility system construction.			
		\$-	\$-
<b>II. Bond payment accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.			
a. 2017 Water Supply System Revenue Bond, ½ of interest due on next payment and not less than ¼ of the principal due the next year.			
		\$81,160	\$125,101
<b>III. Bond reserve accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.			
a. 2017 Water Supply System Revenue Bond, \$8,400 quarterly up to \$336,000.			
		142,800	142,800
<b>IV. Capital improvement accounts</b>			
These accounts are required to be funded per bond. These funds are to be used for repairs, replacement, or improvements to the water system. If the amounts in the bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.			
a. 2017 Water Supply System Revenue Bond, \$17,281.25 per quarter less the amount deposited in the Reserve Account (\$8,400 quarterly) or \$8,881.25 quarterly.			
		150,981	150,981
<b>V. Operations and maintenance accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for the operation and maintenance of the System.			
a. 2017 Water Supply System Revenue Bond, sum sufficient to provide for payment of next quarter's expenses of administration and operation			
		386,930	469,023
Total		<u>\$761,871</u>	<u>\$887,905</u>

**NOTE E – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:**

Receivables as of year-end for the government’s individual major funds, aggregate non-major governmental funds, and major proprietary funds, including applicable allowances for uncollectible accounts, are as follows:

Type	Governmental Activities	Business-Type Activities	Total Primary Government
Property taxes – current	\$1,524,970	\$-	\$1,524,970
Accounts receivable	67,015	-	67,015
Utilities receivable	120,992	620,027	741,019
Delinquent utilities receivable	21,825	47,220	69,045
Other receivables	684,256	-	684,256
Due from other government units	1,075,054	129,387	1,204,441
Total	<u>\$3,494,112</u>	<u>\$796,634</u>	<u>\$4,290,746</u>

Receivable balances have been disaggregated by type and presented separately in the financial statements.

**NOTE F – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS IN/OUT:**

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds.

A summary of the interfund receivables and payables at the end of the fiscal year are as follows:

		DUE FROM				Total Due To Other Funds
		General Fund	Capital Projects	Water	Internal Service	
DUE TO	General Fund	\$-	\$-	\$-	\$-	\$-
	Garbage	-	-	-	-	-
	Non-major Governmental Funds	174,867	-	-	-	174,867
	Water	-	-	-	-	-
	Sewer	-	-	-	-	-
	Total Due From Other Funds	<u>\$174,867</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$174,867</u>

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

**NOTE F – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS IN/OUT (Continued):**

The transfers between funds for the fiscal year are as follows:

		TRANSFERS IN				
		General Fund	Local Street Fund	Non-major Gov'tl Funds	Internal Service	Total Transfers Out
TRANSFERS OUT	General Fund	\$-	\$-	\$5,500	\$-	\$5,500
	Major Street Fund	-	300,000	-	-	300,000
	Capital Projects	-	300,751	151,164	-	451,915
	Non-major Governmental Funds	12,200	-	-	-	12,200
	<b>Total Transfers In</b>	<b>\$12,200</b>	<b>\$600,751</b>	<b>\$156,664</b>	<b>\$-</b>	<b>\$769,615</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

**NOTE G – CAPITAL ASSETS:**

A summary of the changes in governmental activities capital assets is as follows:

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$1,280,750	\$-	\$-	\$1,280,750
Historical treasurers	135,275	-	-	135,275
Construction in progress	1,030,170	963,235	-	1,993,405
Subtotal	<u>2,446,195</u>	<u>963,235</u>	<u>-</u>	<u>3,409,430</u>
Capital assets being depreciated:				
Buildings and improvements	12,371,952	24,606	-	12,396,558
Land improvements	3,287,840	57,793	-	3,345,633
Equipment and vehicles	6,730,217	421,013	(737,754)	6,413,476
Infrastructure	10,937,559	-	-	10,937,559
Subtotal	<u>33,327,568</u>	<u>503,412</u>	<u>(737,754)</u>	<u>33,093,226</u>
Total Capital Assets	<u>35,773,763</u>	<u>1,466,647</u>	<u>(737,754)</u>	<u>36,502,656</u>
Less accumulated depreciation:				
Buildings and improvements	(8,449,048)	(210,077)	-	(8,659,125)
Land improvements	(695,843)	(98,755)	-	(794,598)
Equipment and vehicles	(5,195,034)	(247,109)	737,754	(4,704,389)
Infrastructure	(2,238,487)	(352,553)	-	(2,591,040)
Total Accumulated Depreciation	<u>(16,578,412)</u>	<u>(908,494)</u>	<u>737,754</u>	<u>(16,749,152)</u>
CAPITAL ASSETS, NET	<u>\$19,195,351</u>	<u>\$558,153</u>	<u>\$-</u>	<u>\$19,753,504</u>

**NOTE G – CAPITAL ASSETS (Continued):**

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General Government	\$450,847
Public Safety	138,842
Public Works	107,241
Recreation and Culture	95,210
Internal Service Fund charged to above activities	116,353
Total Depreciation Expense	<u>\$908,493</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in progress	42,297	259,319	(165,575)	136,041
Subtotal	<u>53,185</u>	<u>259,319</u>	<u>(165,575)</u>	<u>146,929</u>
Capital assets being depreciated:				
Building and improvements	68,793	-	-	68,793
Equipment	497,629	-	-	497,629
Sewer system	16,732,379	274,111	-	17,006,490
Water system	16,285,951	20,020	-	16,305,971
Subtotal	<u>33,584,752</u>	<u>294,131</u>	<u>-</u>	<u>33,878,883</u>
			(165,575)	
Total Capital Assets	<u>33,637,937</u>	<u>553,450</u>	<u>-</u>	<u>34,025,812</u>
Less accumulated depreciation:				
Building and improvements	(44,601)	(1,728)	-	(46,329)
Equipment	(277,475)	(39,341)	-	(316,816)
Sewer system	(11,521,232)	(404,247)	-	(11,925,479)
Water system	(2,759,126)	(378,602)	-	(3,137,728)
Total Accumulated Depreciation	<u>(14,602,434)</u>	<u>(823,918)</u>	<u>-</u>	<u>(15,426,352)</u>
CAPITAL ASSETS, NET	<u>\$19,035,503</u>	<u>(\$270,468)</u>	<u>(\$165,575)</u>	<u>\$18,599,460</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer	\$439,926
Water	383,992
Total Depreciation Expense	<u>\$823,918</u>

**NOTE G – CAPITAL ASSETS (Continued):**

A summary of the changes in component unit activities capital assets is as follows:

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021
<b>COMPONENT UNIT:</b>				
Capital assets not being depreciated:				
Land	\$-	\$-	\$-	\$-
Construction in progress	-	-	-	-
Subtotal	-	-	-	-
Capital assets being depreciated:				
Land improvements	139,829	-	-	139,829
Infrastructure	2,169,572	-	-	2,169,572
Subtotal	2,309,401	-	-	2,309,401
Total Capital Assets	2,309,401	-	-	2,309,401
Less accumulated depreciation:				
Land improvements	(38,931)	(7,947)	-	(46,878)
Infrastructure	(641,696)	(105,471)	-	(747,167)
Total Accumulated Depreciation	(680,627)	(113,418)	-	(794,045)
CAPITAL ASSETS, NET	<u>\$1,628,774</u>	<u>(\$113,418)</u>	<u>\$-</u>	<u>\$1,515,356</u>

Depreciation expense for the component unit activities was charged to the following functions and activities of the primary government:

Component Unit Activities:	
DDA	<u>\$113,418</u>
Total Depreciation Expense	<u>\$113,418</u>

**NOTE H – CONSTRUCTION IN PROGRESS:**

The City has a number of projects underway which involve additions, extensions, and improvements to the City cemetery, parks, streets, sanitary sewer, and water systems. Major construction projects in progress as of December 31, 2021, include the following:

Senior Citizen Center Project, \$1,946,815; the City began construction for a new Senior Citizen Center in 2020. Total cost for the project is expected to be \$2,103,680. Funding for the project is through a Community Development Block Grant for \$1,896,342, which requires a 2% private match being paid for by the Greater Ishpeming Commission on Aging. In 2020, the old Senior Citizen Center located on Pine Street was demolished and the new Senior Citizen Center will be located on Greenwood Street and will offer over 3,000 square feet of community space. The project was substantially completed in the summer of 2021; however, due to supply-chain issues some of the final materials are not expected to arrive until 2022.

Empire Street Reconstruction Project, \$30,233; the City began the engineering phase of the Empire Street Reconstruction Project. The project is expected to be partially funded through a grant from the Michigan Department of Transportation's Local Agency Small Urban Grant. Total cost for the project is expected to be \$470,000.

**NOTE H – CONSTRUCTION IN PROGRESS (Continued):**

Road Projects, \$16,357; the City is in the preliminary engineering phase of various potential future road projects. The projects will be partially funded using MDOT Category B funds. The City anticipates receiving approximately \$213,700 in MDOT funding with a required local match amount of roughly \$600,000.

Water Meter, \$129,398; in 2020 the City received a \$250,000 grant through the Michigan Department of Treasury’s Financially Distress Cities, Townships and Villages grant for the replacement of water meters within the city. At the end of the fiscal year, the City has expended \$129,398 related to this project. The grant period ends September 2024.

Davis Street Storm Sewer, \$6,643; in 2021 the City began construction on the Davis Street Storm Sewer. The project is budgeted to cost a total of \$29,950 with completion of paving occurring in 2022.

As of December 31, 2021, total construction in progress costs incurred amounted to \$1,993,405 in the governmental type activities and \$136,041 in the business-type activities.

**NOTE I – ADVANCE FROM DDA TO PRIMARY GOVERNMENT:**

In the past the DDA advanced the City money to finance various City projects. In 2015, the City Council agreed to a 20-year payment plan schedule to pay back the DDA the amount owed with annual payments of \$37,247 beginning in 2015. The balance outstanding as of December 31, 2021 is \$482,831.

**NOTE J – LONG -TERM DEBT:**

A summary of the changes in long-term obligations for the fiscal year are as follows:

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 4.25% per annum.	\$467,000	\$-	(\$467,000)	\$-	\$-
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually including interest of 4.75% per annum.	51,000	-	(51,000)	-	-
General Obligation Limited Tax Capital Improvement Bonds, Series 2011. Payable semi-annually including interest of 3.00% to 5.00% per annum.	423,600	-	(423,600)	-	-
Building Authority Bonds, Series 2015. Payable semi-annually including interest of 3.25% per annum.	1,255,000	-	(32,000)	1,223,000	33,000

**NOTE J – LONG -TERM DEBT (Continued):**

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021	Due Within One Year
Building Authority Bonds, Series 2016. Payable semi-annually including interest of 3.125% per annum.	\$223,000	\$-	(\$6,000)	\$217,000	\$6,000
General Obligation Unlimited Tax Bonds, Series 2017. Payable semi-annually including interest of 3.00% to 3.125% per annum.	660,000	-	(65,000)	595,000	70,000
2019 Dodge Charger Lease. Payable annually including interest of 5.24%.	14,975	-	(14,975)	-	-
Snowplow Loan. Payable monthly including interest rate of 3.60%.	108,404	-	(29,513)	78,891	30,644
2020 Dodge Charger Lease. Payable annually including interest of 5.24%.	23,298	-	(11,351)	11,947	11,947
2021 Limited Tax General Obligation Refunding Bonds. Payable semi-annually including interest of 2.00% per annum.	-	854,630	-	854,630	88,410
Caterpillar Small Wheel Loader Lease. Payable annually including interest rate of 2.99%.	-	178,755	(53,400)	125,355	30,075
Limited Tax General Obligation Bonds, Series 2021. Payable semi-annually including interest of 0.27% to 3.16% per annum.	-	6,056,901	-	6,056,901	285,421
2020 Chevy Silverado 4500 Lease. Payable annually including interest of 4.456%	-	53,760	(11,709)	42,051	9,836
2021 Dodge Durango Lease. Payable annually including interest rate of 5.85%	-	32,068	-	32,068	15,578
SUBTOTAL	<u>3,226,277</u>	<u>7,176,114</u>	<u>(1,165,548)</u>	<u>9,236,843</u>	<u>580,911</u>
Less: Premium on bonds	(10,562)	54,767	-	44,205	-
SUBTOTAL	<u>3,215,715</u>	<u>7,230,881</u>	<u>(1,165,548)</u>	<u>9,281,048</u>	<u>580,911</u>
Compensated absences	228,791	181,749	(143,031)	267,509	142,981
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$3,444,506</u></b>	<b><u>\$7,412,630</u></b>	<b><u>(\$1,308,579)</u></b>	<b><u>\$9,548,557</u></b>	<b><u>\$723,892</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Water Revenue Bonds, Series 2017. Payable semi-annually beginning June 1, 2018 including interest of 2.125%	\$8,536,000	\$-	(\$154,000)	\$8,382,000	\$157,000
Limited Tax General Obligation Bonds, Series 2021. Payable semi-annually including interest of 0.27% to 3.16% per annum.	-	3,068,099	-	3,068,099	144,579
SUBTOTAL	<u>8,536,000</u>	<u>3,068,099</u>	<u>(154,000)</u>	<u>11,450,099</u>	<u>301,579</u>
Compensated absences	18,307	31,361	(31,034)	18,634	1,191
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$8,554,307</u></b>	<b><u>\$3,099,460</u></b>	<b><u>(\$185,034)</u></b>	<b><u>\$11,468,733</u></b>	<b><u>\$302,770</u></b>

**NOTE J – LONG -TERM DEBT (Continued):**

	Balance at 12/31/2020	Additions	Deductions	Balance at 12/31/2021	Due Within One Year
<b>COMPONENT UNIT:</b>					
General Obligation Limited Tax Capital Improvement Bonds, Series 2011. Payable semi-annually including interest of 3.00% to 5.00% per annum.	\$1,341,400	\$-	(\$1,341,400)	\$-	\$-
2021 Limited Tax General Obligation Refunding Bonds. Payable semi-annually including interest of 2.00% per annum.	-	1,175,370	-	1,175,370	121,590
SUBTOTAL	1,341,400	1,175,370	(1,341,400)	1,175,370	121,590
Less: Premium on bonds	-	57,393	-	57,393	-
TOTAL COMPONENT UNIT	\$1,341,400	\$1,232,763	(\$1,341,400)	\$1,232,763	\$121,590

2021 Limited Tax General Obligation Refunding Bonds

On August 23, 2017, the City issued \$2,030,000 in Limited Tax General Obligation Refunding Bonds, Series 2021 with an interest rate of 2.00% to 4.0% for the purpose of refunding the 2000 Limited Tax General Obligation Building Authority Bonds, the 2002 Limited Tax General Obligation Building Authority Bonds, and the 2011 General Obligation Limited Tax Capital Improvement Bonds.

The refunding portion of the 2000 Limited Tax General Obligation Building Authority Bonds, 2002 Limited Tax General Obligation Building Authority Bonds, and the 2011 General Obligation Limited Tax Capital Improvement Bonds net proceeds of \$2,097,969, were paid to the refund bond escrow agent. As a result, the 2000 Building Authority Bonds maturing 2022 through 2030 are considered defeased and the liability for those bonds has been removed from the Governmental Activities long term debt balances. As a result, the 2002 Building Authority Bonds maturing 2022 through 2032 are considered defeased and the liability for those bonds has been removed from the Governmental Activities long term debt balances. As a result, the 2011 Capital Improvement Bonds maturing 2022 through 2030 are considered defeased and the liability for those bonds has been removed from the Governmental Activities and Component Unit long term debt balances. The deferred amounts related to the 2011 Capital Improvement Bonds has also been removed from the Governmental Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On December 31, 2021, \$430,000 of the 2000 Building Authority Bonds outstanding are considered defeased. On December 31, 2021, \$48,000 of the 2002 Building Authority Bonds outstanding are considered defeased. On December 31, 2021, \$1,540,000 of the 2011 Capital Improvement Bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of \$12,000. The bonds sold at a premium, which has been deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$323,134.

**NOTE J – LONG -TERM DEBT (Continued):**

The annual principal and interest requirements, excluding accrued compensated absences, for future fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$580,911	\$223,788	\$301,579	\$233,751	\$121,590	\$22,292
2023	582,093	209,359	308,941	227,913	124,485	19,831
2024	556,991	199,054	313,622	223,814	124,485	17,341
2025	548,507	189,161	317,622	219,005	124,485	14,851
2026	518,846	178,200	323,985	213,616	133,170	12,275
2027-2031	2,474,893	724,707	1,718,952	971,964	547,155	21,742
2032-2036	2,086,861	456,020	1,919,139	775,226	-	-
2037-2041	1,559,742	146,199	1,736,258	537,610	-	-
2042-2046	328,000	26,726	1,251,000	389,490	-	-
2047-2051	-	-	1,390,000	257,600	-	-
2052-2056	-	-	1,544,000	111,000	-	-
2057-2061	-	-	325,000	3,250	-	-
Totals	<u>\$9,236,844</u>	<u>\$2,353,214</u>	<u>\$11,450,098</u>	<u>\$4,164,239</u>	<u>\$1,175,370</u>	<u>\$108,332</u>

**NOTE K – COMPENSATED ABSENCES:**

The City accrues the liability for earned sick leave using the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon termination in good standing, retirement, death, or disability, employees or their estates, shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The current portion of the liability for governmental fund types and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Position. The liability is recorded as follows:

	Sick	Vacation	Total
Current Portion:			
Governmental Activities	\$53,941	\$89,040	\$142,981
Sewer Fund	397	-	397
Water Fund	794	-	794
Total Current	<u>55,132</u>	<u>89,040</u>	<u>144,172</u>
Long-term Portion:			
Governmental Activities	100,426	24,102	124,528
Sewer Fund	2,273	-	2,273
Water Fund	15,170	-	15,170
Total Long-term	<u>117,869</u>	<u>24,102</u>	<u>141,971</u>
GRAND TOTAL	<u>\$173,001</u>	<u>\$113,142</u>	<u>286,143</u>

**NOTE L – TAXES LEVIED FOR A SUBSEQUENT PERIOD:**

Property taxes levied on December 1, 2021, have met all criteria related to revenue recognition except for time and as such are recorded as a deferred inflow of resources under GASB 65. The amount of taxes levied for a subsequent period is as follows:

Primary Government:		
General Fund		\$1,568,410
Public Improvement Fund		522,775
Fire Fund		112,982
	TOTAL	<u>\$2,204,167</u>
Fiduciary:		
Pension Trust Fund		<u>\$335,546</u>
Component Unit:		
DDA Fund		<u><u>\$255,517</u></u>

**NOTE M – FUND BALANCES – GOVERNMENTAL FUNDS:**

Fund balances of the governmental funds are classified as follows:

*Non-spendable* — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

*Assigned* — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the City Manager or the City Council may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

As of December 31, 2021, fund balances are composed of the following:

	General Fund	Major Special Revenue Funds	Major Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	\$195,511	\$-	\$-	\$-	\$195,511
Prepays	38,119	-	-	-	38,119
Corpus	-	-	-	988,983	988,983
Subtotal	<u>233,630</u>	<u>-</u>	<u>-</u>	<u>988,983</u>	<u>1,222,613</u>

**NOTE M – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):**

	General Fund	Major Special Revenue Funds	Major Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
<b>Restricted:</b>					
Transportation Funds	\$-	\$1,831,924	\$-	\$-	\$1,831,924
Public Improvement Levy	-	-	248,095	-	248,095
Senior Center Project	-	-	-	-	-
Fire Levy	-	-	-	94,247	94,247
Firefighter Longevity	-	-	-	209,515	209,515
Library State Aid	-	-	-	1,972	1,972
Perpetual Care	-	-	-	225,178	225,178
Cemetery Care	-	-	-	9,485	9,485
Subtotal	-	1,831,924	248,095	540,397	2,620,416
Committed	-	-	-	-	-
<b>Assigned:</b>					
Garbage Activities	-	321,617	-	-	321,617
Malton Rd Campground	-	-	-	-	-
Senior Center	-	-	(379,258)	3,001	(376,257)
Lake Bancroft	-	-	-	5,959	5,959
Building Authority	-	-	-	22,329	22,329
Library Improvements	-	-	-	54,023	54,023
Welcome baskets	960	-	-	-	960
Subtotal	960	622,368	(379,258)	85,312	28,631
Unassigned	781,130	-	-	-	781,130
Total fund balances	\$1,015,720	\$2,153,541	(\$131,163)	\$1,590,396	\$4,652,790

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Council through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**NOTE N – DEFINED BENEFIT PENSION PLAN:**

The following information is based upon the latest available actuarial valuation (as of December 31, 2020).

**NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):**

**General Information about the Pension Plan**

The employer’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**Benefits Provided**

	<b>2020 Valuation</b>		
	<b>01 – CI &amp; Pub Wks: Closed Division</b>	<b>10 – Supervisory: Closed Division</b>	<b>11 – Union/Supervisor: Closed Division</b>
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60	60
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	50/25	50/25	50/25
Early Retirement (Reduced):	55/15	55/15	55/15
Final Average Compensation:	3 years	3 years	3 years
COLA for Future Retirees:	2.50% (Non-compound)	2.50% (Non-compound)	2.50% (Non-compound)
Employee Contributions:	5.43%	7.51%	9.70%
DC Plan for New Hires:	1/1/2020	1/1/2020	1/1/2020
Act 88:	Yes (Adopted 2/3/1965)	Yes (Adopted 2/3/1965)	Yes (Adopted 2/3/1965)

**Employees covered by benefit terms**

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	42
Inactive employees entitled to but not yet receiving:	4
Active employees:	25
<b>Total</b>	<b><u>71</u></b>

**Contributions**

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The contribution rates as a percentage of payroll as December 31, 2020 are as follows:

Division	Employer Contribution (\$/month)	Employee Contribution
01 – CI & Pub Wks	\$50,548	5.43%
10 – Supervisory	10,043	7.51%
11 – Union/Supervisor	17,601	9.70%

There was \$938,304 in contribution requirements for closed divisions.

## NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as December 31, 2020.

### Actuarial assumptions

The total pension liability in the December 31, 2020, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.5%
Salary Increases:	3.00% plus merit and longevity; 3.00% in the long-term
Investment Rate of Return	7.35%, net of investment expenses and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.45%	4.47%	2.50%	2.97%
Global Fixed Income	20.0%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.35%		4.85%

### Discount rate

The discount rate used to measure the total pension liability is 7.60%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):**

**Changes in Net Pension Liability**

Changes in Net Pension Liability	Calculating the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2020	\$18,404,398	\$9,266,607	\$9,137,791
<b>Changes for the Year</b>			
Service Cost	199,104	-	199,104
Interest on Total Pension Liability	1,359,912	-	1,359,912
Changes in benefits	-	-	-
Difference between expected and actual experience	(508,231)	-	(508,231)
Change in assumptions	500,120	-	500,120
Employer Contributions	-	9,893,512	(9,893,512)
Employee Contributions	-	72,853	(72,853)
Net Investment Income	-	1,621,160	(1,621,160)
Benefit payments, including employee refunds	(1,220,749)	(1,220,749)	-
Administrative expense	-	(17,565)	17,565
Other changes	(94,450)	-	(94,450)
<b>Net Changes</b>	<b>235,706</b>	<b>10,349,211</b>	<b>(10,113,505)</b>
<b>Balances at 12/31/2021</b>	<b>\$18,640,104</b>	<b>\$19,615,818</b>	<b>(\$975,714)</b>

Net Pension Liability (NPL):	
MERS – Primary Government	(\$975,714)
Police-Fire – Primary Government (see Note O)	1,696,607
NPL reported in the Statement of Net Position	<u>\$720,893</u>

**Sensitivity of the Net Pension Liability to changes in the discount rate.**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net Pension Liability at 12/31/2021	(\$975,714)	(\$975,714)	(\$975,714)
Change in Net Pension Liability	2,211,062	-	(1,830,149)
Calculated Net Pension Liability	<u>\$1,235,348</u>	<u>(\$975,714)</u>	<u>(\$2,805,863)</u>

**Note:** The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

**NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended 2021 the employer recognized pension expense of \$562,957. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$73,187	(\$338,821)
Difference in assumptions	523,829	-
Excess (Deficit) Investment Returns	-	(701,854)
Total	<u>\$597,016</u>	<u>(\$1,040,675)</u>

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

Plan (Fiscal) Year Ended December 31,	Amount
2021 (2022)	\$167,705
2022 (2023)	(290,963)
2023 (2024)	(203,354)
2024 (2025)	(117,047)
2025 (2026)	-
Thereafter	-
Total	<u>(\$443,659)</u>

A reconciliation of deferred amounts related to pension reported on the Statement of Net Position for all pension plans is as follows:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
MERS – Primary Government	\$597,016	(\$1,040,675)
Police-Fire – Primary Government (see Note P)	-	(481,001)
Total	<u>\$597,016</u>	<u>(\$1,521,676)</u>
Contributions subsequent to the measurement date:		
Police-Fire – Primary Government (see Note P)	<u>\$290,002</u>	

**Payable to the Pension Plan**

At December 31, 2021, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan.

## NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN:

### General Information about the Pension Plan

#### Plan Description

The City of Ishpeming is the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. Management of the System is vested in City of Ishpeming ACT 345 Police-Fire Pension Board of the City of Ishpeming, Michigan Policemen and Firemen Retirement System, which consist of five members: two that are elected (two representing police employees), two that are appointed by the City Council of the City of Ishpeming and one that is the Treasurer of the City of Ishpeming.

#### Benefits Provided:

	<u>2020 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (plus 1% for years in excess of 25 years)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	Not applicable
Average Final Compensation (AFC):	3 years
COLA for Future Retirees:	None
Employee Contributions:	5.00%
	To age 55: 1.5% multiple
Non-duty Disability:	At age 55: same as above
	To age 55: 50% AFC
Duty Disability:	At age 55: same as above w/ service credit from date of disability to age 55.

#### Employees covered by benefit terms

At the December 31, 2020 valuation date, the latest actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	21
Inactive employees entitled to but not yet receiving:	3
Active employees:	<u>10</u>
Total	<u><u>34</u></u>

#### Contributions

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5% of gross wages.

The contribution rates as a percentage of payroll as December 31, 2020 are as follows: employer 46.81% and employee 5.00%.

There were no contributions requirements for closed divisions.

#### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

## NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN (Continued):

### Actuarial assumptions

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.5%

Salary Increases: 3.5% in the long-term

Investment rate of return: 7.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.5% long-term wage inflation assumption would be consistent with a price inflation of 2.75%.

Mortality rates used were based on the RP-2014 Employee Mortality Tables, RP-2014 Healthy Annuitant Mortality Table, and RP-2014 Disabled Mortality Tables adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements using scale MP-2015 was used. Additional margin for future mortality improvements are included in the projection scale..

Disability rates: It is assumed that 20% of disabilities before retirement are duty related. These rates were first used for the December 31, 1985 valuation.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2003.

### Long-Term Expected Return on Plan Assets

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. The target allocations were estimated based on the asset allocation provided by the client as of December 31, 2020. Best estimates of arithmetic real rates of return were approximated using expected returns from 12 investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	0.00%
Domestic Equity – Large Cap	25.20%	1.27%
Domestic Equity – Small Cap	25.20%	1.40%
International Equity	10.80%	0.64%
Emerging Markets	10.80%	0.96%
Domestic Corporate Fixed Income	16.00%	0.17%
Domestic Government Fixed Income	8.00%	0.01%
Real Estate	2.00%	0.09%
TOTAL	100.00%	

## **NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN (Continued):**

### **Deposits and Investments**

Michigan statute (Act 314, PA 1965, as amended) authorizes the System to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds. The City of Ishpeming ACT 345 Police-Fire Pension Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System's assets. All investment decisions are subject to Michigan law and the investment policy established by the City of Ishpeming ACT 345 Police-Fire Pension Board.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value, which is determined by the System custodian in consultation with the System's investment managers. When sold, the cost of common stock sold is determined on the average cost method. Realized and unrealized gains or losses are reflected in revenues.

### **Concentration of Investments**

The fair value of individual investments that represent 5.0% or more of the Plan's net position is as follows:

IShares Core S&P 500	1,446.0000 units	\$689,728
Schwab US Large CAP	3,726.0000 units	610,132
Dodge & Cox Income Fund	39,548.1140 units	556,046
Doubleline Core Fixed	50,689.8090 units	554,547
JOHCM International	19,208.8140 units	577,609
Pimco Rae International	67,391.7460 units	683,836
Pimco Rae US Instl	39,824.0590 units	450,869

### **Discount Rate**

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits); and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.00% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index); and the resulting single discount rate is 7.00%.

**NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN (Continued):**

**Changes in Net Pension Liability**

Changes in Net Pension Liability	Calculating the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2019	\$6,628,402	\$4,483,501	\$2,144,901
<b>Changes for the Year</b>			
Service Cost	131,968	-	131,968
Interest on Total Pension Liability	452,412	-	452,412
Changes in benefits	-	-	-
Difference between expected and actual experience	(160,861)	-	(160,861)
Change in assumptions	-	-	-
Employer Contributions	-	257,010	(257,010)
Employee Contributions	-	28,275	(28,275)
Net Investment Income	-	605,412	(605,412)
Benefit payments, including employee refunds	(462,717)	(462,717)	-
Administrative expense	-	(18,884)	18,884
Other changes	-	-	-
<b>Net Changes</b>	<b>(39,198)</b>	<b>409,096</b>	<b>(448,294)</b>
<b>Balances at 12/31/2020</b>	<b>\$6,589,204</b>	<b>\$4,892,597</b>	<b>\$1,696,607</b>

Note: Based on December 31, 2020 actuarial valuation, the most recent actuarial report available.

**Sensitivity of the Net Pension Liability to changes in the discount rate**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability at 12/31/2020	\$1,696,607	\$1,696,607	\$1,696,607
Change in Net Pension Liability	768,585	-	(639,463)
Calculated Net Pension Liability	<u>\$2,465,192</u>	<u>\$1,696,607</u>	<u>\$1,057,144</u>

**NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN (Continued):**

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

For the year ended 2021 the employer recognized pension expense of (\$124,973). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$-	(\$189,387)
Difference in assumptions	-	-
Excess (Deficit) Investment Returns	-	(291,614)
Subtotal	-	(\$481,001)
Contributions subsequent to the measurement date*	290,002	
Total	<u>\$290,002</u>	

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the plan year ending 2020.

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

Plan (Fiscal) Year Ended December 31,	Amount
2021 (2022)	(\$132,649)
2022 (2023)	(78,391)
2023 (2024)	(199,018)
2024 (2025)	(70,943)
2025 (2026)	-
Thereafter	-
Total	<u>(\$481,001)</u>

**Payable to the Pension Plan**

At December 31, 2021, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2020.

**NOTE P – NET PENSION LIABILITY OF THE CITY (UNDER GASB 67):**

The components of the City’s net pension liability for the Policemen and Firemen Retirement System at December 31, 2021, are as follows:

Total pension liability	\$6,589,204	*
Plan fiduciary net position	4,892,597	*
City’s net pension liability	<u>\$1,696,607</u>	*

Plan fiduciary net position as  
a percentage of the total pension liability 74.25% \*

\*As of December 31, 2020, the most recent actuarial report available.

**NOTE Q – DEFERRED COMPENSATION PLAN:**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all City employees, and it permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. However, the Plan continues to be presented in these financial statements, as the City retains a fiduciary duty of care over the Plan. In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The plan is administered by the Nationwide Retirement Solutions, which agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from it or its agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

**NOTE R – OTHER POST-EMPLOYMENT BENEFITS:**

The City has a defined contribution Post Employment Health Plan (PEHP) administered by Nationwide Retirement Solutions. The purpose of the PEHP plan is to provide reimbursement of qualifying health care and medical insurance premium expenses upon separation from employment for employees covered by collective bargaining agreements.

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions and investment returns. The Plan does not have any vesting requirements; therefore, employees are immediately vested. Employee contributions range from \$28 to \$32 per pay period, respectively, based on union contracts. The City matches employee contributions to the Plan. For the year ended December 31, 2021, the City's contributions totaled approximately \$28,820.

**NOTE S – PROPERTY TAXES:**

The City of Ishpeming levied 13.1795 mills for the General Fund, 4.3930 mills for the Public Improvement Fund, 0.8822 mills for Fire Equipment, and 2.8197 mills for the Policemen and Firemen Retirement Fund for calendar year 2021. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$127,161,645.

**NOTE T – IRON ORE HERITAGE RECREATION AUTHORITY:**

In November 2008, the City of Ishpeming, Michigan joined with other municipalities to create the Iron Ore Heritage Recreation Authority. The Authority was created pursuant to Act 321 of 2000 (the "Recreation Authorities Act") to acquire, construct, operate, maintain or improve a public park for recreational purposes, specifically limited to a permanent, year-round signed and surfaced trail system open to the public, to provide amenities along the trail, to encourage tourism development along the trail system, to encourage municipalities to tie compatible links into the trail system allowing for greater access to businesses, parks and schools and to conduct other activities permitted under Act 321 of 2000.

**NOTE T – IRON ORE HERITAGE RECREATION AUTHORITY (Continued):**

The authority is governed by a Board of Directors consisting of an odd number of members, with one (1) member to be appointed by the legislative body of each participating municipality. All Authority decisions must be passed by a majority of the members of the Board.

The Board shall obtain an annual audit of the Authority. A summary of financial information from the separately audited financial statements of the Authority for the year ended December 31, 2021 is as follows:

Assets	\$3,575,124
Deferred Outflows of Resources	-
Liabilities	8,809
Deferred Inflows of Resources	357,737
Net Position	3,208,578
Operating Revenues	535,811
Operating Expenses	331,786
Increase (decrease) in net position	204,025

**NOTE U – JOINT VENTURES:**Ishpeming Area Joint Wastewater Treatment Facility

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Facility shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township.

The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2021, is as follows:

Assets	\$6,234,637
Deferred Outflows of Resources	119,580
Liabilities	(215,921)
Deferred Inflows of Resources	203,697
Equity - All local units	6,366,441
Operating Revenues	1,360,965
Operating Expenses	1,552,482
Other Income	299,000
Increase (decrease) in net position	107,483
City's Share of Net Income (loss)	152,037

**NOTE U – JOINT VENTURES (Continued):**

Marquette County Solid Waste Management Authority

In February 1990, the City of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The City's share of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2021 is as follows:

Assets	\$21,521,578
Deferred Outflows of Resources	220,020
Liabilities	10,388,035
Deferred Inflows of Resources	306,958
Net Position	11,046,605
Operating Revenues	4,656,470
Operating Expenses	4,314,218
Non-operating Revenues (Expenses)	522,307
Net Income (Loss)	864,559

Negaunee - Ishpeming Water Authority Board

The City of Ishpeming and the City of Negaunee entered into an intergovernmental agreement dated January 7, 1988, and amended on July 31, 1991, for the purpose of creating the Negaunee-Ishpeming Water Authority Board (Board), a corporate public body. The Board is to design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, the City paid 50% of the preliminary engineering, design engineering, and bidding costs, and 60% of the capital costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds – 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract the City of Negaunee is obligated to pay \$2,860,000 over the next 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%. The City of Ishpeming has fulfilled its obligation as of December 31, 2004.

**NOTE U – JOINT VENTURES (Continued):**

The total cost of construction of the project was approximately \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A summary of the audited financial statements of the Board as of and for the year ended December 31, 2018 (the most recent report available) is as follows:

Total Assets	\$2,312,660
Total Liabilities	26,192
Total Net Position	2,286,468
Total Operating Revenues	615,271
Total Operating Expenses	680,780
Other Revenues and (Expenses)	9,752
Change in Net Position	(55,757)

The balance of the investment in Board for the year ended December 31, 2021 of \$3,507,323 represents the City’s net investment in the Board.

**NOTE V – CONTINGENT LIABILITIES:**

Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

Grant Assistance – The City has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City.

**NOTE W – TAX ABATEMENTS:**

The City receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield exemptions, Neighborhood Enterprise Zone (NEZ) exemptions, Obsolete Property Rehabilitation Act (OPRA) exemptions, and Eligible Manufacturing Personal Property (EMPP) exemptions granted by other governmental agencies within the City in accordance with State laws. These tax exemptions are intended to promote economic development and/or growth within the issuing government’s jurisdiction.

**NOTE W – TAX ABATEMENTS (Continued):**

For purposes of disclosure under GASB 77, the City discloses tax abatements by issuing government and type greater than \$5,000 in the aggregate. For the fiscal year ended December 31, 2021, there were no other significant tax abatements made by the City or any other governmental unit within the City.

**NOTE X – SINGLE AUDIT:**

During the year ended December 31, 2021, the Federal aid received and expended by the City was \$1,600,513. This is greater than the single audit threshold of \$750,000; therefore, the City is subject to a single audit under the Uniform Guidance.

**NOTE Y – NEW GASB STANDARDS:**

Management of the City has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the City by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

None.

Other Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*. GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2020. The City does not have activities that meet the criteria for GASB 89; therefore, GASB 89 is not applicable to the City.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB 93 will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing the fallback provisions related to the reference rate. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. This Statement was originally effective

## **NOTE Y – NEW GASB STANDARDS (Continued):**

for periods beginning after June 15, 2019. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2020. The City does not have agreements that meet the criteria for GASB 93; therefore, GASB 93 is not applicable to the City.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for the comprehensive financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This statement is effective for periods ending after December 15, 2021. The City does not issue an Annual Comprehensive Financial Report; therefore, GASB 98 is not applicable to the City.

## **NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS:**

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City.

### GASB 87: Leases

*Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (City's fiscal year 2022)*

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

### GASB 91: Conduit Debt Obligations

*Originally effective for fiscal years beginning after December 15, 2020; postponed by GASB 95 to fiscal years beginning after December 15, 2021 (City's fiscal year 2022)*

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.

## **NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

## **NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

### GASB 92: Omnibus 2020

*Originally effective for fiscal years beginning after June 15, 2020; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (City's fiscal year 2022)*

This Statement enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

### GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements

*Effective for fiscal years beginning after June 15, 2022 (City's fiscal year 2023)*

The requirements of this Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-

## **NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

### GASB 95: Postponement of the Effective Dates of Certain Authoritative Guidance

*Effective for fiscal years beginning after June 15, 2018 (City's fiscal year 2019 and after)*

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

### GASB 96: Subscription-Based Information Technology Arrangements

*Effective for fiscal years beginning after June 15, 2022 (City's fiscal year 2023)*

The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a

## **NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

### GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32

*Effective for fiscal years beginning after June 15, 2021 (City's fiscal year 2022)*

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized

**NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS (Continued):**

under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

**NOTE AA – BUDGET VIOLATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a unit of government shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

During the year ended December 31, 2021, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

	Final Budget	Actual	Variance
<b>General Fund:</b>			
Legislative	\$15,310	\$16,485	(\$1,175)
General Government	1,205,607	7,194,315	(5,988,708)
Public Safety	1,035,191	1,068,516	(33,325)
Public Works	339,985	419,213	(79,228)
Community and economic development	37,320	44,552	(7,232)
Recreation and culture	460,121	589,870	(183,749)
Debt service	-	44,312	(44,312)
<b>Fire Fund:</b>			
Debt service	83,825	84,425	(600)
<b>Firefighter Longevity Fund:</b>			
Public Safety	-	6,459	(6,459)
<b>Building Authority Fund:</b>			
Payment to refunded bond escrow agent	-	529,972	(529,972)
<b>Carnegie Library Fund:</b>			
Recreation and culture	-	8,122	(8,122)

**NOTE AB – COVID-19 PANDEMIC:**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United States has resulted in the temporary reduction of operating hours for many local units of government as well as temporary local government closures that were mandated. As the country is in the midst of recovery from the pandemic there have been promises of stimulus monies to be distributed to individuals, local and state governments, as well as increased funding to federal agencies.

**NOTE AB – COVID-19 PANDEMIC (Continued):**

At the current time, the City has received half of the monies awarded to it from the American Rescue Plan Act. The remaining balance is set to be received in September 2022 and as such the amount yet to be received is reported as a deferred inflow of resources “unavailable revenue” in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Ishpeming, Michigan

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLAN

ANALYSIS OF FUNDING INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

(Ultimately 10 years will be displayed)

	Plan Year Ending December 31,				
	2021	2020	2019	2018	2017
<b>Change in total pension liability</b>					
Service cost	\$ 199,104	\$ 235,763	\$ 209,452	\$ 202,632	\$ 200,575
Interest	1,359,912	1,280,589	1,303,816	1,267,953	1,209,026
Change in benefit terms	-	-	(138)	(24)	(131)
Differences between expected and actual experience	(508,231)	219,561	278,635	42,208	426,449
Changes in assumptions	500,120	571,248	-	-	-
Benefit payments, including refunds of member contributions	(1,220,749)	(1,143,922)	(1,140,064)	(1,163,689)	(1,014,405)
Other	(94,450)	(62,771)	(110,789)	83,985	(11,304)
<b>Net change in total pension liability</b>	<u>235,706</u>	<u>1,100,468</u>	<u>540,912</u>	<u>433,065</u>	<u>810,210</u>
<b>Total pension liability, beginning of year</b>	<u>18,404,398</u>	<u>17,303,930</u>	<u>16,763,018</u>	<u>16,329,953</u>	<u>15,519,743</u>
<b>Total pension liability, end of year</b> (a)	<u>18,640,104</u>	<u>18,404,398</u>	<u>17,303,930</u>	<u>16,763,018</u>	<u>16,329,953</u>
<b>Change in plan fiduciary net position</b>					
Contributions – employer	9,893,512	808,559	825,950	601,641	565,838
Contributions – member	72,853	87,601	99,950	81,803	81,314
Net investment income	1,621,160	1,064,923	1,028,801	(316,588)	1,019,969
Benefit payments, including refunds of member contributions	(1,220,749)	(1,143,922)	(1,140,064)	(1,163,689)	(1,014,405)
Administrative expense	(17,565)	(16,882)	(17,706)	(16,112)	(16,175)
Other	-	-	-	2	-
<b>Net change in plan fiduciary net position</b>	<u>10,349,211</u>	<u>800,279</u>	<u>796,931</u>	<u>(812,943)</u>	<u>636,541</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>9,266,607</u>	<u>8,466,328</u>	<u>7,669,397</u>	<u>8,482,340</u>	<u>7,845,799</u>
<b>Plan fiduciary net position, end of year</b> (b)	<u>19,615,818</u>	<u>9,266,607</u>	<u>8,466,328</u>	<u>7,669,397</u>	<u>8,482,340</u>
City's net pension liability, end of year (a)-(b)	<u>\$ (975,714)</u>	<u>\$ 9,137,791</u>	<u>\$ 8,837,602</u>	<u>\$ 9,093,621</u>	<u>\$ 7,847,613</u>
Plan fiduciary net position as a percentage of the total pension liability	105.23%	50.35%	48.93%	45.75%	51.94%
Covered-employee payroll	\$ 1,321,996	\$ 1,492,241	\$ 1,331,729	\$ 1,312,420	\$ 1,296,057
City's net pension liability as a percentage of covered payroll	-73.81%	612.35%	663.62%	692.89%	605.50%

Notes to schedule:

Benefit Changes: NONE NONE NONE NONE NONE  
 Changes of Assumptions: NONE 2020 NONE NONE NONE

Above dates are based on measurement date, which may not necessarily tie to the fiscal year

2020 - The MERS Retirement Board adopted a reduction in the investment rate of return assumption from 7.75% to 7.35% effective with the December 31, 2019 valuation, first impacting 2021 contribution amounts. Additionally, the Board changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.

2016 - Investment rate of return lowered from 8.0% to 7.75%.

City of Ishpeming, Michigan

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLAN

ANALYSIS OF FUNDING INFORMATION

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

(Ultimately 10 years will be displayed)

	Plan Year Ending December 31,				
	2016	2015			
<b>Change in total pension liability</b>					
Service cost	\$ 183,436	\$ 176,348			
Interest	1,177,043	1,111,444			
Change in benefit terms	-	-			
Differences between expected and actual experience	(240,242)	-			
Changes in assumptions	805,071	-			
Benefit payments, including refunds of member contributions	(969,793)	(896,652)			
Other	(96,136)	16,018			
<b>Net change in total pension liability</b>	<b>859,379</b>	<b>407,158</b>			
<b>Total pension liability, beginning of year</b>	<b>14,660,364</b>	<b>14,253,206</b>			
<b>Total pension liability, end of year (a)</b>	<b>15,519,743</b>	<b>14,660,364</b>			
<b>Change in plan fiduciary net position</b>					
Contributions – employer	537,665	474,475			
Contributions – member	141,948	73,403			
Net investment income	822,998	(113,758)			
Benefit payments, including refunds of member contributions	(969,793)	(896,652)			
Administrative expense	(16,241)	(16,811)			
Other	-	-			
<b>Net change in plan fiduciary net position</b>	<b>516,577</b>	<b>(479,343)</b>			
<b>Plan fiduciary net position, beginning of year</b>	<b>7,329,222</b>	<b>7,808,565</b>			
<b>Plan fiduciary net position, end of year (b)</b>	<b>7,845,799</b>	<b>7,329,222</b>			
City's net pension liability, end of year (a)-(b)	<u>\$ 7,673,944</u>	<u>\$ 7,331,142</u>			
Plan fiduciary net position as a percentage of the total pension liability	50.55%	49.99%			
Covered-employee payroll	\$ 1,229,890	\$ 1,195,774			
City's net pension liability as a percentage of covered payroll	623.95%	613.09%			
<b>Notes to schedule:</b>					
Benefit Changes:	NONE	NONE			
Changes of Assumptions:	2016	NONE			

Above dates are based on measurement date, which may not necessarily tie to the fiscal year

2020 - The MERS Retirement Board adopted a reduction in the investment rate of return assumption from 7.75% to 7.35% effective with the December 31, 2019 valuation, first impacting 2021 contribution amounts. Additionally, the Board changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.

2016 - Investment rate of return lowered from 8.0% to 7.75%.

**City of Ishpeming, Michigan**

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLAN

ANALYSIS OF FUNDING INFORMATION

**SCHEDULE OF CONTRIBUTIONS**

(Ultimately 10 years will be displayed)

Fiscal Year Ending December 31,	Actuarial Determined Contribution	Contribution in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as Percentage of Covered Payroll
2015	\$ 474,475	\$ 474,475	\$ -	\$ 1,195,774	39.68%
2016	537,665	537,665	-	1,229,890	43.72%
2017	565,838	565,838	-	1,296,057	43.66%
2018	601,641	601,641	-	1,312,420	45.84%
2019	774,794	825,950	(51,156)	1,331,729	62.02%
2020	808,559	808,559	-	1,492,241	54.18%
2021	938,304	9,893,512	(8,955,208)	1,321,966	748.39%

**City of Ishpeming, Michigan**  
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**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**  
(Ultimately 10 years will be displayed)

	Plan Year Ending December 31,				
	2021	2020	2019	2018	2017
<b>Change in total pension liability</b>					
Service cost	Not Available	131,968	\$ 107,651	\$ 108,783	\$ 106,350
Interest	Not Available	452,412	454,476	450,415	440,259
Change in benefit terms	Not Available	-	-	-	-
Differences between expected and actual experience	Not Available	(160,861)	(122,404)	(7,962)	68,626
Changes in assumptions	Not Available	-	-	-	-
Benefit payments, including refunds of member contributions	Not Available	(462,717)	(500,023)	(485,291)	(457,439)
Other changes	Not Available	-	-	-	-
<b>Net change in total pension liability</b>	-	(39,198)	(60,300)	65,945	157,796
<b>Total pension liability, beginning of year</b>	6,589,204	6,628,402	6,688,702	6,622,757	6,464,961
<b>Total pension liability, end of year</b> (a)	6,589,204	6,589,204	6,628,402	6,688,702	6,622,757
<b>Change in plan fiduciary net position</b>					
Contributions – employer	290,002	257,010	229,122	178,625	163,490
Contributions – member	28,723	28,275	24,114	24,981	24,927
Net investment income	609,146	605,412	753,628	(405,208)	561,745
Benefit payments, including refunds of member contributions	(481,382)	(462,717)	(500,023)	(485,291)	(457,439)
Administrative expense	(44,132)	(18,884)	(18,501)	(19,633)	(11,797)
Other changes	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	402,357	409,096	488,340	(706,526)	280,926
<b>Plan fiduciary net position, beginning of year</b>	4,892,597	4,483,501	3,995,161	4,701,687	4,420,761
<b>Plan fiduciary net position, end of year</b> (b)	5,294,954	4,892,597	4,483,501	3,995,161	4,701,687
City's net pension liability, end of year (a)-(b)	\$ 1,294,250	\$ 1,696,607	\$ 2,144,901	\$ 2,693,541	\$ 1,921,070
Plan fiduciary net position as a percentage of the total pension liability	80.36%	74.25%	67.64%	59.73%	70.99%
Covered-employee payroll	Not Available	\$ 585,368	\$ 515,441	\$ 486,037	\$ 475,382
City's net pension liability as a percentage of covered payroll	Not Available	289.84%	416.13%	554.18%	404.11%
*Actuarial information not available					
<b>Notes to Schedules:</b>					
Benefit Changes:	Not Available	NONE	NONE	NONE	NONE
Changes of Assumptions:	Not Available	NONE	NONE	NONE	NONE

City's net pension liability is based on most recent actuarial valuation date, December 31, 2020.

**City of Ishpeming, Michigan**  
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**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**  
(Ultimately 10 years will be displayed)

	Plan Year Ending December 31,				
	2016	2015	2014		
<b>Change in total pension liability</b>					
Service cost	\$ 91,455	\$ 111,812	\$ 114,128		
Interest	431,723	438,498	477,261		
Change in benefit terms	-	-	-		
Differences between expected and actual experience	(142,763)	(157,156)	(333,359)		
Changes in assumptions	178,587	(56,392)	(387,579)		
Benefit payments, including refunds of member contributions	(431,579)	(415,168)	(430,902)		
Other changes	(1)	1	-		
<b>Net change in total pension liability</b>	<u>127,422</u>	<u>(78,405)</u>	<u>(560,451)</u>	-	-
<b>Total pension liability, beginning of year</b>	<u>6,337,539</u>	<u>6,415,944</u>	<u>6,976,395</u>		
<b>Total pension liability, end of year</b> (a)	<u>6,464,961</u>	<u>6,337,539</u>	<u>6,415,944</u>	-	-
<b>Change in plan fiduciary net position</b>					
Contributions – employer	188,906	199,322	201,791		
Contributions – member	26,124	23,844	22,745		
Net investment income	211,257	(187,393)	101,472		
Benefit payments, including refunds of member contributions	(431,579)	(415,168)	(430,902)		
Administrative expense	-	(42,723)	(39,761)		
Other changes	(1)	1	-		
<b>Net change in plan fiduciary net position</b>	<u>(5,293)</u>	<u>(422,117)</u>	<u>(144,655)</u>	-	-
<b>Plan fiduciary net position, beginning of year</b>	<u>4,426,054</u>	<u>4,848,171</u>	<u>4,992,826</u>	-	-
<b>Plan fiduciary net position, end of year</b> (b)	<u>4,420,761</u>	<u>4,426,054</u>	<u>4,848,171</u>	-	-
City's net pension liability, end of year (a)-(b)	<u>\$ 2,044,200</u>	<u>\$ 1,911,485</u>	<u>\$ 1,567,773</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	68.38%	69.84%	75.56%		
Covered-employee payroll	\$ 424,035	\$ 458,896	\$ 462,485	\$ -	\$ -
City's net pension liability as a percentage of covered payroll	482.08%	416.54%	338.99%		
*Actuarial information not available					
<b>Notes to Schedules:</b>					
Benefit Changes:	NONE	NONE	NONE		
Changes of Assumptions:	NONE	NONE	NONE		

**City of Ishpeming, Michigan**  
**POLICE AND FIRE RETIREMENT SYSTEM**  
**DEFINED BENEFIT PENSION PLAN**  
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**SCHEDULE OF CITY CONTRIBUTIONS**

Fiscal Year Ending	Actuarial Determined Contribution	Contribution in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as Percentage of Covered Payroll
2012	\$ 149,207	\$ 149,207	\$ -	\$ 475,834	31.36%
2013	158,948	158,948	-	487,529	32.60%
2014	197,820	201,791	(3,971)	462,485	43.63%
2015	192,780	199,322	(6,542)	458,896	43.44%
2016	181,160	188,906	(7,746)	424,035	44.55%
2017	171,758	163,490	8,268	475,382	34.39%
2018	178,606	178,625	(19)	486,037	36.75%
2019	214,696	229,122	(14,426)	515,441	44.45%
2020	243,719	257,010	(13,291)	585,368	43.91%
2021	258,629	290,002	(31,373)	580,633	49.95%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** December 31, 2020

**Notes:** None

**Methods and Assumptions Used to Determine Contributions Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.5% wage inflation; 2.75% price inflation
Salary Increases	3.5% to 7.3% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience - based table of rates that are specific to the type of eligible condition. Last updated for the 2003 valuation.
Mortality	Pre-Retirement: RP-2014 Employee Mortality Tables Healthy Post-Retirement: RP-2014 Healthy Annuitant Mortality Tables Disabled Retirement: RP-2014 Disabled Mortality Tables Tables described above were adjusted backwards to 2006 with the MP-2014 scale. A base year of 2006 with future mortality improvements using scale MP-2015 was used. Additional margin for future mortality improvements are included in the projection scale.

**Other Information:**

Notes

There were no benefit changes during the year.

Beginning with valuation date December 31, 2015 assumed wage inflation reduced from 4.5% to 3.5%.

**City of Ishpeming, Michigan**

POLICE AND FIRE RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLAN

ANALYSIS OF FUNDING INFORMATION

**SCHEDULE OF INVESTMENT RETURNS**

(Ultimately 10 years will be displayed)

<u>Plan Year Ended December 31,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2014	6.70%
2015	3.70%
2016	5.10%
2017	5.00%
2018	0.80%
2019	3.60%
2020	7.60%
2021	Not Available

City of Ishpeming, Michigan

MAJOR GOVERNMENTAL FUNDS

**GENERAL FUND**

The function of the GENERAL FUND is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Legislative, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

**SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREET FUND, LOCAL STREET FUND, and GARBAGE & RUBBISH FUND are Major Special Revenue Fund types.

**City of Ishpeming, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Original Budget	Final Budget	Actual GAAP Basis		
<b>REVENUES:</b>					
Taxes	\$ 1,666,485	\$ 1,666,485	\$ 1,637,208	\$ (29,277)	\$ 1,621,636
Federal sources	-	-	356,051	356,051	120,242
State sources	904,750	904,750	1,011,620	106,870	858,101
Licenses and permits	153,000	153,000	181,406	28,406	155,489
Service charges	42,150	42,150	84,467	42,317	83,656
Interest income and rentals	4,200	4,200	2,872	(1,328)	4,886
Contributions	-	-	-	-	-
Fines and forfeitures	43,530	43,530	36,208	(7,322)	49,912
Other revenues	15,600	15,600	108,590	92,990	97,165
<b>TOTAL REVENUES</b>	<b>2,829,715</b>	<b>2,829,715</b>	<b>3,418,422</b>	<b>588,707</b>	<b>2,991,087</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Legislative	15,310	15,310	16,485	(1,175)	13,714
General government	1,205,607	1,205,607	7,194,315	(5,988,708)	1,237,616
Public safety	1,031,940	1,035,191	1,068,516	(33,325)	1,010,394
Public works	339,985	339,985	419,213	(79,228)	306,421
Community and economic development	37,320	37,320	44,552	(7,232)	45,642
Recreation and culture	406,121	406,121	589,870	(183,749)	369,101
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	44,312	(44,312)	-
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>3,036,283</b>	<b>3,039,534</b>	<b>9,377,263</b>	<b>(6,337,729)</b>	<b>2,982,888</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(206,568)</b>	<b>(209,819)</b>	<b>(5,958,841)</b>	<b>(5,749,022)</b>	<b>8,199</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from borrowing	-	-	6,056,901	6,056,901	-
Transfers in	12,200	12,200	12,200	-	12,200
Transfers (out)	(5,500)	(5,500)	(5,500)	-	(7,189)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,700</b>	<b>6,700</b>	<b>6,063,601</b>	<b>6,056,901</b>	<b>5,011</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(199,868)</b>	<b>(203,119)</b>	<b>104,760</b>	<b>307,879</b>	<b>13,210</b>
Fund balance, beginning of year	910,960	910,960	910,960	-	897,750
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 711,092</b>	<b>\$ 707,841</b>	<b>\$ 1,015,720</b>	<b>\$ 307,879</b>	<b>\$ 910,960</b>

**City of Ishpeming, Michigan**

MAJOR SPECIAL REVENUE FUNDS

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2020
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	783,025	783,025	882,889	99,864	754,670
Interest income and rentals	250	250	1,477	1,227	1,203
Other revenue	-	-	149	149	-
<b>TOTAL REVENUES</b>	<b>783,275</b>	<b>783,275</b>	<b>884,515</b>	<b>101,240</b>	<b>755,873</b>
<b>EXPENDITURES:</b>					
Public Works:					
Construction	-	-	30,234	(30,234)	-
Routine maintenance	59,345	59,345	35,009	24,336	65,543
Traffic service	15,800	15,800	32,742	(16,942)	9,689
Winter maintenance	370,690	370,690	202,792	167,898	247,124
Administration	45,740	45,740	36,344	9,396	40,287
State trunkline	76,033	76,033	20,091	55,942	34,010
Total Public Works	567,608	567,608	357,212	210,396	396,653
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>567,608</b>	<b>567,608</b>	<b>357,212</b>	<b>210,396</b>	<b>396,653</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>215,667</b>	<b>215,667</b>	<b>527,303</b>	<b>311,636</b>	<b>359,220</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	(300,000)	(300,000)	(300,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(84,333)</b>	<b>(84,333)</b>	<b>227,303</b>	<b>311,636</b>	<b>359,220</b>
Fund balance, beginning of year	758,149	758,149	758,149	-	398,929
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 673,816</b>	<b>\$ 673,816</b>	<b>\$ 985,452</b>	<b>\$ 311,636</b>	<b>\$ 758,149</b>

**City of Ishpeming, Michigan**

MAJOR SPECIAL REVENUE FUNDS

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021			Variance with Final Budget Positive (Negative)	2020
	Original Budget	Final Budget	Actual GAAP Basis		
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	330,015	330,015	410,384	80,369	332,140
Interest income and rentals	300	300	53	(247)	216
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>330,315</b>	<b>330,315</b>	<b>410,437</b>	<b>80,122</b>	<b>332,356</b>
<b>EXPENDITURES:</b>					
Public Works:					
Construction	400,000	400,000	19,327	380,673	-
Routine maintenance	92,635	92,635	111,611	(18,976)	94,245
Traffic service	15,251	15,251	6,692	8,559	8,086
Winter maintenance	389,670	389,670	144,497	245,173	347,909
Administration	20,660	20,660	14,505	6,155	17,573
Total Public Works	918,216	918,216	296,632	621,584	467,813
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>918,216</b>	<b>918,216</b>	<b>296,632</b>	<b>621,584</b>	<b>467,813</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(587,901)</b>	<b>(587,901)</b>	<b>113,805</b>	<b>701,706</b>	<b>(135,457)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	600,751	600,751	600,751	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>600,751</b>	<b>600,751</b>	<b>600,751</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>12,850</b>	<b>12,850</b>	<b>714,556</b>	<b>701,706</b>	<b>(135,457)</b>
Fund balance, beginning of year	131,916	131,916	131,916	-	267,373
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 144,766</b>	<b>\$ 144,766</b>	<b>\$ 846,472</b>	<b>\$ 701,706</b>	<b>\$ 131,916</b>

**City of Ishpeming, Michigan**  
**MAJOR SPECIAL REVENUE FUNDS**  
**GARBAGE & RUBBISH FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	794,630	794,630	840,096	45,466	828,087
Interest income and rentals	500	500	281	(219)	440
Contributions	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>795,130</u>	<u>795,130</u>	<u>840,377</u>	<u>45,247</u>	<u>828,527</u>
<b>EXPENDITURES:</b>					
Current Operations:					
Public Works	<u>795,015</u>	<u>795,015</u>	<u>767,887</u>	<u>27,128</u>	<u>790,360</u>
<b>TOTAL EXPENDITURES</b>	<u>795,015</u>	<u>795,015</u>	<u>767,887</u>	<u>27,128</u>	<u>790,360</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>115</u>	<u>115</u>	<u>72,490</u>	<u>72,375</u>	<u>38,167</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	115	115	72,490	72,375	38,167
Fund balance, beginning of year	<u>249,127</u>	<u>249,127</u>	<u>249,127</u>	<u>-</u>	<u>210,960</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 249,242</u>	<u>\$ 249,242</u>	<u>\$ 321,617</u>	<u>\$ 72,375</u>	<u>\$ 249,127</u>

## OTHER FINANCIAL INFORMATION

City of Ishpeming, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

**SPECIAL REVENUE FUNDS**

The function of the SPECIAL REVENUE FUNDS is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The FIRE FUND, FIREFIGHTER LONGEVITY FUND, MALTON RD CAMPGROUND FUND, SENIOR CENTER FUND, LAKE BANCROFT FUND, BUILDING AUTHORITY FUND, CARNEGIE LIBRARY FUND, and LIBRARY STATE AID FUND are Non-major Special Revenue Fund types.

**PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest and earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Funds transactions. The PERPETUAL CARE FUND and CEMETERY CARE FUND are Permanent Fund types.

**City of Ishpeming, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2021

	<b>Special Revenue Funds</b>	<b>Permanent Funds Perpetual Care Fund</b>	<b>Cemetery Care Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 391,196	\$ 400,921	\$ 75,245	\$ 867,362
Investments	-	817,103	105,244	922,347
Accounts receivable, net	-	-	-	-
Taxes receivable	112,982	-	-	112,982
Other receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>504,178</b>	<b>1,218,024</b>	<b>180,489</b>	<b>1,902,691</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 504,178</b>	<b>\$ 1,218,024</b>	<b>\$ 180,489</b>	<b>\$ 1,902,691</b>
<b>LIABILITIES</b>				
Cash overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	150	-	-	150
Accrued payroll and related	-	-	-	-
Accrued sick and vacation	-	-	-	-
Due to other funds	-	149,560	25,307	174,867
<b>TOTAL LIABILITIES</b>	<b>150</b>	<b>149,560</b>	<b>25,307</b>	<b>175,017</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	112,982	-	-	112,982
Discount on investment	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>112,982</b>	<b>-</b>	<b>-</b>	<b>112,982</b>
<b>FUND BALANCE</b>				
Non-spendable	-	843,286	145,697	988,983
Restricted	305,734	225,178	9,485	540,397
Committed	-	-	-	-
Assigned	85,312	-	-	85,312
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>391,046</b>	<b>1,068,464</b>	<b>155,182</b>	<b>1,614,692</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 504,178</b>	<b>\$ 1,218,024</b>	<b>\$ 180,489</b>	<b>\$ 1,902,691</b>

**City of Ishpeming, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2021

	Special Revenue Funds	Permanent Funds		Total Non-Major Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	
<b>REVENUES:</b>				
Taxes	\$ 111,226	\$ -	\$ -	\$ 111,226
Federal sources	-	-	-	-
State sources	12,545	-	-	12,545
Charges for services	-	18,700	-	18,700
Interest income and rentals	586	(930)	8	(336)
Contributions	14,354	-	-	14,354
Other revenues	1	-	-	1
<b>TOTAL REVENUES</b>	<b>138,712</b>	<b>17,770</b>	<b>8</b>	<b>156,490</b>
<b>EXPENDITURES:</b>				
Current Operations:				
Public safety	6,459	-	-	6,459
Public works	-	-	-	-
Recreation and culture	24,196	-	-	24,196
Other governmental	-	-	-	-
Debt Service:				
Principal	103,000	-	-	103,000
Interest and fiscal charges	87,162	-	-	87,162
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>220,817</b>	<b>-</b>	<b>-</b>	<b>220,817</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(82,105)</b>	<b>17,770</b>	<b>8</b>	<b>(64,327)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds	483,343			483,343
Premium on refunding bonds	23,531			23,531
Payment to refunded bond escrow agent	(529,972)			(529,972)
Transfers in	156,664	-	-	156,664
Transfers (out)	-	(11,500)	(700)	(12,200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>133,566</b>	<b>(11,500)</b>	<b>(700)</b>	<b>121,366</b>
<b>CHANGE IN FUND BALANCE</b>	<b>51,461</b>	<b>6,270</b>	<b>(692)</b>	<b>57,039</b>
Fund balance, beginning of year	339,585	1,062,194	155,874	1,557,653
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 391,046</b>	<b>\$ 1,068,464</b>	<b>\$ 155,182</b>	<b>\$ 1,614,692</b>

**City of Ishpeming, Michigan**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
December 31, 2021

	Fire Fund	Firefighter Longevity Fund	Malton Rd Campground	Senior Center	Lake Bancroft Fund	Building Authority Fund	Carnegie Library Fund	Library State Aid Fund	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 94,247	\$ 209,515	\$ -	\$ 3,001	\$ 5,959	\$ 22,329	\$ 54,023	\$ 2,122	\$ 391,196
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-	-	-
Taxes receivable	112,982	-	-	-	-	-	-	-	112,982
Other receivable	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>207,229</b>	<b>209,515</b>	<b>-</b>	<b>3,001</b>	<b>5,959</b>	<b>22,329</b>	<b>54,023</b>	<b>2,122</b>	<b>504,178</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 207,229</b>	<b>\$ 209,515</b>	<b>\$ -</b>	<b>\$ 3,001</b>	<b>\$ 5,959</b>	<b>\$ 22,329</b>	<b>\$ 54,023</b>	<b>\$ 2,122</b>	<b>\$ 504,178</b>
<b>LIABILITIES</b>									
Cash overdrafts	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	150	150
Accrued payroll	-	-	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>150</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Taxes levied for a subsequent period	112,982	-	-	-	-	-	-	-	112,982
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>112,982</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,982</b>
<b>FUND BALANCE</b>									
Non-spendable	-	-	-	-	-	-	-	-	-
Restricted	94,247	209,515	-	-	-	-	-	1,972	305,734
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	3,001	5,959	22,329	54,023	-	85,312
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>94,247</b>	<b>209,515</b>	<b>-</b>	<b>3,001</b>	<b>5,959</b>	<b>22,329</b>	<b>54,023</b>	<b>1,972</b>	<b>391,046</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 207,229</b>	<b>\$ 209,515</b>	<b>\$ -</b>	<b>\$ 3,001</b>	<b>\$ 5,959</b>	<b>\$ 22,329</b>	<b>\$ 54,023</b>	<b>\$ 2,122</b>	<b>\$ 504,178</b>

City of Ishpeming, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2021

	Fire Fund	Firefighter Longevity Fund	Malton Rd Campground	Senior Center	Lake Bancroft Fund	Building Authority Fund	Carnegie Library Fund	Library State Aid Fund	Total
<b>REVENUES:</b>									
Taxes	\$ 111,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,226
Federal sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	12,545	12,545
Charges for services	-	-	-	-	-	-	-	-	-
Interest and rentals	156	336	-	-	10	-	83	1	586
Contributions	-	-	-	3,000	-	-	11,354	-	14,354
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	1	-	-	-	-	1
<b>TOTAL REVENUES</b>	<b>111,382</b>	<b>336</b>	<b>-</b>	<b>3,001</b>	<b>10</b>	<b>-</b>	<b>11,437</b>	<b>12,546</b>	<b>138,712</b>
<b>EXPENDITURES:</b>									
Current Operations:									
Public safety	-	6,459	-	-	-	-	-	-	6,459
Public works	-	-	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	8,122	16,074	24,196
Other governmental	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	65,000	-	-	-	-	38,000	-	-	103,000
Interest and fiscal charges	19,425	-	-	-	-	67,737	-	-	87,162
Capital outlay	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>84,425</b>	<b>6,459</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,737</b>	<b>8,122</b>	<b>16,074</b>	<b>220,817</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>26,957</b>	<b>(6,123)</b>	<b>-</b>	<b>3,001</b>	<b>10</b>	<b>(105,737)</b>	<b>3,315</b>	<b>(3,528)</b>	<b>(82,105)</b>
<b>OTHER FINANCING SOURCES:</b>									
Refunding bonds	-	-	-	-	-	483,343	-	-	483,343
Premium on refunding bonds	-	-	-	-	-	23,531	-	-	23,531
Payment to refunded bond escrow agent	-	-	-	-	-	(529,972)	-	-	(529,972)
Transfers in	-	-	-	-	-	151,164	-	5,500	156,664
Transfers (out)	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,066</b>	<b>-</b>	<b>5,500</b>	<b>133,566</b>
<b>CHANGE IN FUND BALANCE</b>	<b>26,957</b>	<b>(6,123)</b>	<b>-</b>	<b>3,001</b>	<b>10</b>	<b>22,329</b>	<b>3,315</b>	<b>1,972</b>	<b>51,461</b>
Fund balance, beginning of year	67,290	215,638	-	-	5,949	-	50,708	-	339,585
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 94,247</b>	<b>\$ 209,515</b>	<b>\$ -</b>	<b>\$ 3,001</b>	<b>\$ 5,959</b>	<b>\$ 22,329</b>	<b>\$ 54,023</b>	<b>\$ 1,972</b>	<b>\$ 391,046</b>

City of Ishpeming, Michigan

ENTERPRISE FUNDS

The function of the ENTERPRISE FUNDS is to record the financing, acquisition, operation and maintenance of the City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

The major Enterprise Funds of the City are the SEWER FUND and WATER FUND.

SEWER FUND to account for the management of the sanitary sewer operation and booster station related activities including billing, maintenance, and construction.

WATER FUND to account for the management of the water treatment and distribution related activities including billing, maintenance, and construction.

**City of Ishpeming, Michigan**

SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,696,855	\$ 1,272,086
Investments	54,451	54,334
Accounts receivable	256,829	254,521
Allowance for uncollectible accounts	-	-
Delinquent utilities	10,457	23,806
Prepaid	43,941	-
Non-current Assets:		
Investment in Wastewater Treatment Facility	3,801,638	3,649,601
Capital Assets:		
Land and construction in progress	6,643	42,297
Other capital assets, net of depreciation	<u>5,239,277</u>	<u>5,405,092</u>
Total Capital Assets	<u>5,245,920</u>	<u>5,447,389</u>
<b>TOTAL ASSETS</b>	<u>11,110,091</u>	<u>10,701,737</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>70,469</u>	<u>75,224</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>70,469</u>	<u>75,224</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	39,931	960
Accrued payroll and related	3,837	3,587
Accrued interest	5,679	-
Due to other funds	-	3,520
Non-current Liabilities:		
Portion due or payable within one year		
Pension obligation bonds	60,935	-
Compensated absences	397	281
Portion due or payable after one year		
Pension obligation bonds	1,232,169	-
Compensated absences	2,273	2,179
Net pension liability (asset)	<u>(379,410)</u>	<u>1,053,687</u>
<b>TOTAL LIABILITIES</b>	<u>965,811</u>	<u>1,064,214</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>156,296</u>	<u>50,101</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>156,296</u>	<u>50,101</u>
<b>NET POSITION</b>		
Net investment in capital assets	9,047,558	9,096,990
Unrestricted	<u>1,010,895</u>	<u>565,656</u>
<b>TOTAL NET POSITION</b>	<u>\$ 10,058,453</u>	<u>\$ 9,662,646</u>

**City of Ishpeming, Michigan**

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 1,684,644	\$ 1,511,418
Other revenue	-	-
	<u>1,684,644</u>	<u>1,511,418</u>
<b>TOTAL OPERATING REVENUES</b>	<u>1,684,644</u>	<u>1,511,418</u>
<b>OPERATING EXPENSES:</b>		
Personal services	358,953	507,816
Contractual services	510,416	595,565
Supplies	10,670	15,153
Utilities	2,179	2,321
Depreciation	439,926	390,068
Equipment rental	63,577	91,714
Other expenses	52,040	44,365
	<u>1,437,761</u>	<u>1,647,002</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,437,761</u>	<u>1,647,002</u>
<b>OPERATING INCOME (LOSS)</b>	<u>246,883</u>	<u>(135,584)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(5,679)	(1,875)
Gain/(loss) on wastewater facility	152,037	113,910
Interest income	2,566	4,048
	<u>148,924</u>	<u>116,083</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>148,924</u>	<u>116,083</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<u>395,807</u>	<u>(19,501)</u>
Federal sources	-	-
State sources	-	-
Transfers in	-	-
Transfers (out)	-	-
	<u>395,807</u>	<u>(19,501)</u>
<b>CHANGE IN NET POSITION</b>	<u>395,807</u>	<u>(19,501)</u>
Net position, beginning of year	<u>9,662,646</u>	<u>9,682,147</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 10,058,453</u></u>	<u><u>\$ 9,662,646</u></u>

**City of Ishpeming, Michigan**

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 1,695,685	\$ 1,608,005
Other operating revenues	-	-
Cash payments to employees for services	(1,680,640)	(463,150)
Cash payments to suppliers for goods and services	<u>(643,852)</u>	<u>(775,475)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(628,807)</u>	<u>369,380</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Increase (decrease) in due to other funds	(3,520)	3,520
Transfers in (out)	-	-
Proceeds from pension obligation bonds	1,293,104	-
Principal on pension obligation bonds	-	-
Interest on pension obligation bonds	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>1,289,584</u>	<u>3,520</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	-	(64,654)
Interest paid on debt	-	(1,875)
Proceeds from borrowing	-	-
Cash payments for capital assets	(238,457)	(68,934)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(238,457)</u>	<u>(135,463)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in investments	(117)	(342)
Investment income	<u>2,566</u>	<u>4,048</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>2,449</u>	<u>3,706</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	424,769	241,143
Cash and cash equivalents, beginning of year	<u>1,272,086</u>	<u>1,030,943</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,696,855</u>	<u>\$ 1,272,086</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 246,883	\$ (135,584)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	439,926	390,068
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	11,041	96,587
(Increase) decrease in prepaid	(43,941)	-
Increase (decrease) in accounts payable	38,971	(26,357)
Increase (decrease) in accrued payroll	250	(3,462)
Increase (decrease) in accrued sick and vacation	210	814
Increase (decrease) in net pension liability and related	(1,322,147)	47,314
<b>NET ADJUSTMENTS</b>	<u>(875,690)</u>	<u>504,964</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (628,807)</u>	<u>\$ 369,380</u>

**City of Ishpeming, Michigan**

WATER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,824,453	\$ 1,407,844
Accounts receivable	363,198	354,712
Allowance for uncollectible accounts	-	-
Delinquent utilities	36,763	51,753
Due from other funds	-	3,520
Due from other governmental units	129,387	31,410
Non-current Assets:		
Cash and cash equivalents - restricted	887,905	818,781
Investment in Joint Water Authority	3,507,323	3,507,323
Capital Assets:		
Land and construction in progress	140,286	10,888
Other capital assets, net of depreciation	<u>13,213,254</u>	<u>13,577,226</u>
Total Capital Assets	<u>13,353,540</u>	<u>13,588,114</u>
<b>TOTAL ASSETS</b>	<u>20,102,569</u>	<u>19,763,457</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>122,415</u>	<u>128,942</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>122,415</u>	<u>128,942</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdrafts	-	-
Accounts payable	2,873	30,221
Customer deposits payable	176,381	159,031
Accrued payroll and related	8,212	5,634
Accrued interest	22,274	14,478
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Revenue bonds	157,000	154,000
Pension obligation bonds	83,644	-
Compensated absences	794	1,423
Portion due or payable after one year		
Revenue bonds	8,225,000	8,382,000
Pension obligation bonds	1,691,351	-
Compensated absences	15,170	14,424
Net pension liability	<u>239,555</u>	<u>2,206,651</u>
<b>TOTAL LIABILITIES</b>	<u>10,622,254</u>	<u>10,967,862</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>173,361</u>	<u>27,596</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>173,361</u>	<u>27,596</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,478,863	8,559,437
Restricted for:		
Debt service	761,871	677,230
Unrestricted (deficit)	<u>188,635</u>	<u>(339,726)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,429,369</u>	<u>\$ 8,896,941</u>

**City of Ishpeming, Michigan**

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 2,391,064	\$ 2,397,492
Other revenue	968	2,373
	<u>2,392,032</u>	<u>2,399,865</u>
<b>OPERATING EXPENSES:</b>		
Personal services	656,715	702,806
Contractual services	534,151	472,268
Supplies	41,838	21,336
Utilities	17,658	16,667
Depreciation	383,993	82,304
Equipment rental	109,104	95,697
Other expenses	39,818	66,715
	<u>1,783,277</u>	<u>1,457,793</u>
<b>OPERATING INCOME (LOSS)</b>	<u>608,755</u>	<u>942,072</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(176,975)	(172,230)
Interest income	2,671	2,597
	<u>(174,304)</u>	<u>(169,633)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	434,451	772,439
Federal sources	-	249,500
State sources	97,977	31,410
Transfers in	-	-
Transfers (out)	-	-
	<u>532,428</u>	<u>1,053,349</u>
<b>CHANGE IN NET POSITION</b>	532,428	1,053,349
Net position, beginning of year	<u>8,896,941</u>	<u>7,843,592</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 9,429,369</u></u>	<u><u>\$ 8,896,941</u></u>

**City of Ishpeming, Michigan**

WATER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 2,397,568	\$ 2,578,774
Other operating revenues	(97,009)	167,963
Cash payments to employees for services	(2,468,824)	(640,419)
Cash payments to suppliers for goods and services	<u>(752,567)</u>	<u>(999,213)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(920,832)</u>	<u>1,107,105</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Increase (decrease) in cash overdraft	-	-
(Increase) decrease in due from other funds	3,520	(3,520)
Increase (decrease) in due to other funds	-	-
Transfers in (out)	-	-
Proceeds from pension obligation bonds	1,774,995	-
Principal on pension obligation bonds	-	-
Interest on pension obligation bonds	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>1,778,515</u>	<u>(3,520)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	(154,000)	(151,000)
Interest paid on debt	(169,180)	(172,230)
Proceeds from borrowing	-	-
Cash payments for capital assets	(149,418)	(231,912)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	97,977	280,910
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(374,621)</u>	<u>(274,232)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	2,671	2,597
(Increase) decrease in restricted assets	<u>(69,124)</u>	<u>84,782</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(66,453)</u>	<u>87,379</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	416,609	916,732
Cash and cash equivalents, beginning of year	<u>1,407,844</u>	<u>491,112</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,824,453</u></u>	<u><u>\$ 1,407,844</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 608,755	\$ 942,072
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	383,993	82,304
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	6,504	181,282
(Increase) decrease in due from other governmental units	(97,977)	165,590
Increase (decrease) in accounts payable	(27,348)	(332,605)
Increase (decrease) in customer deposits payable	17,350	6,075
Increase (decrease) in accrued payroll	2,578	(6,223)
Increase (decrease) in accrued sick and vacation	117	3,654
Increase (decrease) in net pension liability and related	(1,814,804)	64,956
<b>NET ADJUSTMENTS</b>	<u>(1,529,587)</u>	<u>165,033</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (920,832)</u></u>	<u><u>\$ 1,107,105</u></u>

City of Ishpeming, Michigan

INTERNAL SERVICE FUNDS

The function of the Internal Service Funds is to account for funds that are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

MOTOR POOL FUND to operate as a self-supporting fund and will be responsible for the maintenance and purchasing of vehicles and equipment utilized in various departments of the City.

**City of Ishpeming, Michigan**

MOTOR POOL FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 342,144	\$ 480,055
Due from other funds	-	-
Non-current Assets:		
Capital Assets:		
Land and construction in progress	-	-
Other capital assets, net of depreciation	918,443	662,761
Total Capital Assets	<u>918,443</u>	<u>662,761</u>
<b>TOTAL ASSETS</b>	<u>1,260,587</u>	<u>1,142,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	-	5,751
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>5,751</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	5,163	5,205
Accrued payroll and related	3,380	1,716
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable	70,555	29,547
Compensated absences	8,183	197
Portion due or payable after one year		
Notes payable	175,742	78,857
Compensated absences	-	11,361
Net pension liability (asset)	-	105,938
<b>TOTAL LIABILITIES</b>	<u>263,023</u>	<u>232,821</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	-	21,340
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>21,340</u>
<b>NET POSITION</b>		
Net investment in capital assets	672,146	554,357
Restricted	-	-
Unrestricted (deficit)	<u>325,418</u>	<u>340,049</u>
<b>TOTAL NET POSITION</b>	<u>\$ 997,564</u>	<u>\$ 894,406</u>

**City of Ishpeming, Michigan**

**MOTOR POOL FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021	2020
<b>OPERATING REVENUES:</b>		
Federal sources	\$ -	\$ -
State sources	-	-
Rentals	642,330	712,172
Charges for services	-	-
Other revenue	354	-
	<b>TOTAL OPERATING REVENUES</b>	<b>712,172</b>
	642,684	712,172
<b>OPERATING EXPENSES:</b>		
Personal services	153,540	329,629
Contractual services	3,327	1,200
Supplies	213,727	207,105
Depreciation	116,354	131,219
Other expenses	57,687	38,489
	<b>TOTAL OPERATING EXPENSES</b>	<b>707,642</b>
	544,635	707,642
	<b>OPERATING INCOME (LOSS)</b>	<b>4,530</b>
	98,049	4,530
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(3,492)	(4,630)
Gain/(loss) on sale of assets	7,900	-
Interest income	701	1,614
	<b>TOTAL NON-OPERATING (EXPENSES)</b>	<b>(3,016)</b>
	5,109	(3,016)
	<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>1,514</b>
	103,158	1,514
Transfers in	-	-
Transfers (out)	-	-
	<b>CHANGE IN NET POSITION</b>	<b>1,514</b>
	103,158	1,514
Net position, beginning of year	894,406	892,892
	<b>NET POSITION, END OF YEAR</b>	<b>894,406</b>
	\$ 997,564	\$ 894,406

**City of Ishpeming, Michigan**

MOTOR POOL FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ -	\$ -
Other operating revenues	642,684	712,172
Cash payments to employees for services	(276,778)	(307,884)
Cash payments to suppliers for goods and services	<u>(274,783)</u>	<u>(248,150)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>91,123</u>	<u>156,138</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
(Increase) decrease in due from other funds	-	-
Increase (decrease) in due to other funds	-	-
Transfers in (out)	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	(94,622)	(28,376)
Interest paid on debt	(3,492)	(4,630)
Proceeds from borrowing	232,515	-
Cash payments for capital assets	(372,036)	(90,000)
Proceeds from sale of capital assets	<u>7,900</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(229,735)</u>	<u>(123,006)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>701</u>	<u>1,614</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>701</u>	<u>1,614</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(137,911)</u>	<u>34,746</u>
Cash and cash equivalents, beginning of year	<u>480,055</u>	<u>445,309</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 342,144</u></u>	<u><u>\$ 480,055</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>\$ 98,049</u>	<u>\$ 4,530</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	116,354	131,219
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(42)	(1,356)
Increase (decrease) in accrued payroll	1,664	(3,352)
Increase (decrease) in accrued sick and vacation	(3,375)	(4,601)
Increase (decrease) in net pension liability and related	<u>(121,527)</u>	<u>29,698</u>
<b>NET ADJUSTMENTS</b>	<u>(6,926)</u>	<u>151,608</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 91,123</u></u>	<u><u>\$ 156,138</u></u>

City of Ishpeming, Michigan

DISCRETELY PRESENTED COMPONENT UNIT

The function of DISCRETELY PRESENTED COMPONENT UNIT is to account for assets and liabilities held by the component unit as well as activity conducted under the component unit. This includes the Downtown Development Authority.

**City of Ishpeming, Michigan**

DISCRETELY PRESENTED COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

COMPARATIVE BALANCE SHEET

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 253,897	\$ 266,881
Investments	15,617	15,616
Accounts receivable, net	-	-
Taxes receivable	211,360	159,992
Other receivable	-	-
Due from other governments	-	-
Primary government internal balances	484,213	521,460
Prepays	2,000	-
Notes receivable	-	-
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>967,087</b>	<b>963,949</b>
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 967,087</b>	<b>\$ 963,949</b>
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Cash overdrafts	\$ -	\$ -
Accounts payable	2,000	-
Due to comp unit	-	-
Accrued payroll and related	71	136
Accrued sick and vacation leave	-	-
Unearned revenue	-	-
Due to other funds	-	-
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>2,071</b>	<b>136</b>
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes levied for a subsequent period	255,517	247,734
	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>255,517</b>	<b>247,734</b>
	<hr/>	<hr/>
<b>FUND BALANCE</b>		
Non-spendable	484,213	521,460
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	225,286	194,619
	<hr/>	<hr/>
<b>TOTAL FUND BALANCE</b>	<b>709,499</b>	<b>716,079</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 967,087</b>	<b>\$ 963,949</b>
	<hr/>	<hr/>

**City of Ishpeming, Michigan**

RECONCILIATION OF THE BALANCE SHEET OF THE DOWNTOWN DEVELOPMENT  
AUTHORITY TO THE STATEMENT OF NET POSITION

December 31, 2021

**Total Fund Balances for Downtown Development Authority** \$ 709,499

*Amounts reported for governmental activities in the statement  
of net position are different because:*

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

Land, construction in progress and historical treasurers	\$ -	
Other capital assets, net of depreciation	1,515,356	1,515,356

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Current portion of bonds payable	(121,590)	
Accrued interest on debt	(7,836)	
Bonds payable	(1,053,780)	
Premium on bonds	(57,393)	(1,240,599)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 984,256

**City of Ishpeming, Michigan**

DISCRETELY PRESENTED COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2021

With Comparative Actual Amounts for the Year Ended December 31, 2020

	2021				2020
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
<b>REVENUES:</b>					
Taxes	\$ 248,845	\$ 248,845	\$ 247,706	\$ (1,139)	\$ 240,726
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Interest income and rentals	1,250	1,250	291	(959)	489
Contributions	-	-	1,900	1,900	1,552
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>250,095</u>	<u>250,095</u>	<u>249,897</u>	<u>(198)</u>	<u>242,767</u>
<b>EXPENDITURES:</b>					
Other governmental	84,225	84,225	49,588	34,637	25,144
Debt service:					
Principal	171,000	171,000	171,000	-	167,200
Interest and fiscal charges	58,548	58,548	76,996	(18,448)	65,735
Total Debt Service	<u>229,548</u>	<u>229,548</u>	<u>247,996</u>	<u>(18,448)</u>	<u>232,935</u>
<b>TOTAL EXPENDITURES</b>	<u>313,773</u>	<u>313,773</u>	<u>297,584</u>	<u>16,189</u>	<u>258,079</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(63,678)</u>	<u>(63,678)</u>	<u>(47,687)</u>	<u>15,991</u>	<u>(15,312)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Refunding bonds	-	-	1,175,370	1,175,370	-
Premium on refunding bonds	-	-	57,393	57,393	-
Payment to refunded bond escrow agent	-	-	(1,191,656)	(1,191,656)	-
Proceeds from sale of capital assets	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>41,107</u>	<u>41,107</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(63,678)</u>	<u>(63,678)</u>	<u>(6,580)</u>	<u>57,098</u>	<u>(15,312)</u>
Fund balance, beginning of year	<u>716,079</u>	<u>716,079</u>	<u>716,079</u>	<u>-</u>	<u>731,391</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 652,401</u>	<u>\$ 652,401</u>	<u>\$ 709,499</u>	<u>\$ 57,098</u>	<u>\$ 716,079</u>

**City of Ishpeming, Michigan**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF THE DOWNTOWN DEVELOPMENT AUTHORITY TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

**Net Change in Fund Balances - Total Governmental Funds** \$ (6,580)

*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, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -	
Depreciation expense	(113,418)	
Net book value of disposed assets	-	(113,418)

Repayment of principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. 1,341,400

Proceeds of borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position. (1,175,370)

Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt.

Current year amortization of deferred amounts on bond (57,393)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 12,701

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	\$ 1,340
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## COMPLIANCE SUPPLEMENTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council of the  
City of Ishpeming, Michigan  
100 East Division Street  
Ishpeming, Michigan 49849

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

To the City Council of the  
City of Ishpeming, Michigan

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

## **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 28, 2022



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

To the City Council of the  
City of Ishpeming, Michigan  
100 East Division Street  
Ishpeming, Michigan 49849

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Ishpeming, Michigan's (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

To the City Council of the  
City of Ishpeming, Michigan

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 28, 2022

**City of Ishpeming, Michigan**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended December 31, 2021

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Current Year Expenditures	Current Year Cash Transferred to Subrecipients
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through Michigan Economic Development Corporation</i>			
Community Development Block Grant	14.228	\$ 914,170	\$ -
Subtotal	14.228	<u>914,170</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		<b><u>914,170</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through County of Marquette</i>			
Sate and Community Highway Safety Grant	20.600	2,122	-
Subtotal	20.600	<u>2,122</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		<b><u>2,122</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Passed through State of Michigan</i>			
COVID-19—Coronavirus State and Local Fiscal Recovery Funds (CSLFR)	21.027	671,553	-
Subtotal	21.027	<u>671,553</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>		<b><u>671,553</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Direct Award:</i>			
COVID-19—Assistance to Firefighters Grant - COVID-19 Supplemental	97.044	12,668	-
Subtotal	97.044	<u>12,668</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>		<b><u>12,668</u></b>	<b><u>-</u></b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$ 1,600,513</u></b>	<b><u>\$ -</u></b>

**CITY OF ISHPEMING, MICHIGAN**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2021**

**NOTE A – BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Ishpeming, Michigan (the City) for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C – OVERSIGHT AGENCY:**

The U.S. Department of Housing and Urban Development is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's federal financial assistance.

**NOTE D – RECONCILIATION TO FINANCIAL STATEMENTS:**

Federal Revenue per Financial Statements:		\$881,919
Less: Accrued revenue at beginning of year		
Public Safety and Public health Payroll Reimbursement	(7,329)	
COVID-19 - LTSA	<u>(277)</u>	(7,606)
Plus: Accrued revenue at end of year		
Coronavirus State and Local Fiscal Recover Funds	335,777	
Community Development Block Grant	388,302	
State and Community Highway Planning	<u>2,122</u>	726,201
Rounding		<u>(1)</u>
Per Schedule of Expenditure of Federal Awards		<u><u>\$1,600,513</u></u>

**CITY OF ISHPEMING, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended December 31, 2021**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**General Purpose Financial Statements**

- Type of auditors’ report issued: *Unmodified*
- Internal control over financial reporting:  
     No material weaknesses were reported.  
     No significant deficiencies were reported.
- There were instances of noncompliance material to the financial statements reported. See finding 2021-001 below.

**Federal Awards**

- Types of auditors’ report issued on compliance for major programs: *Unmodified*
- Internal control over major programs:  
     No material weaknesses were reported.  
     No significant deficiencies were reported.
- Audit findings that are required to be reported in accordance with the Uniform Guidance:  
     None reported.

**Major Programs**

- The programs tested as a major program were:

Program	Assistance Listing Number
Community Development Block Grant	14.228

- Dollar threshold used to distinguish between Type A and Type B Programs: *\$750,000*
- Auditee qualified as low-risk auditee? *YES*.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2021-001 – EXPENDITURES OVER APPROPRIATIONS**

**Condition/Criteria:** Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. The City’s actual expenditures and budgeted expenditures for the Governmental Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2021, the City incurred functional expenditures which were in excess of the amounts appropriated as enumerated upon in the notes to the financial statements.

**Cause of Condition:** Failure to amend the budgets during the year based on the level of expenditures.

**Effect:** The City is not in compliance with State law.

**CITY OF ISHPEMING, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2021**

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

**Recommendation:** The City should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Finance Office Manager
  
- Corrective Action Planned:
  - See separate Corrective Action Plan.
  
- Anticipated Completion Date:
  - December 31, 2022

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- None reported.



# CITY OF ISHPEMING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849

City Manager	485 -1091	Police	486-4416	Library	486-4381
City Clerk	485 -1091	Fire	486-4426	Cemetery	486-6181
Treasurer	485- 1091	Public Works	486-9371	Al Quaal Recreation	486 -8301
City Attorney	485 -1091	Assessor	485-1091	Fax	485-6246

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2021

### SECTION II – FINANCIAL STATEMENT FINDINGS

- None reported.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

*The City of Ishpeming is an equal opportunity program/employer.  
Auxiliary aids and service are available upon request-to individuals with disabilities.*

HOME OF THE U.S. NATIONAL SKI HALL OF FAME & SKI MUSEUM



# CITY OF ISHPEMING, MICHIGAN

100 East Division Street • Ishpeming, Michigan 49849

City Manager	485 -1091	Police	486-4416	Library	486-4381
City Clerk	485 -1091	Fire	486-4426	Cemetery	486-6181
Treasurer	485- 1091	Public Works	486-9371	Al Quaal Recreation	486 -8301
City Attorney	485 -1091	Assessor	485-1091	Fax	485-6246

## *Corrective Action Plan*

For the Year Ended December 31, 2021

June 28, 2022

In response to the findings disclosed in the audited financial statements for the year ended December 31, 2021:

### **2021-001 – EXPENDITURES OVER APPROPRIATIONS**

#### **Corrective Action Plan:**

In 2021 the City Council approved the issuances of two bonds: 2021 Refunding Bonds (Refunding Bonds) and the 2021 General Obligation Limited Tax Bonds (Pension Bonds). The proceeds from the Refunding Bonds were used to refund (payoff) previous bonds taking advantage of reduced interest rates to decrease the overall financial burden on the City. The Pension Bonds were issued to pay down the accrued unfunded liability on the City's MERS pension plan. Receipt of the Pension Bonds occurred while City staff was in a transitional phase following the departure of its Finance Director. The City contracted with Plante & Moran to assist during the transition and search for a replacement. Failure to appropriately amend the budget for these changes was an oversight during this transitional period.

The City hired a Finance Office Manager in 2022. The newly appointed Finance Office Manager is well aware of the need for maintaining budgetary compliance throughout the fiscal year. The City will continually monitor the budget and, if necessary, the Finance Office Manager will advise the City Manager and City Council on the status of budget including the need for any budget amendment.

*The City of Ishpeming is an equal opportunity program/employer.  
Auxiliary aids and service are available upon request-to individuals with disabilities.*

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## COMMUNICATIONS SECTION



***City of Ishpeming, Michigan***  
***Report to Management***  
For the Year Ended December 31, 2021

To the City Council and Management of the  
City of Ishpeming, Michigan  
100 East Division Street  
Ishpeming, Michigan 49849

In planning and performing our audit of 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 Ishpeming, Michigan (the City) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs to be significant deficiencies (item 2021-001).

City Council and Management of the  
City of Ishpeming, Michigan

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 28, 2022



***City of Ishpeming, Michigan***  
*Communication with Those Charged with Governance*  
*For the Year Ended December 31, 2021*

June 28, 2022

To the City Council of the  
City of Ishpeming, Michigan  
100 East Division Street  
Ishpeming, MI 49849

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 Ishpeming, Michigan (the City) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to financial statements. Newly adopted accounting pronouncements are disclosed in the notes to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the allowance for doubtful accounts is based on historical charges for services, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions

used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accumulated depreciation is based on historical cost and estimated useful life. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick and vacation is based on employee pay rates, union contracts, retirement probabilities, and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine the City's liability. We evaluated the key factors and assumptions used to develop the Net Pension Liability, based on information provided by the Gabriel Roeder Smith & Company, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's portion of the Net Pension Liability (under GASB 67) for the Police and Fire Retirement System is based on an actuarial performed for the City of Ishpeming Police and Fire Retirement System Defined Benefit Retirement Plan to determine the City's Net Pension Liability. We evaluated the key factors and assumptions used to develop the City's Net Pension Liability, based on information provided by the Gabriel Roeder Smith & Company, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Defined Benefit Retirement Plan in the Notes to the financial statements includes significant actuarial assumptions used in calculating the valuation. Gabriel Roeder Smith & Company was the actuarial company hired for preparation of the annual actuarial valuation. The disclosures made in the notes to the financial statements were based on information included their report.

The disclosure of the Policemen and Firemen Retirement System Defined Benefit Retirement Plan in the Notes to the financial statements includes significant actuarial assumptions used in calculating the valuation. Gabriel Roeder Smith & Company was the actuarial company hired for preparation of the annual actuarial valuation. The disclosures made in the notes to the financial statements were based on information included their report.

The disclosure of the City's Pension Liability related to the Police and Firemen Retirement System Defined Benefit Retirement Plan in the notes to the financial statements includes significant actuarial assumptions used in calculating the

valuation. Gabriel Roeder Smith & Company was the actuarial company hired for preparation of the annual actuarial valuation in accordance with GASB 67. The disclosures made in notes to the financial statements were based on information included their report as of December 31, 2020. The financial statement disclosures are neutral, consistent, and clear.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 28, 2022.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Our consideration of internal control was for the limited purpose described in an accompanying letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However,

material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

#### Other Matters

We applied certain limited procedures to the *Required Supplementary Information*, as listed in the table of contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Other Financial Information* and the schedule of expenditures of federal awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### Restriction on Use

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

Very truly yours,

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants