

CITY OF ISHPEMING, MICHIGAN
AUDITED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

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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 Financial Statements

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, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan, as of December 31, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ishpeming, Michigan's basic financial statements. The Other Financial Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Financial Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial Information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Ishpeming, Michigan's (the City) basic financial statements for the year ended December 31, 2018, 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 and the enterprise funds' and internal service fund's comparative statements related to the 2018 financial statements for the year ended December 31, 2018, 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 2018 basic financial statements. The information has been 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 2018 major governmental funds budgetary comparison schedules and the enterprise funds' and internal service fund's comparative statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2020, 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 24, 2020

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, 2019. Please read it in conjunction with the financial statements included below.

FINANCIAL HIGHLIGHTS

- Net position for the City as a whole increased by \$2,648,162 as a result of this year's operations. Net position of our business-type activities increased by \$3,171,988 or 22 percent, and net position of our governmental activities decreased by \$487,826 or 4 percent.
- During the year, the City had expenses for governmental activities that were \$6,505,342 and generated \$6,017,516 in general revenues and other program sources.
- The City's business-type activities had expenses of \$3,228,793 and generated \$6,400,781 in revenues.
- The General Fund reported a net change in fund balance of \$3,916; this is \$194,832 higher than the forecasted decrease of \$190,916.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented below as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

The City as Trustee

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

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

The City as a Whole

Table 1 provides a summary of the City's net position as of December 31, 2019 and 2018.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$7,029,489	\$6,783,739	\$2,735,708	\$1,992,772	\$9,765,197	\$8,776,511
Non-current assets	-	-	7,946,577	8,211,453	7,946,577	8,211,453
Capital assets, net	18,962,854	18,790,081	19,207,029	16,996,256	38,169,883	35,786,337
Total Assets	25,992,343	25,573,820	29,889,314	27,200,481	55,881,657	52,774,301
Deferred outflows of resources	277,933	1,008,060	152,035	337,219	429,968	1,345,279
Current and other liabilities	837,970	819,177	576,483	967,399	1,414,453	1,786,576
Long-term liabilities	11,492,969	11,469,692	11,924,899	12,216,550	23,417,868	23,686,242
Total Liabilities	12,330,939	12,288,869	12,501,382	13,183,949	24,832,321	25,472,818
Deferred inflows of resources	2,324,726	2,190,574	14,228	-	2,338,954	2,190,574
Net Position:						
Net investment in capital assets	15,524,470	15,310,281	17,498,389	15,063,452	33,022,859	30,373,733
Restricted	2,536,712	2,459,401	774,407	986,233	3,311,119	3,445,634
Unrestricted	(6,446,571)	(5,667,245)	(747,057)	(1,695,934)	(7,193,628)	(7,363,179)
Total Net Position	\$11,614,611	\$12,102,437	\$17,525,739	\$14,353,751	\$29,140,350	\$26,456,188

Net position of the City's governmental activities stood at \$11,614,611. *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 (\$6,446,571).

The (\$6,446,571) 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 \$17,525,739. The City can generally only use these net positions to finance continuing operations of the water and sewer systems.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for services	\$1,001,792	\$868,127	\$3,812,410	\$3,649,141	\$4,814,202	\$4,517,268
Operating grants and contributions	1,186,076	1,277,025	-	-	1,186,076	1,277,025
Capital grants and contributions	575,000	-	2,582,985	1,091,944	3,157,985	1,091,944
General Revenues:						
Property taxes	2,201,745	2,213,626	-	-	2,201,745	2,213,626
Unrestricted intergovernmental	900,895	874,516	-	-	900,895	874,516
Investment earnings	34,055	15,446	5,386	2,913	39,441	18,359
Fines and forfeitures	41,149	49,647	-	-	41,149	49,647
Miscellaneous	76,804	108,457	-	-	76,804	108,457
Gain/(loss) on sale of assets	-	-	-	-	-	-
Total Revenues	6,017,516	5,406,844	6,400,781	4,743,998	12,418,297	10,150,842
Program Expenses:						
Legislative	30,206	15,582	-	-	30,206	15,582
General government	1,582,747	1,772,207	-	-	1,582,747	1,772,207
Public safety	1,636,639	1,072,491	-	-	1,636,639	1,072,491
Public works	2,378,896	2,138,049	-	-	2,378,896	2,138,049
Community and economic development	30,387	32,202	-	-	30,387	32,202
Recreation and culture	519,510	615,875	-	-	519,510	615,875
Other governmental	-	43	-	-	-	43
Capital outlay	206,814	2,942	-	-	206,814	2,942
Interest on long-term debt	120,143	134,677	-	-	120,143	134,677
Sewer	-	-	1,660,068	1,593,960	1,660,068	1,593,960
Water	-	-	1,568,725	1,572,824	1,568,725	1,572,824
Total Expenses	6,505,342	5,784,068	3,228,793	3,166,784	9,734,135	8,950,852
Excess (deficiency) before transfers	(487,826)	(377,224)	3,171,988	1,577,214	2,684,162	1,199,990
Transfers in (out)	-	-	-	-	-	-
Increase (decrease) in net position	(487,826)	(377,224)	3,171,988	1,577,214	2,684,162	1,199,990
Net Position, Beginning	12,102,437	12,479,661	14,353,751	12,776,537	26,456,188	25,256,198
Net Position, Ending	\$11,614,611	\$12,102,437	\$17,525,739	14,353,751	\$29,140,350	\$26,456,188

The City's total revenues were \$12,418,297; the total cost of all programs and services was \$9,734,135 leaving an increase in net position of \$2,684,162. Our analysis below separately considers the operations of governmental and business-type activities:

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

Governmental Activities

Government activities net position decreased by \$487,826. This overall decrease was due to a change in combined governmental fund balance of \$53,109, changes in general fixed assets of (\$80,111), proceeds from borrowing of (\$44,963), principal payments on debt of \$223,159, a change in accrued interest of \$7,415, adjustments due to amortization of deferred amounts on bond of (\$1,112), internal service fund activity of \$207,331, pension liability expense of (\$197,162) related to MERS, pension liability expense related to the Police and Fire Retirement System of (\$659,230), and a change in compensated absences of \$3,738.

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	\$1,582,747	\$1,378,013
Public Safety	1,636,639	1,595,029
Public Works	2,378,896	534,418

Business-type Activities

Business-type activities net position increased by \$3,171,988. The Sewer Fund and the Water Fund experienced a change in net position of \$414,968 and \$2,757,020, respectively, resulting in a net increase in Business-Type Activities of \$3,171,988.

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 \$3,611,833, an increase of \$53,109 from the beginning of the year.

The combined fund balance increase of \$53,109 was due to decreases in the Local Street Fund, Garbage & Rubbish Fund, and Public Improvement Fund offset by increases in the General Fund, Major Street Fund, and Other Governmental Funds. The overall increase is primarily attributable to management closely monitoring expenditures in the General Fund resulting in net income in the General Fund of \$3,916, net income in the Major Street Fund of \$96,455, net loss in the Local Street Fund of (30,496), net loss in the Garbage & Rubbish Fund of (\$18,084), net loss in the Public Improvement Fund of (\$72,140), and net income of \$73,458 in the Other Governmental Funds.

General Fund Budgetary Highlights

General Fund expenses were \$138,897 less than the final budget because Legislative expenses were \$954 less than the final budget; General government expenses were \$142,215 less than the final budget; Public Safety was \$9,132 more than the final budget; Public Works was \$18,341 more than the final budget; Community and economic development was \$5,570 less than the final budget; and Recreation and Culture was \$17,631 less than the final budget.

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

General Fund revenues were \$54,957 more than the final revenue budget mainly due to State sources being \$40,642 more than anticipated and other revenues being \$26,079 more than anticipated than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the City had \$38,169,883 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)

	2019			2018
	Governmental Activities	Business-type Activities	Total	Total
Land	\$1,280,750	\$10,888	\$1,291,638	\$1,291,638
Historical treasures	135,275	-	135,275	135,275
Construction in progress	680,098	13,781,938	14,462,036	11,163,747
Buildings and improvements	3,500,291	25,920	3,526,211	3,705,936
Land improvements	2,690,752	-	2,690,752	2,781,667
Equipment and vehicles	1,624,063	203,704	1,827,767	1,681,780
Infrastructure	9,051,625	-	9,051,625	9,404,178
Sewer system and equipment	-	3,571,197	3,571,197	3,925,586
Water system and equipment	-	1,613,382	1,613,382	1,696,530
Total	<u>\$18,962,854</u>	<u>\$19,207,029</u>	<u>\$38,169,883</u>	<u>\$35,786,337</u>

In 2019, the City's major capital additions included construction costs associated with the new pavilion project at Lake Bancroft, continued work on the SAW grant project, and costs related to the water replacement project.

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

Debt

At year-end, the City had \$12,190,038 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	2019			2018
	Governmental Activities	Business-type Activities	Total	Total
Bonds	\$3,272,400	\$8,687,000	\$11,959,400	\$12,289,800
Contracts and notes payable	165,984	64,654	230,638	152,486
Total	<u>\$3,438,384</u>	<u>\$8,751,654</u>	<u>\$12,190,038</u>	<u>\$12,442,286</u>

During the year, the City secured a loan for the financing of the purchase of a snowplow and leased a police vehicle. The snowplow loan was recorded in the Motor Pool Fund while the police vehicle lease was recorded in the Public Improvement Fund. No other debt was issued during the year.

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

During the year the City made principal payments on governmental activities and business-type activities debt in the amount of \$236,996 and \$210,832, respectively.

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 2020 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 slow, steady growth in its taxable value base over the past several years.

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 \$875,000 in State Revenue Sharing for fiscal year 2020. This does not factor in possible reductions based on the impact of the pandemic which will be discussed below.

As identified in the notes to the financial statements-Note AC, on March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak in the United State has resulted in State of Michigan Governor Gretchen Whitmer issuing executive orders requiring temporary suspension of activities that were not necessary to sustain or protect life. At the current time, we are unable to quantify the potential effects of this pandemic.

The City is continuing its work, in conjunction with Marquette County, on eliminating blight issues and unsafe buildings in order to improve the overall look of the community. Along those lines, several committees have been formed, such as the blight committee and neighborhood improvement committee, to gather community input and support and keep the momentum moving forward in a positive direction.

As identified in the notes to the financial statements-Note AA, the City has a deficit in Unrestricted Net Position in the Water Fund. The deficit was originally identified in 2015, and the City has been providing the Michigan Department of Treasury with annual updates to its five-year deficit elimination plan. The Water Fund's deficit elimination plan called for achieving positive working capital (current assets minus current liabilities) in the year 2020, but the Water Fund was able to achieve positive working capital as of the end of 2019; one year earlier than planned. Even though a deficit elimination plan is no longer required to be filed with the Michigan Department of Treasury, the City will continue on course to eliminate the remaining deficit in the Water Fund.

The City continues to support further development of the ski and biking trails within the city, 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 the City of Ishpeming as a mountain biking destination. These are just several of the many exciting changes taking place within the City of Ishpeming. Unfortunately, the pandemic is having an impact on many of these events to the detriment of the local economy.

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

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, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,429,556	\$ 1,522,055	\$ 4,951,611	\$ 247,041
Investments	959,817	53,992	1,013,809	15,586
Receivables, net	2,537,985	1,159,661	3,697,646	150,374
Primary government internal balances	-	-	-	-
Due from primary government	-	-	-	558,707
Prepays and other assets	102,131	-	102,131	-
Non-current Assets:				
Cash and cash equivalents - restricted	-	903,563	903,563	-
Investment in Wastewater Treatment Facility	-	3,535,691	3,535,691	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land, construction in progress and other non-depreciable assets	2,096,123	13,792,826	15,888,949	-
Other capital assets, net of depreciation	16,866,731	5,414,203	22,280,934	1,742,192
Total Capital Assets	18,962,854	19,207,029	38,169,883	1,742,192
TOTAL ASSETS	25,992,343	29,889,314	55,881,657	2,713,900
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pension	277,933	152,035	429,968	-
Contributions subsequent to measurement date	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	277,933	152,035	429,968	-
LIABILITIES				
Current Liabilities:				
Accounts payable	158,434	390,143	548,577	5
Due to component unit	558,707	-	558,707	-
Customer deposits payable	-	152,956	152,956	-
Accrued liabilities	88,701	18,906	107,607	94
Accrued interest	32,128	14,478	46,606	22,906
Unearned revenue	-	-	-	-
Non-current Liabilities:				
Portion due or payable within one year:				
Notes payable	42,706	64,654	107,360	-
Bonds payable	192,800	151,000	343,800	167,200
Compensated absences	20,822	186	21,008	-
Portion due or payable after one year:				
Notes payable	123,278	-	123,278	-
Bonds payable	3,067,926	8,536,000	11,603,926	1,341,400
Compensated absences	222,340	13,653	235,993	-
Net pension liability	7,823,097	3,159,406	10,982,503	-
TOTAL LIABILITIES	12,330,939	12,501,382	24,832,321	1,531,605
DEFERRED INFLOWS OF RESOURCES				
Taxes levied for a subsequent period	2,157,312	-	2,157,312	240,218
Transportation appropriation	-	-	-	-
Deferred amounts related to pension	167,414	14,228	181,642	-
Discount on investment	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,324,726	14,228	2,338,954	240,218
NET POSITION				
Net investment in capital assets	15,524,470	17,498,389	33,022,859	233,592
Restricted	2,536,712	774,407	3,311,119	558,707
Unrestricted	(6,446,571)	(747,057)	(7,193,628)	149,778
TOTAL NET POSITION	\$ 11,614,611	\$ 17,525,739	\$ 29,140,350	\$ 942,077

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

City of Ishpeming, Michigan

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

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		Total	Component Unit
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
Legislative	\$ 30,206	\$ -	\$ -	\$ -	\$ (30,206)	\$ -	\$ (30,206)	\$ -
General government	1,582,747	179,734	25,000	-	(1,378,013)	-	(1,378,013)	-
Public safety	1,636,639	29,553	12,057	-	(1,595,029)	-	(1,595,029)	-
Public works	2,378,896	717,220	1,127,258	-	(534,418)	-	(534,418)	-
Community and economic development	30,387	-	-	-	(30,387)	-	(30,387)	-
Recreation and culture	519,510	75,285	21,392	-	(422,833)	-	(422,833)	-
Other governmental	-	-	-	-	-	-	-	-
Capital outlay	206,814	-	369	575,000	368,555	-	368,555	-
Interest on long-term debt	120,143	-	-	-	(120,143)	-	(120,143)	-
Total Governmental Activities	6,505,342	1,001,792	1,186,076	575,000	(3,742,474)	-	(3,742,474)	-
Business-Type Activities:								
Sewer	1,660,068	1,542,334	-	527,985	-	410,251	410,251	-
Water	1,568,725	2,270,076	-	2,055,000	-	2,756,351	2,756,351	-
Total Business-Type Activities	3,228,793	3,812,410	-	2,582,985	-	3,166,602	3,166,602	-
TOTAL PRIMARY GOVERNMENT	\$ 9,734,135	\$ 4,814,202	\$ 1,186,076	\$ 3,157,985	(3,742,474)	3,166,602	(575,872)	-
Component Unit:								
Downtown Development Authority	\$ 459,551	\$ -	\$ 4,455	\$ -	-	-	-	(455,096)
General Revenues:								
Property taxes					2,201,745	-	2,201,745	237,024
Unrestricted intergovernmental sources					900,895	-	900,895	-
Interest and investment earnings					34,055	5,386	39,441	2,147
Fines and Forfeitures					41,149	-	41,149	-
Miscellaneous					76,804	-	76,804	64
Gain/(loss) on sale of assets					-	-	-	-
Transfers					-	-	-	-
TOTAL GENERAL REVENUES & TRANSFERS					3,254,648	5,386	3,260,034	239,235
CHANGE IN NET POSITION					(487,826)	3,171,988	2,684,162	(215,861)
Net position, beginning of year					12,102,437	14,353,751	26,456,188	1,157,938
NET POSITION, END OF YEAR	\$ 11,614,611	\$ 17,525,739	\$ 29,140,350	\$ 942,077				

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

City of Ishpeming, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2019

		Special Revenue			Capital Projects		
	General Fund	Major Street Fund	Local Street Fund	Garbage & Rubbish Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,332,686	\$ 292,989	\$ 235,588	\$ 183,548	\$ 411,863	\$ 766,010	\$ 3,222,684
Investments	48,000	-	-	-	-	911,817	959,817
Accounts receivable, net	27,802	-	-	34,109	-	263,051	324,962
Taxes receivable	1,347,156	-	-	-	439,635	95,981	1,882,772
Other receivable	3,890	-	-	21,179	-	-	25,069
Due from other governments	151,638	113,461	40,083	-	-	-	305,182
Due from other funds	150,467	-	-	-	-	-	150,467
Inventory	102,131	-	-	-	-	-	102,131
Prepays	-	-	-	-	-	-	-
TOTAL ASSETS	3,163,770	406,450	275,671	238,836	851,498	2,036,859	6,973,084
DEFERRED OUTFLOWS OF RESOURCES							
	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,163,770	\$ 406,450	\$ 275,671	\$ 238,836	\$ 851,498	\$ 2,036,859	\$ 6,973,084
LIABILITIES							
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 238,437	\$ 238,437
Accounts payable	75,548	-	-	27,785	48,540	-	151,873
Due to component unit	558,707	-	-	-	-	-	558,707
Accrued payroll and related	67,723	7,521	8,298	91	-	-	83,633
Accrued sick and vacation leave	20,822	-	-	-	-	-	20,822
Due to other funds	-	-	-	-	-	150,467	150,467
TOTAL LIABILITIES	722,800	7,521	8,298	27,876	48,540	388,904	1,203,939
DEFERRED INFLOWS OF RESOURCES							
Taxes levied for a subsequent period	1,543,220	-	-	-	504,987	109,105	2,157,312
Unearned revenue	-	-	-	-	-	-	-
Transportation appropriation	-	-	-	-	-	-	-
Discount on investment	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,543,220	-	-	-	504,987	109,105	2,157,312
FUND BALANCE							
Non-spendable	102,131	-	-	-	-	988,983	1,091,114
Restricted	-	398,929	267,373	-	297,971	481,325	1,445,598
Committed	-	-	-	-	-	-	-
Assigned	33,960	-	-	210,960	-	68,542	313,462
Unassigned	761,659	-	-	-	-	-	761,659
TOTAL FUND BALANCE	897,750	398,929	267,373	210,960	297,971	1,538,850	3,611,833
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,163,770	\$ 406,450	\$ 275,671	\$ 238,836	\$ 851,498	\$ 2,036,859	\$ 6,973,084

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, 2019

Total Fund Balances for Governmental Funds **\$ 3,611,833**

*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	\$ 2,096,123	
Other capital assets, net of depreciation	<u>16,162,751</u>	18,258,874

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 -		
Michigan Municipal Employees' Retirement System	(5,598,957)	
Police and Fire Retirement System	(2,144,901)	
Deferred outflows of resources related to pension -		
Michigan Municipal Employees' Retirement System	254,201	
Police and Fire Retirement System	-	
Employer contributions subsequent to measurement date		
Police and Fire Retirement System	-	
Deferred (inflows) of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	(6,405)	
Police and Fire Retirement System	<u>(124,687)</u>	(7,620,749)

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>892,892</u>	892,892
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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	(192,800)	
Current portion of notes and contracts payable	(14,229)	
Accrued interest on debt	(32,128)	
Compensated absences	(206,181)	
Bonds payable	(3,079,600)	
Long-term contracts and notes payable	(14,975)	
Deferred amounts on bonds	11,674	
Deferred gain on refunding	<u>-</u>	<u>(3,528,239)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>11,614,611</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, 2019

		Special Revenue			Capital Projects		
	General Fund	Major Street Fund	Local Street Fund	Garbage & Rubbish Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	\$ 1,596,500	\$ -	\$ -	\$ -	\$ 498,280	\$ 106,965	\$ 2,201,745
Federal sources	27,287	-	-	-	369	-	27,656
State sources	910,665	787,569	339,689	-	-	311,651	2,349,574
Licenses and permits	170,973	-	-	-	-	-	170,973
Charges for service	88,597	-	-	717,220	-	19,664	825,481
Interest income and rentals	10,746	952	926	692	2,288	21,516	37,120
Contributions	6,882	-	-	-	7,000	277,139	291,021
Fines and forfeitures	48,750	-	-	-	-	-	48,750
Other revenues	61,838	98	-	-	3,260	-	65,196
TOTAL REVENUES	2,922,238	788,619	340,615	717,912	511,197	736,935	6,017,516
EXPENDITURES:							
Current Operations:							
Legislative	30,206	-	-	-	-	-	30,206
General government	1,294,343	-	-	-	-	-	1,294,343
Public safety	840,553	-	-	-	-	-	840,553
Public works	377,957	692,164	371,111	735,996	-	-	2,177,228
Community and economic development	30,387	-	-	-	-	-	30,387
Recreation and culture	347,304	-	-	-	-	20,210	367,514
Other governmental	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	91,159	132,000	223,159
Interest and fiscal charges	-	-	-	-	23,802	102,644	126,446
Capital outlay	-	-	-	-	341,495	578,039	919,534
TOTAL EXPENDITURES	2,920,750	692,164	371,111	735,996	456,456	832,893	6,009,370
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,488	96,455	(30,496)	(18,084)	54,741	(95,958)	8,146
OTHER FINANCING SOURCES (USES):							
Proceeds from borrowing	-	-	-	-	44,963	-	44,963
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in	7,056	-	-	-	-	176,472	183,528
Transfers (out)	(4,628)	-	-	-	(171,844)	(7,056)	(183,528)
TOTAL OTHER FINANCING SOURCES (USES)	2,428	-	-	-	(126,881)	169,416	44,963
CHANGE IN FUND BALANCE	3,916	96,455	(30,496)	(18,084)	(72,140)	73,458	53,109
Fund balance, beginning of year	893,834	302,474	297,869	229,044	370,111	1,465,392	3,558,724
FUND BALANCE, END OF YEAR	\$ 897,750	\$ 398,929	\$ 267,373	\$ 210,960	\$ 297,971	\$ 1,538,850	\$ 3,611,833

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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 53,109

*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	\$ 712,720	
Depreciation expense	(792,831)	
Net book value of disposed assets	<u>-</u>	(80,111)

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.		(44,963)
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		223,159
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		7,415
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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		(1,112)
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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		207,331
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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	(197,162)	
Pension liability expense - Fire-Police Retirement	(659,230)	
Compensated absences	<u>3,738</u>	<u>(852,654)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (487,826)</u>
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The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

December 31, 2019

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,030,943	\$ 491,112	\$ 1,522,055	\$ 445,309
Investments	53,992	-	53,992	-
Accounts receivable	374,914	538,498	913,412	-
Allowance for uncollectible accounts	-	-	-	-
Delinquent utilities	-	49,249	49,249	-
Due from other funds	-	-	-	-
Due from other governmental units	-	197,000	197,000	-
Non-current Assets:				
Cash and cash equivalents - restricted	-	903,563	903,563	-
Investment in Wastewater Treatment Facility	3,535,691	-	3,535,691	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital Assets:				
Land and construction in progress	1,967,702	11,825,124	13,792,826	-
Other capital assets, net of depreciation	3,800,821	1,613,382	5,414,203	703,980
Total Capital Assets	5,768,523	13,438,506	19,207,029	703,980
TOTAL ASSETS	10,764,063	19,125,251	29,889,314	1,149,289
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts related to pension	41,198	110,837	152,035	23,732
TOTAL DEFERRED OUTFLOWS OF RESOURCES	41,198	110,837	152,035	23,732
LIABILITIES				
Current Liabilities:				
Cash overdrafts	-	-	-	-
Accounts payable	27,317	362,826	390,143	6,561
Customer deposits payable	-	152,956	152,956	-
Accrued payroll and related	7,049	11,857	18,906	5,068
Accrued interest	-	14,478	14,478	-
Due to other funds	-	-	-	-
Non-current Liabilities:				
Portion due or payable within one year				
Bonds payable	-	151,000	151,000	-
Notes payable	64,654	-	64,654	28,477
Compensated absences	-	186	186	-
Portion due or payable after one year				
Bonds payable	-	8,536,000	8,536,000	-
Notes payable	-	-	-	108,303
Compensated absences	1,646	12,007	13,653	16,159
Net pension liability	1,011,151	2,148,255	3,159,406	79,239
TOTAL LIABILITIES	1,111,817	11,389,565	12,501,382	243,807
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pension	11,297	2,931	14,228	36,322
TOTAL DEFERRED INFLOWS OF RESOURCES	11,297	2,931	14,228	36,322
NET POSITION				
Net investment in capital assets	9,239,560	8,258,829	17,498,389	567,200
Restricted:				
Debt service	-	774,407	774,407	-
Unrestricted	442,587	(1,189,644)	(747,057)	325,692
TOTAL NET POSITION	\$ 9,682,147	\$ 7,843,592	\$ 17,525,739	\$ 892,892

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, 2019

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
OPERATING REVENUES:				
Rentals	\$ -	\$ -	\$ -	\$ 899,231
Charges for services	1,539,902	2,261,035	3,800,937	-
Other operating revenue	2,432	9,041	11,473	-
TOTAL OPERATING REVENUES	1,542,334	2,270,076	3,812,410	899,231
OPERATING EXPENSES:				
Personal services	460,405	645,558	1,105,963	333,960
Contractual services	602,407	466,636	1,069,043	11,218
Supplies	46,266	45,151	91,417	248,109
Utilities	2,826	13,557	16,383	-
Depreciation	390,068	83,148	473,216	97,749
Equipment rental	105,416	107,240	212,656	-
Other expenses	62,315	33,553	95,868	-
TOTAL OPERATING EXPENSES	1,669,703	1,394,843	3,064,546	691,036
OPERATING INCOME (LOSS)	(127,369)	875,233	747,864	208,195
NON-OPERATING REVENUES (EXPENSES):				
Interest (expense)	(3,697)	(173,882)	(177,579)	(2,665)
Gain/(loss) on wastewater facility	13,332	-	13,332	-
Interest income	4,717	669	5,386	1,801
TOTAL NON-OPERATING REVENUES (EXPENSES)	14,352	(173,213)	(158,861)	(864)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(113,017)	702,020	589,003	207,331
Federal sources	-	2,055,000	2,055,000	-
State sources	527,985	-	527,985	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
CHANGE IN NET POSITION	414,968	2,757,020	3,171,988	207,331
Net position, beginning of year	9,267,179	5,086,572	14,353,751	685,561
NET POSITION, END OF YEAR	\$ 9,682,147	\$ 7,843,592	\$ 17,525,739	\$ 892,892

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, 2019

	Business-type Activities Enterprise Funds			Internal Service Funds
	Sewer Fund	Water Fund	Total	Motor Pool
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 1,265,512	\$ 2,201,401	\$ 3,466,913	\$ -
Other operating revenues	2,432	152,441	154,873	899,231
Cash payments to employees for services	(412,394)	(572,619)	(985,013)	(295,452)
Cash payments to suppliers for goods and services	(829,008)	(1,049,632)	(1,878,640)	(266,675)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	26,542	731,591	758,133	337,104
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Increase (decrease) in cash overdraft	-	(196,362)	(196,362)	-
(Increase) decrease in due from other funds	-	-	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers in (out)	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	(196,362)	(196,362)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments on debt	(62,832)	(148,000)	(210,832)	(13,837)
Interest paid on debt	(3,697)	(173,882)	(177,579)	(2,665)
Proceeds from borrowing	-	-	-	150,617
Cash payments for capital assets	(627,877)	(2,056,112)	(2,683,989)	(350,633)
Proceeds sale of capital assets	-	-	-	-
Proceeds from federal and state grants for capital assets	527,985	2,055,000	2,582,985	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(166,421)	(322,994)	(489,415)	(216,518)
CASH FLOWS FROM INVESTING ACTIVITIES:				
(Increase) decrease in investments	(607)	-	(607)	-
Investment income	4,717	669	5,386	1,801
(Increase) decrease in restricted assets	-	278,208	278,208	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,110	278,877	282,987	1,801
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(135,769)	491,112	355,343	122,387
Cash and cash equivalents, beginning of year	1,166,712	-	1,166,712	322,922
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,030,943	\$ 491,112	\$ 1,522,055	\$ 445,309
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (127,369)	\$ 875,233	\$ 747,864	\$ 208,195
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	390,068	83,148	473,216	97,749
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	(274,390)	(59,634)	(334,024)	-
(Increase) decrease in due from other governmental units	-	143,400	143,400	-
Increase (decrease) in accounts payable	(9,778)	(392,189)	(401,967)	(7,348)
Increase (decrease) in customer deposits payable	-	9,861	9,861	-
Increase (decrease) in accrued payroll	351	2,006	2,357	1,426
Increase (decrease) in accrued interest	-	(1,167)	(1,167)	-
Increase (decrease) in accrued sick and vacation	193	3,917	4,110	3,626
Increase (decrease) in net pension liability and related	47,467	67,016	114,483	33,456
NET ADJUSTMENTS	153,911	(143,642)	10,269	128,909
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 26,542	\$ 731,591	\$ 758,133	\$ 337,104

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

City of Ishpeming, Michigan

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

December 31, 2019

	Pension Trust Fund	Custodial Funds		
	Police Pension Trust Fund	Trust & Agency Fund	Tax Collection Fund	Total
ASSETS				
Cash and equivalents	\$ 105,484	\$ 32,024	\$ 801,898	\$ 939,406
Investments	4,411,259	-	-	4,411,259
Taxes receivable	223,892	-	2,145,698	2,369,590
Other receivables	39	-	-	39
Due from other governments	-	-	-	-
TOTAL ASSETS	4,740,674	32,024	2,947,596	7,720,294
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
LIABILITIES				
Due to others	-	32,024	2,364	34,388
Due to other governmental units	-	-	2,945,232	2,945,232
TOTAL LIABILITIES	-	32,024	2,947,596	2,979,620
DEFERRED INFLOWS OF RESOURCES				
Taxes levied for a subsequent period	257,173	-	-	257,173
TOTAL DEFERRED INFLOWS OF RESOURCES	257,173	-	-	257,173
NET POSITION				
Restricted for:				
Pensions	4,483,501	-	-	4,483,501
Individuals, organizations, and other governments	-	-	-	-
Property tax collections for other governments	-	-	-	-
TOTAL NET POSITION	\$ 4,483,501	\$ -	\$ -	\$ 4,483,501

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, 2019

	Pension Trust Fund	Custodial Funds		
	Police Pension Trust Fund	Trust & Agency Fund	Tax Collection Fund	Total
ADDITIONS:				
Contributions:				
Taxes	\$ 222,047	\$ -	\$ -	\$ 222,047
Employer	7,075	-	-	7,075
Employee	24,114	-	-	24,114
Gifts, bequests and endowments	-	-	-	-
Total Contributions	<u>253,236</u>	<u>-</u>	<u>-</u>	<u>253,236</u>
Investment Income:				
Net appreciation (depreciation) in fair value of investments	648,135	-	-	648,135
Interest and dividends	130,493	-	-	130,493
Administrative expense	(43,501)	-	-	(43,501)
Net Investment Income (Loss)	<u>735,127</u>	<u>-</u>	<u>-</u>	<u>735,127</u>
Other Additions:				
Collections for individuals, organizations, and other governments	-	57,276	-	57,276
Property tax collections for other governments	-	-	3,798,857	3,798,857
Total Other Additions	<u>-</u>	<u>57,276</u>	<u>3,798,857</u>	<u>3,856,133</u>
TOTAL ADDITIONS	<u>988,363</u>	<u>57,276</u>	<u>3,798,857</u>	<u>4,844,496</u>
DEDUCTIONS:				
Benefits and annuity withdrawals	473,743	-	-	473,743
Refunds of contributions	26,280	-	-	26,280
Other expenditures	-	-	-	-
Payments to individuals, organizations, and other governments	-	57,276	-	57,276
Payments of property tax collections for other governments	-	-	3,798,857	3,798,857
TOTAL DEDUCTIONS	<u>500,023</u>	<u>57,276</u>	<u>3,798,857</u>	<u>4,356,156</u>
CHANGE IN NET POSITION	<u>488,340</u>	<u>-</u>	<u>-</u>	<u>488,340</u>
Net position, beginning of year	<u>3,995,161</u>	<u>-</u>	<u>-</u>	<u>3,995,161</u>
NET POSITION, END OF YEAR	<u><u>\$ 4,483,501</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,483,501</u></u>

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

CITY OF ISHPEMING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 31st 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, 2019, is as follows:

Total Assets	\$2,768,095
Total Liabilities	155,868
Total Net Position	2,612,227
Total Operating Revenues	793,205
Total Operating Expenses	1,055,872
Total Non-Operating Revenues(expenses)	2,376
Capital Grant Contributions	182,582
Net Increase (Decrease) in Net Position	(77,709)

BASIS OF PRESENTATION

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds:

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

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

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

Proprietary Funds:

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

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

Fiduciary Funds:

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

Major Funds:

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

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **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 **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.
- The **Garbage & Rubbish Fund** accounts for activities related to garbage and rubbish collection and disposal.
- The **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 City reports the following major proprietary funds:

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

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

BASIS OF ACCOUNTING

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

Accrual

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

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

Modified Accrual

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

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

FINANCIAL STATEMENT AMOUNTS

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Inventory

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

Interfund Receivables/Payables

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

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

Capital Assets

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

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

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

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

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

Deferred Outflows of Resources

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

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

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

Long-Term Liabilities

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

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

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

Pensions

For the purpose of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan or the Policemen and Firemen Retirement System (the System) and additions to/deductions from MERS' or the System's fiduciary net position have been determined on the same basis as they are reported by MERS or the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Inflows of Resources

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

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

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.

Encumbrances

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

Compensated Absences

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

Equity Classification

Government-Wide Statements

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

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation. These amounts are derived from the fund financial statements by combining non-spendable and restricted fund balance classifications.
3. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “net invested in capital assets.”

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

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, and the county. Collections of local school taxes, intermediate school district taxes, Iron Ore Heritage Trail Authority taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. Property taxes are levied on December 1st based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Expenses/Expenditures

Government-Wide Statements

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

Fund Statements

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

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

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

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

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

Budgets and Budgetary Accounting

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

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

Use of Estimates

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 24, 2020, 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	\$4,951,611	\$939,406	\$247,041	\$6,138,058
Restricted	903,563	-	-	903,563
TOTAL	\$5,855,174	\$939,406	\$247,041	\$7,041,621

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, 2019, the carrying amount of the City's deposits with financial institutions was \$7,041,621 and the bank balance was \$7,255,702, of which, \$366,832 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	\$366,832
Amount collateralized with securities held by the pledging financial institutions trust department in the City's name:	
Collateralized and uninsured	6,888,870
TOTAL REPORTING ENTITY	\$7,255,702

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, 2019, the City had the following investments:

	Fair Value	Investment Maturity (in Years)			
		Less Than 1	1-5	6-10	More Than 10
PRIMARY GOVERNMENT:					
CDs and money market ²	\$732,351	\$638,251	\$94,100	\$-	\$-
U.S. Government Agencies ¹	194,732	60,787	119,848	14,097	-
U.S. Treasury Bonds ¹	86,726	86,726	-	-	-
TOTAL PRIMARY GOVERNMENT	\$1,013,809	\$785,764	\$213,948	\$14,097	\$-
FIDUCIARY FUNDS:					
Mutual Equity Funds ¹	\$3,390,739	\$-	\$-	\$-	\$3,390,739
Mutual Equity Index Funds ¹	1,020,520	-	-	-	1,020,520
TOTAL FIDUCIARY	\$4,411,259	\$-	\$-	\$-	\$4,411,259

NOTE C – INVESTMENTS (Continued):

	Fair Value	Investment Maturity (in Years)			
		Less Than 1	1-5	6-10	More Than 10
COMPONENT UNIT:					
CDs and money market ²	\$15,586	\$15,586	\$-	\$-	\$-
TOTAL COMPONENT UNIT	\$15,586	\$15,586	\$-	\$-	\$-

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

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

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

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

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

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

NOTE D – RESTRICTED ASSETS:

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

Assets restricted by applicable bond covenants are as follows:

	December 31, 2019	
	Required Balance	Actual Balance
I. Construction accounts		
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.	\$166,005	\$166,005

NOTE D – RESTRICTED ASSETS (Continued):

		December 31, 2019	
		Required Balance	Actual Balance
II. Bond payment accounts			
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, 1/2 of interest due on next payment and not less than 1/4 of the principal due the next year.			
		\$81,185	\$125,000
III. Bond reserve accounts			
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.			
		75,600	75,600
IV. Capital improvement accounts			
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.			
		79,931	79,931
V. Operations and maintenance accounts			
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			
		371,686	457,027
Total		<u>\$774,407</u>	<u>\$903,563</u>

NOTE E – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:

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

Type	Governmental Activities	Business- Type Activities	Total Primary Government
Property taxes – current	\$1,882,772	\$-	\$1,882,772
Accounts receivable	27,802	34,926	62,728
Utilities receivable	34,109	609,725	643,834
Delinquent utilities receivable	-	49,249	49,249
Other receivables	25,069	-	25,069
Due from other government units	568,233	465,761	1,033,994
Total	<u>\$2,537,985</u>	<u>\$1,159,661</u>	<u>\$3,697,646</u>

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

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

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

A summary of the interfund receivables and payables at December 31, 2019 is as follows:

		DUE FROM				
		General Fund	Capital Projects	Water	Internal Service	Total Due To Other Funds
DUE TO	General Fund	\$-	\$-	\$-	\$-	\$-
	Garbage	-	-	-	-	-
	Non-major Governmental Funds	150,467	-	-	-	150,467
	Water	-	-	-	-	-
	Sewer	-	-	-	-	-
	Total Due From Other Funds	<u>\$150,467</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$150,467</u>

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

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

The transfers between funds for the year ended December 31, 2019 are as follows:

	TRANSFERS IN				
	General Fund	Capital Projects	Non-major Gov'tl Funds	Internal Service	Total Transfers Out
TRANSFERS OUT					
General Fund	\$	\$-	\$4,628	\$-	\$4,628
Capital Projects	-	-	171,844	-	171,844
Non-major Governmental Funds	7,056	-	-	-	7,056
Total Transfers In	\$7,056	\$-	\$176,472	\$-	\$183,528

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

NOTE G – CAPITAL ASSETS:

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

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$1,280,750	\$-	\$-	\$1,280,750
Historical treasures	135,275	-	-	135,275
Construction in progress	65,798	614,300	-	680,098
Subtotal	1,481,823	614,300	-	2,096,123
Capital assets being depreciated:				
Buildings and improvements	12,340,551	39,833	-	12,380,384
Land improvements	3,280,490	7,350	-	3,287,840
Equipment and vehicles	6,198,360	401,870	-	6,600,230
Infrastructure	10,937,559	-	-	10,937,559
Subtotal	32,756,960	449,053	-	33,206,013
Total Capital Assets	34,238,783	1,063,353	-	35,302,136
Less accumulated depreciation:				
Buildings and improvements	(8,662,263)	(217,830)	-	(8,880,093)
Land improvements	(498,823)	(98,265)	-	(597,088)
Equipment and vehicles	(4,754,235)	(221,932)	-	(4,976,167)
Infrastructure	(1,533,381)	(352,553)	-	(1,885,934)
Total Accumulated Depreciation	(15,448,702)	(890,580)	-	(16,339,282)
CAPITAL ASSETS, NET	\$18,790,081	\$172,773	\$-	\$18,962,854

NOTE G – CAPITAL ASSETS (Continued):

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

Governmental Activities:	
General Government	\$469,515
Public Works	107,271
Public Safety	133,282
Recreation and Culture	82,763
Internal Service Fund charged to above activities	97,749
Total Depreciation Expense	<u>\$890,580</u>

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

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in progress	11,097,949	2,683,989	-	13,781,938
Subtotal	<u>11,108,837</u>	<u>2,683,989</u>	<u>-</u>	<u>13,792,826</u>
Capital assets being depreciated:				
Building and improvements	68,793	-	-	68,793
Equipment	447,228	-	-	447,228
Sewer system	14,738,040	-	-	14,738,040
Water system	4,290,204	-	-	4,290,204
Subtotal	<u>19,544,265</u>	<u>-</u>	<u>-</u>	<u>19,544,265</u>
Total Capital Assets	<u>30,653,102</u>	<u>2,683,989</u>	<u>-</u>	<u>33,337,091</u>
Less accumulated depreciation:				
Building and improvements	(41,145)	(1,728)	-	(42,873)
Equipment	(209,573)	(33,951)	-	(243,524)
Sewer system	(10,812,454)	(354,389)	-	(11,166,843)
Water system	(2,593,674)	(83,148)	-	(2,676,822)
Total Accumulated Depreciation	<u>(13,656,846)</u>	<u>(473,216)</u>	<u>-</u>	<u>(14,130,062)</u>
CAPITAL ASSETS, NET	<u>\$16,996,256</u>	<u>\$2,210,773</u>	<u>\$-</u>	<u>\$19,207,029</u>

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

Business-type Activities:	
Sewer	\$390,068
Water	83,148
Total Depreciation Expense	<u>\$473,216</u>

NOTE G – CAPITAL ASSETS (Continued):

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

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019
COMPONENT UNIT:				
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	(23,037)	(7,947)	-	(30,984)
Infrastructure	(430,754)	(105,471)	-	(536,225)
Total Accumulated Depreciation	(453,791)	(113,418)	-	(567,209)
CAPITAL ASSETS, NET	\$1,855,610	(\$113,418)	\$-	\$1,742,192

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

Component Unit Activities:	
DDA	\$113,418
Total Depreciation Expense	\$113,418

NOTE H – CONSTRUCTION IN PROGRESS:

The City has a number of projects underway which involve additions, extensions, and improvements to the City cemetery, parks, streets, sanitary sewer, and water systems. Major construction projects in progress as of December 31, 2019 include the following:

Lake Bancroft Pavilion, \$662,098; the City began construction for the Pavilion at Lake Bancroft. Total cost for the project is expected to be \$600,000. Funding for the project through \$50,000 from DDA, \$250,000 from Cliffs Eagle Mine grants, and \$300,000 from DNR grant. The project is expected to be completed in 2020.

Columbarium, \$18,000; the City placed an order for a new Columbarium at the cemetery. Total cost is \$19,000 and the columbarium is expected to be delivered and installed in the spring of 2020.

Water Improvement Project-SAW grant, \$1,967,702; in conjunction with the City's Water Improvement Project (see below) the City began replacing sewer lines that are degraded. The City is utilizing a Stormwater, Asset Management, and Wastewater (SAW) grant through Michigan Department of Environmental Quality (MDEQ). The project is expected to be completed in 2020.

NOTE H – CONSTRUCTION IN PROGRESS (Continued):

Water Improvement Project, \$11,814,236; the City has secured grant and USDA funding for a large water line replacement project within the City. The project is estimated to cost approximately \$12,000,000 with funding being provided through a USDA loan totaling \$8,980,000 and a USDA grant totaling \$3,020,000. It is anticipated that the project will be complete in fiscal year 2020.

As of December 31, 2019, total construction in progress costs incurred amounted to \$680,098 in the governmental type activities and \$13,781,938 in the business-type activities.

NOTE I – LONG-TERM PAYABLE TO DDA:

In the past the DDA loaned 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, 2019 is \$558,707.

NOTE J – LONG -TERM DEBT:

A summary of long-term obligations at December 31, 2019 and transactions related thereto for the year then ended is as follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Installment payable for purchase of fire truck. Payable annually beginning January 1, 2006 including 4.375%. Secured by equipment.	\$25,000	\$-	(\$25,000)	\$-	\$-
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 4.25% per annum.	535,000	-	(33,000)	502,000	35,000
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually including interest of 4.75% per annum.	57,000	-	(3,000)	54,000	3,000
General Obligation Limited Tax Capital Improvement Bonds, Series 2011. Payable semi-annually including interest of 3.00% to 5.00% per annum.	526,800	-	(50,400)	476,400	52,800
Building Authority Bonds, Series 2015. Payable semi-annually including interest of 3.25% per annum.	1,316,000	-	(30,000)	1,286,000	31,000
Building Authority Bonds, Series 2016. Payable semi-annually including interest of 3.125% per annum.	235,000	-	(6,000)	229,000	6,000
General Obligation Unlimited Tax Bonds, Series 2017. Payable semi-annually including interest of 3.00% to 3.125% per annum.	785,000	-	(60,000)	725,000	65,000
2019 Dodge Charger Lease. Payable annually including interest of 5.24%.	-	44,963	(15,759)	29,204	14,229

NOTE J – LONG -TERM DEBT (Continued):

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Snowplow Loan. Payable monthly including interest rate of 3.60%.	\$-	\$150,617	(\$13,837)	\$136,780	\$28,477
SUBTOTAL	3,479,800	195,580	(236,996)	3,438,384	235,506
Less: Premium on bonds	(12,786)	-	1,112	(11,674)	-
SUBTOTAL	3,467,014	195,580	(235,884)	3,426,710	235,506
Compensated absences	232,322	10,840	-	243,162	20,822
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$3,699,336</u>	<u>\$206,420</u>	<u>(\$235,884)</u>	<u>\$3,669,872</u>	<u>\$256,328</u>

BUSINESS-TYPE ACTIVITIES:

Installment payable for purchase of
Vacall Freightliner. Payable annually
beginning November 1, 2016
including interest of 2.9%. Secured by
equipment.

\$127,486	-	(\$62,832)	\$64,654	\$64,654
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Water Revenue Bonds, Series 2017.
Payable semi-annually beginning
June 1, 2018 including interest of
2.125%

	8,835,000	-	(148,000)	8,687,000	151,000
SUBTOTAL	8,962,486	-	(210,832)	8,751,654	215,654

Compensated absences	9,729	4,110	-	13,839	186
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TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$8,972,215</u>	<u>\$4,110</u>	<u>(\$210,832)</u>	<u>\$8,765,493</u>	<u>\$215,840</u>
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COMPONENT UNIT:

General Obligation Limited Tax
Capital Improvement Bonds, Series
2011. Payable semi-annually including
interest of 3.00% to 5.00% per annum.

\$1,668,200	\$-	(\$159,600)	\$1,508,600	\$167,200
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TOTAL COMPONENT UNIT	<u>\$1,668,200</u>	<u>\$-</u>	<u>(\$159,600)</u>	<u>\$1,508,600</u>	<u>\$167,200</u>
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The annual principal and interest requirements for the years ending December 31, 2019 and thereafter, excluding accrued compensated absences, are as follows:

	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$235,506	\$126,785	\$215,654	\$184,869	\$167,200	\$66,695
2021	241,522	117,266	154,000	179,754	171,000	58,763
2022	216,444	107,859	157,000	176,450	110,200	52,003
2023	222,782	98,539	161,000	173,071	114,000	47,239
2024	212,530	89,141	164,000	179,618	117,800	42,239
2025-2029	1,103,800	322,067	875,000	803,657	680,200	123,105
2030-2034	397,800	162,258	971,000	695,715	148,200	3,705
2035-2039	330,000	109,998	1,079,000	586,873	-	-
2040-2044	395,000	52,548	1,200,000	465,908	-	-
2045-2049	83,000	2,682	1,332,000	331,544	-	-
2050-2054	-	-	1,481,000	182,206	-	-
2055-2058	-	-	962,000	30,875	-	-
Totals	<u>\$3,438,384</u>	<u>\$1,189,143</u>	<u>\$8,751,654</u>	<u>\$3,990,540</u>	<u>\$1,508,600</u>	<u>\$393,749</u>

NOTE K – COMPENSATED ABSENCES:

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

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

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

	Sick	Vacation	Total
Current Portion:			
General Fund	\$-	\$20,822	\$20,822
Motor Pool Fund	-	-	-
Sewer Fund	-	-	-
Water Fund	-	186	186
Total Current	-	21,008	21,008
Long-term Portion:			
Governmental Activities	127,677	78,504	206,181
Motor Pool Fund	8,721	7,438	16,159
Sewer Fund	736	910	1,646
Water Fund	4,819	7,188	12,007
Total Long-term	141,953	94,040	235,993
GRAND TOTAL	\$141,953	\$115,048	\$257,001

NOTE L – TAXES LEVIED FOR A SUBSEQUENT PERIOD:

Property taxes levied on December 1, 2019 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	\$1,543,220
Public Improvement Fund	504,987
Fire Fund	109,105
Subtotal	2,157,312
Fiduciary:	
Pension Trust Fund	257,173
Component Unit:	
DDA Fund	240,218
TOTAL	\$2,654,703

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, 2019, fund balances are composed of the following:

	General Fund	Major Special Revenue Funds	Major Capital Projects Funds	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventory	\$102,131	\$-	\$-	\$-	\$102,131
Corpus	-	-	-	988,983	988,983
Subtotal	102,131	-	-	988,983	1,091,114
Restricted:					
Transportation Funds	-	666,302	-	-	666,302
Public Improvement Levy	-	-	297,971	-	297,971
Fire Levy	-	-	-	45,028	45,028
Firefighter Longevity	-	-	-	225,806	225,806
Perpetual Care	-	-	-	200,841	200,841
Cemetery Care	-	-	-	9,650	9,650
Subtotal	-	666,302	297,971	481,325	1,445,598
Committed	-	-	-	-	-
Assigned:					
Garbage Activities	-	210,960	-	-	210,960
Library Improvements	-	-	-	43,928	43,928
Lake Bancroft	-	-	-	24,614	24,614
DEQ Monitoring	33,000	-	-	-	33,000
Welcome baskets	960	-	-	-	960
Subtotal	33,960	210,960	-	68,542	313,462
Unassigned	761,659	-	-	-	761,659
Total fund balances	\$897,750	\$877,262	\$297,971	\$1,538,850	\$3,611,833

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, 2018).

Summary of Significant Accounting Policies

Pensions – For purposes 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 and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

General Information about the Pension Plan

Plan Description – 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.

Benefits Provided:

	2018 Valuation		
	01 – CI & Pub Wks: Open Division	10 – Supervisory: Open Division	11 – Union/Supervisor: Open Division
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%
Act 88:	Yes (Adopted 2/3/1965)	Yes (Adopted 2/3/1965)	Yes (Adopted 2/3/1965)

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Employees covered by benefit terms – At the December 31, 2018 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:	<u>26</u>
Total	<u>73</u>

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, 2018 are as follows:

Division	Employer Contribution	Employee Contribution
01 – CI & Pub Wks	47.25%	5.43%
10 – Supervisory	46.42%	7.51%
11 – Union/Supervisor	126.42%	9.70%

There were no contributions requirements for closed divisions.

Net Pension Liability – The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as December 31, 2018.

Actuarial assumptions – The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

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

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%
	100.00%	5.25%

Discount rate – The discount rate used to measure the total pension liability is 8.00%. 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

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2018	\$16,763,018	\$7,669,397	\$9,093,621
Changes for the Year			
Service Cost	209,452	-	209,452
Interest on Total Pension Liability	1,303,816	-	1,303,816
Changes in benefits	(138)	-	(138)
Difference between expected and actual experience	278,635	-	278,635
Change in assumptions	-	-	-
Employer Contributions	-	825,950	(825,950)
Employee Contributions	-	99,950	(99,950)
Net Investment Income	-	1,028,801	(1,028,801)
Benefit payments, including employee refunds	(1,140,064)	(1,140,064)	-
Administrative expense	-	(17,706)	17,706
Other changes	(110,789)	-	(110,789)
Net Changes	540,912	(796,931)	(256,019)
Balances at 12/31/2019	\$17,303,930	\$8,466,328	\$8,837,602

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Net Pension Liability (NPL):

MERS – Primary Government	\$8,837,602
Police-Fire – Primary Government (see Note O)	2,144,901
NPL reported in the Statement of Net Position	<u>\$10,982,503</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 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability at 12/31/2019	\$8,837,602	\$8,837,602	\$8,837,602
Change in Net Pension Liability	1,911,348	-	(1,607,894)
Calculated Net Pension Liability	<u>\$10,748,950</u>	<u>\$8,837,602</u>	<u>\$7,229,708</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 2019 the employer recognized pension expense of \$1,171,051. 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	\$336,693	\$-
Difference in assumptions	46,878	(46,878)
Excess (Deficit) Investment Returns	46,397	(10,077)
Total	<u>\$429,968</u>	<u>(\$56,955)</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
2019 (2020)	\$169,258
2020 (2021)	108,841
2021 (2022)	179,818
2022 (2023)	(84,904)
2023 (2024)	-
Thereafter	-
Total	<u>\$373,013</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	\$429,968	(\$56,955)
Police-Fire – Primary Government (see Note P)	-	(124,687)
Total	<u>\$429,968</u>	<u>(\$181,642)</u>
Contributions subsequent to the measurement date:		
Police-Fire – Primary Government (see Note P)	<u>\$-</u>	

Payable to the Pension Plan

At December 31, 2019, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan.

NOTE O – POLICEMEN AND FIREMEN – DEFINED BENEFIT PENSION PLAN:**General Information about the Pension Plan**

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

Benefits Provided:

	2019 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%
	To age 55: 1.5% multiple
Non-duty Disability:	At age 55: same as above
	To age 55: 50% AFC
	At age 55: same as above w/ service credit from date of disability to age 55.
Duty Disability:	

Employees covered by benefit terms – At the December 31, 2019 valuation date, the latest actuarial valuation date, the following employees were covered by the benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits:	20
Inactive employees entitled to but not yet receiving:	4
Active employees:	9
Total	<u>33</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, 2019 are as follows: employer 42.16% 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, 2019, 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, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.5%

Salary Increases: 3.5% in the long-term

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

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

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

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

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

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

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

were estimated based on the asset allocation provided by the client as of December 31, 2019. Best estimates of arithmetic real rates of return were approximated using expected returns from twelve investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.61%	0.01%
Domestic Equity – Large Cap	24.67%	1.24%
Domestic Equity – Small Cap	24.67%	1.42%
International Equity	10.57%	0.70%
Emerging Markets	10.57%	0.95%
Domestic Corporate Fixed Income	17.28%	0.28%
Domestic Government Fixed Income	8.64%	0.09%
Treasury Inflation Protected Securities	0.00%	0.00%
High Yield Bonds	0.00%	0.00%
Real Estate	1.99%	0.09%
Private Equity	0.00%	0.00%
Hedge Funds	0.00%	0.00%
Other Alternatives	0.00%	0.00%
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.

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

Dodge & Cox Income Fund	39,468.4930 units	\$553,743
Doubleline Core Fixed	49,897.8830 units	552,370
JOHcm Gbl Eqty Fd CI I	21,327.5590 units	512,288
Pimco Rae Intl Inst	51,332.9900 units	510,763
Pimco Rae US Inst	44,860.9240 units	519,938
RWC Global Emrg Eqty I	27,862.2310 units	346,606.15

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.75% (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

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2018	\$6,688,702	\$3,995,161	\$2,693,541
Changes for the Year			
Service Cost	107,651	-	107,651
Interest on Total Pension Liability	454,476	-	454,476
Changes in benefits	-	-	-
Difference between expected and actual experience	(122,404)	-	(122,404)
Change in assumptions	-	-	-
Employer Contributions	-	229,122	(229,122)
Employee Contributions	-	24,114	(24,114)
Net Investment Income	-	753,628	(753,628)
Benefit payments, including employee refunds	(500,023)	(500,023)	-
Administrative expense	-	(18,501)	18,501
Other changes	-	-	-
Net Changes	(60,300)	488,340	(548,640)
Balances at 12/31/2019	\$6,628,402	\$4,483,501	\$2,144,901

Note: Based on December 31, 2019 actuarial valuation, the most recent actuarial report available.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability at 12/31/2019	\$2,144,901	\$2,144,901	\$2,144,901
Change in Net Pension Liability	763,725	-	(636,414)
Calculated Net Pension Liability	<u>\$2,908,626</u>	<u>\$2,144,901</u>	<u>\$1,508,487</u>

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

For the year ended 2019 the employer recognized pension expense of \$489,644. 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	\$-	(\$85,703)
Difference in assumptions	-	-
Excess (Deficit) Investment Returns	-	(38,984)
Subtotal	-	(\$124,687)
Contributions subsequent to the measurement date*	-	-
Total	\$-	-

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

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

Plan/Fiscal Year Ended December 31:	Amount
2020	(\$5,896)
2021	(35,560)
2022	18,698
2023	(101,929)
2024	-
Thereafter	-
Total	(\$124,687)

Payable to the Pension Plan

At December 31, 2019, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2019.

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, 2019, are as follows:

Total pension liability	\$6,628,402 *
Plan fiduciary net position	<u>4,483,501</u>
City's net pension liability	<u>\$2,144,901</u>

Plan fiduciary net position as
a percentage of the total pension liability 67.64%

*As of December 31, 2019, 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 (formerly known as PEBSCO). Nationwide Retirement Solutions, as plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions 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, 2019, the City's contributions totaled approximately \$28,486.

NOTE S – PROPERTY TAXES:

The City of Ishpeming levied 13.3545 mills for the General Fund, 4.4514 mills for the Public Improvement Fund, 0.8940 mills for Fire Equipment, and 2.2670 mills for the Policemen and Firemen Retirement Fund for calendar year 2019. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$121,889,062.

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.

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, 2019 is as follows:

Assets	\$3,549,185
Deferred Outflows of Resources	-
Liabilities	92,662
Deferred Inflows of Resources	340,182
Net Position	3,116,341
Operating Revenues	518,869
Operating Expenses	529,143

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, 2019, is as follows:

Assets	\$6,465,300
Deferred Outflows of Resources	62,649
Liabilities	285,816
Deferred Inflows of Resources	-
Equity - All local units	6,242,133
Operating Revenues	1,184,954
Operating Expenses	1,551,003
Other Income	232,761
Increase (decrease) in net position	(133,288)
City's Share of Net Income (loss)	13,332

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, 2019 is as follows:

Assets	\$15,369,639
Deferred Outflows of Resources	277,768
Liabilities	5,547,147
Deferred Inflows of Resources	94,850
Net Position	10,005,410
Operating Revenues	3,179,262
Operating Expenses	3,623,392
Non-operating Revenues (Expenses)	45,576
Net Income (Loss)	(398,554)

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, 2018 (the most recent report available) is as follows:

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

The balance of the investment in Board for the year ended December 31, 2019 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.

NOTE V – CONTINGENT LIABILITIES (Continued):

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

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

NOTE W – TAX ABATEMENTS

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

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, 2019, 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, 2019, the Federal aid received and expended by the City was \$2,082,656. This is greater than the single audit threshold of \$750,000; therefore, the City is subject to a single audit under the Uniform Guidance.

NOTE Y – NEW GASB STANDARDS:

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

Recently Issued and Adopted Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The Statement identifies four types of fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for periods beginning after December 15, 2019, however the City decided to implement early. The City has activities that meet the criteria for GASB 84; therefore, GASB 84 is applicable to the City.

NOTE Y – NEW GASB STANDARDS (Continued):

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt, and term specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Debt, for purposes of disclosure in the notes to the financial statements, is defined under this Statement as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. This statement is effective for periods beginning after June 15, 2019, however the City decided to implement early. The City has debt that meets the criteria for GASB 88; therefore, GASB 88 is applicable to the City.

Other Recently Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Under the Statement recognition occurs when the liability is both incurred and reasonably estimable. It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. It requires similar disclosures for a government's minority shares of AROs. This statement is effective for periods beginning after June 15, 2019. The City does not have any AROs that meet the criteria for GASB 83; therefore, GASB 83 is not applicable to the City.

NOTE Z – UPCOMING CHANGES IN ACCOUNTING STANDARDS:

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

GASB 87: Leases

Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2021 (City's fiscal year 2023)

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

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

required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 89: Accounting for Interest Cost incurred before the end of a Construction Period

Originally effective for fiscal years beginning after December 15, 2019; postponed by GASB 95 to fiscal years beginning after December 15, 2020 (City's fiscal year 2021)

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus.

GASB 90: Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61

Originally effective for fiscal years beginning after December 15, 2018; postponed by GASB 95 to fiscal years beginning after December 15, 2019 (City's fiscal year 2020)

This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority interest in a legally separate organization results in a government being financially accountable for a legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

GASB 91: Conduit Debt Obligations

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

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

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

establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

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

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

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

GASB 92: Omnibus 2020

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

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

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

GASB 93: Replacement of Interbank Offered Rates

Originally effective for fiscal years beginning after June 15, 2019; postponed by GASB 95 to fiscal years beginning after June 15, 2020 (City's fiscal year 2021)

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing the fallback provisions related to the reference rate.

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

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, Leases, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedge item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedge expected transactions is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

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

other capital assets (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.

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

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

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

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

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

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

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

- Statement No. 87, *Leases*

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

The City chosen to implement GASB No. 84 and GASB No. 88 according to the original implementation date (see Note Y) and to postpone implementation of GASB No. 90 by one year.

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

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.

NOTE AA – UNRESTRICTED NET POSITION 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, 2019, the City had an unrestricted net position deficit in the Water Fund totaling \$1,189,644.

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.

For proprietary funds, fiduciary funds, and discretely presented component units the 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.

NOTE AA – UNRESTRICTED NET POSITION DEFICIT (Continued):

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 is not required to file a deficit elimination plan with the Department of Treasury as current assets minus current liabilities is positive.

NOTE AB – 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, 2019 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

	Final Budget	Actual	Variance
General Fund:			
Public Safety	\$831,421	\$840,553	(\$9,132)
Public Works	359,616	377,957	(18,341)
Major Street Fund:			
Winter Maintenance	430,000	487,946	(57,946)
State Trunkline	58,045	63,878	(5,833)
Local Street Fund:			
Winter Maintenance	275,000	315,464	(40,464)
Administration	18,500	18,853	(353)
Lake Bancroft Fund:			
Capital Outlay	576,750	578,039	(1,289)

NOTE AC – SUBSEQUENT EVENTS:

Beginning with the 2019 pension actuarial reports, the MERS Retirement Board approved adjustments to key economic assumptions. According to MERS, “these assumptions, in particular the investment return assumption, have a significant effect on a plan’s required contribution and funding level. Historically low interest rates, along with high equity market valuations, have led to reductions in projected returns for most asset classes. This has resulted in a Board adopted reduction in the investment rate of return assumption to 7.35% effective with the December 31, 2019 valuation first impacting 2021 contributions. The Board also changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.” Exact amounts and changes in the unfunded liability will not be known until the 2019 pension actuarial reports are issued.

NOTE AC – SUBSEQUENT EVENTS (Continued):

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United States has resulted in the temporary reduction of operating hours for many local units of government as well as temporary local government closures that were mandated. Michigan's Governor, Gretchen Whitmer, issued an executive order to temporarily suspend activities that are not necessary to sustain or protect life. At the current time, we are unable to quantify the potential effects of this pandemic on our future financial statements.

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,				
	2019	2018	2017	2016	2015
Change in total pension liability					
Service cost	\$ 209,452	\$ 202,632	\$ 200,575	\$ 183,436	\$ 176,348
Interest	1,303,816	1,267,953	1,209,026	1,177,043	1,111,444
Change in benefit terms	(138)	(24)	(131)	-	-
Differences between expected and actual experience	278,635	42,208	426,449	(240,242)	-
Changes in assumptions	-	-	-	805,071	-
Benefit payments, including refunds of member contributions	(1,140,064)	(1,163,689)	(1,014,405)	(969,793)	(896,652)
Other	(110,789)	83,985	(11,304)	(96,136)	16,018
Net change in total pension liability	<u>540,912</u>	<u>433,065</u>	<u>810,210</u>	<u>859,379</u>	<u>407,158</u>
Total pension liability, beginning of year	<u>16,763,018</u>	<u>16,329,953</u>	<u>15,519,743</u>	<u>14,660,364</u>	<u>14,253,206</u>
Total pension liability, end of year (a)	<u>17,303,930</u>	<u>16,763,018</u>	<u>16,329,953</u>	<u>15,519,743</u>	<u>14,660,364</u>
Change in plan fiduciary net position					
Contributions – employer	825,950	601,641	565,838	537,665	474,475
Contributions – member	99,950	81,803	81,314	141,948	73,403
Net investment income	1,028,801	(316,588)	1,019,969	822,998	(113,758)
Benefit payments, including refunds of member contributions	(1,140,064)	(1,163,689)	(1,014,405)	(969,793)	(896,652)
Administrative expense	(17,706)	(16,112)	(16,175)	(16,241)	(16,811)
Other	-	2	-	-	-
Net change in plan fiduciary net position	<u>796,931</u>	<u>(812,943)</u>	<u>636,541</u>	<u>516,577</u>	<u>(479,343)</u>
Plan fiduciary net position, beginning of year	<u>7,669,397</u>	<u>8,482,340</u>	<u>7,845,799</u>	<u>7,329,222</u>	<u>7,808,565</u>
Plan fiduciary net position, end of year (b)	<u>8,466,328</u>	<u>7,669,397</u>	<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><u>\$ 8,837,602</u></u>	<u><u>\$ 9,093,621</u></u>	<u><u>\$ 7,847,613</u></u>	<u><u>\$ 7,673,944</u></u>	<u><u>\$ 7,331,142</u></u>
Plan fiduciary net position as a percentage of the total pension liability	48.93%	45.75%	51.94%	50.55%	49.99%
Covered-employee payroll	\$ 1,331,729	\$ 1,312,420	\$ 1,296,057	\$ 1,229,890	\$ 1,195,774
City's net pension liability as a percentage of covered payroll	663.62%	692.89%	605.50%	623.95%	613.09%

Notes to schedule:

Benefit Changes:

NONE

NONE

NONE

NONE

NONE

Changes of Assumptions:

NONE

NONE

NONE

2016

NONE

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

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)

<u>Fiscal Year Ending December 31,</u>	<u>Actuarial Determined Contribution</u>	<u>Contribution in Relation to the Actuarial Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as Percentage of Covered Payroll</u>
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%

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,				
		2019	2018	2017	2016	2015
Change in total pension liability						
Service cost		\$ 107,651	\$ 108,783	\$ 106,350	\$ 91,455	\$ 111,812
Interest		454,476	450,415	440,259	431,723	438,498
Change in benefit terms		-	-	-	-	-
Differences between expected and actual experience		(122,404)	(7,962)	68,626	(142,763)	(157,156)
Changes in assumptions		-	-	-	178,587	(56,392)
Benefit payments, including refunds of member contributions		(500,023)	(485,291)	(457,439)	(431,579)	(415,168)
Other changes		-	-	-	(1)	1
Net change in total pension liability		(60,300)	65,945	157,796	127,422	(78,405)
Total pension liability, beginning of year		6,688,702	6,622,757	6,464,961	6,337,539	6,415,944
Total pension liability, end of year	(a)	6,628,402	6,688,702	6,622,757	6,464,961	6,337,539
Change in plan fiduciary net position						
Contributions – employer		229,122	178,625	163,490	188,906	199,322
Contributions – member		24,114	24,981	24,927	26,124	23,844
Net investment income		753,628	(405,208)	561,745	211,257	(187,393)
Benefit payments, including refunds of member contributions		(500,023)	(485,291)	(457,439)	(431,579)	(415,168)
Administrative expense		(18,501)	(19,633)	(11,797)	-	(42,723)
Other changes		-	-	-	(1)	1
Net change in plan fiduciary net position		488,340	(706,526)	280,926	(5,293)	(422,117)
Plan fiduciary net position, beginning of year		3,995,161	4,701,687	4,420,761	4,426,054	4,848,171
Plan fiduciary net position, end of year	(b)	4,483,501	3,995,161	4,701,687	4,420,761	4,426,054
City's net pension liability, end of year	(a)-(b)	<u>\$ 2,144,901</u>	<u>\$ 2,693,541</u>	<u>\$ 1,921,070</u>	<u>\$ 2,044,200</u>	<u>\$ 1,911,485</u>
Plan fiduciary net position as a percentage of the total pension liability		67.64%	59.73%	70.99%	68.38%	69.84%
Covered-employee payroll		\$ 515,441	\$ 486,037	\$ 475,382	\$ 424,035	\$ 458,896
City's net pension liability as a percentage of covered payroll		416.13%	554.18%	404.11%	482.08%	416.54%
*Actuarial information not available						
Notes to Schedules:						
Benefit Changes:		NONE	NONE	NONE	NONE	NONE
Changes of Assumptions:		NONE	NONE	NONE	NONE	NONE

City's net pension liability is based on most recent actuarial valuation date, December 31, 2019.

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,				
		2014				
Change in total pension liability						
Service cost		\$ 114,128				
Interest		477,261				
Change in benefit terms		-				
Differences between expected and actual experience		(333,359)				
Changes in assumptions		(387,579)				
Benefit payments, including refunds of member contributions		(430,902)				
Other changes		-				
Net change in total pension liability		(560,451)	-	-	-	-
Total pension liability, beginning of year		6,976,395				
Total pension liability, end of year	(a)	6,415,944	-	-	-	-
Change in plan fiduciary net position						
Contributions – employer		201,791				
Contributions – member		22,745				
Net investment income		101,472				
Benefit payments, including refunds of member contributions		(430,902)				
Administrative expense		(39,761)				
Other changes		-				
Net change in plan fiduciary net position		(144,655)	-	-	-	-
Plan fiduciary net position, beginning of year		4,992,826	-	-	-	-
Plan fiduciary net position, end of year	(b)	4,848,171	-	-	-	-
City's net pension liability, end of year	(a)-(b)	<u>\$ 1,567,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability		75.56%				
Covered-employee payroll		\$ 462,485	\$ -	\$ -	\$ -	\$ -
City's net pension liability as a percentage of covered payroll		338.99%				
*Actuarial information not available						
Notes to Schedules:						
Benefit Changes:		NONE				
Changes of Assumptions:		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
2010	\$ 139,448	\$ 139,448	\$ -	\$ 441,036	31.62%
2011	160,724	160,724	-	407,599	39.43%
2012	149,207	149,207	-	475,834	31.36%
2013	158,948	158,948	-	487,529	32.60%
2014	197,820	201,791	(3,971)	462,485	43.63%
2015	192,780	199,322	(6,542)	458,896	43.44%
2016	181,160	188,906	(7,746)	424,035	44.55%
2017	171,758	163,490	8,268	475,382	34.39%
2018	178,606	178,625	(19)	486,037	36.75%
2019	214,696	229,122	(14,426)	515,441	44.45%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: December 31, 2017

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

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)

Plan Year Ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2014	6.70%
2015	3.70%
2016	5.10%
2017	5.00%
2018	0.80%
2019	3.60%

City of Ishpeming, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

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

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

SPECIAL REVENUE FUNDS

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

City of Ishpeming, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019			Variance with Final Budget Positive (Negative)	2018
	Original Budget	Final Budget	Actual GAAP Basis		
REVENUES:					
Taxes	\$ 1,632,299	\$ 1,592,357	\$ 1,596,500	\$ 4,143	\$ 1,613,349
Federal sources	-	27,287	27,287	-	-
State sources	868,400	870,023	910,665	40,642	882,915
Licenses and permits	175,050	177,948	170,973	(6,975)	171,834
Service charges	79,300	92,675	88,597	(4,078)	86,750
Interest income and rentals	6,500	9,770	10,746	976	7,645
Contributions	5,000	7,755	6,882	(873)	6,975
Fines and forfeitures	51,200	53,707	48,750	(4,957)	56,716
Other revenues	5,000	35,759	61,838	26,079	90,849
TOTAL REVENUES	2,822,749	2,867,281	2,922,238	54,957	2,917,033
EXPENDITURES:					
Current Operations:					
Legislative	16,600	31,160	30,206	954	15,582
General government	1,326,578	1,436,558	1,294,343	142,215	1,278,301
Public safety	881,501	831,421	840,553	(9,132)	841,850
Public works	388,510	359,616	377,957	(18,341)	394,180
Community and economic development	33,550	35,957	30,387	5,570	32,202
Recreation and culture	345,260	364,935	347,304	17,631	348,484
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	2,991,999	3,059,647	2,920,750	138,897	2,910,599
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(169,250)	(192,366)	1,488	193,854	6,434
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	6,450	6,450	7,056	606	7,085
Transfers (out)	(9,000)	(5,000)	(4,628)	372	(5,347)
TOTAL OTHER FINANCING SOURCES (USES)	(2,550)	1,450	2,428	978	1,738
CHANGE IN FUND BALANCE	(171,800)	(190,916)	3,916	194,832	8,172
Fund balance, beginning of year	893,834	893,834	893,834	-	885,662
FUND BALANCE, END OF YEAR	\$ 722,034	\$ 702,918	\$ 897,750	\$ 194,832	\$ 893,834

City of Ishpeming, Michigan

MAJOR SPECIAL REVENUE FUNDS

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019			Variance with Final Budget Positive (Negative)	2018
	Original Budget	Final Budget	Actual GAAP Basis		
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	623,920	742,586	787,569	44,983	759,910
Interest income and rentals	250	600	952	352	413
Other revenue	-	100	98	(2)	-
TOTAL REVENUES	624,170	743,286	788,619	45,333	760,323
EXPENDITURES:					
Public Works:					
Construction	-	-	-	-	76,000
Routine maintenance	36,100	92,100	89,062	3,038	34,139
Traffic service	18,800	14,800	12,599	2,201	20,217
Winter maintenance	310,000	430,000	487,946	(57,946)	356,852
Administration	39,845	39,845	38,679	1,166	10,780
State trunkline	54,055	58,045	63,878	(5,833)	42,799
Total Public Works	458,800	634,790	692,164	(57,374)	540,787
Debt Service:					
Principal	-	-	-	-	33,370
Interest and fiscal charges	-	-	-	-	1,418
Total Debt Service	-	-	-	-	34,788
TOTAL EXPENDITURES	458,800	634,790	692,164	(57,374)	575,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	165,370	108,496	96,455	(12,041)	184,748
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
CHANGE IN FUND BALANCE	165,370	108,496	96,455	(12,041)	184,748
Fund balance, beginning of year	302,474	302,474	302,474	-	117,726
FUND BALANCE, END OF YEAR	\$ 467,844	\$ 410,970	\$ 398,929	\$ (12,041)	\$ 302,474

City of Ishpeming, Michigan

MAJOR SPECIAL REVENUE FUNDS

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2018
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	288,270	329,540	339,689	10,149	418,861
Interest income and rentals	-	800	926	126	428
Other revenue	-	-	-	-	-
TOTAL REVENUES	<u>288,270</u>	<u>330,340</u>	<u>340,615</u>	<u>10,275</u>	<u>419,289</u>
EXPENDITURES:					
Public Works:					
Construction	-	-	-	-	-
Routine maintenance	50,100	35,700	30,458	5,242	53,078
Traffic service	17,700	12,900	6,336	6,564	9,871
Winter maintenance	229,000	275,000	315,464	(40,464)	220,605
Administration	15,000	18,500	18,853	(353)	9,660
Total Public Works	<u>311,800</u>	<u>342,100</u>	<u>371,111</u>	<u>(29,011)</u>	<u>293,214</u>
Debt Service:					
Principal	-	-	-	-	9,940
Interest and fiscal charges	-	-	-	-	422
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,362</u>
TOTAL EXPENDITURES	<u>311,800</u>	<u>342,100</u>	<u>371,111</u>	<u>(29,011)</u>	<u>303,576</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,530)</u>	<u>(11,760)</u>	<u>(30,496)</u>	<u>(18,736)</u>	<u>115,713</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(23,530)</u>	<u>(11,760)</u>	<u>(30,496)</u>	<u>(18,736)</u>	<u>115,713</u>
Fund balance, beginning of year	<u>297,869</u>	<u>297,869</u>	<u>297,869</u>	<u>-</u>	<u>182,156</u>
FUND BALANCE, END OF YEAR	<u>\$ 274,339</u>	<u>\$ 286,109</u>	<u>\$ 267,373</u>	<u>\$ (18,736)</u>	<u>\$ 297,869</u>

City of Ishpeming, Michigan

MAJOR SPECIAL REVENUE FUNDS

GARBAGE & RUBBISH FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2018
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	643,880	693,598	717,220	23,622	597,165
Interest income and rentals	400	600	692	92	501
Contributions	-	-	-	-	-
Other revenue	-	-	-	-	-
TOTAL REVENUES	<u>644,280</u>	<u>694,198</u>	<u>717,912</u>	<u>23,714</u>	<u>597,666</u>
EXPENDITURES:					
Current Operations:					
Public Works	<u>669,600</u>	<u>744,655</u>	<u>735,996</u>	<u>8,659</u>	<u>672,609</u>
TOTAL EXPENDITURES	<u>669,600</u>	<u>744,655</u>	<u>735,996</u>	<u>8,659</u>	<u>672,609</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(25,320)</u>	<u>(50,457)</u>	<u>(18,084)</u>	<u>32,373</u>	<u>(74,943)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(25,320)</u>	<u>(50,457)</u>	<u>(18,084)</u>	<u>32,373</u>	<u>(74,943)</u>
Fund balance, beginning of year	<u>229,044</u>	<u>229,044</u>	<u>229,044</u>	<u>-</u>	<u>303,987</u>
FUND BALANCE, END OF YEAR	<u>\$ 203,724</u>	<u>\$ 178,587</u>	<u>\$ 210,960</u>	<u>\$ 32,373</u>	<u>\$ 229,044</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, LAKE BANCROFT FUND, BUILDING AUTHORITY FUND, CARNEGIE LIBRARY FUND, and LIBRARY STATE AID FUND are Non-major Special Revenue Fund types.

PERMANENT FUNDS

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

City of Ishpeming, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2019

	Special Revenue Funds	Permanent Funds Perpetual Care Fund	Cemetery Care Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 327,886	\$ 363,228	\$ 74,896	\$ 766,010
Investments	-	807,459	104,358	911,817
Accounts receivable, net	263,051	-	-	263,051
Taxes receivable	95,981	-	-	95,981
Other receivable	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	686,918	1,170,687	179,254	2,036,859
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 686,918	\$ 1,170,687	\$ 179,254	\$ 2,036,859
LIABILITIES				
Cash overdrafts	\$ 238,437	\$ -	\$ -	\$ 238,437
Accounts payable	-	-	-	-
Accrued payroll and related	-	-	-	-
Accrued sick and vacation	-	-	-	-
Due to other funds	-	126,560	23,907	150,467
TOTAL LIABILITIES	238,437	126,560	23,907	388,904
DEFERRED INFLOWS OF RESOURCES				
Taxes levied for a subsequent period	109,105	-	-	109,105
Discount on investment	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	109,105	-	-	109,105
FUND BALANCE				
Non-spendable	-	843,286	145,697	988,983
Restricted	270,834	200,841	9,650	481,325
Committed	-	-	-	-
Assigned	68,542	-	-	68,542
Unassigned	-	-	-	-
TOTAL FUND BALANCE	339,376	1,044,127	155,347	1,538,850
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 686,918	\$ 1,170,687	\$ 179,254	\$ 2,036,859

City of Ishpeming, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2019

	Special Revenue Funds	Permanent Funds		Total Non-Major Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	
REVENUES:				
Taxes	\$ 106,965	\$ -	\$ -	\$ 106,965
Federal sources	-	-	-	-
State sources	311,651	-	-	311,651
Charges for services	-	19,664	-	19,664
Interest income and rentals	1,176	18,353	1,987	21,516
Contributions	277,139	-	-	277,139
Other revenues	-	-	-	-
TOTAL REVENUES	696,931	38,017	1,987	736,935
EXPENDITURES:				
Current Operations:				
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	20,210	-	-	20,210
Other governmental	-	-	-	-
Debt Service:				
Principal	132,000	-	-	132,000
Interest and fiscal charges	102,644	-	-	102,644
Capital outlay	578,039	-	-	578,039
TOTAL EXPENDITURES	832,893	-	-	832,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(135,962)	38,017	1,987	(95,958)
OTHER FINANCING SOURCES (USES):				
Proceeds from borrowing	-	-	-	-
Premium on bond	-	-	-	-
Transfers in	176,472	-	-	176,472
Transfers (out)	-	(6,222)	(834)	(7,056)
TOTAL OTHER FINANCING SOURCES (USES)	176,472	(6,222)	(834)	169,416
CHANGE IN FUND BALANCE	40,510	31,795	1,153	73,458
Fund balance, beginning of year	298,866	1,012,332	154,194	1,465,392
FUND BALANCE, END OF YEAR	\$ 339,376	\$ 1,044,127	\$ 155,347	\$ 1,538,850

City of Ishpeming, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2019

	Fire Fund	Firefighter Longevity Fund	Lake Bancroft Fund	Building Authority Fund	Carnegie Library Fund	Library State Aid Fund	Total
ASSETS							
Cash and cash equivalents	\$ 58,152	\$ 225,806	\$ -	\$ -	\$ 43,928	\$ -	\$ 327,886
Investments	-	-	-	-	-	-	-
Accounts receivable, net	-	-	263,051	-	-	-	263,051
Taxes receivable	95,981	-	-	-	-	-	95,981
Other receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	154,133	225,806	263,051	-	43,928	-	686,918
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 154,133	\$ 225,806	\$ 263,051	\$ -	\$ 43,928	\$ -	\$ 686,918
LIABILITIES							
Cash overdrafts	\$ -	\$ -	\$ 238,437	\$ -	\$ -	\$ -	\$ 238,437
Accounts payable	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-
Accrued sick and vacation	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	238,437	-	-	-	238,437
DEFERRED INFLOWS OF RESOURCES							
Taxes levied for a subsequent period	109,105	-	-	-	-	-	109,105
TOTAL DEFERRED INFLOWS OF RESOURCES	109,105	-	-	-	-	-	109,105
FUND BALANCE							
Non-spendable	-	-	-	-	-	-	-
Restricted	45,028	225,806	-	-	-	-	270,834
Committed	-	-	-	-	-	-	-
Assigned	-	-	24,614	-	43,928	-	68,542
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCE	45,028	225,806	24,614	-	43,928	-	339,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 154,133	\$ 225,806	\$ 263,051	\$ -	\$ 43,928	\$ -	\$ 686,918

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, 2019

	Fire Fund	Firefighter Longevity Fund	Lake Bancroft Fund	Building Authority Fund	Carnegie Library Fund	Library State Aid Fund	Total
REVENUES:							
Taxes	\$ 106,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,965
Federal sources	-	-	-	-	-	-	-
State sources	-	-	300,000	-	-	11,651	311,651
Charges for services	-	-	-	-	-	-	-
Interest and rentals	208	807	1	-	158	2	1,176
Contributions	-	-	275,000	-	2,139	-	277,139
Fines and forfeitures	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-
TOTAL REVENUES	107,173	807	575,001	-	2,297	11,653	696,931
EXPENDITURES:							
Current Operations:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	3,929	16,281	20,210
Other governmental	-	-	-	-	-	-	-
Debt Service:							
Principal	60,000	-	-	72,000	-	-	132,000
Interest and fiscal charges	23,250	-	-	79,394	-	-	102,644
Capital outlay	-	-	578,039	-	-	-	578,039
TOTAL EXPENDITURES	83,250	-	578,039	151,394	3,929	16,281	832,893
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,923	807	(3,038)	(151,394)	(1,632)	(4,628)	(135,962)
OTHER FINANCING SOURCES:							
Proceeds from borrowing	-	-	-	-	-	-	-
Premium on bond	-	-	-	-	-	-	-
Transfers in	-	-	20,450	151,394	-	4,628	176,472
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	20,450	151,394	-	4,628	176,472
CHANGE IN FUND BALANCE	23,923	807	17,412	-	(1,632)	-	40,510
Fund balance, beginning of year	21,105	224,999	7,202	-	45,560	-	298,866
FUND BALANCE, END OF YEAR	\$ 45,028	\$ 225,806	\$ 24,614	\$ -	\$ 43,928	\$ -	\$ 339,376

City of Ishpeming, Michigan

ENTERPRISE FUNDS

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

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

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

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

City of Ishpeming, Michigan

SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,030,943	\$ 1,166,712
Investments	53,992	53,385
Accounts receivable	374,914	100,524
Allowance for uncollectible accounts	-	-
Non-current Assets:		
Investment in Wastewater Treatment Facility	3,535,691	3,522,359
Capital Assets:		
Land and construction in progress	1,967,702	1,339,825
Other capital assets, net of depreciation	3,800,821	4,190,889
Total Capital Assets	<u>5,768,523</u>	<u>5,530,714</u>
TOTAL ASSETS	<u>10,764,063</u>	<u>10,373,694</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>41,198</u>	<u>112,582</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>41,198</u>	<u>112,582</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	27,317	37,095
Accrued payroll and related	7,049	6,698
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable	64,654	62,832
Compensated absences	-	-
Portion due or payable after one year		
Notes payable	-	64,654
Compensated absences	1,646	1,453
Net pension liability	<u>1,011,151</u>	<u>1,046,365</u>
TOTAL LIABILITIES	<u>1,111,817</u>	<u>1,219,097</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>11,297</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,297</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	9,239,560	8,925,587
Unrestricted	<u>442,587</u>	<u>341,592</u>
TOTAL NET POSITION	<u><u>\$ 9,682,147</u></u>	<u><u>\$ 9,267,179</u></u>

City of Ishpeming, Michigan

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019	2018
OPERATING REVENUES:		
Charges for services	\$ 1,539,902	\$ 1,483,937
Other revenue	2,432	-
TOTAL OPERATING REVENUES	<u>1,542,334</u>	<u>1,483,937</u>
OPERATING EXPENSES:		
Personal services	460,405	395,262
Contractual services	602,407	562,966
Supplies	46,266	15,193
Utilities	2,826	2,263
Depreciation	390,068	390,068
Equipment rental	105,416	64,209
Other expenses	62,315	52,835
TOTAL OPERATING EXPENSES	<u>1,669,703</u>	<u>1,482,796</u>
OPERATING INCOME (LOSS)	<u>(127,369)</u>	<u>1,141</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest (expense)	(3,697)	(5,468)
Gain/(Loss) on wastewater facility	13,332	(105,696)
Interest income	4,717	2,913
TOTAL NON-OPERATING (EXPENSES)	<u>14,352</u>	<u>(108,251)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	<u>(113,017)</u>	<u>(107,110)</u>
Federal sources	-	-
State sources	527,985	376,444
Transfers in	-	-
Transfers (out)	-	-
CHANGE IN NET POSITION	<u>414,968</u>	<u>269,334</u>
Net position, beginning of year	<u>9,267,179</u>	<u>8,997,845</u>
NET POSITION, END OF YEAR	<u><u>\$ 9,682,147</u></u>	<u><u>\$ 9,267,179</u></u>

City of Ishpeming, Michigan

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,265,512	\$ 1,488,094
Other operating revenues	2,432	-
Cash payments to employees for services	(412,394)	(314,553)
Cash payments to suppliers for goods and services	(829,008)	(715,955)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	26,542	457,586
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	-	-
Increase (decrease) in due to other funds	-	(36,230)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	(36,230)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on debt	(62,832)	(61,062)
Interest paid on debt	(3,697)	(5,468)
Proceeds from borrowing	-	-
Cash payments for capital assets	(627,877)	(788,102)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	527,985	376,444
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(166,421)	(478,188)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(607)	(377)
Investment income	4,717	2,913
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,110	2,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(135,769)	(54,296)
Cash and cash equivalents, beginning of year	1,166,712	1,221,008
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,030,943	\$ 1,166,712
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (127,369)	\$ 1,141
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	390,068	390,068
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(274,390)	4,157
Increase (decrease) in accounts payable	(9,778)	(18,489)
Increase (decrease) in accrued payroll	351	701
Increase (decrease) in accrued sick and vacation	193	525
Increase (decrease) in net pension liability and related	47,467	79,483
NET ADJUSTMENTS	153,911	456,445
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 26,542	\$ 457,586

City of Ishpeming, Michigan

WATER FUND

COMPARATIVE STATEMENT OF NET POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 491,112	\$ -
Accounts receivable	538,498	477,388
Allowance for uncollectible accounts	-	-
Delinquent utilities	49,249	50,725
Due from other funds	-	-
Due from other governmental units	197,000	340,400
Non-current Assets:		
Cash and cash equivalents - restricted	903,563	1,181,771
Investment in Joint Water Authority	3,507,323	3,507,323
Capital Assets:		
Land and construction in progress	11,825,124	9,769,012
Other capital assets, net of depreciation	<u>1,613,382</u>	<u>1,696,530</u>
Total Capital Assets	<u>13,438,506</u>	<u>11,465,542</u>
TOTAL ASSETS	<u>19,125,251</u>	<u>17,023,149</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>110,837</u>	<u>224,637</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>110,837</u>	<u>224,637</u>
LIABILITIES		
Current Liabilities:		
Cash overdrafts	-	196,362
Accounts payable	362,826	755,015
Customer deposits payable	152,956	143,095
Accrued payroll and related	11,857	9,851
Accrued interest	14,478	15,645
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Bonds payable	151,000	148,000
Compensated absences	186	-
Portion due or payable after one year		
Bonds payable	8,536,000	8,687,000
Compensated absences	12,007	8,276
Net pension liability	<u>2,148,255</u>	<u>2,197,970</u>
TOTAL LIABILITIES	<u>11,389,565</u>	<u>12,161,214</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>2,931</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,931</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	8,258,829	6,137,865
Restricted for:		
Debt service	774,407	986,233
Unrestricted (deficit)	<u>(1,189,644)</u>	<u>(2,037,526)</u>
TOTAL NET POSITION	<u>\$ 7,843,592</u>	<u>\$ 5,086,572</u>

City of Ishpeming, Michigan

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES:		
Charges for services	\$ 2,261,035	\$ 2,160,561
Other revenue	<u>9,041</u>	<u>4,643</u>
TOTAL OPERATING REVENUES	<u>2,270,076</u>	<u>2,165,204</u>
OPERATING EXPENSES:		
Personal services	645,558	727,705
Contractual services	466,636	452,400
Supplies	45,151	41,122
Utilities	13,557	10,248
Depreciation	83,148	86,112
Equipment rental	107,240	135,681
Other expenses	<u>33,553</u>	<u>26,503</u>
TOTAL OPERATING EXPENSES	<u>1,394,843</u>	<u>1,479,771</u>
OPERATING INCOME (LOSS)	<u>875,233</u>	<u>685,433</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest (expense)	(173,882)	(93,053)
Interest income	<u>669</u>	<u>-</u>
TOTAL NON-OPERATING (EXPENSES)	<u>(173,213)</u>	<u>(93,053)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	702,020	592,380
Federal sources	2,055,000	715,500
State sources	-	-
Transfers in	-	-
Transfers (out)	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	2,757,020	1,307,880
Net position, beginning of year	<u>5,086,572</u>	<u>3,778,692</u>
NET POSITION, END OF YEAR	<u><u>\$ 7,843,592</u></u>	<u><u>\$ 5,086,572</u></u>

City of Ishpeming, Michigan

WATER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 2,201,401	\$ 2,108,924
Other operating revenues	152,441	(281,757)
Cash payments to employees for services	(572,619)	(581,369)
Cash payments to suppliers for goods and services	(1,049,632)	(127,634)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	731,591	1,118,164
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Increase (decrease) in cash overdraft	(196,362)	(461,951)
(Increase) decrease in due from other funds	-	902
Increase (decrease) in due to other funds	-	(20,230)
Transfers in (out)	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(196,362)	(481,279)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on debt	(148,000)	(145,000)
Interest paid on debt	(173,882)	(93,053)
Proceeds from borrowing	-	6,528,000
Cash payments for capital assets	(2,056,112)	(7,244,882)
Proceeds from sale of capital assets	-	-
Proceeds from federal and state grants for capital assets	2,055,000	715,500
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(322,994)	(239,435)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	669	-
(Increase) decrease in restricted assets	278,208	(397,450)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	278,877	(397,450)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	491,112	-
Cash and cash equivalents, beginning of year	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 491,112	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 875,233	\$ 685,433
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	83,148	86,112
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(59,634)	(51,637)
(Increase) decrease in due from other governmental units	143,400	(286,400)
Increase (decrease) in accounts payable	(392,189)	516,909
Increase (decrease) in customer deposits payable	9,861	20,125
Increase (decrease) in accrued payroll	2,006	(2,197)
Increase (decrease) in accrued interest	(1,167)	1,286
Increase (decrease) in accrued sick and vacation	3,917	(543)
Increase (decrease) in net pension liability and related	67,016	149,076
NET ADJUSTMENTS	(143,642)	432,731
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 731,591	\$ 1,118,164

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 445,309	\$ 322,922
Due from other funds	-	-
Non-current Assets:		
Capital Assets:		
Land and construction in progress	-	-
Other capital assets, net of depreciation	703,980	451,096
Total Capital Assets	<u>703,980</u>	<u>451,096</u>
TOTAL ASSETS	<u>1,149,289</u>	<u>774,018</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>23,732</u>	<u>63,740</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>23,732</u>	<u>63,740</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	6,561	13,909
Accrued payroll and related	5,068	3,642
Due to other funds	-	-
Non-current Liabilities:		
Portion due or payable within one year		
Notes payable	28,477	-
Compensated absences	-	187
Portion due or payable after one year		
Notes payable	108,303	-
Compensated absences	16,159	12,346
Net pension liability	<u>79,239</u>	<u>104,060</u>
TOTAL LIABILITIES	<u>243,807</u>	<u>134,144</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to pension	<u>36,322</u>	<u>18,053</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>36,322</u>	<u>18,053</u>
NET POSITION		
Net investment in capital assets	567,200	451,096
Restricted	-	-
Unrestricted (deficit)	<u>325,692</u>	<u>234,465</u>
TOTAL NET POSITION	<u><u>\$ 892,892</u></u>	<u><u>\$ 685,561</u></u>

City of Ishpeming, Michigan

MOTOR POOL FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019	2018
OPERATING REVENUES:		
Federal sources	\$ -	\$ -
State sources	-	-
Rentals	899,231	679,354
Charges for services	-	-
Other revenue	-	-
TOTAL OPERATING REVENUES	899,231	679,354
OPERATING EXPENSES:		
Personal services	333,960	298,363
Contractual services	11,218	11,580
Supplies	248,109	210,373
Depreciation	97,749	100,297
Other expenses	-	-
TOTAL OPERATING EXPENSES	691,036	620,613
OPERATING INCOME (LOSS)	208,195	58,741
NON-OPERATING REVENUES (EXPENSES):		
Interest (expense)	(2,665)	-
Interest income	1,801	427
TOTAL NON-OPERATING (EXPENSES)	(864)	427
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	207,331	59,168
Transfers in	-	45,000
Transfers (out)	-	-
CHANGE IN NET POSITION	207,331	104,168
Net position, beginning of year, as restated	685,561	581,393
NET POSITION, END OF YEAR	\$ 892,892	\$ 685,561

City of Ishpeming, Michigan

MOTOR POOL FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ -	\$ -
Other operating revenues	899,231	679,354
Cash payments to employees for services	(295,452)	(223,815)
Cash payments to suppliers for goods and services	(266,675)	(208,044)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	337,104	247,495
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
(Increase) decrease in due from other funds	-	30,000
Increase (decrease) in due to other funds	-	-
Transfers in (out)	-	45,000
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	75,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal payments on debt	(13,837)	-
Interest paid on debt	(2,665)	-
Proceeds from borrowing	150,617	-
Cash payments for capital assets	(350,633)	-
Proceeds from sale of capital assets	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(216,518)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	1,801	427
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,801	427
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,387	322,922
Cash and cash equivalents, beginning of year	322,922	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 445,309	\$ 322,922
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 208,195	\$ 58,741
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	97,749	100,297
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(7,348)	13,909
Increase (decrease) in accrued payroll	1,426	3,642
Increase (decrease) in accrued sick and vacation	3,626	12,533
Increase (decrease) in net pension liability and related	33,456	58,373
NET ADJUSTMENTS	128,909	188,754
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 337,104	\$ 247,495

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, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 247,041	\$ 173,044
Investments	15,586	270,116
Accounts receivable, net	-	-
Taxes receivable	150,374	195,751
Other receivable	-	-
Due from other governments	-	-
Primary government internal balances	558,707	595,955
Prepays	-	-
Notes receivable	-	-
TOTAL ASSETS	971,708	1,234,866
DEFERRED OUTFLOWS OF RESOURCES	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 971,708	\$ 1,234,866
LIABILITIES		
Cash overdrafts	\$ -	\$ -
Accounts payable	5	-
Due to comp unit	-	-
Accrued payroll and related	94	245
Accrued sick and vacation leave	-	-
Unearned revenue	-	2,250
Due to other funds	-	-
TOTAL LIABILITIES	99	2,495
DEFERRED INFLOWS OF RESOURCES		
Taxes levied for a subsequent period	240,218	236,809
TOTAL DEFERRED INFLOWS OF RESOURCES	240,218	236,809
FUND BALANCE		
Non-spendable	558,707	595,955
Restricted	-	250,000
Committed	-	-
Assigned	1,000	-
Unassigned	171,684	149,607
TOTAL FUND BALANCE	731,391	995,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 971,708	\$ 1,234,866

City of Ishpeming, Michigan

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

December 31, 2019

Total Fund Balances for Downtown Development Authority \$ 731,391

*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>1,742,192</u>	1,742,192

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	(167,200)	
Accrued interest on debt	(22,906)	
Bonds payable	<u>(1,341,400)</u>	<u>(1,531,506)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 942,077

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, 2019

With Comparative Actual Amounts for the Year Ended December 31, 2018

	2019				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2018
REVENUES:					
Taxes	\$ 233,804	\$ 236,990	\$ 237,024	\$ 34	\$ 222,999
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Interest income and rentals	1,250	1,250	2,147	897	2,290
Contributions	2,500	4,455	4,455	-	5,442
Other revenue	-	-	64	64	-
TOTAL REVENUES	237,554	242,695	243,690	995	230,731
EXPENDITURES:					
Other governmental	278,200	278,665	276,351	2,314	73,712
Debt service:					
Principal	159,600	159,600	159,600	-	126,490
Interest and fiscal charges	71,910	71,910	71,910	-	78,825
Total Debt Service	<u>231,510</u>	<u>231,510</u>	<u>231,510</u>	<u>-</u>	<u>205,315</u>
TOTAL EXPENDITURES	509,710	510,175	507,861	2,314	279,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(272,156)	(267,480)	(264,171)	3,309	(48,296)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
CHANGE IN FUND BALANCE	(272,156)	(267,480)	(264,171)	3,309	(48,296)
Fund balance, beginning of year	995,562	995,562	995,562	-	1,043,858
FUND BALANCE, END OF YEAR	\$ 723,406	\$ 728,082	\$ 731,391	\$ 3,309	\$ 995,562

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, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (264,171)

*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.	159,600
--	---------

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.	-
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	2,128
--	-------

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.	<u>-</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (215,861)</u></u>
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COMPLIANCE SUPPLEMENTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan (the City), as of and for the year ended December 31, 2019, 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 24, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

City of Ishpeming, Michigan's Response to Findings

City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 24, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Ishpeming, Michigan's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

To the City Council of the
City of Ishpeming, Michigan

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 24, 2020

City of Ishpeming, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Current Year Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct Award</i>			
Water and Waste Disposal Systems for Rural Communities Grant Portion	10.760	\$ 3,020,000	\$ 2,055,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE		3,020,000	2,055,000
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Award</i>			
Bulletproof Vests	16.607	369	369
<i>Passed through Michigan State Police</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,287	2,287
TOTAL U.S. DEPARTMENT OF JUSTICE		2,656	2,656
U.S. DEPARTMENT OF ENERGY			
<i>Passed through Michigan Department of Environment, Great Lakes, and Energy</i>			
State Energy Program	81.041	25,000	25,000
TOTAL U.S. DEPARTMENT OF ENERGY		25,000	25,000
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 3,047,656	\$ 2,082,656

CITY OF ISHPEMING, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Ishpeming, Michigan (the City) for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

NOTE C – OVERSIGHT AGENCY:

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

CITY OF ISHPEMING, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

General Purpose Financial Statements

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

Federal Awards

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

Major Programs

- The programs tested as a major program were:

Program	CFDA #
Water and Waste Disposal Systems for Rural Communities	10.760

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

SECTION II – FINANCIAL STATEMENT FINDINGS

INSTANCES OF NON-COMPLIANCE

2019-001 – 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, 2019, the City incurred functional expenditures which were in excess of the amounts appropriated in the General Fund, Major Street Fund, Local Street Fund, and Lake Bancroft Fund as enumerated upon in the notes to the financial statements.

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

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

CITY OF ISHPEMING, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Finance Director
- Corrective Action Planned:
 - See separate Corrective Action Plan.
- Anticipated Completion Date:
 - December 31, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.

CITY OF ISHPEMING, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

INSTANCES OF NON-COMPLIANCE

2018-001 – UNRESTRICTED DEFICIT NET POSITION (REPEAT)

Condition/Criteria: Public Act 275 of 1980 requires that a corrective action plan for the deficit to be filed with the State Treasurer within 90 days of the end of the fiscal year. As enumerated upon in the notes to the financial statements, at the end of the fiscal year, the City of Ishpeming, Michigan had an unrestricted equity deficit of \$2,037,526 in the Water Fund. As of this time, the City of Ishpeming, Michigan has filed a plan with the State Treasurer.

Cause of Condition: Failure of operating revenues to cover operating expenditures in the current year.

Effect: The City was found to be in violation of the provisions of Public Act 275.

Recommendation: We recommend that the City monitor the fund closer in future years to ensure there are sufficient revenues to cover the expenditures each year.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Finance Director
- Corrective Action Planned:
 - See separate Corrective Action Plan.
- Anticipated Completion Date:
 - December 31, 2020

Current Status: Corrected; the City is no longer required to submit a deficit elimination plan as current assets minus current liabilities is positive in fiscal year 2019.

2018-002 – EXPENDITURES OVER APPROPRIATIONS

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. The City's actual expenditures and budgeted expenditures for the Governmental Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2018, the City incurred functional expenditures which were in excess of the amounts appropriated in the Major Street Fund as enumerated upon in the notes to the financial statements.

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

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

CITY OF ISHPEMING, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)
For the Year Ended December 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Finance Director
- Corrective Action Planned:
 - See separate Corrective Action Plan.
- Anticipated Completion Date:
 - December 31, 2019

Current Status: Repeated; see current year finding 2019-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- None reported.



CITY OF ISHPERING, 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, 2019

July 24, 2020

In response to the findings disclosed in the audited financial statements for the year ended December 31, 2019:

2019-001 – EXPENDITURES OVER APPROPRIATIONS (REPEAT)

Corrective Action Plan:

The City of Ishpeming reviews and amends its budget throughout the course of the year as required by Public Act 621, the Uniform Budgeting and Accounting Act. The final 2019 budget amendments were approved by the City Council on December 4, 2019. In the General Fund Public Safety had expenditures over the final budgets due to the Police Department having higher costs than anticipated due to the fluctuation of staffing during the year which led to increased amount of overtime. Also, in the General Fund, Public Works had additional cost related to sidewalks and alleys; it also had higher costs for street lighting, partially due to an energy enhancement grant the City received for converting its street lights to LED. For the Major Street and Local Street Funds the final budget amendment estimates for Winter Maintenance and State Trunkline did not account for the above-average level of snowfall experienced during the month of December 2019, which led to additional costs for personnel and supplies. The pavilion project at Lake Bancroft was substantially completed in 2019; however, during the course of the project there were various changes made to the scope of work being performed that led to additional costs not originally budgeted for. The City intends to seek reimbursement for the additional costs from third-party contributors.

Management will continue its process of reviewing and amending the budget and will strive for more accurate estimates in order to avoid future violations of Public Act 621.

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

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

COMMUNICATIONS SECTION



City of Ishpeming, Michigan
Report to Management
For the Year Ended December 31, 2019

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan (the City) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control listed in the schedule of findings and questioned costs to be significant deficiencies, (item 2019-001).

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

City Council and Management of the
City of Ishpeming, Michigan

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

July 24, 2020



City of Ishpeming, Michigan
Communication with Those Charged with Governance
For the Year Ended December 31, 2019

July 24, 2020

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, 2019. 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 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

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

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

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

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

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

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

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

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

valuation. Gabriel Roeder Smith & Company was the actuarial company hired for preparation of the annual actuarial valuation in accordance with GASB 67. The disclosures made in notes to the financial statements were based on information included their report as of December 31, 2019. The financial statement disclosures are neutral, consistent, and clear.

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

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to various Executive Orders issued by Michigan's Governor, which changed the timing of our audit procedures and the types of procedures we were able to perform in order to remain in compliance with the Executive Orders. As a result, management contacted the Michigan Department of Treasury and was granted a one month extension to the June 30, 2020 filing deadline for the City's audit report and Form F-65. We encountered no other significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of financial statement amounts. 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*, described in the accompanying schedule of findings and questioned costs (items 2019-001).

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants