

**CITY OF ISHPEMING, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2022**

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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.

#### ***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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information, is 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, 2021, 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 2021 financial statements for the year ended December 31, 2021, 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 2021 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 2021 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.

City Council of the  
City of Ishpeming, Michigan

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, 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

July 31, 2023

## 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, 2022. Please read it in conjunction with the financial statements included below.

#### FINANCIAL HIGHLIGHTS

- Net position for the City as a whole increased by \$853,432 as a result of this year's operations. Net position of our business-type activities increased by \$372,692 or 2 percent, and net position of our governmental activities increased by \$480,740 or almost 4 percent.
- During the year, the City had expenses for governmental activities that were \$5,221,498 and generated \$5,487,598 in general revenues and other program sources.
- The City's business-type activities had expenses of \$4,737,800 and generated \$5,325,132 in revenues.
- The General Fund reported a net change in fund balance of \$103,583; this is \$203,175 higher than the forecasted decrease of \$99,592.

#### 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 system, water system, garbage & rubbish services, and campground 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, 2022 and 2021.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$8,722,417	\$8,851,480	\$ 5,053,216	\$4,787,543	\$ 13,775,633	\$13,639,023
Non-current assets	-	-	8,130,469	8,196,866	8,130,469	8,196,866
Capital assets, net	19,524,529	19,753,504	18,723,629	18,599,460	38,248,158	38,352,964
Total Assets	<u>28,246,946</u>	<u>28,604,984</u>	<u>31,907,314</u>	<u>31,583,869</u>	<u>60,154,260</u>	<u>60,188,853</u>
Deferred outflows of resources	<u>2,158,750</u>	<u>694,134</u>	<u>993,826</u>	<u>192,884</u>	<u>3,152,576</u>	<u>887,018</u>
Current and other liabilities	1,092,337	1,261,162	283,447	294,966	1,375,784	1,974,159
Long-term liabilities	12,183,509	10,409,305	12,417,628	11,328,878	24,601,137	21,738,183
Total Liabilities	<u>13,275,846</u>	<u>11,670,467</u>	<u>12,701,075</u>	<u>11,623,844</u>	<u>25,976,921</u>	<u>23,712,342</u>
Deferred inflows of resources	<u>3,132,344</u>	<u>4,136,181</u>	<u>42,230</u>	<u>343,470</u>	<u>3,174,574</u>	<u>4,061,620</u>
Net Position:						
Net investment in capital assets	16,640,220	16,573,562	17,741,193	17,526,421	34,381,413	34,099,983
Restricted	4,072,623	3,843,029	838,346	761,871	4,910,969	(4,604,900)
Unrestricted	<u>(6,715,337)</u>	<u>(6,924,121)</u>	<u>1,578,296</u>	<u>1,521,147</u>	<u>(5,137,041)</u>	<u>5,402,974</u>
Total Net Position	<u>\$13,997,506</u>	<u>\$13,492,470</u>	<u>\$20,157,835</u>	<u>\$19,809,439</u>	<u>\$ 34,155,341</u>	<u>\$33,301,909</u>

Net position of the City's governmental activities stood at \$13,997,506. *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 (\$6,715,337).

The (\$6,715,337) 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 \$20,157,835. The City can generally only use these net positions to finance continuing operations of the water and sewer systems, garbage services, and campground.

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 2022 and 2021.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$293,020	\$1,118,687	\$5,218,176	\$4,076,676	\$5,511,196	\$5,195,363
Operating grants and contributions	1,754,377	2,220,139	-	-	1,754,377	2,220,139
Capital grants and contributions	-	-	106,315	97,977	106,315	97,977
General Revenues:						
Property taxes	2,302,205	2,263,242	-	-	2,302,205	2,263,242
Unrestricted intergovernmental	1,027,585	1,001,458	-	-	1,027,585	1,001,458
Interest and investment earnings	(4,279)	5,379	641	5,237	(3,638)	10,616
Fines and forfeitures	36,012	28,322	-	-	36,012	28,322
Miscellaneous	78,678	160,493	-	-	78,678	160,493
Gain/(loss) on sale of assets	-	-	-	-	-	-
Total Revenues	<u>5,487,598</u>	<u>6,797,720</u>	<u>5,325,132</u>	<u>4,179,890</u>	<u>10,812,730</u>	<u>10,977,610</u>
Program Expenses:						
General government	1,815,645	1,207,847	-	-	1,815,645	1,207,847
Public safety	1,008,299	1,088,844	-	-	1,008,299	1,088,844
Public works	1,438,794	2,176,073	-	-	1,438,794	2,176,073
Community and economic development	84,496	45,366	-	-	84,496	45,366
Recreation and culture	624,718	708,811	-	-	624,718	708,811
Capital outlay	38,463	-	-	-	38,463	-
Interest on long-term debt	211,083	249,712	-	-	211,083	249,712
Sewer	-	-	1,632,253	1,291,403	1,632,253	1,291,403
Water	-	-	2,292,005	1,960,252	2,292,005	1,960,252
Brasswire Campground	-	-	36,645	-	36,645	-
Garbage & Rubbish	-	-	776,897	-	776,897	-
Total Expenses	<u>5,221,498</u>	<u>5,476,304</u>	<u>4,737,800</u>	<u>3,251,655</u>	<u>9,959,298</u>	<u>8,727,959</u>
Excess (deficiency) before transfers	266,102	1,321,416	587,332	928,235	853,432	2,249,651
Transfers in (out)	214,640	-	(214,640)	-	-	-
Increase (decrease) in net position	<u>480,740</u>	<u>1,321,416</u>	<u>372,692</u>	<u>928,235</u>	<u>853,432</u>	<u>2,249,651</u>
Net Position, Beginning	13,814,087	12,492,671	19,487,822	18,559,587	33,301,909	31,052,258
Prior period adjustment	(297,321)	-	297,321	-	-	-
Net Position, Beginning of year, as restated	<u>13,516,766</u>	<u>12,492,671</u>	<u>19,785,143</u>	<u>18,559,587</u>	<u>33,301,909</u>	<u>31,052,258</u>
Net Position, Ending	<u>\$13,997,506</u>	<u>\$13,814,087</u>	<u>\$20,157,835</u>	<u>\$19,487,822</u>	<u>\$34,155,341</u>	<u>\$33,301,909</u>

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

The City’s total revenues were \$10,812,730; the total cost of all programs and services was \$9,959,298 leaving an increase in net position of \$853,432. Our analysis below separately considers the operations of governmental and business-type activities:

***Governmental Activities***

Government activities net position increased by \$480,740. This overall increase was due to a change in combined governmental fund balance of \$336,046, changes in general fixed assets of (\$96,292), proceeds from borrowing of \$-0-, principal payments on debt of \$510,092, a change in accrued interest of \$1,234, adjustments due to amortization of deferred amounts on bond of \$4,421, internal service fund activity of \$48,044 , change in pension liability and related of (\$606,379) for MERS, change pension liability and related of \$263,836 for the Police and Fire Retirement System, and a change in compensated absences of \$19,738.

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	\$1,815,645	\$1,274,244
Public Safety	1,088,299	969,565
Public Works	1,438,794	214,903

***Business-type Activities***

Business-type activities net position increased by \$372,692. The Sewer Fund and the Water Fund experienced a change in net position of \$46,268 and \$152,167, respectively. During the current year the City’s Business-Type Activities expanded to include the Garbage & Rubbish Fund (previously presented as a Special Revenue Fund in Governmental Activities due to previously having millage related for garbage services). The Garbage & Rubbish Fund now operates on a user fee and had an increase in the current year of \$110,902. Additionally, in the current year, the City worked on the construction of a rustic campground on Malton Road. Once the campground is open in 2023 the fund is anticipated to be self-sustaining with user fees related to camping activities. The Brasswire Campground Fund had an increase of \$63,355 in the current year resulting in a net increase in Business-Type Activities of \$372,692.

**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 \$4,355,469, an increase of \$336,046 from the beginning of the year.

The combined fund balance increase of \$336,046 was due to increases in the General Fund, Local Street Fund, Public Improvement Fund, Senior Center Fund, and Other Governmental Funds combined with a decrease in the Major Street Fund. The overall increase is partially due to overall expenditures being \$152,227 less than budget in the General Fund contributing to the overall increase of \$103,583 for the General Fund; a transfer out in the current year attributed to part of the loss in the Major Street Fund of (\$291,786); a transfer in during the current year in the

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

Local Street Fund resulted in income of \$55,198; Senior Center Fund had an increase of \$2; meanwhile there was an increase in fund balance of \$169,514 in the Other Governmental Funds.

### General Fund Budgetary Highlights

When adopting the budget, the City budgets revenues conservatively. As a result, General Fund revenues came in \$51,643 more than the final budget, not including other financing sources.

During the current year the City adopted the State's new chart of accounts and as a result some of the budget presentation changed from years past. This led to various budget violations, however, the City's overall expenditures came in under budgeted amounts by \$152,227, not including other financing uses.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2022, the City had \$38,248,158 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)**

	2022			2021 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	702,686	778,712	1,481,398	2,129,446
Land improvements	2,449,042	-	2,449,042	2,551,035
Buildings and improvements	5,477,443	20,736	5,498,179	3,759,897
Equipment and vehicles	1,485,367	200,902	1,686,269	1,889,900
Infrastructure	7,993,966	-	7,993,966	8,346,519
Sewer system and equipment	-	4,667,427	4,667,427	5,081,011
Water system and equipment	-	13,044,964	13,044,964	13,168,243
Total	<u>\$19,524,529</u>	<u>\$18,723,629</u>	<u>\$38,248,158</u>	<u>\$38,352,964</u>

#### Governmental Activities

During the year the new Senior Center was placed into service with the final punch-list items being received after various delays due to supply-chain issues.

Other notable projects are the Empire Street Reconstruction project.

There were no disposals of governmental activities assets in the current year

#### Business-Type Activities

In 2022 the City completed the meter replacement that was financed partially through 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.

There were no disposals of business-type activities assets in the current year

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

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

### Debt

At year-end, the City had \$19,804,586 in bonds and notes outstanding as depicted in Table 5 below.

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

	2022			2021 Total
	Governmental Activities	Business-type Activities	Total	
General Obligation Bonds	\$7,697,744	\$2,923,533	\$10,621,277	\$11,160,000
Refunding Bonds	766,220	-	766,220	854,630
Revenue Bonds	-	8,225,000	8,225,000	8,382,000
Contracts and notes payable	192,089	-	192,089	290,312
Total	<u>\$8,656,053</u>	<u>\$11,148,533</u>	<u>\$19,804,586</u>	<u>\$20,686,942</u>

No other debt was issued during the year.

The current year is the first year the City began making principal payments on the 2021 Refunding Bonds and the Limited Tax General Obligation Bonds (issued for funding the unfunded liability of the City's MERS defined benefit pension plan).

During the year the City made principal payments on governmental activities and business-type activities debt payments in the amount of \$580,790, and \$301,566.

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 2023 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.

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 2023. This does not factor in possible reductions based on the impact of the pandemic which will be discussed below.

## **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 2023. 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,435,451	\$ 4,083,238	\$ 8,518,689	\$ 335,390
Investments	963,342	54,529	1,017,871	15,791
Receivables, net	2,953,278	915,449	3,868,727	260,385
Primary government internal balances	-	-	-	-
Advance to primary government	-	-	-	446,966
Prepays and other assets	370,346	-	370,346	-
Non-current Assets:				
Cash and cash equivalents - restricted	-	887,905	887,905	-
Investment in Wastewater Treatment Facility	-	3,735,241	3,735,241	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land, construction in progress and other non-depreciable assets	2,118,711	789,600	2,908,311	-
Other capital assets, net of depreciation	17,405,818	17,934,029	35,339,847	1,401,938
Total Capital Assets	<u>19,524,529</u>	<u>18,723,629</u>	<u>38,248,158</u>	<u>1,401,938</u>
<b>TOTAL ASSETS</b>	<u>28,246,946</u>	<u>31,907,314</u>	<u>60,154,260</u>	<u>2,460,470</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pension	1,852,134	993,826	2,845,960	-
Contributions subsequent to measurement date	306,616	-	306,616	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,158,750</u>	<u>993,826</u>	<u>3,152,576</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	502,935	58,941	561,876	-
Advance from component unit	446,966	-	446,966	-
Customer deposits payable	-	186,438	186,438	-
Accrued liabilities	88,994	12,422	101,416	102
Accrued interest	53,442	25,646	79,088	7,025
Unearned revenue	-	-	-	-
Non-current Liabilities:				
Portion due or payable within one year:				
Bonds payable	492,587	308,928	801,515	124,485
Notes payable	88,329	-	88,329	-
Compensated absences	5,129	-	5,129	-
Portion due or payable after one year:				
Bonds payable	8,011,161	10,839,605	18,850,766	980,949
Notes payable	103,760	-	103,760	-
Compensated absences	208,946	13,464	222,410	-
Net pension liability (asset)	3,273,597	1,255,631	4,529,228	-
<b>TOTAL LIABILITIES</b>	<u>13,275,846</u>	<u>12,701,075</u>	<u>25,976,921</u>	<u>1,112,561</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	2,285,031	-	2,285,031	278,986
Deferred amounts related to pension	586,329	42,230	628,559	-
Unavailable revenue	260,984	-	260,984	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,132,344</u>	<u>42,230</u>	<u>3,174,574</u>	<u>278,986</u>
<b>NET POSITION</b>				
Net investment in capital assets	16,640,220	17,741,193	34,381,413	296,504
Restricted	4,072,623	838,346	4,910,969	446,966
Unrestricted	(6,715,337)	1,578,296	(5,137,041)	325,453
<b>TOTAL NET POSITION</b>	<u>\$ 13,997,506</u>	<u>\$ 20,157,835</u>	<u>\$ 34,155,341</u>	<u>\$ 1,068,923</u>

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

**City of Ishpeming, Michigan**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2022

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:								
General government	\$ 1,815,645	\$ 187,921	\$ 353,480	\$ -	\$ (1,274,244)	\$ -	\$ (1,274,244)	\$ -
Public safety	1,008,299	30,381	8,353	-	(969,565)	-	(969,565)	-
Public works	1,438,794	-	1,223,891	-	(214,903)	-	(214,903)	-
Community and economic development	84,496	-	-	-	(84,496)	-	(84,496)	-
Recreation and culture	624,718	74,718	168,653	-	(381,347)	-	(381,347)	-
Capital outlay	38,463	-	-	-	(38,463)	-	(38,463)	-
Interest on long-term debt	211,083	-	-	-	(211,083)	-	(211,083)	-
Total Governmental Activities	<u>5,221,498</u>	<u>293,020</u>	<u>1,754,377</u>	<u>-</u>	<u>(3,174,101)</u>	<u>-</u>	<u>(3,174,101)</u>	<u>-</u>
Business-Type Activities:								
Sewer	1,632,253	1,772,888	-	-	-	140,635	140,635	-
Water	2,292,005	2,557,521	-	6,315	-	271,831	271,831	-
Brasswire Campground	36,645	-	-	100,000	-	63,355	63,355	-
Garbage & Rubbish	776,897	887,767	-	-	-	110,870	110,870	-
Total Business-Type Activities	<u>4,737,800</u>	<u>5,218,176</u>	<u>-</u>	<u>106,315</u>	<u>-</u>	<u>586,691</u>	<u>586,691</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,959,298</b>	<b>\$ 5,511,196</b>	<b>\$ 1,754,377</b>	<b>\$ 106,315</b>	<b>(3,174,101)</b>	<b>586,691</b>	<b>(2,587,410)</b>	<b>-</b>
<b>Component Unit:</b>								
Downtown Development Authority	<u>\$ 171,363</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,055)</u>
General Revenues:								
Property taxes					2,302,205	-	2,302,205	255,517
Unrestricted intergovernmental sources					1,027,585	-	1,027,585	-
Interest and investment earnings					(4,279)	641	(3,638)	205
Fines and Forfeitures					36,012	-	36,012	-
Miscellaneous					78,678	-	78,678	-
Gain/(loss) on sale of assets					-	-	-	-
Transfers					214,640	(214,640)	-	-
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>					<u>3,654,841</u>	<u>(213,999)</u>	<u>3,440,842</u>	<u>255,722</u>
<b>CHANGE IN NET POSITION</b>					<u>480,740</u>	<u>372,692</u>	<u>853,432</u>	<u>84,667</u>
Net position, beginning of year, as restated					<u>13,516,766</u>	<u>19,785,143</u>	<u>33,301,909</u>	<u>984,256</u>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 13,997,506</b>	<b>\$ 20,157,835</b>	<b>\$ 34,155,341</b>	<b>\$ 1,068,923</b>				

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

City of Ishpeming, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2022

	Special Revenue			Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Public Improvement Fund	Senior Center Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 852,337	\$ 704,877	\$ 956,878	\$ 529,765	\$ -	\$ 1,061,428	\$ 4,105,285
Investments	48,000	-	-	-	-	915,342	963,342
Accounts receivable, net	21,686	360	-	17,865	-	-	39,911
Taxes receivable	1,663,346	-	-	536,344	-	107,774	2,307,464
Other receivable	1,551	-	-	-	-	-	1,551
Due from other governments	172,556	121,197	49,615	-	260,984	-	604,352
Due from other funds	185,867	-	-	-	-	-	185,867
Inventory	264,721	-	-	-	-	-	264,721
Prepays	105,625	-	-	-	-	-	105,625
<b>TOTAL ASSETS</b>	<b>3,315,689</b>	<b>826,434</b>	<b>1,006,493</b>	<b>1,083,974</b>	<b>260,984</b>	<b>2,084,544</b>	<b>8,578,118</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</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>\$ 3,315,689</b>	<b>\$ 826,434</b>	<b>\$ 1,006,493</b>	<b>\$ 1,083,974</b>	<b>\$ 260,984</b>	<b>\$ 2,084,544</b>	<b>\$ 8,578,118</b>
<b>LIABILITIES</b>							
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ 118,272	\$ -	\$ 118,272
Accounts payable	5,382	125,787	98,974	-	260,984	6,697	497,824
Due to component unit	446,966	-	-	-	-	-	446,966
Accrued payroll and related	73,700	6,981	5,849	-	-	-	86,530
Accrued sick and vacation leave	5,129	-	-	-	-	-	5,129
Due to other funds	-	-	-	-	-	185,867	185,867
Unearned revenue	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>531,177</b>	<b>132,768</b>	<b>104,823</b>	<b>-</b>	<b>379,256</b>	<b>192,564</b>	<b>1,340,588</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes levied for a subsequent period	1,640,913	-	-	536,344	-	107,774	2,285,031
Unavailable revenue	-	-	-	-	260,984	-	260,984
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,640,913</b>	<b>-</b>	<b>-</b>	<b>536,344</b>	<b>260,984</b>	<b>107,774</b>	<b>2,546,015</b>
<b>FUND BALANCE</b>							
Non-spendable	370,346	-	-	-	-	988,983	1,359,329
Restricted	-	693,666	901,670	547,630	-	570,328	2,713,294
Committed	-	-	-	-	-	-	-
Assigned	960	-	-	-	-	230,814	231,774
Unassigned	772,293	-	-	-	(379,256)	(5,919)	387,118
<b>TOTAL FUND BALANCE</b>	<b>1,143,599</b>	<b>693,666</b>	<b>901,670</b>	<b>547,630</b>	<b>(379,256)</b>	<b>1,784,206</b>	<b>4,691,515</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 3,315,689</b>	<b>\$ 826,434</b>	<b>\$ 1,006,493</b>	<b>\$ 1,083,974</b>	<b>\$ 260,984</b>	<b>\$ 2,084,544</b>	<b>\$ 8,578,118</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, 2022

**Total Fund Balances for Governmental Funds** \$ 4,691,515

*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	\$ 2,118,711	
Other capital assets, net of depreciation	<u>16,620,058</u>	18,738,769

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	(1,919,423)	
Police and Fire Retirement System	(1,354,174)	
Deferred outflows of resources related to pension -		
Michigan Municipal Employees' Retirement System	1,852,134	
Police and Fire Retirement System	-	
Employer contributions subsequent to measurement date		
Police and Fire Retirement System	306,616	
Deferred (inflows) of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	(10,117)	
Police and Fire Retirement System	<u>(576,212)</u>	(1,701,176)

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>1,045,608</u>	1,045,608
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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	(200,515)	
Current portion of pension obligation bonds payable	(292,072)	
Current portion of notes and contracts payable	(16,490)	
Accrued interest on debt	(53,442)	
Compensated absences	(203,530)	
Long-term bonds payable	(2,491,705)	
Long-term pension obligation bonds payable	(5,479,672)	
Long-term contracts and notes payable	-	
Deferred amounts on bonds	(39,784)	
Deferred gain on refunding	<u>-</u>	<u>(8,777,210)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 13,997,506</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, 2022

	Special Revenue			Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Public Improvement Fund	Senior Center Fund		
<b>REVENUES:</b>							
Taxes	\$ 1,667,763	\$ -	\$ -	\$ 521,775	\$ -	\$ 112,666	\$ 2,302,204
Federal sources	338,473	-	-	-	-	-	338,473
State sources	1,050,946	787,176	436,638	77	-	13,531	2,288,368
Licenses and permits	170,296	-	-	-	-	-	170,296
Charges for service	79,609	-	-	-	-	20,075	99,684
Interest income and rentals	1,372	119	73	85	2	(5,735)	(4,084)
Contributions	21,694	-	-	-	-	146,684	168,378
Fines and forfeitures	44,449	-	-	-	-	-	44,449
Other revenues	43,493	-	-	36,337	-	-	79,830
<b>TOTAL REVENUES</b>	<b>3,418,095</b>	<b>787,295</b>	<b>436,711</b>	<b>558,274</b>	<b>2</b>	<b>287,221</b>	<b>5,487,598</b>
<b>EXPENDITURES:</b>							
Current Operations:							
General government	866,384	-	-	-	-	-	866,384
Public safety	1,127,649	-	-	-	-	-	1,127,649
Public works	528,764	979,081	481,513	-	-	-	1,989,358
Community and economic development	84,496	-	-	-	-	-	84,496
Recreation and culture	507,504	-	-	-	-	25,508	533,012
Debt service:							
Principal	285,157	-	-	65,935	-	159,000	510,092
Interest and fiscal charges	133,898	-	-	9,630	-	73,210	216,738
Capital outlay	-	-	-	32,544	-	5,919	38,463
<b>TOTAL EXPENDITURES</b>	<b>3,533,852</b>	<b>979,081</b>	<b>481,513</b>	<b>108,109</b>	<b>-</b>	<b>263,637</b>	<b>5,366,192</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(115,757)</b>	<b>(191,786)</b>	<b>(44,802)</b>	<b>450,165</b>	<b>2</b>	<b>23,584</b>	<b>121,406</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from borrowing	-	-	-	-	-	-	-
Refunding bonds	-	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in	225,640	-	100,000	-	-	156,930	482,570
Transfers (out)	(6,300)	(100,000)	-	(150,630)	-	(11,000)	(267,930)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>219,340</b>	<b>(100,000)</b>	<b>100,000</b>	<b>(150,630)</b>	<b>-</b>	<b>145,930</b>	<b>214,640</b>
<b>CHANGE IN FUND BALANCE</b>	<b>103,583</b>	<b>(291,786)</b>	<b>55,198</b>	<b>299,535</b>	<b>2</b>	<b>169,514</b>	<b>336,046</b>
Fund balance, beginning of year, as restated	1,040,016	985,452	846,472	248,095	(379,258)	1,614,692	4,355,469
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,143,599</b>	<b>\$ 693,666</b>	<b>\$ 901,670</b>	<b>\$ 547,630</b>	<b>\$ (379,256)</b>	<b>\$ 1,784,206</b>	<b>\$ 4,691,515</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, 2022

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 336,046</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	\$ 704,473	
Depreciation expense	(800,765)	
Net book value of disposed assets	-	(96,292)
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.		
		-
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		510,092
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		1,234
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		4,421
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		48,044
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	(606,379)	
Pension liability expense - Fire-Police Retirement	263,836	
Compensated absences	19,738	(322,805)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 480,740</b>

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

City of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

December 31, 2022

	Business-type Activities Enterprise Funds				Total	Internal Service Funds
	Major		Non-major			Motor Pool Fund
	Sewer Fund	Water Fund	Brasswire Campground Fund	Garbage & Rubbish Fund		
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$ 2,156,223	\$ 1,711,026	\$ -	\$ 277,302	\$ 4,144,551	\$ 448,438
Investments	54,529	-	-	-	54,529	-
Accounts receivable	285,915	437,809	-	159,007	882,731	-
Allowance for uncollectible accounts	-	-	-	-	-	-
Delinquent utilities	10,914	14,684	-	6,162	31,760	-
Due from other governmental units	-	958	-	-	958	-
Prepays	-	-	-	-	-	-
Non-current Assets:						
Cash and cash equivalents - restricted	-	887,905	-	-	887,905	-
Investment in Wastewater Treatment Facility	3,735,241	-	-	-	3,735,241	-
Investment in Joint Water Authority	-	3,507,323	-	-	3,507,323	-
Advance to other funds	103,123	103,123	-	-	206,246	-
Capital Assets:						
Land and construction in progress	-	482,982	306,618	-	789,600	-
Other capital assets, net of depreciation	4,836,799	13,097,230	-	-	17,934,029	785,760
Total Capital Assets	4,836,799	13,580,212	306,618	-	18,723,629	785,760
<b>TOTAL ASSETS</b>	<b>11,182,744</b>	<b>20,243,040</b>	<b>306,618</b>	<b>442,471</b>	<b>32,174,873</b>	<b>1,234,198</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amounts related to pension	390,700	603,126	-	-	993,826	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>390,700</b>	<b>603,126</b>	<b>-</b>	<b>-</b>	<b>993,826</b>	<b>-</b>
<b>LIABILITIES</b>						
Current Liabilities:						
Cash overdrafts	-	-	61,313	-	61,313	-
Accounts payable	1,027	48,007	-	9,907	58,941	5,111
Customer deposits payable	-	186,438	-	-	186,438	-
Accrued payroll and related	3,982	8,395	-	45	12,422	2,464
Accrued interest	4,921	20,725	-	-	25,646	-
Due to other funds	-	-	-	-	-	-
Non-current Liabilities:						
Portion due or payable within one year						
Revenue bonds	-	161,000	-	-	161,000	-
Pension obligation bonds	62,348	85,580	-	-	147,928	-
Notes payable	-	-	-	-	-	71,839
Compensated absences	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Portion due or payable after one year						
Revenue bonds	-	8,064,000	-	-	8,064,000	-
Pension obligation bonds	1,169,825	1,605,780	-	-	2,775,605	-
Notes payable	-	-	-	-	-	103,760
Compensated absences	61	13,403	-	-	13,464	5,416
Advance from other funds	-	-	206,246	-	206,246	-
Net pension liability (asset)	208,753	1,046,878	-	-	1,255,631	-
<b>TOTAL LIABILITIES</b>	<b>1,450,917</b>	<b>11,240,206</b>	<b>267,559</b>	<b>9,952</b>	<b>12,968,634</b>	<b>188,590</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amounts related to pension	17,806	24,424	-	-	42,230	-
Unavailable revenue	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>17,806</b>	<b>24,424</b>	<b>-</b>	<b>-</b>	<b>42,230</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	8,572,040	8,862,535	306,618	-	17,741,193	610,161
Restricted:						
Debt service	-	838,346	-	-	838,346	-
Unrestricted	1,532,681	(119,345)	(267,559)	432,519	1,578,296	435,447
<b>TOTAL NET POSITION</b>	<b>\$ 10,104,721</b>	<b>\$ 9,581,536</b>	<b>\$ 39,059</b>	<b>\$ 432,519</b>	<b>\$ 20,157,835</b>	<b>\$ 1,045,608</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, 2022

	Business-type Activities Enterprise Funds				Total	Internal Service Funds
	Major		Non-major			Motor Pool Fund
	Sewer Fund	Water Fund	Brasswire Campground Fund	Garbage & Rubbish Fund		
<b>OPERATING REVENUES:</b>						
Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 782,519
Charges for services	1,772,888	2,554,668	-	887,767	5,215,323	-
Other operating revenue	-	2,853	-	-	2,853	48
<b>TOTAL OPERATING REVENUES</b>	<b>1,772,888</b>	<b>2,557,521</b>	<b>-</b>	<b>887,767</b>	<b>5,218,176</b>	<b>782,567</b>
<b>OPERATING EXPENSES:</b>						
Personal services	432,965	836,919	8,466	29,829	1,308,179	214,855
Contractual services	557,329	611,838	3,320	696,433	1,868,920	4,053
Supplies	6,238	53,464	14,300	6,442	80,444	281,872
Utilities	3,803	17,381	-	2,740	23,924	-
Depreciation	449,263	384,493	-	-	833,756	144,158
Equipment rental	50,207	110,163	10,559	30,156	201,085	-
Other expenses	38,286	74,074	-	11,297	123,657	81,662
<b>TOTAL OPERATING EXPENSES</b>	<b>1,538,091</b>	<b>2,088,332</b>	<b>36,645</b>	<b>776,897</b>	<b>4,439,965</b>	<b>726,600</b>
<b>OPERATING INCOME</b>	<b>234,797</b>	<b>469,189</b>	<b>(36,645)</b>	<b>110,870</b>	<b>778,211</b>	<b>55,967</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>						
Interest (expense)	(27,765)	(203,673)	-	-	(231,438)	(7,988)
Gain/(loss) on wastewater facility	(66,397)	-	-	-	(66,397)	-
Gain/(loss) on sale of assets	-	-	-	-	-	-
Interest income	327	282	-	32	641	65
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(93,835)</b>	<b>(203,391)</b>	<b>-</b>	<b>32</b>	<b>(297,194)</b>	<b>(7,923)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>140,962</b>	<b>265,798</b>	<b>(36,645)</b>	<b>110,902</b>	<b>481,017</b>	<b>48,044</b>
State sources	-	6,315	100,000	-	106,315	-
Transfers in	-	-	-	-	-	-
Transfers (out)	(94,694)	(119,946)	-	-	(214,640)	-
<b>CHANGE IN NET POSITION</b>	<b>46,268</b>	<b>152,167</b>	<b>63,355</b>	<b>110,902</b>	<b>372,692</b>	<b>48,044</b>
Net position, beginning of year, as restated	10,058,453	9,429,369	(24,296)	321,617	19,785,143	997,564
<b>NET POSITION, END OF YEAR</b>	<b>\$ 10,104,721</b>	<b>\$ 9,581,536</b>	<b>\$ 39,059</b>	<b>\$ 432,519</b>	<b>\$ 20,157,835</b>	<b>\$ 1,045,608</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, 2022

	Business-type Activities				Total	Internal Service Funds
	Enterprise Funds		Motor Pool Fund			
	Major	Non-Major	Brasswire Campground Fund	Garbage & Rubbish Fund		
	Sewer Fund	Water Fund				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from fees and charges for services	\$ 1,743,345	\$ 2,502,136	\$ -	\$ 870,378	\$ 5,115,859	\$ -
Other operating revenues	-	131,282	-	-	131,282	782,567
Cash payments to employees for services	(305,987)	(661,622)	(8,466)	(29,806)	(1,005,881)	(218,538)
Cash payments to suppliers for goods and services	(650,826)	(811,729)	(28,179)	(772,918)	(2,263,652)	(367,639)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>786,532</b>	<b>1,160,067</b>	<b>(36,645)</b>	<b>67,654</b>	<b>1,977,608</b>	<b>196,390</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Increase (decrease) in cash overdraft	-	-	37,017	-	37,017	-
(Increase) decrease in due from/advance to other funds	(103,123)	(103,123)	-	-	(206,246)	-
Increase (decrease) in due to/advance from other funds	-	-	206,246	-	206,246	-
Transfers in (out)	(94,694)	(119,946)	-	-	(214,640)	-
Proceeds from pension obligation bonds	-	-	-	-	-	-
Principal on pension obligation bonds	(60,931)	(83,635)	-	-	(144,566)	-
Interest on pension obligation bonds	(28,523)	(39,152)	-	-	(67,675)	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(287,271)</b>	<b>(345,856)</b>	<b>243,263</b>	<b>-</b>	<b>(389,864)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Principal payments on debt	-	(157,000)	-	-	(157,000)	(70,698)
Interest paid on debt	-	(166,070)	-	-	(166,070)	(7,988)
Proceeds from borrowing	-	-	-	-	-	-
Cash payments for capital assets	(40,142)	(611,165)	(306,618)	-	(957,925)	(11,475)
Proceeds sale of capital assets	-	-	-	-	-	-
Proceeds from federal and state grants for capital assets	-	6,315	100,000	-	106,315	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(40,142)</b>	<b>(927,920)</b>	<b>(206,618)</b>	<b>-</b>	<b>(1,174,680)</b>	<b>(90,161)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
(Increase) decrease in investments	(78)	-	-	-	(78)	-
Investment income	327	282	-	32	641	65
(Increase) decrease in restricted assets	-	-	-	-	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>249</b>	<b>282</b>	<b>-</b>	<b>32</b>	<b>563</b>	<b>65</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>459,368</b>	<b>(113,427)</b>	<b>-</b>	<b>67,686</b>	<b>413,627</b>	<b>106,294</b>
Cash and cash equivalents, beginning of year	1,696,855	1,824,453	-	209,616	3,730,924	342,144
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,156,223</b>	<b>\$ 1,711,026</b>	<b>\$ -</b>	<b>\$ 277,302</b>	<b>\$ 4,144,551</b>	<b>\$ 448,438</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	\$ 234,797	\$ 469,189	\$ (36,645)	\$ 110,870	\$ 778,211	\$ 55,967
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	449,263	384,493	-	-	833,756	144,158
Change in assets and liabilities:						
(Increase) decrease in accounts receivable, net	(29,543)	(52,532)	-	(3,576)	(85,651)	-
(Increase) decrease in due from other governmental units	-	128,429	-	-	128,429	-
(Increase) decrease in prepaid	43,941	-	-	-	43,941	-
Increase (decrease) in accounts payable	(38,904)	45,134	-	(25,850)	(19,620)	(52)
Increase (decrease) in customer deposits payable	-	10,057	-	-	10,057	-
Increase (decrease) in accrued payroll	145	183	-	23	351	(916)
Increase (decrease) in accrued sick and vacation	(2,609)	(2,561)	-	-	(5,170)	(2,767)
Increase (decrease) in net pension liability and related	129,442	177,675	-	-	307,117	-
Increase (decrease) in unavailable revenue	-	-	-	(13,813)	(13,813)	-
<b>NET ADJUSTMENTS</b>	<b>551,735</b>	<b>690,878</b>	<b>-</b>	<b>(43,216)</b>	<b>1,199,397</b>	<b>140,423</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 786,532</b>	<b>\$ 1,160,067</b>	<b>\$ (36,645)</b>	<b>\$ 67,654</b>	<b>\$ 1,977,608</b>	<b>\$ 196,390</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, 2022

	<b>Pension Trust Fund</b>	<b>Custodial Funds</b>	
	<b>Police Pension Trust Fund</b>	<b>Trust &amp; Agency Fund</b>	<b>Tax Collection Fund</b>
<b>ASSETS</b>			
Cash and equivalents	\$ 190,750	\$ 28,916	\$ 1,867,327
Investments	4,079,421	-	-
Taxes receivable	355,430	-	-
Other receivables	-	-	-
Due from other governments	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>4,625,601</b>	<b>28,916</b>	<b>1,867,327</b>
	<hr/>	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Due to others	-	28,916	-
Due to other governmental units	-	-	1,867,327
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>28,916</b>	<b>1,867,327</b>
	<hr/>	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes levied for a subsequent period	327,797	-	-
Deferred inflow - Pension	27,633	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>355,430</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>
<b>NET POSITION</b>			
Restricted for:			
Pensions	4,270,171	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 4,270,171</b>	<b>\$ -</b>	<b>\$ -</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2022

	<b>Pension Trust Fund</b>	<b>Custodial Funds</b>	
	<b>Police Pension Trust Fund</b>	<b>Trust &amp; Agency Fund</b>	<b>Tax Collection Fund</b>
<b>ADDITIONS:</b>			
Contributions:			
Taxes	\$ 306,616	\$ -	\$ -
Employer	-	-	-
Employee	30,114	-	-
Gifts, bequests and endowments	-	-	-
Total Contributions	<u>336,730</u>	<u>-</u>	<u>-</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	(989,694)	-	-
Interest and dividends	146,900	-	-
Administrative expense	(31,461)	-	-
Net Investment Income (Loss)	<u>(874,255)</u>	<u>-</u>	<u>-</u>
Other Additions:			
Collections for individuals, organizations, and other governments	-	22,497	-
Property tax collections for other governments	-	-	4,146,260
Total Other Additions	<u>-</u>	<u>22,497</u>	<u>4,146,260</u>
<b>TOTAL ADDITIONS</b>	<u>(537,525)</u>	<u>22,497</u>	<u>4,146,260</u>
<b>DEDUCTIONS:</b>			
Benefits and annuity withdrawals	477,824	-	-
Refunds of contributions	9,434	-	-
Other expenditures	-	-	-
Payments to individuals, organizations, and other governments	-	22,497	-
Payments of property tax collections for other governments	-	-	4,146,260
<b>TOTAL DEDUCTIONS</b>	<u>487,258</u>	<u>22,497</u>	<u>4,146,260</u>
<b>CHANGE IN NET POSITION</b>	<u>(1,024,783)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year	<u>5,294,954</u>	<u>-</u>	<u>-</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,270,171</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF ISHPEMING, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022**

**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, 2021, is as follows:

Total Assets	\$2,461,740
Total Liabilities	151,740
Total Net Position	2,310,000
Total Operating Revenues	900,314
Total Operating Expenses	1,046,286
Total Non-Operating Revenues(expenses)	2,073
Capital Grant Contributions	16,746
Net Increase (Decrease) in Net Position	(127,153)

### 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, water, campground, and garbage 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).
- *Debt Service Funds* – Debt Service Funds are used to account for the payment of interest and principal on long-term debt obligations.
- *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.
- *Internal Service Funds* – Internal Service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis.

### *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 **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 internal service funds are presented in the proprietary funds' financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

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

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

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.

### **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:

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

	<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

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

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

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.

### 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, 2022 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.

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

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.
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.

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

### 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 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.

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

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 July 31, 2023, which is the date 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	\$8,518,689	\$2,086,993	\$335,390	\$10,941,072
Restricted	887,905	-	-	887,905
TOTAL	<u>\$9,406,594</u>	<u>\$2,086,993</u>	<u>\$335,390</u>	<u>\$11,828,977</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, 2022, the carrying amount of the City’s deposits with financial institutions was \$11,828,977 and the bank balance was \$12,956,665, of which, \$663,844 or approximately 5% 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	\$663,844
Amount collateralized with securities held by the pledging financial institutions trust department in the City's name:	
Collateralized and uninsured	12,292,821
TOTAL REPORTING ENTITY	<u>\$12,956,665</u>

**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, 2022, the City had the following investments:

**NOTE C – INVESTMENTS (Continued):**

	Level	Fair Value	Investment Maturity (in Years)			
			Less Than 1	1-5	6-10	More Than 10
<b>PRIMARY GOVERNMENT:</b>						
CDs and money market	2	\$903,847	\$873,804	\$30,043	\$-	\$-
U.S. Government Agencies	1	114,024	-	114,024	-	-
U.S. Treasury Bonds	1	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT		<u>\$1,017,871</u>	<u>\$873,804</u>	<u>\$144,067</u>	<u>\$-</u>	<u>\$-</u>
<b>FIDUCIARY FUNDS:</b>						
Mutual Equity Funds	1	\$2,964,045	\$-	\$-	\$-	\$2,964,045
Mutual Equity Index Funds	1	1,115,376	-	-	-	1,115,376
TOTAL FIDUCIARY		<u>\$4,079,421</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,079,421</u>
<b>COMPONENT UNIT:</b>						
CDs and money market	2	\$15,791	\$15,791	\$-	\$-	\$-
TOTAL COMPONENT UNIT		<u>\$15,791</u>	<u>\$15,791</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

*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, 2022	
		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.	\$81,375	\$89,849
<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.	176,400	176,400
<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.	186,506	186,233
<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	394,065	435,423
	Total	<u>\$885,346</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	\$2,307,464	\$-	\$2,307,464
Accounts receivable	39,911	-	39,911
Utilities receivable	-	882,731	882,731
Delinquent utilities receivable	-	31,760	31,760
Other receivables	1,551	-	1,551
Due from other government units	604,352	958	605,310
<b>Total</b>	<b>\$2,953,278</b>	<b>\$915,449</b>	<b>\$3,868,727</b>

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	Enterprise Funds	Internal Service	
DUE TO	General Fund	\$-	\$-	\$-	\$-	\$-
	Non-major Governmental Funds	185,867	-	-	-	185,867
	Water	-	-	-	-	-
	Sewer	-	-	-	-	-
	<b>Total Due From Other Funds</b>	<b>\$185,867</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$185,867</b>

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	\$-	\$-	\$6,300	\$-	\$6,300
	Major Street Fund	-	100,000	-	-	100,000
	Capital Projects	-	-	150,630	-	150,630
	Non-major Governmental Funds	11,000	-	-	-	11,000
	Enterprise Funds	214,640	-	-	-	214,640
	Internal Service	-	-	-	-	-
	<b>Total Transfers In</b>	<b>\$225,640</b>	<b>\$100,000</b>	<b>\$156,930</b>	<b>\$-</b>	<b>\$482,570</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 – ADVANCES TO/FROM OTHER FUNDS:**

Advances within Primary Government

The City's Water and Sewer Funds each advanced the City's Brasswire Campground Fund a total of \$206,246 in fiscal year 2022. The funds are being borrowed at an interest rate of 3.00%. The Brasswire Campground Fund is set to begin making annual payments of \$17,305 (including interest) to each fund beginning in December 2024. The advance is scheduled to be paid of in fiscal year 2030. The outstanding balance as of December 31, 2022 is \$103,123 for the Sewer Fund and \$103,123 for the Water Fund.

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, 2022 is \$446,966.

**NOTE H – CAPITAL ASSETS:**

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

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022
<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	1,993,405	656,096	(1,946,815)	702,686
Subtotal	<u>3,409,430</u>	<u>656,096</u>	<u>(1,946,815)</u>	<u>2,118,711</u>
Capital assets being depreciated:				
Land improvements	3,345,633	-	-	3,345,633
Buildings and improvements	12,396,558	1,954,421	-	14,350,979
Equipment and vehicles	6,413,476	52,246	-	6,465,722
Infrastructure	10,937,559	-	-	10,937,559
Subtotal	<u>33,093,226</u>	<u>2,006,667</u>	<u>-</u>	<u>35,099,893</u>
Total Capital Assets	<u>36,502,656</u>	<u>2,662,763</u>	<u>(1,946,815)</u>	<u>37,218,604</u>
Less accumulated depreciation:				
Land improvements	(794,598)	(101,993)	-	(896,591)
Buildings and improvements	(8,659,125)	(214,411)	-	(8,873,536)
Equipment and vehicles	(4,704,389)	(275,966)	-	(4,980,355)
Infrastructure	(2,591,040)	(352,553)	-	(2,943,593)
Total Accumulated Depreciation	<u>(16,749,152)</u>	<u>(944,923)</u>	<u>-</u>	<u>(17,694,075)</u>
CAPITAL ASSETS, NET	<u>\$19,753,504</u>	<u>\$1,717,840</u>	<u>(\$1,946,815)</u>	<u>\$19,524,529</u>

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

Governmental Activities:	
General Government	\$451,435
Public Safety	144,486
Public Works	113,138
Community and Economic Development	-
Recreation and Culture	91,706
Internal Service Fund charged to above activities	144,158
Total Depreciation Expense	<u>\$944,923</u>

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

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

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in progress	136,041	902,112	(259,441)	778,712
Subtotal	<u>146,929</u>	<u>902,112</u>	<u>(259,441)</u>	<u>789,600</u>
Capital assets being depreciated:				
Land improvements	-	-	-	-
Building and improvements	68,793	-	-	68,793
Equipment	497,629	59,430	-	557,059
Sewer system	17,006,490	-	-	17,006,490
Water system	16,305,971	255,824	-	16,561,795
Subtotal	<u>33,878,883</u>	<u>315,254</u>	<u>-</u>	<u>34,194,137</u>
Total Capital Assets	<u>34,025,812</u>	<u>1,217,366</u>	<u>(259,441)</u>	<u>34,983,737</u>
Less accumulated depreciation:				
Land improvements	-	-	-	-
Building and improvements	(46,329)	(1,728)	-	(48,057)
Equipment	(316,816)	(39,341)	-	(356,157)
Sewer system	(11,925,479)	(413,584)	-	(12,339,063)
Water system	(3,137,728)	(379,103)	-	(3,516,831)
Total Accumulated Depreciation	<u>(15,426,352)</u>	<u>(833,756)</u>	<u>-</u>	<u>(16,260,108)</u>
CAPITAL ASSETS, NET	<u>\$18,599,460</u>	<u>\$383,610</u>	<u>(\$259,441)</u>	<u>\$18,723,629</u>

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

Business-type Activities:	
Sewer	\$449,263
Water	384,493
Brasswire Campground	-
Total Depreciation Expense	<u>\$833,756</u>

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

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

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022
<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	(46,878)	(7,948)	-	(54,826)
Infrastructure	(747,167)	(105,470)	-	(852,637)
Total Accumulated Depreciation	(794,045)	(113,418)	-	(907,463)
CAPITAL ASSETS, NET	<u>\$1,515,356</u>	<u>(\$113,418)</u>	<u>\$-</u>	<u>\$1,401,938</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 I – 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, 2022, include the following:

Empire Street Reconstruction Project, \$563,868; 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. The project is anticipated to be completed in fiscal year 2023.

Road Projects, \$31,459; the City is in the preliminary engineering phrase 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.

Marquette Street / 2<sup>nd</sup> Street Reconstruction, \$98,974. The total cost of the project is approximately \$100,000 and the project is anticipated to be completed in fiscal year 2023.

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

Various Engineering, \$8,385; the City is in the preliminary engineering phase of various other potential future projects. One of these projects includes a potential grant for the Lake Bancroft area.

Empire Street Reconstruction – Water; in 2021 the City began the engineering phase of the Empire Street Reconstruction. The project includes various replacement of water lines. Total costs incurred were \$472,094

Brasswire Campground, \$306,618; in 2021 the City received a \$100,000 grant through the Michigan Department of Agriculture and Rural Development to facilitate the construction of a rustic campground in the City. Total costs for the project were estimated at \$300,000. The campground is expected to be operational in 2023.

As of December 31, 2022, total construction in progress costs incurred amounted to \$702,686 in the governmental type activities and \$778,712 in the business-type activities.

**NOTE J – LONG -TERM DEBT:**

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

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Building Authority Bonds, Series 2015. Payable semi-annually including interest of 3.25% per annum.	\$1,223,000	\$-	(\$33,000)	\$1,190,000	\$34,000
Building Authority Bonds, Series 2016. Payable semi-annually including interest of 3.125% per annum.	217,000	-	(6,000)	211,000	6,000
General Obligation Unlimited Tax Bonds, Series 2017. Payable semi-annually including interest of 3.00% to 3.125% per annum.	595,000	-	(70,000)	525,000	70,000
Snowplow Loan. Payable monthly including interest rate of 3.60%.	78,891	-	(30,787)	48,104	30,591
2020 Dodge Charger Lease. Payable annually including interest of 5.24%.	11,947	-	(11,947)	-	-
2021 Limited Tax General Obligation Refunding Bonds. Payable semi-annually including interest of 2.00% per annum.	854,630	-	(88,410)	766,220	90,515
Caterpillar Small Wheel Loader Lease. Payable annually including interest rate of 2.99%.	125,355	-	(30,075)	95,280	30,974
Limited Tax General Obligation Bonds, Series 2021. Payable semi-annually including interest of 0.27% to 3.16% per annum.	6,056,901	-	(285,157)	5,771,744	292,072

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

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES (continued):</b>					
2020 Chevy Silverado 4500 Lease. Payable annually including interest of 4.456%	\$42,051	\$-	(\$9,836)	\$32,215	\$10,274
2021 Dodge Durango Lease. Payable annually including interest rate of 5.85%	32,068	-	(15,578)	16,490	16,490
SUBTOTAL	9,236,843	-	(580,790)	8,656,053	580,916
Less: Premium on bonds	44,205	-	(4,421)	39,784	-
SUBTOTAL	9,281,048	-	(585,211)	8,695,837	580,916
Compensated absences	267,509	39,045	(92,479)	214,075	5,129
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$9,548,557</b>	<b>\$39,045</b>	<b>(\$677,690)</b>	<b>\$8,909,912</b>	<b>\$586,045</b>

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022	Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Water Revenue Bonds, Series 2017. Payable semi-annually beginning June 1, 2018 including interest of 2.125%	\$8,382,000	\$-	(\$157,000)	\$8,225,000	\$161,000
Limited Tax General Obligation Bonds, Series 2021. Payable semi- annually including interest of 0.27% to 3.16% per annum.	3,068,099	-	(144,566)	2,923,533	147,928
SUBTOTAL	11,450,099	-	(301,566)	11,148,533	308,928
Compensated absences	18,634	724	(5,894)	13,464	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$11,468,733</b>	<b>\$724</b>	<b>(\$307,460)</b>	<b>\$11,161,997</b>	<b>\$308,928</b>

	Balance at 12/31/2021	Additions	Deductions	Balance at 12/31/2022	Due Within One Year
<b>COMPONENT UNIT:</b>					
2021 Limited Tax General Obligation Refunding Bonds. Payable semi- annually including interest of 2.00% per annum.	\$1,175,370	\$-	(\$121,590)	\$1,053,780	\$124,485
SUBTOTAL	1,175,370	-	(121,590)	1,053,780	124,485
Less: Premium on bonds	57,393	-	(5,739)	51,654	-
<b>TOTAL COMPONENT UNIT</b>	<b>\$1,232,763</b>	<b>\$-</b>	<b>(\$127,329)</b>	<b>\$1,105,434</b>	<b>\$124,485</b>

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

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, 2022, \$391,000 of the 2000 Building Authority Bonds outstanding are considered defeased. On December 31, 2022, \$45,000 of the 2002 Building Authority Bonds outstanding are considered defeased. On December 31, 2022, \$1,395,000 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.

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
2023	\$580,916	\$209,365	\$308,928	\$227,907	\$124,485	\$19,831
2024	558,051	199,060	313,886	223,808	124,485	17,341
2025	548,520	189,167	317,609	218,999	124,485	14,851
2026	518,860	178,206	323,971	213,610	133,170	12,275
2027	525,283	167,850	329,652	207,773	136,065	9,583
2028-2032	2,343,220	670,263	1,754,690	936,580	411,090	12,158
2033-2037	2,147,726	396,654	1,966,274	729,538	-	-
2038-2042	1,184,477	102,794	1,563,523	498,674	-	-
2043-2047	249,000	16,126	1,277,000	364,210	-	-
2048-2052	-	-	1,420,000	229,500	-	-
2053-2057	-	-	1,573,000	79,830	-	-
2058-2062	-	-	-	-	-	-
Totals	<u>\$8,656,053</u>	<u>\$2,129,485</u>	<u>\$11,148,533</u>	<u>\$3,930,429</u>	<u>\$1,053,780</u>	<u>\$86,039</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:

	<u>Sick</u>	<u>Vacation</u>	<u>Total</u>
Current Portion:			
Governmental Activities	\$-	\$5,129	\$5,129
Business-type Activities	-	-	-
Total Current	<u>-</u>	<u>5,129</u>	<u>5,129</u>
Long-term Portion:			
Governmental Activities	169,213	39,733	208,946
Business-type Activities	12,740	724	13,464
Total Long-term	<u>181,953</u>	<u>40,457</u>	<u>222,410</u>
GRAND TOTAL	<u>\$181,953</u>	<u>\$45,586</u>	<u>\$227,539</u>

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

Property taxes levied on December 1, 2022, 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	\$1,640,913
Public Improvement Fund	536,344
Fire Fund	107,774
TOTAL	<u>\$2,285,031</u>
Fiduciary:	
Pension Trust Fund	<u>\$327,797</u>
Component Unit:	
DDA Fund	<u>\$278,986</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, 2022, fund balances are composed of the following:

	General Fund	Major Special Revenue Funds	Major Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
<b>Non-spendable:</b>					
Inventory	\$264,721	\$-	\$-	\$-	\$264,721
Prepays	105,625	-	-	-	105,625
Corpus	-	-	-	988,983	988,983
Subtotal	370,346	-	-	988,983	1,359,329
<b>Restricted:</b>					
Transportation Funds	-	1,595,336	-	-	1,595,336
Public Improvement Levy	-	-	547,630	-	547,630
Fire Equipment Levy	-	-	-	119,531	119,531
Firefighter Longevity	-	-	-	209,543	209,543
Library State Aid	-	-	-	3,305	3,305
Cemetery	-	-	-	237,949	237,949
Subtotal	-	1,595,336	547,630	570,328	2,713,294
<b>Committed</b>					
	-	-	-	-	-
<b>Assigned:</b>					
Building Authority	-	-	-	22,149	22,149
Parks Construction	-	-	-	134,517	134,517
Senior Center	-	-	-	15,001	15,001
Lake Bancroft	-	-	-	4,760	4,760
Library Improvements	-	-	-	54,387	54,387
Welcome baskets	960	-	-	-	960
Subtotal	960	-	-	230,814	231,774
<b>Unassigned</b>					
	772,293	-	(379,256)	(5,919)	387,118
<b>Total fund balances</b>	<b>\$1,143,599</b>	<b>\$1,595,336</b>	<b>\$168,374</b>	<b>\$1,784,206</b>	<b>\$4,691,515</b>

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

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, 2021).

**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>2021 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, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	43
Inactive employees entitled to but not yet receiving:	4
Active employees:	23
Total	<u>70</u>

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

### 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, 2021 are as follows:

Division	Employer Contribution (\$/month)	Employee Contribution
01 – CI & Pub Wks	\$10,164	5.43%
10 – Supervisory	1,873	7.51%
11 – Union/Supervisor	1,549	9.70%

### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as December 31, 2021.

### Actuarial assumptions

The total pension liability in the December 31, 2021, 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	7.00%, 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:

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

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%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.00%		4.50%

**Discount rate**

The discount rate used to measure the total pension liability is 7.25%. 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.

**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 12/31/2021	\$18,640,104	\$19,615,818	(\$975,714)
<b>Changes for the Year</b>			
Service Cost	173,972	-	173,972
Interest on Total Pension Liability	1,374,792	-	1,374,792
Changes in benefits	-	-	-
Difference between expected and actual experience	175,596	-	175,596
Change in assumptions	729,940	-	729,940
Employer Contributions	-	209,616	(209,616)
Employee Contributions	-	99,612	(99,612)
Net Investment Income	-	(2,048,872)	2,048,872
Benefit payments, including employee refunds	(1,275,445)	(1,275,445)	-
Administrative expense	-	(35,561)	35,561
Other changes	(78,738)	(1)	(78,737)
<b>Net Changes</b>	<b>1,100,117</b>	<b>(3,050,651)</b>	<b>4,150,054</b>
<b>Balances at 12/31/2022</b>	<b>\$19,740,221</b>	<b>\$16,565,167</b>	<b>\$3,175,054</b>

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

Net Pension Liability (NPL):	
MERS – Primary Government	\$3,175,054
Police-Fire – Primary Government (see Note O)	<u>1,354,174</u>
NPL reported in the Statement of Net Position	<u>\$4,529,228</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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/2022	<u>\$3,175,054</u>	<u>\$3,175,054</u>	<u>\$3,175,054</u>
Change in Net Pension Liability	<u>2,382,896</u>	<u>-</u>	<u>(1,964,451)</u>
Calculated Net Pension Liability	<u>\$5,557,950</u>	<u>\$3,175,054</u>	<u>\$1,210,603</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.

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

For the year ended 2022 the employer recognized pension expense of \$913,497. 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	<u>\$2,192,627</u>	<u>(\$52,347)</u>
Difference in assumptions	653,333	-
Excess (Deficit) Investment Returns	-	-
Total	<u>\$2,845,960</u>	<u>(\$52,347)</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
2022 (2023)	\$711,203
2023 (2024)	798,813
2024 (2025)	583,275
2025 (2026)	700,322
2026 (2027)	-
Thereafter	-
Total	<u>\$2,793,613</u>

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

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	\$2,845,960	(\$52,347)
Police-Fire – Primary Government (see Note O)	-	(576,212)
Total	<u>\$2,845,960</u>	<u>(\$628,559)</u>
Contributions subsequent to the measurement date:		
Police-Fire – Primary Government (see Note O)	<u>\$306,616</u>	

**Payable to the Pension Plan**

At December 31, 2022, 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:**

**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:**

	2021 Valuation
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%
Non-duty Disability:	To age 55: 1.5% of AFC times years of service At age 55: same as normal retirement
Duty Disability:	To age 55: 50% AFC At age 55: same as normal retirement from date of disability to age 55.

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

**Employees covered by benefit terms**

At the December 31, 2021 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:	10
Total	<u>34</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, 2021 are as follows: employer 42.64% 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, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial assumptions**

The total pension liability in the December 31, 2021 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.

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

**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, 2021. 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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00%	(1.36%)
Domestic Equity – Large Cap	25.20%	4.55%
Domestic Equity – Small Cap	25.20%	5.15%
International Equity	10.80%	5.60%
Emerging Markets	10.80%	7.63%
Domestic Corporate Fixed Income	16.00%	(0.50%)
Domestic Government Fixed Income	8.00%	(0.88%)
Real Estate	2.00%	4.05%
TOTAL	100.00%	

**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.

**NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN (Continued):****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	1,542.0000 units	\$592,452
Schwab US Large CAP	7,936.0000 units	440,924
Dodge & Cox Income Fund	39,286.3250 units	478,900
Doubleline Core Fixed	52,076.1050 units	478,579
JOHCM International	20,835.4890 units	416,918
Pimco Rae International	50,962.4840 units	375,084
Pimco Rae US Instl	31,957.8290 units	386,690

**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 1.84% (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%.

**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	\$6,589,204	\$4,892,597	\$1,696,607
<b>Changes for the Year</b>			
Service Cost	129,938	-	129,938
Interest on Total Pension Liability	448,944	-	448,944
Changes in benefits	-	-	-
Difference between expected and actual experience	(37,577)	-	(37,577)
Change in assumptions	-	-	-
Employer Contributions	-	290,002	(290,002)
Employee Contributions	-	28,723	(28,723)
Net Investment Income	-	584,146	(584,146)
Benefit payments, including employee refunds	(481,382)	(481,382)	-
Administrative expense	-	(19,133)	19,133
Other changes	-	-	-
<b>Net Changes</b>	<b>59,923</b>	<b>402,356</b>	<b>(342,433)</b>
<b>Balances at 12/31/2021</b>	<b>\$6,649,127</b>	<b>\$5,294,953</b>	<b>\$1,354,174</b>

Note: Based on December 31, 2021 actuarial valuation, the most recent actuarial report available.

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

**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 12/31/2021	\$2,128,620	\$1,354,174	\$709,796

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

For the year ended 2022 the employer recognized pension expense of (\$263,836). 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	\$-	(\$150,184)
Difference in assumptions	-	-
Excess (Deficit) Investment Returns	-	(426,028)
Subtotal	-	(\$576,212)
Contributions subsequent to the measurement date*	306,616	
Total	\$306,616	

\*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 2022.

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
2022 (2023)	(\$136,136)
2023 (2024)	(256,763)
2024 (2025)	(128,688)
2025 (2026)	(54,625)
2026 (2027)	-
Thereafter	-
Total	(\$576,212)

**Payable to the Pension Plan**

At December 31, 2022, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

**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, 2022, are as follows:

Total pension liability	\$6,649,127	*
Plan fiduciary net position	<u>5,294,953</u>	*
City’s net pension liability	<u>\$1,354,174</u>	*

Plan fiduciary net position as  
a percentage of the total pension liability 79.63% \*

\*As of December 31, 2021, 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, 2022, the City’s contributions totaled approximately \$26,452.

**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 2022. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$133,774,325.

**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, 2022 is as follows:

Assets	\$3,806,294
Deferred Outflows of Resources	-
Liabilities	19,796
Deferred Inflows of Resources	388,241
Net Position	3,398,257
Operating Revenues	467,779
Operating Expenses	278,100

**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.

## NOTE U – JOINT VENTURES (Continued):

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2022, is as follows:

Assets	\$6,124,286
Deferred Outflows of Resources	397,498
Liabilities	406,691
Deferred Inflows of Resources	-
Equity - All local units	6,115,093
Operating Revenues	1,368,172
Operating Expenses	1,732,819
Other Income	113,299
Increase (decrease) in net position	(251,348)
City's Share of Net Income (loss)	(66,397)

### 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, 2022 is as follows:

Assets	\$22,225,129
Deferred Outflows of Resources	348,238
Liabilities	10,589,602
Deferred Inflows of Resources	398,085
Net Position	11,585,680
Operating Revenues	5,756,779
Operating Expenses	(5,149,980)
Non-operating Revenues (Expenses)	(67,774)
Net Income (Loss)	539,075

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

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.

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, 2021 (the most recent report available) is as follows:

Total Assets	\$2,687,261
Total Liabilities	47,350
Total Net Position	2,639,910
Total Operating Revenues	836,064
Total Operating Expenses	669,892
Non-operating Revenues (Expense)	(61,277)

The balance of the investment in Board for the year ended December 31, 2022 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.

**NOTE V – CONTINGENT LIABILITIES (Continued):**

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.

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, 2022, 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, 2022, the Federal aid received and expended by the City was less than the single audit threshold of \$750,000; therefore, the City is not required to have 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**

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase 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 recognize 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. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The City did not have any material activities that meet the requirements of GASB 87 in the current year; however, GASB 87 is applicable to the City.

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

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 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 effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports. This Statement also addresses 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 are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. Lastly, the Statement discusses 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, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The City has activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the City.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. GASB 97 increases 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. This Statement also mitigates 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. Lastly, this Statement enhances 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 is effective for periods beginning after June 15, 2021. The City has activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the City.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and

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

reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The City has implemented the requirements of the activities which apply to the City under GASB 99.

### Other Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB 91 provides 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. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. This Statement was originally effective for periods beginning after December 15, 2020. However, under GASB 95, the effective date was postponed by 12 months, to periods beginning after December 15, 2021. The City does not have obligations that meet the criteria under GASB 91; therefore, GASB 91 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 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 assets, such as infrastructure or other capital assts (the underlying PPP asset), for a period of time in an exchange or exchange-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.

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

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 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 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 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62 *Effective for fiscal years beginning after June 15, 2023 (City's fiscal year 2024)*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the

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

change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

### GASB 101: Compensated Absences

*Effective for fiscal years beginning after December 15, 2023 (City's fiscal year 2024)*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

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

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

**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, 2022, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

	Final Budget	Actual	Variance
<b>General Fund:</b>			
City Council	\$13,036	\$14,631	(\$1,595)
City Clerk	38,391	38,924	(533)
City Assessor	49,827	49,832	(5)
City Hall and Grounds	42,385	44,454	(2,069)
Police	923,445	950,816	(27,371)
Fire	137,880	150,800	(12,920)
Rental Inspector	25,600	26,033	(433)
DPW Administration	88,090	91,432	(3,342)
Alleys & Sidewalks	98,411	100,732	(2,321)
Street Lights	144,135	147,868	(3,733)
Cemetery	184,625	187,532	(2,907)
Zoning Administration	42,770	43,780	(1,010)
DDA Administration	1,645	1,661	(16)
Al Quaal	141,825	144,317	(2,492)
Park Maintenance	81,885	83,571	(1,686)
Library	265,495	277,934	(12,439)
<b>Major Street Fund:</b>			
Drainage/backslashes	16,925	25,036	(8,111)
<b>Local Street Fund:</b>			
Drainage/backslashes	14,000	29,090	(15,090)
Administration	21,865	24,650	(2,785)
<b>Fire Fund:</b>			
Debt service	87,300	87,400	(100)

**NOTE AA – BUDGET VIOLATIONS (Continued):**

	Final Budget	Actual	Variance
<b>Lake Bancroft Fund:</b>			
Recreation and Culture	\$-	\$1,200	(\$1,200)
<b>Building Authority Fund:</b>			
Debt Service	144,630	144,810	(180)

**NOTE AB – NET POSITION RESTATEMENT:**

During the current year, the City adopted the Michigan Department of Treasury’s new chart of accounts. As a result of this process it was determined that the City’s Garbage & Rubbish Fund should be classified as a proprietary fund as revenue source for this fund is now through charges for services rather than via property tax millage as in the past.

In accordance with GASB No. 54 for the fiscal year ended December 31, 2021 the activities of the Campground Fund were included in the General Fund. However, in the current year there was sufficient activity within the fund to separately account for the activity in a separate proprietary fund. As such the beginning balance of the fund has been removed from the General Fund and reported in the Brasswire Campground Fund.

	Governmental Activities	Business- Type Activities	General Fund	Brasswire Campground Fund
Net Position, beginning of year	\$13,814,087	\$19,487,822	\$1,015,720	\$-
Prior period adjustment(s)				
Fund reclassifications:				
Garbage & Rubbish	(321,617)	321,617	-	-
Brasswire Campground	24,296	(24,296)	24,296	(24,296)
	<u>(297,321)</u>	<u>297,321</u>	<u>24,296</u>	<u>(24,296)</u>
Prior period adjustment(s)				
Net Position, beginning of year, as restated	<u>\$13,516,766</u>	<u>\$19,75,143</u>	<u>\$1,040,016</u>	<u>(\$24,296)</u>

**NOTE AC – UNRESTRICTED NET POSITION/FUND BALANCE DEFICIT:**

In accordance with Public Act 140 of 1970, the City is required to file a deficit elimination plan for all funds that have a deficit at the end of the fiscal year. As of December 31, 2022, the City had the following deficits in its Governmental Activities and Business-Type Activities:

For purposes of determining if a fund is in a deficit position, the Michigan Department of Treasury’s Local Audit and Finance Division issued Numbered Letter 2016-1. For governmental funds, “unrestricted fund balance” is the sum of the Committed, Assigned, and Unassigned balances. The City’s Senior Center Capital Projects Fund and 2023 CWSRF Capital Projects Fund had deficit “unrestricted fund balance” and a deficit elimination plan is required to be filed for each fund for amount of \$379,256 and \$5,919, respectively.

## **NOTE AC – UNRESTRICTED NET POSITION/FUND BALANCE DEFICIT (Continued):**

For proprietary funds, fiduciary funds, and discretely presented component units the Michigan Department of Treasury created a deficit test for determining if a fund is in a deficit position and the deficit amount for which a deficit elimination plan must be submitted. The test is summarized as below:

Step 1: Does the “unrestricted net position” or “total net position” have a deficit? If both are “no”, no plan is necessary. If one is “yes”, is the “deferred inflows of resources minus taxes and special assessments receivable” greater than either deficit? If “yes”, no plan is necessary. If “no”, proceed to Step 2.

Step 2: Calculated current assets minus current liabilities. For this calculation, current liabilities should not include the current portion of long-term obligations. If the answer is positive, no plan is necessary. If the answer is negative, proceed to Step 3.

Step 3: Compare A) the larger deficit between the “unrestricted net position” and the “total net position”, and B) current assets minus current liabilities.

Step 4: Submit a plan to eliminate the smaller deficit between A and B.

The results of performing the deficit test revealed the Water Fund and Brasswire Campground Fund are not required to file a deficit elimination plan with the Michigan Department of Treasury.

## 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,				
	2022	2021	2020	2019	2018
<b>Change in total pension liability</b>					
Service cost	\$ 173,972	\$ 199,104	\$ 235,763	\$ 209,452	\$ 202,632
Interest	1,374,792	1,359,912	1,280,589	1,303,816	1,267,953
Change in benefit terms	-	-	-	(138)	(24)
Differences between expected and actual experience	175,596	(508,231)	219,561	278,635	42,208
Changes in assumptions	729,940	500,120	571,248	-	-
Benefit payments, including refunds of member contributions	(1,275,445)	(1,220,749)	(1,143,922)	(1,140,064)	(1,163,689)
Other	(78,738)	(94,450)	(62,771)	(110,789)	83,985
<b>Net change in total pension liability</b>	<u>1,100,117</u>	<u>235,706</u>	<u>1,100,468</u>	<u>540,912</u>	<u>433,065</u>
<b>Total pension liability, beginning of year</b>	<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>Total pension liability, end of year</b> (a)	<u>19,740,221</u>	<u>18,640,104</u>	<u>18,404,398</u>	<u>17,303,930</u>	<u>16,763,018</u>
<b>Change in plan fiduciary net position</b>					
Contributions – employer	209,616	9,893,512	808,559	825,950	601,641
Contributions – member	99,612	72,853	87,601	99,950	81,803
Net investment income	(2,048,872)	1,621,160	1,064,923	1,028,801	(316,588)
Benefit payments, including refunds of member contributions	(1,275,445)	(1,220,749)	(1,143,922)	(1,140,064)	(1,163,689)
Administrative expense	(35,561)	(17,565)	(16,882)	(17,706)	(16,112)
Other	(1)	-	-	-	2
<b>Net change in plan fiduciary net position</b>	<u>(3,050,651)</u>	<u>10,349,211</u>	<u>800,279</u>	<u>796,931</u>	<u>(812,943)</u>
<b>Plan fiduciary net position, beginning of year</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>
<b>Plan fiduciary net position, end of year</b> (b)	<u>16,565,167</u>	<u>19,615,818</u>	<u>9,266,607</u>	<u>8,466,328</u>	<u>7,669,397</u>
City's net pension liability, end of year (a)-(b)	<u>\$ 3,175,054</u>	<u>\$ (975,714)</u>	<u>\$ 9,137,791</u>	<u>\$ 8,837,602</u>	<u>\$ 9,093,621</u>
Plan fiduciary net position as a percentage of the total pension liability	83.92%	105.23%	50.35%	48.93%	45.75%
Covered-employee payroll	\$ 1,175,150	\$ 1,321,996	\$ 1,492,241	\$ 1,331,729	\$ 1,312,420
City's net pension liability as a percentage of covered payroll	270.18%	-73.81%	612.35%	663.62%	692.89%
<b>Notes to schedule:</b>					
Benefit Changes:	NONE	NONE	NONE	NONE	NONE
Changes of Assumptions:	2022	NONE	2020	NONE	NONE

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

2022 - The investment rate of return assumption from 7.35% to 7.00%

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,		
	2017	2016	2015
<b>Change in total pension liability</b>			
Service cost	\$ 200,575	\$ 183,436	\$ 176,348
Interest	1,209,026	1,177,043	1,111,444
Change in benefit terms	(131)	-	-
Differences between expected and actual experience	426,449	(240,242)	-
Changes in assumptions	-	805,071	-
Benefit payments, including refunds of member contributions	(1,014,405)	(969,793)	(896,652)
Other	(11,304)	(96,136)	16,018
<b>Net change in total pension liability</b>	<u>810,210</u>	<u>859,379</u>	<u>407,158</u>
<b>Total pension liability, beginning of year</b>	<u>15,519,743</u>	<u>14,660,364</u>	<u>14,253,206</u>
<b>Total pension liability, end of year (a)</b>	<u>16,329,953</u>	<u>15,519,743</u>	<u>14,660,364</u>
<b>Change in plan fiduciary net position</b>			
Contributions – employer	565,838	537,665	474,475
Contributions – member	81,314	141,948	73,403
Net investment income	1,019,969	822,998	(113,758)
Benefit payments, including refunds of member contributions	(1,014,405)	(969,793)	(896,652)
Administrative expense	(16,175)	(16,241)	(16,811)
Other	-	-	-
<b>Net change in plan fiduciary net position</b>	<u>636,541</u>	<u>516,577</u>	<u>(479,343)</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>7,845,799</u>	<u>7,329,222</u>	<u>7,808,565</u>
<b>Plan fiduciary net position, end of year (b)</b>	<u>8,482,340</u>	<u>7,845,799</u>	<u>7,329,222</u>
City's net pension liability, end of year (a)-(b)	<u>\$ 7,847,613</u>	<u>\$ 7,673,944</u>	<u>\$ 7,331,142</u>
Plan fiduciary net position as a percentage of the total pension liability	51.94%	50.55%	49.99%
Covered-employee payroll	\$ 1,296,057	\$ 1,229,890	\$ 1,195,774
City's net pension liability as a percentage of covered payroll	605.50%	623.95%	613.09%

**Notes to schedule:**

Benefit Changes: NONE NONE NONE  
 Changes of Assumptions: NONE 2016 NONE

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

2022 - The investment rate of return assumption from 7.35% to 7.00%

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%
2022	209,616	209,616	-	1,175,150	17.84%

**City of Ishpeming, Michigan**  
**POLICE AND FIRE 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,				
	2022	2021	2020	2019	2018
<b>Change in total pension liability</b>					
Service cost	Not Available	129,938	131,968	\$ 107,651	\$ 108,783
Interest	Not Available	448,944	452,412	454,476	450,415
Change in benefit terms	Not Available	-	-	-	-
Differences between expected and actual experience	Not Available	(37,577)	(160,861)	(122,404)	(7,962)
Changes in assumptions	Not Available	-	-	-	-
Benefit payments, including refunds of member contributions	Not Available	(481,382)	(462,717)	(500,023)	(485,291)
Other changes	Not Available	-	-	-	-
<b>Net change in total pension liability</b>	-	59,923	(39,198)	(60,300)	65,945
<b>Total pension liability, beginning of year</b>	6,649,127	6,589,204	6,628,402	6,688,702	6,622,757
<b>Total pension liability, end of year</b> (a)	6,649,127	6,649,127	6,589,204	6,628,402	6,688,702
<b>Change in plan fiduciary net position</b>					
Contributions – employer	306,616	290,002	257,010	229,122	178,625
Contributions – member	30,114	28,723	28,275	24,114	24,981
Net investment income	(842,794)	584,146	605,412	753,628	(405,208)
Benefit payments, including refunds of member contributions	(487,258)	(481,382)	(462,717)	(500,023)	(485,291)
Administrative expense	(31,461)	(19,133)	(18,884)	(18,501)	(19,633)
Other changes	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	(1,024,783)	402,356	409,096	488,340	(706,526)
<b>Plan fiduciary net position, beginning of year</b>	5,319,953	4,892,597	4,483,501	3,995,161	4,701,687
<b>Plan fiduciary net position, end of year</b> (b)	4,295,170	5,294,953	4,892,597	4,483,501	3,995,161
City's net pension liability, end of year (a)-(b)	\$ 2,353,957	\$ 1,354,174	\$ 1,696,607	\$ 2,144,901	\$ 2,693,541
Plan fiduciary net position as a percentage of the total pension liability	64.60%	79.63%	74.25%	67.64%	59.73%
Covered-employee payroll	Not Available	\$ 578,977	\$ 585,368	\$ 515,441	\$ 486,037
City's net pension liability as a percentage of covered payroll	Not Available	233.89%	289.84%	416.13%	554.18%
*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, 2021.

**City of Ishpeming, Michigan**  
**POLICE AND FIRE 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,				
	2017	2016	2015	2014	
<b>Change in total pension liability</b>					
Service cost	\$ 106,350	\$ 91,455	\$ 111,812	\$ 114,128	
Interest	440,259	431,723	438,498	477,261	
Change in benefit terms	-	-	-	-	
Differences between expected and actual experience	68,626	(142,763)	(157,156)	(333,359)	
Changes in assumptions	-	178,587	(56,392)	(387,579)	
Benefit payments, including refunds of member contributions	(457,439)	(431,579)	(415,168)	(430,902)	
Other changes	-	(1)	1	-	
<b>Net change in total pension liability</b>	<u>157,796</u>	<u>127,422</u>	<u>(78,405)</u>	<u>(560,451)</u>	-
<b>Total pension liability, beginning of year</b>	<u>6,464,961</u>	<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>6,622,757</u>	<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	163,490	188,906	199,322	201,791	
Contributions – member	24,927	26,124	23,844	22,745	
Net investment income	561,745	211,257	(187,393)	101,472	
Benefit payments, including refunds of member contributions	(457,439)	(431,579)	(415,168)	(430,902)	
Administrative expense	(11,797)	-	(42,723)	(39,761)	
Other changes	-	(1)	1	-	
<b>Net change in plan fiduciary net position</b>	<u>280,926</u>	<u>(5,293)</u>	<u>(422,117)</u>	<u>(144,655)</u>	-
<b>Plan fiduciary net position, beginning of year</b>	<u>4,420,761</u>	<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>4,701,687</u>	<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>\$ 1,921,070</u>	<u>\$ 2,044,200</u>	<u>\$ 1,911,485</u>	<u>\$ 1,567,773</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	70.99%	68.38%	69.84%	75.56%	
Covered-employee payroll	\$ 475,382	\$ 424,035	\$ 458,896	\$ 462,485	\$ -
City's net pension liability as a percentage of covered payroll	404.11%	482.08%	416.54%	338.99%	
*Actuarial information not available					
<b>Notes to Schedules:</b>					
Benefit Changes:	NONE	NONE	NONE	NONE	
Changes of Assumptions:	NONE	NONE	NONE	NONE	

**City of Ishpeming, Michigan**

POLICE AND FIRE RETIREMENT SYSTEM

DEFINED BENEFIT PENSION PLAN

ANALYSIS OF FUNDING INFORMATION

**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
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)	578,977	50.09%
2022	267,379	306,616	(39,237)	626,920	48.91%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** December 31, 2019

**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	20 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	A member was assumed to be eligible for retirement after attaining age 50 with 25 or more years of service, or, after attaining age 60. These rates were first used for the December 31, 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	9.40%
2022	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, and LOCAL STREET FUND are Major Special Revenue Fund types.

**City of Ishpeming, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2021
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Taxes	\$ 1,659,475	\$ 1,659,475	\$ 1,667,763	\$ 8,288	\$ 1,637,208
Federal sources	-	338,472	338,473	1	356,051
State sources	908,250	1,026,487	1,050,946	24,459	1,011,620
Licenses and permits	172,650	182,650	170,296	(12,354)	181,406
Service charges	72,730	72,730	79,609	6,879	84,467
Interest income and rentals	4,200	4,200	1,372	(2,828)	2,872
Contributions	-	11,000	21,694	10,694	-
Fines and forfeitures	42,986	46,986	44,449	(2,537)	36,208
Other revenues	24,452	24,452	43,493	19,041	108,590
<b>TOTAL REVENUES</b>	<b>2,884,743</b>	<b>3,366,452</b>	<b>3,418,095</b>	<b>51,643</b>	<b>3,418,422</b>
<b>EXPENDITURES:</b>					
General Government:					
City council	16,045	13,036	14,631	(1,595)	16,485
City manager	107,089	127,648	125,449	2,199	108,509
City clerk	40,239	38,391	38,924	(533)	36,692
Board of review	1,978	1,733	1,661	72	2,172
Finance department	120,709	245,643	236,540	9,103	228,071
City assessor	53,700	49,827	49,832	(5)	51,856
Elections	3,007	18,620	18,610	10	8,232
City hall and grounds	43,805	42,385	44,454	(2,069)	47,563
City attorney	43,400	57,830	57,825	5	61,142
Other general government	329,022	378,965	278,458	100,507	6,384,943
Total General Government	758,994	974,078	866,384	107,694	6,945,665
Public Safety:					
Police	920,924	923,445	950,816	(27,371)	904,856
Fire	137,460	137,880	150,800	(12,920)	137,646
Rental inspector	27,210	25,600	26,033	(433)	25,665
Total Public Safety	1,085,594	1,086,925	1,127,649	(40,724)	1,068,167
Public Works:					
DPW Administration	104,192	88,090	91,432	(3,342)	143,027
Alleys & Sidewalks	82,230	98,411	100,732	(2,321)	71,782
City engineer	15,000	1,200	1,200	-	20,898
Street lights	177,270	144,135	147,868	(3,733)	183,506
Cemetery	224,959	184,625	187,532	(2,907)	227,888
Total Public Works	603,651	516,461	528,764	(12,303)	647,101
Community and Economic Development:					
Planning commission	500	1,325	1,312	13	349
Zoning administration	40,895	42,770	43,780	(1,010)	44,552
Zoning board of appeals	300	250	243	7	-
Economic development	-	37,505	37,500	5	-
DDA administration	2,430	1,645	1,661	(16)	465
Total Community and Economic Development	44,125	83,495	84,496	(1,001)	45,366
Recreation and Culture:					
Al Quaal	145,120	141,825	144,317	(2,492)	139,206
Al Quaal Tube Slide	13,210	1,720	1,682	38	373
Park maintenance	92,745	81,885	83,571	(1,686)	97,588
Library	331,784	265,495	277,934	(12,439)	327,942
	582,859	490,925	507,504	(16,579)	565,109

**City of Ishpeming, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022				2021
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
Debt Service:					
Principal	\$ -	\$ 430,000	\$ 285,157	\$ 144,843	\$ 37,247
Interest and fiscal charges	-	104,195	133,898	(29,703)	44,312
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>3,075,223</u>	<u>3,686,079</u>	<u>3,533,852</u>	<u>152,227</u>	<u>9,352,967</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(190,480)</u>	<u>(319,627)</u>	<u>(115,757)</u>	<u>203,870</u>	<u>(5,934,545)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from borrowing	-	-	-	-	6,056,901
Transfers in	11,700	226,340	225,640	(700)	12,200
Transfers (out)	(8,305)	(6,305)	(6,300)	5	(5,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,395</u>	<u>220,035</u>	<u>219,340</u>	<u>(695)</u>	<u>6,063,601</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(187,085)</u>	<u>(99,592)</u>	<u>103,583</u>	<u>203,175</u>	<u>129,056</u>
Fund balance, beginning of year, as restated	<u>1,040,016</u>	<u>1,040,016</u>	<u>1,040,016</u>	<u>-</u>	<u>910,960</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 852,931</u>	<u>\$ 940,424</u>	<u>\$ 1,143,599</u>	<u>\$ 203,175</u>	<u>\$ 1,040,016</u>

**City of Ishpeming, Michigan**

MAJOR SPECIAL REVENUE FUNDS

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2021
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	1,225,730	1,225,730	787,176	(438,554)	882,889
Interest income and rentals	1,300	1,300	119	(1,181)	1,477
Other revenue	150	150	-	(150)	149
<b>TOTAL REVENUES</b>	<b>1,227,180</b>	<b>1,227,180</b>	<b>787,295</b>	<b>(439,885)</b>	<b>884,515</b>
<b>EXPENDITURES:</b>					
Public Works:					
Drainage/backslashes	-	16,925	25,036	(8,111)	-
Construction	779,430	779,430	527,969	251,461	30,234
Routine maintenance	61,345	54,345	37,169	17,176	35,009
Winter maintenance	317,890	317,890	298,807	19,083	202,792
Traffic services	29,030	21,030	8,151	12,879	32,742
Administration	54,804	52,804	52,741	63	36,344
State trunkline	78,713	78,713	29,208	49,505	20,091
Total Public Works	1,321,212	1,321,137	979,081	342,056	357,212
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Debt Service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,321,212</b>	<b>1,321,137</b>	<b>979,081</b>	<b>342,056</b>	<b>357,212</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(94,032)</b>	<b>(93,957)</b>	<b>(191,786)</b>	<b>(97,829)</b>	<b>527,303</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	(100,000)	(100,000)	(100,000)	-	(300,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>-</b>	<b>(300,000)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(194,032)</b>	<b>(193,957)</b>	<b>(291,786)</b>	<b>(97,829)</b>	<b>227,303</b>
Fund balance, beginning of year	985,452	985,452	985,452	-	758,149
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 791,420</b>	<b>\$ 791,495</b>	<b>\$ 693,666</b>	<b>\$ (97,829)</b>	<b>\$ 985,452</b>

**City of Ishpeming, Michigan**

MAJOR SPECIAL REVENUE FUNDS

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022				2021
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	521,970	521,970	436,638	(85,332)	410,384
Interest income and rentals	300	300	73	(227)	53
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>522,270</u>	<u>522,270</u>	<u>436,711</u>	<u>(85,559)</u>	<u>410,437</u>
<b>EXPENDITURES:</b>					
Public Works:					
Drainage/backslashes	-	14,000	29,090	(15,090)	-
Construction	400,000	400,000	123,243	276,757	19,327
Routine maintenance	127,420	113,420	60,737	52,683	111,611
Winter maintenance	306,350	306,350	237,966	68,384	144,497
Traffic services	14,151	14,151	5,827	8,324	6,692
Administration	21,865	21,865	24,650	(2,785)	14,505
Total Public Works	<u>869,786</u>	<u>869,786</u>	<u>481,513</u>	<u>388,273</u>	<u>296,632</u>
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>869,786</u>	<u>869,786</u>	<u>481,513</u>	<u>388,273</u>	<u>296,632</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(347,516)</u>	<u>(347,516)</u>	<u>(44,802)</u>	<u>302,714</u>	<u>113,805</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	405,000	405,000	100,000	(305,000)	600,751
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>405,000</u>	<u>405,000</u>	<u>100,000</u>	<u>(305,000)</u>	<u>600,751</u>
<b>CHANGE IN FUND BALANCE</b>	<u>57,484</u>	<u>57,484</u>	<u>55,198</u>	<u>(2,286)</u>	<u>714,556</u>
Fund balance, beginning of year	<u>846,472</u>	<u>846,472</u>	<u>846,472</u>	<u>-</u>	<u>131,916</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 903,956</u>	<u>\$ 903,956</u>	<u>\$ 901,670</u>	<u>\$ (2,286)</u>	<u>\$ 846,472</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, SENIOR CENTER FUND, LAKE BANCROFT FUND, CARNEGIE LIBRARY FUND, and LIBRARY STATE AID FUND are Non-major Special Revenue Fund types.

**DEBT SERVICE FUNDS**

The function of the DEBT SERVICE FUNDS is to account for the payment of interest and principal on long-term debt obligations. The modified accrual basis of accounting is used in recording Debt Service transactions. The BUILDING AUTHORITY FUND is the only Debt Service Fund type.

**CAPITAL PROJECTS FUNDS**

The function of the CAPITAL PROJECT FUNDS is to record revenues and expenditures for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The modified accrual basis of accounting is used in recording Capital Project Fund transactions. The PARKS CONSTRUCTION FUND and 2023 CWSRF FUND are Capital Project 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, 2022

	Special Revenue Funds	Debt Service Building Authority Fund	Capital Project Funds Parks Construction Fund	2023 CWSRF Fund	Permanent Funds Perpetual Care Fund	Cemetery Care Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 407,305	\$ 22,149	\$ 134,517	\$ -	\$ 422,016	\$ 75,441	\$ 1,061,428
Investments	-	-	-	-	810,560	104,782	915,342
Accounts receivable, net	-	-	-	-	-	-	-
Taxes receivable	107,774	-	-	-	-	-	107,774
Other receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>515,079</b>	<b>22,149</b>	<b>134,517</b>	<b>-</b>	<b>1,232,576</b>	<b>180,223</b>	<b>2,084,544</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 515,079</b>	<b>\$ 22,149</b>	<b>\$ 134,517</b>	<b>\$ -</b>	<b>\$ 1,232,576</b>	<b>\$ 180,223</b>	<b>\$ 2,084,544</b>
<b>LIABILITIES</b>							
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	778	-	-	5,919	-	-	6,697
Accrued payroll and related	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	160,560	25,307	185,867
<b>TOTAL LIABILITIES</b>	<b>778</b>	<b>-</b>	<b>-</b>	<b>5,919</b>	<b>160,560</b>	<b>25,307</b>	<b>192,564</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes levied for a subsequent period	107,774	-	-	-	-	-	107,774
Discount on investment	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>107,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,774</b>
<b>FUND BALANCE</b>							
Non-spendable	-	-	-	-	843,286	145,697	988,983
Restricted	332,379	-	-	-	228,730	9,219	570,328
Committed	-	-	-	-	-	-	-
Assigned	74,148	22,149	134,517	-	-	-	230,814
Unassigned	-	-	-	(5,919)	-	-	(5,919)
<b>TOTAL FUND BALANCE</b>	<b>406,527</b>	<b>22,149</b>	<b>134,517</b>	<b>(5,919)</b>	<b>1,072,016</b>	<b>154,916</b>	<b>1,784,206</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 515,079</b>	<b>\$ 22,149</b>	<b>\$ 134,517</b>	<b>\$ -</b>	<b>\$ 1,232,576</b>	<b>\$ 180,223</b>	<b>\$ 2,084,544</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, 2022

	Special Revenue Funds	Debt Service Building Authority Fund	Capital Project Funds Parks Construction Fund	2023 CWSRF Fund	Permanent Funds Perpetual Care Fund	Cemetery Care Fund	Total Non-Major Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 112,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,666
Federal sources	-	-	-	-	-	-	-
State sources	13,531	-	-	-	-	-	13,531
Charges for services	-	-	-	-	20,075	-	20,075
Interest income and rentals	54	-	-	-	(5,523)	(266)	(5,735)
Contributions	12,167	-	134,517	-	-	-	146,684
Other revenues	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>138,418</b>	<b>-</b>	<b>134,517</b>	<b>-</b>	<b>14,552</b>	<b>(266)</b>	<b>287,221</b>
<b>EXPENDITURES:</b>							
Current Operations:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	25,508	-	-	-	-	-	25,508
Debt Service:							
Principal	70,000	89,000	-	-	-	-	159,000
Interest and fiscal charges	17,400	55,810	-	-	-	-	73,210
Capital outlay	-	-	-	5,919	-	-	5,919
<b>TOTAL EXPENDITURES</b>	<b>112,908</b>	<b>144,810</b>	<b>-</b>	<b>5,919</b>	<b>-</b>	<b>-</b>	<b>263,637</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>25,510</b>	<b>(144,810)</b>	<b>134,517</b>	<b>(5,919)</b>	<b>14,552</b>	<b>(266)</b>	<b>23,584</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Refunding bonds	-	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Transfers in	12,300	144,630	-	-	-	-	156,930
Transfers (out)	-	-	-	-	(11,000)	-	(11,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>12,300</b>	<b>144,630</b>	<b>-</b>	<b>-</b>	<b>(11,000)</b>	<b>-</b>	<b>145,930</b>
<b>CHANGE IN FUND BALANCE</b>	<b>37,810</b>	<b>(180)</b>	<b>134,517</b>	<b>(5,919)</b>	<b>3,552</b>	<b>(266)</b>	<b>169,514</b>
Fund balance, beginning of year	368,717	22,329	-	-	1,068,464	155,182	1,614,692
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 406,527</b>	<b>\$ 22,149</b>	<b>\$ 134,517</b>	<b>\$ (5,919)</b>	<b>\$ 1,072,016</b>	<b>\$ 154,916</b>	<b>\$ 1,784,206</b>

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

December 31, 2022

	Fire Fund	Firefighter Longevity Fund	Senior Center	Lake Bancroft Fund	Carnegie Library Fund	Library State Aid Fund	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 119,531	\$ 209,543	\$ 15,001	\$ 4,760	\$ 54,387	\$ 4,083	\$ 407,305
Investments	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Taxes receivable	107,774	-	-	-	-	-	107,774
Other receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>227,305</b>	<b>209,543</b>	<b>15,001</b>	<b>4,760</b>	<b>54,387</b>	<b>4,083</b>	<b>515,079</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 227,305</b>	<b>\$ 209,543</b>	<b>\$ 15,001</b>	<b>\$ 4,760</b>	<b>\$ 54,387</b>	<b>\$ 4,083</b>	<b>\$ 515,079</b>
<b>LIABILITIES</b>							
Cash overdrafts	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	778	778
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>778</b>	<b>778</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes levied for a subsequent period	107,774	-	-	-	-	-	107,774
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>107,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,774</b>
<b>FUND BALANCE</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted	119,531	209,543	-	-	-	3,305	332,379
Committed	-	-	-	-	-	-	-
Assigned	-	-	15,001	4,760	54,387	-	74,148
Unassigned	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>119,531</b>	<b>209,543</b>	<b>15,001</b>	<b>4,760</b>	<b>54,387</b>	<b>3,305</b>	<b>406,527</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 227,305</b>	<b>\$ 209,543</b>	<b>\$ 15,001</b>	<b>\$ 4,760</b>	<b>\$ 54,387</b>	<b>\$ 4,083</b>	<b>\$ 515,079</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, 2022

	Fire Fund	Firefighter Longevity Fund	Senior Center	Lake Bancroft Fund	Carnegie Library Fund	Library State Aid Fund	Total
<b>REVENUES:</b>							
Taxes	\$ 112,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,666
Federal sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	13,531	13,531
Charges for services	-	-	-	-	-	-	-
Interest and rentals	18	28	-	1	7	-	54
Contributions	-	-	6,000	-	6,167	-	12,167
Fines and forfeitures	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>112,684</b>	<b>28</b>	<b>6,000</b>	<b>1</b>	<b>6,174</b>	<b>13,531</b>	<b>138,418</b>
<b>EXPENDITURES:</b>							
Current Operations:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	1,200	5,810	18,498	25,508
Debt Service:							
Principal	70,000	-	-	-	-	-	70,000
Interest and fiscal charges	17,400	-	-	-	-	-	17,400
Capital outlay	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>87,400</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>5,810</b>	<b>18,498</b>	<b>112,908</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>25,284</b>	<b>28</b>	<b>6,000</b>	<b>(1,199)</b>	<b>364</b>	<b>(4,967)</b>	<b>25,510</b>
<b>OTHER FINANCING SOURCES:</b>							
Proceeds from borrowing	-	-	-	-	-	-	-
Premium on bond	-	-	-	-	-	-	-
Refunding bonds	-	-	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Transfers in	-	-	6,000	-	-	6,300	12,300
Transfers (out)	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>6,000</b>	<b>-</b>	<b>-</b>	<b>6,300</b>	<b>12,300</b>
<b>CHANGE IN FUND BALANCE</b>	<b>25,284</b>	<b>28</b>	<b>12,000</b>	<b>(1,199)</b>	<b>364</b>	<b>1,333</b>	<b>37,810</b>
Fund balance, beginning of year	94,247	209,515	3,001	5,959	54,023	1,972	368,717
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 119,531</b>	<b>\$ 209,543</b>	<b>\$ 15,001</b>	<b>\$ 4,760</b>	<b>\$ 54,387</b>	<b>\$ 3,305</b>	<b>\$ 406,527</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. The non-major Enterprise Funds of the City are the BRASSWIRE CAMPGROUND FUND, and GARBAGE AND RUBBISH 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.

BRASSWIRE CAMPGROUND FUND to account for the management of the rustic campground related activities including billing, maintenance, and construction.

GARBAGE AND RUBBISH FUND to account for the management of the garbage related activities including billing, maintenance, and construction.

**City of Ishpeming, Michigan**

SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,156,223	\$ 1,696,855
Investments	54,529	54,451
Accounts receivable	285,915	256,829
Allowance for uncollectible accounts	-	-
Delinquent utilities	10,914	10,457
Prepaid	-	43,941
Non-current Assets:		
Investment in Wastewater Treatment Facility	3,735,241	3,801,638
Advance to other funds	103,123	-
Capital Assets:		
Land and construction in progress	-	6,643
Other capital assets, net of depreciation	4,836,799	5,239,277
Total Capital Assets	<u>4,836,799</u>	<u>5,245,920</u>
<b>TOTAL ASSETS</b>	<u>11,182,744</u>	<u>11,110,091</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>390,700</u>	<u>70,469</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>390,700</u>	<u>70,469</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,027	39,931
Accrued payroll and related	3,982	3,837
Accrued interest	4,921	5,679
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Pension obligation bonds	62,348	60,935
Compensated absences	-	397
Portion due or payable after one year		
Pension obligation bonds	1,169,825	1,232,169
Compensated absences	61	2,273
Net pension liability (asset)	<u>208,753</u>	<u>(379,410)</u>
<b>TOTAL LIABILITIES</b>	<u>1,450,917</u>	<u>965,811</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>17,806</u>	<u>156,296</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>17,806</u>	<u>156,296</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,572,040	9,047,558
Unrestricted	<u>1,532,681</u>	<u>1,010,895</u>
<b>TOTAL NET POSITION</b>	<u>\$ 10,104,721</u>	<u>\$ 10,058,453</u>

**City of Ishpeming, Michigan**

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 1,772,888	\$ 1,684,644
Other revenue	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>1,772,888</u>	<u>1,684,644</u>
<b>OPERATING EXPENSES:</b>		
Personal services	432,965	358,953
Contractual services	557,329	510,416
Supplies	6,238	10,670
Utilities	3,803	2,179
Depreciation	449,263	439,926
Equipment rental	50,207	63,577
Other expenses	38,286	52,040
<b>TOTAL OPERATING EXPENSES</b>	<u>1,538,091</u>	<u>1,437,761</u>
<b>OPERATING INCOME (LOSS)</b>	<u>234,797</u>	<u>246,883</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(27,765)	(5,679)
Gain/(loss) on wastewater facility	(66,397)	152,037
Interest income	327	2,566
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>(93,835)</u>	<u>148,924</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	140,962	395,807
Federal sources	-	-
State sources	-	-
Transfers in	-	-
Transfers (out)	(94,694)	-
<b>CHANGE IN NET POSITION</b>	46,268	395,807
Net position, beginning of year	<u>10,058,453</u>	<u>9,662,646</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 10,104,721</u></u>	<u><u>\$ 10,058,453</u></u>

**City of Ishpeming, Michigan**

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 1,743,345	\$ 1,695,685
Other operating revenues	-	-
Cash payments to employees for services	(305,987)	(1,680,640)
Cash payments to suppliers for goods and services	<u>(650,826)</u>	<u>(643,852)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>786,532</u>	<u>(628,807)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
(Increase) decrease in due from/advance to other funds	(103,123)	-
Increase (decrease) in due to other funds	-	(3,520)
Transfers in (out)	(94,694)	-
Proceeds from pension obligation bonds	-	1,293,104
Principal on pension obligation bonds	(60,931)	-
Interest on pension obligation bonds	<u>(28,523)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(287,271)</u>	<u>1,289,584</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	-	-
Interest paid on debt	-	-
Proceeds from borrowing	-	-
Cash payments for capital assets	(40,142)	(238,457)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(40,142)</u>	<u>(238,457)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) decrease in investments	(78)	(117)
Investment income	<u>327</u>	<u>2,566</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>249</u>	<u>2,449</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	459,368	424,769
Cash and cash equivalents, beginning of year	<u>1,696,855</u>	<u>1,272,086</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,156,223</u>	<u>\$ 1,696,855</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 234,797	\$ 246,883
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	449,263	439,926
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(29,543)	11,041
(Increase) decrease in prepaid	43,941	(43,941)
Increase (decrease) in accounts payable	(38,904)	38,971
Increase (decrease) in accrued payroll	145	250
Increase (decrease) in accrued sick and vacation	(2,609)	210
Increase (decrease) in net pension liability and related	129,442	(1,322,147)
<b>NET ADJUSTMENTS</b>	<u>551,735</u>	<u>(875,690)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 786,532</u>	<u>\$ (628,807)</u>

**City of Ishpeming, Michigan**

WATER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,711,026	\$ 1,824,453
Accounts receivable	437,809	363,198
Allowance for uncollectible accounts	-	-
Delinquent utilities	14,684	36,763
Due from other funds	-	-
Due from other governmental units	958	129,387
Non-current Assets:		
Cash and cash equivalents - restricted	887,905	887,905
Investment in Joint Water Authority	3,507,323	3,507,323
Advance to other funds	103,123	-
Capital Assets:		
Land and construction in progress	482,982	140,286
Other capital assets, net of depreciation	13,097,230	13,213,254
Total Capital Assets	<u>13,580,212</u>	<u>13,353,540</u>
<b>TOTAL ASSETS</b>	<u>20,243,040</u>	<u>20,102,569</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>603,126</u>	<u>122,415</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>603,126</u>	<u>122,415</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdrafts	-	-
Accounts payable	48,007	2,873
Customer deposits payable	186,438	176,381
Accrued payroll and related	8,395	8,212
Accrued interest	20,725	22,274
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Revenue bonds	161,000	157,000
Pension obligation bonds	85,580	83,644
Compensated absences	-	794
Portion due or payable after one year		
Revenue bonds	8,064,000	8,225,000
Pension obligation bonds	1,605,780	1,691,351
Compensated absences	13,403	15,170
Net pension liability	1,046,878	239,555
<b>TOTAL LIABILITIES</b>	<u>11,240,206</u>	<u>10,622,254</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	<u>24,424</u>	<u>173,361</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>24,424</u>	<u>173,361</u>
<b>NET POSITION</b>		
Net investment in capital assets	8,862,535	8,478,863
Restricted for:		
Debt service	838,346	761,871
Unrestricted (deficit)	<u>(119,345)</u>	<u>188,635</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,581,536</u>	<u>\$ 9,429,369</u>

**City of Ishpeming, Michigan**

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 2,554,668	\$ 2,391,064
Other revenue	2,853	968
	<u>2,557,521</u>	<u>2,392,032</u>
<b>OPERATING EXPENSES:</b>		
Personal services	836,919	656,715
Contractual services	611,838	534,151
Supplies	53,464	41,838
Utilities	17,381	17,658
Depreciation	384,493	383,993
Equipment rental	110,163	109,104
Other expenses	74,074	39,818
	<u>2,088,332</u>	<u>1,783,277</u>
<b>OPERATING INCOME (LOSS)</b>	<u>469,189</u>	<u>608,755</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(203,673)	(176,975)
Interest income	282	2,671
	<u>(203,391)</u>	<u>(174,304)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	265,798	434,451
Federal sources	-	-
State sources	6,315	97,977
Transfers in	-	-
Transfers (out)	(119,946)	-
	<u>152,167</u>	<u>532,428</u>
<b>CHANGE IN NET POSITION</b>	152,167	532,428
Net position, beginning of year	<u>9,429,369</u>	<u>8,896,941</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 9,581,536</u></u>	<u><u>\$ 9,429,369</u></u>

**City of Ishpeming, Michigan**

WATER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 2,502,136	\$ 2,397,568
Other operating revenues	131,282	(97,009)
Cash payments to employees for services	(661,622)	(2,468,824)
Cash payments to suppliers for goods and services	<u>(811,729)</u>	<u>(752,567)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>1,160,067</u>	<u>(920,832)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Increase (decrease) in cash overdraft	-	-
(Increase) decrease in due from/advance to other funds	(103,123)	3,520
Increase (decrease) in due to other funds	-	-
Transfers in (out)	(119,946)	-
Proceeds from pension obligation bonds	-	1,774,995
Principal on pension obligation bonds	(83,635)	-
Interest on pension obligation bonds	<u>(39,152)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(345,856)</u>	<u>1,778,515</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments on debt	(157,000)	(154,000)
Interest paid on debt	(166,070)	(169,180)
Proceeds from borrowing	-	-
Cash payments for capital assets	(611,165)	(149,418)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	6,315	97,977
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(927,920)</u>	<u>(374,621)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	282	2,671
(Increase) decrease in restricted assets	<u>-</u>	<u>(69,124)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>282</u>	<u>(66,453)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(113,427)</u>	<u>416,609</u>
Cash and cash equivalents, beginning of year	<u>1,824,453</u>	<u>1,407,844</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,711,026</u></u>	<u><u>\$ 1,824,453</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>\$ 469,189</u>	<u>\$ 608,755</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	384,493	383,993
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(52,532)	6,504
(Increase) decrease in due from other governmental units	128,429	(97,977)
Increase (decrease) in accounts payable	45,134	(27,348)
Increase (decrease) in customer deposits payable	10,057	17,350
Increase (decrease) in accrued payroll	183	2,578
Increase (decrease) in accrued sick and vacation	(2,561)	117
Increase (decrease) in net pension liability and related	177,675	(1,814,804)
<b>NET ADJUSTMENTS</b>	<u>690,878</u>	<u>(1,529,587)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 1,160,067</u></u>	<u><u>\$ (920,832)</u></u>

**City of Ishpeming, Michigan**

BRASSWIRE CAMPGROUND FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	-	-
Allowance for uncollectible accounts	-	-
Delinquent utilities	-	-
Due from other governmental units	-	-
Non-current Assets:		
Cash and cash equivalents - restricted	-	-
Capital Assets:		
Land and construction in progress	306,618	-
Other capital assets, net of depreciation	-	-
Total Capital Assets	<u>306,618</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>306,618</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdrafts	61,313	24,296
Accounts payable	-	-
Customer deposits payable	-	-
Accrued payroll and related	-	-
Accrued interest	-	-
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Advance from other funds	-	-
Portion due or payable after one year		
Advance from other funds	<u>206,246</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>267,559</u>	<u>24,296</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>-</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	306,618	-
Restricted for:		
Debt service	-	-
Unrestricted (deficit)	<u>(267,559)</u>	<u>(24,296)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 39,059</u>	<u>\$ (24,296)</u>

**City of Ishpeming, Michigan**

**BRASSWIRE CAMPGROUND FUND**

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

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ -	\$ -
Other revenue	-	-
	<u>-</u>	<u>-</u>
<b>TOTAL OPERATING REVENUES</b>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>		
Personal services	8,466	6,887
Contractual services	3,320	7,126
Supplies	14,300	325
Utilities	-	-
Depreciation	-	-
Equipment rental	10,559	9,958
Other expenses	-	-
	<u>36,645</u>	<u>24,296</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>36,645</u>	<u>24,296</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(36,645)</u>	<u>(24,296)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	-	-
	<u>-</u>	<u>-</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<u>(36,645)</u>	<u>(24,296)</u>
State sources	100,000	-
Transfers in	-	-
Transfers (out)	-	-
	<u>63,355</u>	<u>(24,296)</u>
<b>CHANGE IN NET POSITION</b>	<u>63,355</u>	<u>(24,296)</u>
Net position, beginning of year, as restated	<u>(24,296)</u>	<u>-</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 39,059</u>	<u>\$ (24,296)</u>

**City of Ishpeming, Michigan**

BRASSWIRE CAMPGROUND FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ -	\$ -
Other operating revenues	-	-
Cash payments to employees for services	(8,466)	(6,887)
Cash payments to suppliers for goods and services	<u>(28,179)</u>	<u>(17,409)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(36,645)</u>	<u>(24,296)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Increase (decrease) in cash overdraft	37,017	24,296
(Increase) decrease in due from other funds	-	-
Increase (decrease) in due to other funds	206,246	-
Transfers in (out)	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>243,263</u>	<u>24,296</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash payments for capital assets	(306,618)	-
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	100,000	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(206,618)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>-</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	<u>\$ (36,645)</u>	<u>\$ (24,296)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	-	-
Increase (decrease) in accounts payable	-	-
Increase (decrease) in accrued payroll	-	-
Increase (decrease) in unavailable revenue	-	-
<b>NET ADJUSTMENTS</b>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (36,645)</u></u>	<u><u>\$ (24,296)</u></u>

**City of Ishpeming, Michigan**

**GARBAGE & RUBBISH FUND**

**COMPARATIVE STATEMENT OF NET POSITION**

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 277,302	\$ 209,616
Accounts receivable	159,007	160,076
Allowance for uncollectible accounts	-	-
Delinquent utilities	6,162	1,517
Due from other governmental units	-	-
Non-current Assets:		
Cash and cash equivalents - restricted	-	-
Capital Assets:		
Land and construction in progress	-	-
Other capital assets, net of depreciation	-	-
Total Capital Assets	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>442,471</u>	<u>371,209</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Cash overdrafts	-	-
Accounts payable	9,907	35,757
Customer deposits payable	-	-
Accrued payroll and related	45	22
Accrued interest	-	-
Due to other funds	-	-
TOTAL LIABILITIES	<u>9,952</u>	<u>35,779</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue	<u>-</u>	<u>13,813</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>13,813</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	-
Restricted for:		
Debt service	-	-
Unrestricted (deficit)	<u>432,519</u>	<u>321,617</u>
<b>TOTAL NET POSITION</b>	<u>\$ 432,519</u>	<u>\$ 321,617</u>

**City of Ishpeming, Michigan**

**GARBAGE & RUBBISH FUND**

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

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022	2021
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 887,767	\$ 840,096
Other revenue	-	-
	<b>TOTAL OPERATING REVENUES</b>	<b>840,096</b>
	887,767	840,096
<b>OPERATING EXPENSES:</b>		
Personal services	29,829	34,480
Contractual services	696,433	673,767
Supplies	6,442	10,001
Utilities	2,740	2,605
Depreciation	-	-
Equipment rental	30,156	33,508
Other expenses	11,297	13,526
	<b>TOTAL OPERATING EXPENSES</b>	<b>767,887</b>
	776,897	767,887
	<b>OPERATING INCOME (LOSS)</b>	<b>72,209</b>
	110,870	72,209
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	32	281
	<b>TOTAL NON-OPERATING (EXPENSES)</b>	<b>281</b>
	32	281
	<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>72,490</b>
	110,902	72,490
Transfers in	-	-
Transfers (out)	-	-
	<b>CHANGE IN NET POSITION</b>	<b>72,490</b>
	110,902	72,490
Net position, beginning of year, as restated	321,617	249,127
	<b>NET POSITION, END OF YEAR</b>	<b>\$ 321,617</b>
	\$ 432,519	\$ 321,617

**City of Ishpeming, Michigan**

GARBAGE & RUBBISH FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ 870,378	\$ 880,615
Other operating revenues	-	-
Cash payments to employees for services	(29,806)	(34,584)
Cash payments to suppliers for goods and services	<u>(772,918)</u>	<u>(731,224)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>67,654</u>	<u>114,807</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)	-	-
<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>		
Cash payments for capital assets	-	-
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>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	<u>32</u>	<u>281</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>32</u>	<u>281</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	67,686	115,088
Cash and cash equivalents, beginning of year	<u>209,616</u>	<u>94,528</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 277,302</u>	<u>\$ 209,616</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 110,870	\$ 72,209
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(3,576)	26,706
Increase (decrease) in accounts payable	(25,850)	2,183
Increase (decrease) in accrued payroll	23	(104)
Increase (decrease) in unavailable revenue	<u>(13,813)</u>	<u>13,813</u>
<b>NET ADJUSTMENTS</b>	<u>(43,216)</u>	<u>42,598</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 67,654</u>	<u>\$ 114,807</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 448,438	\$ 342,144
Due from other funds	-	-
Non-current Assets:		
Capital Assets:		
Land and construction in progress	-	-
Other capital assets, net of depreciation	785,760	918,443
Total Capital Assets	<u>785,760</u>	<u>918,443</u>
<b>TOTAL ASSETS</b>	<u>1,234,198</u>	<u>1,260,587</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	5,111	5,163
Accrued payroll and related	2,464	3,380
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable	71,839	70,555
Compensated absences	-	8,183
Portion due or payable after one year		
Notes payable	103,760	175,742
Compensated absences	5,416	-
Net pension liability (asset)	-	-
<b>TOTAL LIABILITIES</b>	<u>188,590</u>	<u>263,023</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts related to pension	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	610,161	672,146
Restricted	-	-
Unrestricted (deficit)	<u>435,447</u>	<u>325,418</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,045,608</u>	<u>\$ 997,564</u>

**City of Ishpeming, Michigan**

**MOTOR POOL FUND**

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

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES:</b>		
Federal sources	\$ -	\$ -
State sources	-	-
Rentals	782,519	642,330
Charges for services	-	-
Other revenue	<u>48</u>	<u>354</u>
<b>TOTAL OPERATING REVENUES</b>	<u>782,567</u>	<u>642,684</u>
<b>OPERATING EXPENSES:</b>		
Personal services	214,855	153,540
Contractual services	4,053	3,327
Supplies	281,872	213,727
Depreciation	144,158	116,354
Other expenses	<u>81,662</u>	<u>57,687</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>726,600</u>	<u>544,635</u>
<b>OPERATING INCOME (LOSS)</b>	<u>55,967</u>	<u>98,049</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest (expense)	(7,988)	(3,492)
Gain/(loss) on sale of assets	-	7,900
Interest income	<u>65</u>	<u>701</u>
<b>TOTAL NON-OPERATING (EXPENSES)</b>	<u>(7,923)</u>	<u>5,109</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	48,044	103,158
Transfers in	-	-
Transfers (out)	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	48,044	103,158
Net position, beginning of year	<u>997,564</u>	<u>894,406</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,045,608</u></u>	<u><u>\$ 997,564</u></u>

**City of Ishpeming, Michigan**

MOTOR POOL FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from fees and charges for services	\$ -	\$ -
Other operating revenues	782,567	642,684
Cash payments to employees for services	(218,538)	(276,778)
Cash payments to suppliers for goods and services	<u>(367,639)</u>	<u>(274,783)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>196,390</u>	<u>91,123</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)	-	-
<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	(70,698)	(94,622)
Interest paid on debt	(7,988)	(3,492)
Proceeds from borrowing	-	232,515
Cash payments for capital assets	(11,475)	(372,036)
Proceeds from sale of capital assets	-	7,900
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(90,161)</u>	<u>(229,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income	65	701
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>65</u>	<u>701</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	106,294	(137,911)
Cash and cash equivalents, beginning of year	<u>342,144</u>	<u>480,055</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 448,438</u>	<u>\$ 342,144</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 55,967	\$ 98,049
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	144,158	116,354
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(52)	(42)
Increase (decrease) in accrued payroll	(916)	1,664
Increase (decrease) in accrued sick and vacation	(2,767)	(3,375)
Increase (decrease) in net pension liability and related	-	(121,527)
<b>NET ADJUSTMENTS</b>	<u>140,423</u>	<u>(6,926)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 196,390</u>	<u>\$ 91,123</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 335,390	\$ 253,897
Investments	15,791	15,617
Accounts receivable, net	-	-
Taxes receivable	260,385	211,360
Other receivable	-	-
Due from other governments	-	-
Primary government internal balances	446,966	484,213
Prepays	-	2,000
Notes receivable	-	-
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>1,058,532</b>	<b>967,087</b>
	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-
	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,058,532</b>	<b>\$ 967,087</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Cash overdrafts	\$ -	\$ -
Accounts payable	-	2,000
Due to comp unit	-	-
Accrued payroll and related	102	71
Accrued sick and vacation leave	-	-
Unearned revenue	-	-
Due to other funds	-	-
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>102</b>	<b>2,071</b>
	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes levied for a subsequent period	278,986	255,517
	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>278,986</b>	<b>255,517</b>
	<hr/>	<hr/>
<b>FUND BALANCE</b>		
Non-spendable	446,966	484,213
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	332,478	225,286
	<hr/>	<hr/>
<b>TOTAL FUND BALANCE</b>	<b>779,444</b>	<b>709,499</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 1,058,532</b>	<b>\$ 967,087</b>
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**City of Ishpeming, Michigan**

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

December 31, 2022

**Total Fund Balances for Downtown Development Authority** \$ 779,444

*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	<u>1,401,938</u>	1,401,938

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	(124,485)	
Accrued interest on debt	(7,025)	
Bonds payable	(929,295)	
Premium on bonds	<u>(51,654)</u>	<u>(1,112,459)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 1,068,923

**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, 2022

With Comparative Actual Amounts for the Year Ended December 31, 2021

	2022				2021
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	
<b>REVENUES:</b>					
Taxes	\$ 253,615	\$ 253,615	\$ 255,517	\$ 1,902	\$ 247,706
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Interest income and rentals	100	100	205	105	291
Contributions	-	-	308	308	1,900
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<u>253,715</u>	<u>253,715</u>	<u>256,030</u>	<u>2,315</u>	<u>249,897</u>
<b>EXPENDITURES:</b>					
Other governmental	92,546	92,246	41,903	50,343	49,588
Debt service:					
Principal	121,600	121,900	121,590	310	171,000
Interest and fiscal charges	22,914	22,914	22,592	322	76,996
Total Debt Service	<u>144,514</u>	<u>144,814</u>	<u>144,182</u>	<u>632</u>	<u>247,996</u>
<b>TOTAL EXPENDITURES</b>	<u>237,060</u>	<u>237,060</u>	<u>186,085</u>	<u>50,975</u>	<u>297,584</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,655</u>	<u>16,655</u>	<u>69,945</u>	<u>53,290</u>	<u>(47,687)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Refunding bonds	-	-	-	-	1,175,370
Premium on refunding bonds	-	-	-	-	57,393
Payment to refunded bond escrow agent	-	-	-	-	(1,191,656)
Proceeds from sale of capital assets	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,107</u>
<b>CHANGE IN FUND BALANCE</b>	<u>16,655</u>	<u>16,655</u>	<u>69,945</u>	<u>53,290</u>	<u>(6,580)</u>
Fund balance, beginning of year	<u>709,499</u>	<u>709,499</u>	<u>709,499</u>	<u>-</u>	<u>716,079</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 726,154</u>	<u>\$ 726,154</u>	<u>\$ 779,444</u>	<u>\$ 53,290</u>	<u>\$ 709,499</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, 2022

**Net Change in Fund Balances - Total Governmental Funds** \$ 69,945

*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	<u>-</u>	(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. 121,590

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. -

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 5,739

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 811

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. -

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 84,667

## 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2023.

### **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.

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 described in the accompanying Report to Management, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 consider the deficiencies described in the accompanying Report to Management as items 2022-001, 2022-002, and 2022-003 to be material weaknesses.

To the City Council of the  
City of Ishpeming, Michigan

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 described in the Report to Management as items 2022-004 and 2022-005 to be significant deficiencies.

### **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 Report to Management as item 2022-006.

### **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 Corrective Action Plan. 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

July 31, 2023

## COMMUNICATIONS SECTION



***City of Ishpeming, Michigan***  
***Report to Management***  
***For the Year Ended December 31, 2022***

To the City Council 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, 2022 in accordance with auditing standards generally accepted in the United States of America, we considered the City's system of 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 material weaknesses and other deficiencies 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 consider the following deficiencies in internal control to be material weaknesses:

**MATERIAL WEAKNESSES**

**2022-001 – BANK ACCOUNT RECONCILIATIONS**

**Condition:** During 2021 the City hired an outside accounting firm to assist with the duties of the Finance Director while the search for a replacement was on-going. As part of that firm's responsibilities bank reconciliations were performed. The outside accounting firm performed bank reconciliations accurately and timely. Once the replacement for the former Finance Director was hired the City discontinued contracting accounting services with the outside accounting firm. There was no training or guidance provided to the new Finance Office Manager on how to perform

To the City Council of the  
City of Ishpeming, Michigan

bank reconciliations. For approximately half the fiscal year, although bank reconciliation were being performed they were not accurate and the general ledger was not appropriately adjusted.

**Criteria:** Proper internal controls rely on a strong reconciliation function. The general ledger contains the accounts and records which are the basis for the preparation of interim financial statements and for them to be free of a material error or irregularity, the necessity for timely reconciliations cannot be overemphasized. The reconciliation function allows management to detect misstatements in a timely manner. A strong reconciliation function also serves as a deterrent for fraud. The most important financial reconciliation is the bank accounts. It is generally accepted practice that bank accounts are reconciled monthly.

**Cause of the Condition:** The Finance Office Manager did not have an accounting degree or experience. Furthermore, there was no training provided by the outside accounting firm on the purpose of bank reconciliations, how to perform them, and how to properly adjust the general ledger when discrepancies are identified. There was a breakdown in internal control procedures and lack of appropriate oversight of the individual assigned the bank reconciliation function.

**Effect:** The City's audit was not able to be performed timely due to the prevalence of errors in the general ledger. Transactions were recorded incorrectly and other were not recorded in the general ledger. Without key reconciliations being performed the general ledger cannot be relied upon for producing accurate financial information to present to the City Council and, as a result, the Council will make uninformed financial decisions that could negatively impact the financial health of the City.

Additionally, the City incurred additional costs related to the audit for the additional work that was necessary. The reconciliation function is crucial to assist management in detecting misstatements whether due to error or fraud that otherwise may go undetected. As a result of the review of the financial records, we made dozens of journal entries to assist with the financial statement close for the audit. That number does not include the many journal entries recorded by the new City Treasurer during the process of cleaning up the erroneous bank reconciliation.

**Recommendation:** All bank accounts should be reconciled on a monthly basis.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - City Manager
  - Finance Director
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - June 30, 2023

**2022-002 – FINANCIAL REPORTING PACKAGE TO BOARD**

**Condition:** Financial information, although being presented to the City Council was not accurate due to bank reconciliations not being performed accurately and timely. Furthermore, upon review of various key financial data that was presented there were mathematical errors.

To the City Council of the  
City of Ishpeming, Michigan

**Criteria:** In order to make informed decisions the City Council needs to be presented with complete and accurate financial information. In addition to approving disbursements prior to payment, the City Council should receive financial information on each fund of the City including a balance sheet and a statement of revenues/expenses.

**Cause of the Condition:** Breakdown of internal control procedures and lack of appropriate supervision.

**Effect:** When erroneous financial information is presented to the City Council the decisions that are made by the Board may be different than what would have been made had the Board received the appropriate information.

**Recommendation:** In addition to the timely reconciliation of bank accounts it is recommended that once the City's books are cleaned up and information from the City's accounting software can be relied upon that software should be used for generating as much of the pertinent financial information as possible to reduce the risk of mathematical errors. During the monthly Council meetings it is recommended that the Council review and approve a listing of all disbursements (including electronic payments and the Tax Collection Fund). Approval should be noted in the meeting minutes. Furthermore, the Council should be presented balance sheet information along with budget-to-actual information for each of the City's funds.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - City Manager
  - Finance Director
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Unknown

**2022-003 – TAX ACCOUNT DISBURSEMENTS AND SUPPORTING DOCUMENTATION**

**Condition:** The City is responsible for collecting property taxes levied by other jurisdictions. The amount of property taxes collected must be remitted to the other jurisdictions and the City in accordance MCL 211.43. Summer taxes are collected July 1 through September 14<sup>th</sup> without penalty. Winter taxes are collected December 1 through February 14<sup>th</sup> without penalty. During the year, between the months of July and December the City made tax disbursements on September 15<sup>th</sup> and December 1<sup>st</sup>.

Furthermore, reconciliations of collections and disbursements were not being performed timely, if at all.

**Criteria:** In Local units that have collected tax revenues for another taxing jurisdiction must distribute the collections in accordance with MCL 211.43 (Section 43(3) of the General Property Tax Act, 1893 PA 206, as amended). The Statute requires the collecting unit to disburse collections within 15 days of receipt.

**Cause of the Condition:** The long-time City Treasurer resigned in May 2022. The turnover of the City Treasurer and other key positions led to a breakdown of internal control procedures. Additionally, there was a lack of appropriate supervision.

To the City Council of the  
City of Ishpeming, Michigan

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

Additionally, the City will not have a clean Qualifying Statement and will be required to go through additional procedures in order to issue debt.

Related to other jurisdictions, such as school districts, property taxes are a main source of revenue. Providing funding for meeting obligations such as payroll. Timely tax distributions are a vital part of cash flow for many of these jurisdictions.

**Recommendation:** A system of internal control procedures needs to be maintained. For assistance the City can utilize the *Michigan Accounting Procedures Manual for Local Units of Government in Michigan* issued by the Michigan Department of Treasury for appropriate procedures and required documentation. The City staff can also get assistance through training sessions provided by the Michigan Municipal Treasurers Association.

Reconciliation procedures should be developed and maintained for 1) the checking and savings accounts and 2) collections and distributions.

Management and governance should be made aware of the requirements related to property taxes and take responsibility for complying with State Statute. Property Tax collections and distributions should be reported to the City Council with the monthly financial reporting and the City Council should approve the tax distributions and approval should be noted in the meeting minutes.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - City Manager
  - Finance Director
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Unknown

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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 following deficiencies in internal control to be significant deficiencies:

**SIGNIFICANT DEFICIENCIES**

**2022-004 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES**

**Condition:** We assisted the City with preparation of the financial statements and related footnotes.

**Criteria:** Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

To the City Council of the  
City of Ishpeming, Michigan

**Cause of Condition:** The staff of the City does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - Finance Director
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Not Applicable

**2022-005 – APPROVAL OF DISBURSEMENTS**

**Condition:** During our test of controls over cash disbursements there were two instances where the disbursement did not have proper approval noted on the invoice. It was also discovered that there were several transactions in which the amount paid did not agree to the invoice amount and/or the same invoice was paid multiple times and was not detected until months later.

**Criteria:** Best practices require that all expenditures are to be substantiated by supporting documentation such as a purchase order or invoice. Those purchase orders or invoices should be reviewed and approved by an individual with sufficient knowledge to approve the payment. Proper internal control and segregation of duties requires that whenever possible the approval process is separate from recording. Therefore, the individual responsible for recording the transactions in the accounting software should not be approving the disbursements.

**Cause of Condition:** Turnover of key staff at the City coupled with implementation of a new accounting software which began in 2020 has led to a breakdown of internal control procedures.

**Effect:** The City could overpay for services provided, pay for items that were never received, or bills could be paid multiple times. Additionally, the risk for misstatement whether due to error or fraud are greatly increased.

**Recommendation:** The City has basic purchasing policies that outline employee authorization amounts. A system of approval needs to be developed and implemented. Approval for the payment of invoices should be made by a knowledgeable individual, the approval should be documented, and the approver should also document the appropriate general ledger account the item(s) should be charged to. All individuals given the authority to approve disbursement need to be informed of their role in the internal control structure.

To the City Council of the  
City of Ishpeming, Michigan

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - City Manager
  - Finance Director
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Not Applicable

**NON-COMPLIANCE**

**2022-006 – EXPENDITURES OVER APPROPRIATIONS (REPEAT)**

**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, 2022, 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 expenditure.

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

**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:
  - City Council
  - City Manager
  - City Treasurer
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Not Applicable

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The City’s written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the City Council of the  
City of Ishpeming, Michigan

This communication is intended solely for the information and use of management, City Council, and others within the City, the Michigan Department of Treasury, 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

July 31, 2023



***City of Ishpeming, Michigan***  
*Communication with Those Charged with Governance*  
*For the Year Ended December 31, 2022*

July 31, 2023

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, 2022. 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 April 28, 2023. 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 methods, assumptions, and

To the City Council of the  
City of Ishpeming, Michigan

data 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 methods, assumptions, and data 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 methods, assumptions, and data 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 methods, assumptions, and data 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 methods, assumptions, and data 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

To the City Council of the  
City of Ishpeming, Michigan

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, 2021.

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

#### *Difficulties Encountered in Performing the Audit*

The completion of our audit was delayed because of the turnover of key employees and the condition of the financial records. Management contacted the Michigan Department of Treasury to request an extension due to the loss of a key employee while the audit was under way. The extension request was granted by the State.

#### *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. During the course of the financial statement close there were material misstatement detected as a result of audit procedures which were corrected by management:

- Adjustments to cash balances, receivables, interfund balances, amounts due from other governments, fixed assets, accrued sick/vacation, debt balance, net pension obligation, taxes levied for subsequent period, property taxes, state revenue, capital outlay, transfers, etc.

#### *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 July 31, 2023.

#### *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.

To the City Council of the  
City of Ishpeming, Michigan

### *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.

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 consider the deficiencies described in the accompanying Report to Management as items 2022-001, 2022-002, and 2022-003 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 described in the Report to Management as items 2022-004 and 2022-005 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 Report to Management as item 2022-006.

### 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*, as listed in the table of contents, which accompanies the financial statements but is 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.

To the City Council of the  
City of Ishpeming, Michigan

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



# 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, 2022

July 31, 2023

In response to the findings disclosed in the audited financial statements for the year ended December 31, 2022:

### **MATERIAL WEAKNESSES**

#### **2022-001 – BANK ACCOUNT RECONCILIATIONS**

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

Management concurs. The new Finance Director has been working on reconciling the bank statement through the end of the fiscal year and will continue to work at getting all bank reconciliations up to date. Furthermore, the new Finance Director will be performing bank reconciliations on a monthly basis.

#### **2022-002 – FINANCIAL REPORTING PACKAGE TO BOARD**

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

Management concurs. The new Finance Director will provide a monthly balance sheet, a statement of revenues/expenses, and a payment register for each board meeting. These documents will be generated from BS&A. A summary report may be provided consisting of key funds or activities but a full listing of the identified reports from BS&A will henceforth be attached. Cash disbursements will be scheduled biweekly and be reviewed by a member of council prior to disbursement. For such items as utilities or incidental expenses which require expedited payment ahead of council review, a summary report will be presented to council for review at the next monthly meeting.

#### **2022-003 – TAX DISBURSEMENTS AND SUPPORTING DOCUMENTATION**

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

Management concurs. The newly appointed Finance Director is aware of the disbursing requirements related to property taxes and has been working on developing an internal control system to reconcile the collections to the disbursements. If necessary, the City will seek assistance to deal with any residual issues from the transition of the City treasurer between 3 people within approximately 1 year's time.

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

## **SIGNIFICANT DEFICIENCIES**

### **2022-004 – ASSISTANCE IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES**

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

Currently the City staff does not have sufficient time and/or personnel available to prepare the financial statements and footnotes. Management is involved in the preparing the Management's Discussion and Analysis. Additionally, management reviews and approves the financial statements prepared by Anderson, Tackman & Company, PLC prior to issuance and submission to the Michigan Department of Treasury. We do not foresee the need for any changes to this procedure at this time.

### **2022-005 – APPROVAL OF DISBURSEMENTS**

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

The new Finance Director has notified managers with purchasing authority of their requirement to notate approval on invoices to be paid. The new Finance Director has instructed the Treasury Clerk, who posts invoices into the system, to reject invoices submitted without approvals and to distribute invoices for approval which arrive at the finance department via mail or email. The new Finance Director will work with BS&A to set up an approval system within the accounting software if possible.

## **NON-COMPLIANCE**

### **2022-006 – EXPENDITURES OVER APPROPRIATIONS (REPEAT)**

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

The new Finance Director will implement an incremental budgeting approach and modify the results with relevant data gathered from departments on expectations for the coming year. Budgets will be reviewed monthly and amended as needed in a timely manner.