

**CITY OF NEGAUNEE, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council of the  
City of Negaunee, Michigan  
P.O. Box 70  
Negaunee, Michigan 49866

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Negaunee Housing Commission, which is both a component unit and 99 percent, 100 percent, and 99 percent, respectively, of the assets, net position, and revenues of the component unit activities.

### ***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 control 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 did not audit the financial statements of the Negaunee Housing Commission, which represent 99 percent, 100 percent, and 99 percent, respectively, of the assets, net position, and revenues of the component unit activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. 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 from 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

To the City Council of the  
City of Negaunee, Michigan

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, based on our audit and the report of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, 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, budgetary comparison information, and the required GASB pension and OPEB schedules, 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 and other auditors 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's basic financial statements. The other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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

To the City Council of the  
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additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021, 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 on 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 29, 2021

## City of Negaunee, Michigan

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

Our discussion and analysis of the City of Negaunee, Michigan's (the City) financial performance provides an overview of the City's financial activities for the year ended December 31, 2020. Please read it in conjunction with the financial statements, which begin as listed on the Table of Contents.

#### **FINANCIAL HIGHLIGHTS**

- Net position for the City as a whole increased by \$2,153,424 as a result of this year's operations. Net position of our business-type activities increased by \$919,755, or 8 percent, and net position of our governmental activities increased by \$1,233,669, or 28 percent.
- During the year, the City had expenses for governmental activities of \$4,813,722 and generated \$6,047,391 in general revenues and other program sources, including transfers.
- During the year, the City had expenses for business-type activities of \$5,273,078 and generated \$6,192,833 in general revenues and other program sources, including transfers.
- The General Fund reported a net change in fund balance of (\$154,486).

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, as listed in the table of contents, 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 start as listed on 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 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 begins 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, electric, and water systems and activities are reported here.
- *Component Units* – The City includes two separate legal entities in its report – The Negaunee Housing Commission and the Downtown Development Authority. Although legally separate, these "component units" are included because the City is financially accountable for it. Complete financial statements of the Negaunee Housing Commission component unit can be obtained directly from the Negaunee Housing Commission, 98 Croix Street, Negaunee, MI 49866. The Downtown Development Authority does not issue separate financial statements.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on the pages below. The fund financial statements begin as listed in the table of contents and 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.

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

- *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.

### 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 as listed on the table of contents.

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, 2020 and 2019.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$4,967,328	\$5,108,262	\$5,745,338	\$5,401,786	\$10,712,666	\$10,510,048
Non-current assets	-	-	3,727,390	3,640,924	3,727,390	3,640,924
Capital assets, net	5,592,477	4,536,178	16,268,468	16,463,971	21,860,945	21,000,149
<b>Total Assets</b>	<b>10,559,805</b>	<b>9,644,440</b>	<b>25,741,196</b>	<b>25,506,681</b>	<b>36,301,001</b>	<b>35,151,121</b>
Deferred outflows of resources	754,807	469,355	326,088	91,759	1,080,895	561,114
Current and other liabilities	277,345	366,808	738,814	719,782	1,016,159	1,086,590
Long-term liabilities	11,338,464	11,271,729	12,563,485	13,101,913	23,901,949	24,373,642
<b>Total Liabilities</b>	<b>11,615,809</b>	<b>11,638,537</b>	<b>13,302,299</b>	<b>13,821,695</b>	<b>24,918,108</b>	<b>25,460,232</b>
Deferred inflows of resources	2,944,834	2,954,958	70,256	1,771	3,015,090	2,956,729
<b>Net Position:</b>						
Net investment in capital assets	5,222,779	4,414,653	10,747,385	10,439,402	15,970,164	14,854,055
Restricted	798,394	955,529	2,869,667	2,824,004	3,668,061	3,779,533
Unrestricted	(9,267,204)	(9,849,882)	(922,323)	(1,488,432)	(10,189,527)	(11,338,314)
<b>Total Net Position</b>	<b>(\$3,246,031)</b>	<b>(\$4,479,700)</b>	<b>\$12,694,729</b>	<b>\$11,774,974</b>	<b>\$9,448,698</b>	<b>\$7,295,274</b>

Net position of the City's governmental activities stood at (\$3,246,031). *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 (\$9,267,204).

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

The (\$9,267,204) 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.

The net position of our business-type activities stood at \$12,694,729. The City can generally only use this net position to finance continuing operations of the water, sewer, and electrical utilities.

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 2020 and 2019.

**Table 2**  
**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for services	\$612,117	\$839,615	\$6,042,394	\$6,011,675	\$6,654,511	\$6,851,290
Operating grants and contributions	1,761,170	1,963,896	14,871	8,864	1,776,041	1,972,760
Capital grants and contributions	377,402	-	67,471	375,456	444,873	375,456
General Revenues:						
Property taxes	2,484,561	2,309,521	-	-	2,484,561	2,309,521
Unrestricted intergovernmental sources	543,828	569,130	-	-	543,828	569,130
Investment earnings	16,498	37,685	92,140	112,136	108,638	149,821
Gain/(loss) on sale of assets	-	(3,554)	3,712	(1,374,776)	3,712	(1,378,330)
Miscellaneous	201,815	346,877	22,245	76,160	224,060	423,037
Total Revenues	<u>5,997,391</u>	<u>6,063,170</u>	<u>6,242,833</u>	<u>5,209,515</u>	<u>12,240,224</u>	<u>11,272,685</u>
Program Expenses:						
Legislative	28,973	24,339	-	-	28,973	24,339
General government	877,367	2,438,409	-	-	877,367	2,438,409
Public health and safety	804,095	1,303,707	-	-	804,095	1,303,707
Public works	1,946,166	2,326,191	-	-	1,946,166	2,326,191
Community and economic development	60,583	56,789	-	-	60,583	56,789
Recreation and culture	587,766	284,205	-	-	587,766	284,205
Senior center	305,432	390,337	-	-	305,432	390,337
Interest on long-term debt	6,550	3,221	-	-	6,550	3,221
Capital Outlay	196,790	494,779	-	-	196,790	494,779
Sewer	-	-	1,101,756	1,469,381	1,101,756	1,469,381
Electric	-	-	2,959,882	3,206,525	2,959,882	3,206,525
Water	-	-	1,211,440	1,063,325	1,211,440	1,063,325
Total Expenses	<u>4,813,722</u>	<u>7,321,977</u>	<u>5,273,078</u>	<u>5,739,231</u>	<u>10,086,800</u>	<u>13,061,208</u>
Excess (deficiency) before transfers	1,183,669	(1,258,807)	969,755	(529,716)	2,153,424	(1,788,523)
Transfers	50,000	58,900	(50,000)	(58,900)	-	-
Increase (decrease) in net position	1,233,669	(1,199,907)	919,755	(588,616)	2,153,424	(1,788,523)
Net Position, beginning	(4,479,700)	(3,279,793)	11,774,974	12,363,590	7,295,274	9,083,797
Net Position, Ending	<u>(\$3,246,031)</u>	<u>(\$4,479,700)</u>	<u>\$12,694,729</u>	<u>\$11,774,974</u>	<u>\$9,448,698</u>	<u>\$7,295,274</u>

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

The City's total revenues were \$12,240,224. The total cost of all programs and services was \$10,086,800, leaving an increase in net position of \$2,153,424. Our analysis below separately considers the operations of governmental and business-type activities:

### **Governmental Activities**

The net position of the governmental activities increased \$1,233,669. The net increase is due mainly the following factors:

- Overall change in fund balance of (\$75,613)
- Capital outlay of \$1,406,159
- Depreciation expense of (\$349,860)
- Net book value of disposed assets \$-
- Proceeds from the issuance of debt of (\$367,970)
- Repayment of bond/note principal of \$119,797
- Pension expense related to MERS of (\$47,187)
- Pension expense related to Police of \$159,686
- OPEB expense of \$389,318
- Change in compensated absences of (\$661)

Table 3 presents the cost of each of the three largest programs, 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	\$877,367	\$751,744
Public health and safety	804,095	674,881
Public works	1,946,166	151,023

### **Business-type Activities**

The net position of the business-type activities increased \$919,755. The net increase is mainly the result of decreased expenses in the current year in the Sewer and Electric Funds.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the governmental funds balance sheet as listed on the table of contents) reported a *combined* fund balance of \$2,341,384, a decrease of \$75,613 from the beginning of the year.

The total decrease of \$75,613 consists primarily of a decrease in the General Fund of \$154,486 combined with an increase in the Major Street Fund of \$44,541, an increase in the Local Street Fund of \$17,420, and net increase in other governmental funds of \$16,912.

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

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the budget a few times.

The final amended budget for General Fund revenues was \$9,050 less compared to the originally adopted budget; however, actual revenues were \$799,181 less than the final budget. Federal sources were one of the main areas in which budgeted revenues were significantly less than the final budget (\$337,129). Property taxes were another one the main areas in which budgeted revenues were significantly less than the final budget (\$167,471). Additionally, actual transfers in were less than the budgeted amount.

Conversely, the final amended budget for General Fund expenditures increased by \$19,200; however, actual expenditures were \$937,480 less than the final budget. The areas most under budget were Other Governmental and Capital Outlay. Additionally, actual transfers out were the same as the budgeted amount.

The original budgeted change in fund balance was a decrease of \$241,535. The final budgeted change in fund balance was a decrease of \$269,785. The actual change in fund balance was a decrease of \$154,486.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2020, the City had \$21,860,945 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)**

	2020		2019	
	Governmental Activities	Business- Type Activities	Total	Total
Land	\$1,071,126	\$52,200	\$1,123,326	\$1,123,326
Construction in progress	971,067	303,537	1,274,604	1,011,434
Land improvements	632,373	-	632,373	115,619
Buildings and improvements	748,868	-	748,868	778,679
Equipment and furnishings	911,005	-	911,005	649,775
Infrastructure	1,258,038	-	1,258,038	1,350,787
Sewer plant and equipment	-	9,079,640	9,079,640	8,811,911
Electric system and equipment	-	1,034,050	1,034,050	1,057,879
Water plant and equipment	-	5,799,041	5,799,041	6,100,739
Total	<u>\$5,592,477</u>	<u>\$16,268,468</u>	<u>\$21,860,945</u>	<u>\$21,000,149</u>

During the year, the City continued and completed construction of sewer lines partially funded by a SAW grant from the State, started a USDA Wastewater Improvement Project, purchased three new rotating assembly pumps, purchased various new vehicles, completed the Rail Avenue and Baldwin Avenue Street Lighting Projects, continued engineering for Phase 1 of a Water Project, began the Senior Center MEDC Project, continued work on the Jackson Mine Park Pavilion Project, completed the 2019 Small Urban Paving Project, and completed the Rail Street Project.

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

During the year, the City sold its tennis courts.

Further details on capital assets can be found in the notes to the financial statements.

### Debt

At year-end, the City had \$6,020,781 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

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

	2020			2019
	Governmental Activities	Business-Type Activities	Total	Total
Bonds	\$-	\$5,554,000	\$5,554,000	\$5,933,000
Lease payable	369,698	97,083	466,781	278,177
Contracts and notes payable	-	-	-	-
Totals	<u>\$369,698</u>	<u>\$5,651,083</u>	<u>\$6,020,781</u>	<u>\$6,211,177</u>

During the current year, the City refunded two existing bonds and entered into two new lease agreements. 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's elected and appointed officials considered many factors when setting the fiscal year 2021 budget.

Communities throughout Michigan are struggling to find ways to provide appropriate services to residents, businesses, and visitors. The City is like most communities which has experienced transitional difficulties as traditional sources of revenues from local property taxes and State shared revenues from the income tax, sales tax, and motor fuel tax have not kept pace with cost increases.

The housing market has a significant impact on the City's revenues as the State and local region continues to experience fluctuation in property tax revenues due to changes in the market. Increased revenues due to the housing market and lower market interest rates are not the only factors affecting the City's health; increased costs due to higher health insurance premiums, retirement cost, retiree health insurance, and fuel cost continue to rise much faster than the rate of inflation.

One area to explore for achieving cost savings is through cooperation and sharing of resources with other governmental units and not-for-profit agencies. Joint ventures with other governmental agencies in purchasing, the pooling of resources and in providing services in an effort to save on costs will continue to be pursued by the City. The Cities of Ishpeming and Negaunee began to explore areas of cooperative development and other potential shared interests including public safety, joint operation and development of park property north of Teal Lake, shared use of wastewater facilities, and joint purchase of specialized equipment.

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

The City has deferred expenditures for capital maintenance and improvement projects. However, maintenance cost related to the aging, inefficient City structures will continue to increase. "Band aides" have been put on many of the City's structures numerous times. Monies are once again being budgeted to fund future capital projects. Also, in relation to these endeavors, the City continues to search for grants from local, state, and federal agencies to assist with the funding of these projects.

Changes while necessary will not come easily. Duties performed by employees may change along with services provided to residents. Continued support from the City's collective bargaining units is essential to assisting the City during its financial hardship. Communicating the issues and challenges inherent in providing quality municipal services in ways which are meaningful and understandable to all residents has increasingly become important to develop the support necessary to implement difficult choices, which are required to be made. Outreach and understanding to employees, and residents can help to ease the difficult choices which lie ahead.

### **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 Negaunee, P.O. Box 70, Negaunee, Michigan, 49866.

City of Negaunee, Michigan

STATEMENT OF NET POSITION

December 31, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,336,079	\$ 5,021,419	\$ 7,357,498	\$ 1,056,341
Investments	-	-	-	226,642
Receivables (net)	2,631,249	723,919	3,355,168	20,642
Internal balances	-	-	-	-
Other current assets	-	-	-	-
Prepaid and other assets	-	-	-	26,431
Non-current Assets:				
Restricted cash	-	2,845,436	2,845,436	24,660
Investment in UPPPA Electric Utility	-	338,079	338,079	-
Investment in Joint Water Authority	-	543,875	543,875	-
Capital Assets:				
Land and construction in progress	2,042,193	355,737	2,397,930	35,175
Other capital assets, net	3,550,284	15,912,731	19,463,015	543,173
Total Capital Assets	5,592,477	16,268,468	21,860,945	578,348
<b>TOTAL ASSETS</b>	<b>10,559,805</b>	<b>25,741,196</b>	<b>36,301,001</b>	<b>1,933,064</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on refunding	-	130,000	130,000	-
Deferred outflows related to OPEB	-	-	-	-
Deferred outflows related to pension	754,807	196,088	950,895	20,564
Employer pension contributions subsequent to measurement date	-	-	-	53,558
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>754,807</b>	<b>326,088</b>	<b>1,080,895</b>	<b>74,122</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	207,445	307,969	515,414	26,412
Accrued liabilities	69,900	48,050	117,950	39,617
Other current liabilities	-	382,795	382,795	25,195
Non-current Liabilities:				
Portion due or payable within one year				
Contracts and notes payable	97,587	20,418	118,005	-
Bonds payable	-	143,000	143,000	-
Compensated absences	-	-	-	54,611
Portion due or payable after one year				
Contracts and notes payable	272,111	76,665	348,776	-
Bonds payable	-	5,411,000	5,411,000	-
Compensated absences	121,951	35,005	156,956	8,130
Net OPEB liability	6,426,963	4,284,642	10,711,605	-
Net pension liability	4,419,852	2,592,755	7,012,607	224,955
<b>TOTAL LIABILITIES</b>	<b>11,615,809</b>	<b>13,302,299</b>	<b>24,918,108</b>	<b>378,920</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	2,348,599	-	2,348,599	11,814
Deferred inflows related to OPEB	-	-	-	-
Deferred inflows related to pension	596,235	70,256	666,491	1,781
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,944,834</b>	<b>70,256</b>	<b>3,015,090</b>	<b>13,595</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,222,779	10,747,385	15,970,164	578,348
Restricted for:				
Capital improvement	-	2,088,684	2,088,684	-
Debt service	-	780,983	780,983	-
Other	798,394	-	798,394	-
Unrestricted	(9,267,204)	(922,323)	(10,189,527)	1,036,323
<b>TOTAL NET POSITION</b>	<b>\$ (3,246,031)</b>	<b>\$ 12,694,729</b>	<b>\$ 9,448,698</b>	<b>\$ 1,614,671</b>

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



City of Negaunee, Michigan

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Legislative	\$ 28,973	\$ -	\$ -	\$ -	\$ (28,973)	\$ -	\$ (28,973)	\$ -
General government	877,367	106,384	19,239	-	(751,744)	-	(751,744)	-
Public health and safety	804,095	6,236	122,978	-	(674,881)	-	(674,881)	-
Public works	1,946,166	415,706	1,379,437	-	(151,023)	-	(151,023)	-
Community and economic development	60,583	-	-	-	(60,583)	-	(60,583)	-
Recreation and culture	587,766	83,791	24,426	-	(479,549)	-	(479,549)	-
Senior center	305,432	-	215,090	377,402	287,060	-	287,060	-
Interest on long-term debt	6,550	-	-	-	(6,550)	-	(6,550)	-
Capital outlay	196,790	-	-	-	(196,790)	-	(196,790)	-
Total Governmental Activities	4,813,722	612,117	1,761,170	377,402	(2,063,033)	-	(2,063,033)	-
Business-Type Activities:								
Sewer	1,101,756	1,481,202	-	67,471	-	446,917	446,917	-
Electric	2,959,882	3,217,749	14,871	-	-	272,738	272,738	-
Water	1,211,440	1,343,443	-	-	-	132,003	132,003	-
Total Business-Type Activities	5,273,078	6,042,394	14,871	67,471	-	851,658	851,658	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 10,086,800</b>	<b>\$ 6,654,511</b>	<b>\$ 1,776,041</b>	<b>\$ 444,873</b>	<b>(2,063,033)</b>	<b>851,658</b>	<b>(1,211,375)</b>	<b>-</b>
<b>Component Units:</b>								
Negaunee Housing Commission	\$ 447,144	\$ 322,373	\$ 96,308	\$ 31,466	-	-	-	3,003
Downtown Development Authority	6,371	-	6,371	-	-	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 453,515</b>	<b>\$ 322,373</b>	<b>\$ 102,679</b>	<b>\$ 31,466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,003</b>
General Revenues:								
Property taxes					2,484,561	-	2,484,561	-
Unrestricted intergovernmental sources					543,828	-	543,828	-
Interest and investment earnings					16,498	92,140	108,638	6,613
Gain/(loss) on sale of assets					-	3,712	3,712	1,959
Miscellaneous					201,815	22,245	224,060	6,670
Transfers					50,000	(50,000)	-	-
<b>TOTAL GENERAL REVENUES, TRANSFERS</b>					<b>3,296,702</b>	<b>68,097</b>	<b>3,364,799</b>	<b>15,242</b>
<b>CHANGE IN NET POSITION</b>					<b>1,233,669</b>	<b>919,755</b>	<b>2,153,424</b>	<b>18,245</b>
Net position, beginning of year					(4,479,700)	11,774,974	7,295,274	1,596,426
<b>NET POSITION, END OF YEAR</b>					<b>\$ (3,246,031)</b>	<b>\$ 12,694,729</b>	<b>\$ 9,448,698</b>	<b>\$ 1,614,671</b>

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

City of Negaunee, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2020

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 843,285	\$ 295,490	\$ 79,028	\$ 1,118,276	\$ 2,336,079
Accounts receivable, net	90,194	-	-	-	90,194
Taxes receivable	1,876,679	-	-	471,920	2,348,599
Other grants receivable	-	-	-	-	-
Due from other governments	93,062	69,175	30,219	-	192,456
Due from other funds	-	-	-	-	-
Prepaid expense	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>2,903,220</b>	<b>364,665</b>	<b>109,247</b>	<b>1,590,196</b>	<b>4,967,328</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,903,220</b>	<b>\$ 364,665</b>	<b>\$ 109,247</b>	<b>\$ 1,590,196</b>	<b>\$ 4,967,328</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 189,400	\$ -	\$ -	\$ 18,045	\$ 207,445
Accrued salaries	59,210	1,578	3,057	6,055	69,900
Compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>248,610</b>	<b>1,578</b>	<b>3,057</b>	<b>24,100</b>	<b>277,345</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	1,876,679	-	-	471,920	2,348,599
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,876,679</b>	<b>-</b>	<b>-</b>	<b>471,920</b>	<b>2,348,599</b>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	115,935	115,935
Restricted	-	228,545	-	453,914	682,459
Committed	-	-	-	5,000	5,000
Assigned	-	134,542	106,190	519,327	760,059
Unassigned	777,931	-	-	-	777,931
<b>TOTAL FUND BALANCE</b>	<b>777,931</b>	<b>363,087</b>	<b>106,190</b>	<b>1,094,176</b>	<b>2,341,384</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 2,903,220</b>	<b>\$ 364,665</b>	<b>\$ 109,247</b>	<b>\$ 1,590,196</b>	<b>\$ 4,967,328</b>

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

**City of Negaunee, Michigan**

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

December 31, 2020

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 2,341,384</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,592,477
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	3,802,878	
Policeman Retirement System	616,974	
Deferred (outflows) of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	(222,555)	
Policeman Retirement System	(532,252)	
Employer contributions subsequent to measurement date		
Michigan Municipal Employees' Retirement System	-	
Policeman Retirement System	-	
Deferred inflows of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	93,144	
Policeman Retirement System	<u>503,091</u>	(4,261,280)
Net OPEB 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 OPEB liability	6,426,963	
Deferred (outflows) of resources related to net OPEB liability	-	
Deferred inflows of resources related to net OPEB liability	<u>-</u>	(6,426,963)
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 loans payable	97,587	
Compensated absences	121,951	
Long-term loans payable	<u>272,111</u>	(491,649)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u><u>\$ (3,246,031)</u></u></b>

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

City of Negaunee, Michigan

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2020

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Federal sources	\$ 481,162	\$ -	\$ -	6,990	\$ 488,152
State sources	559,034	524,945	270,605	7,279	1,361,863
Property taxes	2,017,565	-	-	466,997	2,484,562
Licenses and permits	16	-	-	-	16
Service charges	612,101	-	-	-	612,101
Contributions	609,955	-	-	212,462	822,417
Investment income	11,763	1,810	50	2,876	16,499
Other revenues	141,100	-	-	70,681	211,781
<b>TOTAL REVENUES</b>	<b>4,432,696</b>	<b>526,755</b>	<b>270,655</b>	<b>767,285</b>	<b>5,997,391</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Legislative	28,973	-	-	-	28,973
General government	539,083	-	-	-	539,083
Public health and safety	962,870	-	-	-	962,870
Public works	1,317,793	382,214	458,860	222,290	2,381,157
Community and economic development	60,583	-	-	-	60,583
Recreation and culture	536,779	-	-	8,237	545,016
Senior center	-	-	-	302,922	302,922
Other governmental	617,409	-	-	20,902	638,311
Debt Service:					
Principal retirement	12,829	-	-	106,968	119,797
Interest and fiscal charges	4,725	-	-	1,825	6,550
Capital outlay	485,513	-	-	420,199	905,712
<b>TOTAL EXPENDITURES</b>	<b>4,566,557</b>	<b>382,214</b>	<b>458,860</b>	<b>1,083,343</b>	<b>6,490,974</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(133,861)</b>	<b>144,541</b>	<b>(188,205)</b>	<b>(316,058)</b>	<b>(493,583)</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from borrowing	-	-	-	367,970	367,970
Transfers in	85,000	-	205,625	50,000	340,625
Transfers (out)	(105,625)	(100,000)	-	(85,000)	(290,625)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(20,625)</b>	<b>(100,000)</b>	<b>205,625</b>	<b>332,970</b>	<b>417,970</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(154,486)</b>	<b>44,541</b>	<b>17,420</b>	<b>16,912</b>	<b>(75,613)</b>
Fund balance, beginning of year	932,417	318,546	88,770	1,077,264	2,416,997
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 777,931</b>	<b>\$ 363,087</b>	<b>\$ 106,190</b>	<b>\$ 1,094,176</b>	<b>\$ 2,341,384</b>

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

**City of Negaunee, 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, 2020

**Net Change in Fund Balances - Total Governmental Funds** \$ (75,613)

*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	\$ 1,406,159	
Depreciation expense	(349,860)	
Net book value of disposed assets	<u>-</u>	1,056,299

Proceeds from debt issues are an other financing source in the governmental funds, but a debt issue increases long-term liabilities in the statement of net position. (367,970)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 119,797

Net pension liability and net OPEB liability reported in the statement of activities do not require the use of current resources, and therefore, are not reported in the fund statements.

Pension liability expense - MERS	(47,187)
Pension liability expense - Police Retirement	159,686
OPEB expense	389,318

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

Compensated absences	<u>(661)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 1,233,669

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

City of Negaunee, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

December 31, 2020

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Fund	Water Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 885,320	\$ 2,751,426	\$ 1,384,673	\$ 5,021,419
Accounts receivable	186,280	269,866	113,073	569,219
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(17,300)
Grants receivable	-	-	-	-
Due from other governmental units	-	172,000	-	172,000
Prepaid expense	-	-	-	-
Non-current Assets:				
Restricted cash	1,281,273	700,000	864,163	2,845,436
Investment in UPPPA Electric Utility	-	338,079	-	338,079
Investment in Joint Water Authority	-	-	543,875	543,875
Capital Assets:				
Land and construction in progress	94,435	-	261,302	355,737
Other capital assets, net	9,079,640	1,034,050	5,799,041	15,912,731
Total Capital Assets	<u>9,174,075</u>	<u>1,034,050</u>	<u>6,060,343</u>	<u>16,268,468</u>
<b>TOTAL ASSETS</b>	<u>11,523,648</u>	<u>5,255,721</u>	<u>8,961,827</u>	<u>25,741,196</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amounts on refunding	130,000	-	-	130,000
Deferred outflows related to OPEB	-	-	-	-
Deferred outflows related to pension	43,269	102,005	50,814	196,088
Employer pension contributions subsequent to measurement date	-	-	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>173,269</u>	<u>102,005</u>	<u>50,814</u>	<u>326,088</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	34,552	221,750	51,667	307,969
Due to other funds	-	-	-	-
Accrued liabilities	22,723	-	12,445	35,168
Accrued salaries	1,881	7,028	3,973	12,882
Customer deposits payable	-	382,795	-	382,795
Non-current Liabilities:				
Portion due or payable within one year				
Bonds payable	65,000	-	78,000	143,000
Notes payable	-	20,418	-	20,418
Compensated absences	-	-	-	-
Portion due or payable after one year				
Bonds payable	4,053,000	-	1,358,000	5,411,000
Notes payable	-	76,665	-	76,665
Compensated absences	6,004	20,238	8,763	35,005
Net OPEB liability	1,928,089	1,928,089	428,464	4,284,642
Net pension liability	478,231	1,440,592	673,932	2,592,755
<b>TOTAL LIABILITIES</b>	<u>6,589,480</u>	<u>4,097,575</u>	<u>2,615,244</u>	<u>13,302,299</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to OPEB	-	-	-	-
Deferred inflows related to pension	23,824	26,810	19,622	70,256
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>23,824</u>	<u>26,810</u>	<u>19,622</u>	<u>70,256</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,186,075	936,967	4,624,343	10,747,385
Restricted for:				
Capital improvement	678,340	700,000	710,344	2,088,684
Debt service	643,376	-	137,607	780,983
Unrestricted	(1,424,178)	(403,626)	905,481	(922,323)
<b>TOTAL NET POSITION</b>	<u>\$ 5,083,613</u>	<u>\$ 1,233,341</u>	<u>\$ 6,377,775</u>	<u>\$ 12,694,729</u>

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

City of Negaunee, Michigan

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended December 31, 2020

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Fund	Water Fund	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,455,207	\$ 3,183,409	\$ 1,290,092	\$ 5,928,708
Other operating revenue	25,995	34,340	53,351	113,686
<b>TOTAL OPERATING REVENUES</b>	<u>1,481,202</u>	<u>3,217,749</u>	<u>1,343,443</u>	<u>6,042,394</u>
<b>OPERATING EXPENSES:</b>				
Power and pumping	-	-	4,625	4,625
Transmission and distribution	-	583,148	178,706	761,854
Customer accounting and collection	41,457	90,963	44,358	176,778
Administrative and general	448,203	197,927	563,973	1,210,103
Sewage, sanitary and storm sewers	215,173	-	-	215,173
Wastewater treatment plant	2,498	-	-	2,498
Services purchased	-	1,978,821	-	1,978,821
Water meters	-	-	11,298	11,298
Provision for depreciation	304,305	103,836	321,698	729,839
<b>TOTAL OPERATING EXPENSES</b>	<u>1,011,636</u>	<u>2,954,695</u>	<u>1,124,658</u>	<u>5,090,989</u>
<b>OPERATING INCOME (LOSS)</b>	<u>469,566</u>	<u>263,054</u>	<u>218,785</u>	<u>951,405</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	13,208	66,532	12,400	92,140
Penalties on delinquent accounts	2,902	16,909	2,434	22,245
Gain/(loss) on sale of assets	3,712	-	-	3,712
Interest expense on bonds	(90,120)	(5,187)	(86,782)	(182,089)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(70,298)</u>	<u>78,254</u>	<u>(71,948)</u>	<u>(63,992)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION AND TRANSFERS</b>	<u>399,268</u>	<u>341,308</u>	<u>146,837</u>	<u>887,413</u>
Capital contribution	67,471	14,871	-	82,342
Transfers in	-	-	-	-
Transfers (out)	-	(50,000)	-	(50,000)
<b>CHANGE IN NET POSITION</b>	<u>466,739</u>	<u>306,179</u>	<u>146,837</u>	<u>919,755</u>
Net position, beginning of year	<u>4,616,874</u>	<u>927,162</u>	<u>6,230,938</u>	<u>11,774,974</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 5,083,613</u></u>	<u><u>\$ 1,233,341</u></u>	<u><u>\$ 6,377,775</u></u>	<u><u>\$ 12,694,729</u></u>

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

City of Negaunee, Michigan

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2020

	Business-Type Activities			
	Enterprise Funds			
	Sewer Fund	Electric Fund	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net cash received from fees and charges for services	\$ 1,397,604	\$ 3,123,004	\$ 1,277,824	\$ 5,798,432
Other operating revenues	25,995	34,340	53,351	113,686
Cash payments to employees for services	(229,791)	(384,764)	(161,735)	(776,290)
Cash payments to suppliers for goods and services	(573,786)	(2,541,744)	(651,084)	(3,766,614)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>620,022</u>	<u>230,836</u>	<u>518,356</u>	<u>1,369,214</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Payments (to) from other funds	-	(50,000)	-	(50,000)
Increase in due to other funds	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from borrowing	910,000	-	1,436,000	2,346,000
Acquisition and construction of capital assets	(191,111)	(80,007)	(259,506)	(530,624)
Net book value of assets disposed of	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Capital contributions received	67,471	14,871	-	82,342
Principal payment on long-term bonds and notes payable	(1,249,000)	(59,569)	(1,476,000)	(2,784,569)
Interest paid on long-term bonds and notes payable	(155,037)	(5,187)	(86,782)	(247,006)
Penalties on delinquent accounts	2,902	16,909	2,434	22,245
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(614,775)</u>	<u>(112,983)</u>	<u>(383,854)</u>	<u>(1,111,612)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
(Increase) decrease in investment in UPPPA Electric Utility	-	(6,718)	-	(6,718)
Investment income	13,208	66,532	12,400	92,140
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>13,208</u>	<u>59,814</u>	<u>12,400</u>	<u>85,422</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>18,455</u>	<u>127,667</u>	<u>146,902</u>	<u>293,024</u>
Cash and cash equivalents, beginning of year	2,148,138	3,323,759	2,101,934	7,573,831
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,166,593</u>	<u>\$ 3,451,426</u>	<u>\$ 2,248,836</u>	<u>\$ 7,866,855</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 885,320	\$ 2,751,426	\$ 1,384,673	\$ 5,021,419
Restricted cash	1,281,273	700,000	864,163	2,845,436
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u>\$ 2,166,593</u>	<u>\$ 3,451,426</u>	<u>\$ 2,248,836</u>	<u>\$ 7,866,855</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 469,566	\$ 263,054	\$ 218,785	\$ 951,405
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	304,305	103,836	321,698	729,839
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	(57,603)	(60,405)	(12,268)	(130,276)
(Increase) decrease in grants receivable	-	-	-	-
(Increase) decrease in prepaid expense	-	-	-	-
Increase (decrease) in accounts payable	8,285	574	3,422	12,281
Increase (decrease) in accrued liabilities	(454)	-	(4,160)	(4,614)
Increase (decrease) in accrued payroll liabilities	3,095	9,872	5,508	18,475
Increase (decrease) in customer deposits payable	-	7,250	-	7,250
Increase (decrease) in OPEB liability and related	(116,796)	(116,796)	(25,955)	(259,547)
Increase (decrease) in net pension liability and related	9,624	23,451	11,326	44,401
<b>NET ADJUSTMENTS</b>	<u>150,456</u>	<u>(32,218)</u>	<u>299,571</u>	<u>417,809</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 620,022</u>	<u>\$ 230,836</u>	<u>\$ 518,356</u>	<u>\$ 1,369,214</u>

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



**City of Negaunee, Michigan**

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2020

	<u>Pension Trust Fund</u>	<u>Custodial Fund</u>	
	<u>Police Pension Trust Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and equivalents	\$ -	\$ 972,147	\$ 972,147
Investments	4,851,581	-	4,851,581
	<u>4,851,581</u>	<u>972,147</u>	<u>5,823,728</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Due to local governments	-	972,147	972,147
	<u>-</u>	<u>972,147</u>	<u>972,147</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Restricted for:			
Pension benefits	4,851,581	-	4,851,581
Other governments	-	-	-
	<u>4,851,581</u>	<u>-</u>	<u>4,851,581</u>
<b>TOTAL NET POSITION</b>	<u>\$ 4,851,581</u>	<u>\$ -</u>	<u>\$ 4,851,581</u>

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

**City of Negaunee, Michigan**

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2020

	<u>Pension Trust Fund Police Pension Trust Fund</u>	<u>Custodial Fund Tax Collection Fund</u>	<u>Total</u>
<b>ADDITIONS:</b>			
Contributions:			
Employer	\$ 251,460	\$ -	\$ 251,460
Employee	28,254	-	28,254
Total Contributions	<u>279,714</u>	<u>-</u>	<u>279,714</u>
Investment Income:			
Net appreciation (depreciation) in fair value of investments	434,224	-	434,224
Interest and dividends	-	-	-
Administrative expense	<u>(10,491)</u>	<u>-</u>	<u>(10,491)</u>
Net Investment Income (Loss)	<u>423,733</u>	<u>-</u>	<u>423,733</u>
Other Additions:			
Property tax collections for other governments	-	2,762,856	2,762,856
Total Other Additions	<u>-</u>	<u>2,762,856</u>	<u>2,762,856</u>
<b>TOTAL ADDITIONS</b>	<u>703,447</u>	<u>2,762,856</u>	<u>3,466,303</u>
<b>DEDUCTIONS:</b>			
Benefits and annuity withdrawals	280,757	-	280,757
Payments of property taxes to other governments	<u>-</u>	<u>2,762,856</u>	<u>2,762,856</u>
<b>TOTAL DEDUCTIONS</b>	<u>280,757</u>	<u>2,762,856</u>	<u>3,043,613</u>
<b>CHANGE IN NET POSITION</b>	422,690	-	422,690
Net position, beginning of year	<u>4,428,891</u>	<u>-</u>	<u>4,428,891</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,851,581</u>	<u>\$ -</u>	<u>\$ 4,851,581</u>

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

City of Negaunee, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF NET POSITION

December 31, 2020

	Negaunee Housing Commission	Downtown Development Authority	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,055,545	\$ 796	\$ 1,056,341
Investments	226,642	-	226,642
Accounts receivable	8,457	12,185	20,642
Prepaid expense	17,636	-	17,636
Inventories	8,795	-	8,795
Non-current Assets:			
Restricted cash	24,660	-	24,660
Capital Assets:			
Land and construction in progress	35,175	-	35,175
Other capital assets, net	543,173	-	543,173
Total Capital Assets	<u>578,348</u>	<u>-</u>	<u>578,348</u>
<b>TOTAL ASSETS</b>	<u>1,920,083</u>	<u>12,981</u>	<u>1,933,064</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pension	20,564	-	20,564
Employer pension contributions subsequent to measurement date	53,558	-	53,558
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>74,122</u>	<u>-</u>	<u>74,122</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	25,245	1,167	26,412
Accrued liabilities	39,617	-	39,617
Tenant security deposits	24,660	-	24,660
Unearned revenue	535	-	535
Non-current Liabilities:			
Portion due or payable within one year			
Compensated absences	54,611	-	54,611
Portion due or payable after one year			
Compensated absences	8,130	-	8,130
Net pension liability	224,955	-	224,955
<b>TOTAL LIABILITIES</b>	<u>377,753</u>	<u>1,167</u>	<u>378,920</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a subsequent period	-	11,814	11,814
Deferred inflows related to pension	1,781	-	1,781
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>1,781</u>	<u>11,814</u>	<u>13,595</u>
<b>NET POSITION</b>			
Net investment in capital assets	578,348	-	578,348
Restricted	-	-	-
Unrestricted	1,036,323	-	1,036,323
<b>TOTAL NET POSITION</b>	<u>\$ 1,614,671</u>	<u>\$ -</u>	<u>\$ 1,614,671</u>

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

City of Negaunee, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Negaunee Housing Commission	Downtown Development Authority	Total
<b>Component Units:</b>							
Negaunee Housing Commission	\$ 447,144	\$ 322,373	\$ 96,308	\$ 31,466	3,003	-	3,003
Downtown Development Authority	6,371	-	6,371	-	-	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 453,515</u>	<u>\$ 322,373</u>	<u>\$ 102,679</u>	<u>\$ 31,466</u>	<u>3,003</u>	<u>-</u>	<u>3,003</u>
General Revenues:							
Property taxes					-	-	-
Interest and investment earnings					6,613	-	6,613
Gain/(loss) on sale of assets					1,959	-	1,959
Miscellaneous					6,670	-	6,670
<b>TOTAL GENERAL REVENUES</b>					<u>15,242</u>	<u>-</u>	<u>15,242</u>
<b>CHANGE IN NET POSITION</b>					<u>18,245</u>	<u>-</u>	<u>18,245</u>
Net position, beginning of year					<u>1,596,426</u>	<u>-</u>	<u>1,596,426</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 1,614,671</u>	<u>\$ -</u>	<u>\$ 1,614,671</u>

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

CITY OF NEGAUNEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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

The accounting policies of the City of Negaunee, 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 adopted a charter in accordance with the laws of the State of Michigan in 1950 and operates under a Council-Manager form of municipal government. As required by generally accepted accounting principles, these financial statements present the City (the primary government). Certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Negaunee Housing Commission and the Downtown Development Authority are included as discretely presented component units of the City and the Negaunee Public Schools are not included in the financial statements of the City. A complete financial statement of the Negaunee Housing Commission component unit can be obtained directly from the Negaunee Housing Commission, 98 Croix Street, Negaunee, MI 49866. The Downtown Development Authority component unit does not issue separate financial statements.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements

The City'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, electric, 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 as long-term debt and obligations. The City's net position is 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.

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

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.

#### *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.

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

### *Fiduciary Funds:*

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The tax collection fund is custodial in nature and does not present results of operations or have a measurement focus. The Police Pension Trust Fund is a pension trust fund in nature.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type, pension trust fund and custodial. 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.

### *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, as amended, 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 receipt of allocated state shared gas and weight tax. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Local Street Fund** accounts for the receipt of allocated state shared gas and weight tax. The expenditure of these funds is restricted to remaining City roads.

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 **Electric Fund** accounts for the activities related to electric transmission and distribution 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.

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

### **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, sewer, and electric services are accrued as revenue in the Water, Sewer and Electric 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.

### **FINANCIAL STATEMENT AMOUNTS**

#### Budgets and Budgetary Accounting

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

1. In September, 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 to obtain taxpayer comments.
3. The final budget shall be adopted by resolution passed by the affirmative votes of at least a majority of the Council present at the regular meeting in November.
4. 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.



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

5. 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.
6. 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.

### 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 the purpose of the cash flow statements, the City considers all highly liquid investments with a maturity of one year or less and all certificates of deposit to be cash equivalents. 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.

### Inventory

Inventory costs are recorded as expenditures when incurred.

### Interfund Activity

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.

### 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 acquisition.

Depreciation of 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:

Buildings and improvements	40-50 years
Equipment and machinery	5-20 years
Utility plant and system	16-40 years
Infrastructure	20-50 years

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

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

### 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.

On the City's financial statements there is a deferred charge on refunding reported in the proprietary statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

On the City's financial statements, changes in assumptions, differences between expected and actual experience, differences between expected and actual investment returns for the pension plans and/or OPEB plan create a deferred outflow of resources.

On the City's financial statements, the city's contributions made into the pension plan subsequent to the plan's fiscal year end creates a deferred outflow 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 position. Bond premiums and discounts 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.

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. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

### 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.

On the City's financial statements, the governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

On the City's financial statements, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

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

On the City's financial statements, changes in assumptions, differences between expected and actual experience, differences between expected and actual investment returns for the pension plans and/or OPEB plan create a deferred inflow of resources.

### Property Taxes

Property taxes are levied on December 1 based on the taxable value of property and collected by the City. Uncollected real property taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" for use to finance current expenditures.

### 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 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 noncurrent 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.

### 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 29, 2021, 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 – DEPOSITS AND INVESTMENTS:**

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Position:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and cash equivalents				
Unrestricted	\$7,357,498	\$1,056,341	\$972,147	\$9,385,986
Restricted	2,845,436	24,660	-	2,870,096
Subtotal	<u>10,202,934</u>	<u>1,081,001</u>	<u>972,147</u>	<u>12,256,082</u>
Investments				
Unrestricted	-	226,642	4,851,581	5,078,223
Restricted	-	-	-	-
Subtotal	<u>-</u>	<u>226,642</u>	<u>4,851,581</u>	<u>5,078,223</u>
Total	<u>\$10,202,934</u>	<u>\$1,307,643</u>	<u>\$5,823,728</u>	<u>\$17,334,305</u>

***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require, and the City does not have, a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions was \$12,256,082 and the bank balance was \$12,554,405. The bank balance is categorized as follows:

Amount insured by the FDIC	\$3,558,427
Amount uninsured and uncollateralized	8,995,978
Total	<u>\$12,554,405</u>

**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, 2020, the City had the following investments:

	Level	Fair Value	Investment Maturities (in years)			
			Less than 1	1-5	6-10	More than 10
<b>Pension Trust Fund:</b>						
Mutual Funds	1	\$4,851,581	\$4,851,581	\$-	\$-	\$-
Subtotal		<u>4,851,581</u>	<u>4,851,581</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Component Unit:</b>						
Certificate of Deposit	2	226,642	226,642	-	-	-
Subtotal		<u>226,642</u>	<u>226,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL		<u>\$5,078,223</u>	<u>\$5,078,223</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

*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 statutes (Act 314, PA 1965, as amended) authorizes the pension trust to invest in 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 real 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, within certain restrictions. The Negaunee Police Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the Policemen Retirement System's assets. All investment decisions are subject to Michigan law and the investment policy established by the Negaunee Police Retirement Board.

The City has no investment policy that would further limit its investment choices. Ratings are not required for the City's investments as outlined above. The City's investments are in accordance with statutory authority.

**NOTE C – 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. The City has also restricted for an emergency fund and/or capital acquisitions in the Sewer Fund, Electric Utility Fund, and Water Fund.

Assets restricted by applicable bond covenants and internal restrictions are as follows:

	December 31, 2020	
	Required Balance	Actual Balance
<b>I. Construction accounts</b>		
These accounts are used to receive loan/grant proceeds and pay construction costs.		
a. NONE	\$-	\$-

**NOTE C – RESTRICTED ASSETS (Continued):**

		December 31, 2020	
		Required Balance	Actual Balance
<b>II. Bond payment accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.			
a.	2020 Water Supply Refunding Bond, ½ of interest due on next payment and not less than ½ of the principal due the next year	\$27,797	\$57,855
b.	2020 Sewer Revenue Refunding Bond, ½ of interest due on next payment and not less than ½ of the principal due the next year	3,986	-
c.	2012 Sewer Revenue Refunding Bond, 4 months of interest and 4 months of principal in deposits	44,390	44,390
<b>III. Bond reserve accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.			
a.	2020 Water Supply Refunding Bond, lessor of maximum debt service in any year or 125% of average debt service or 10% of amount refinanced	109,810	121,500
b.	2020 Sewer Revenue Refunding Bond, lesser of maximum debt service in any year or 125% of average debt service or 10% of amount refinanced	91,000	91,000
c.	2012 Sewer Revenue Refunding Bond, maximum \$163,000	130,400	130,400
<b>IV. Capital improvement accounts</b>			
These accounts are required to be funded per bond. These funds are to be used for repairs, replacement, or improvements to the water system. If the amounts in the bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.			
a.	2020 Water Supply Refunding Bond, no reserve is required	-	110,400
b.	2012 Sewer Revenue Refunding Bond \$46,700 per year	373,600	337,143
<b>V. Operations and maintenance accounts</b>			
These accounts are required to be funded per bond issues. The fund shall be used solely for the operation and maintenance of the System.			
a.	2020 Sewer Revenue Refunding Bond, sum sufficient to provide for payment of next quarter's expenses of administration and operation, no reserve is required	-	-
b.	2012 Sewer Revenue Refunding Bond, no reserve is required	-	-
	Sewer - USDA	643,376	602,933
	Water - USDA	137,607	289,755
	USDA Subtotal	780,983	892,688
	Electric – Internal Restriction	700,000	700,000
	Sewer – Internal Restriction	678,340	678,340
	Water – Internal Restriction	710,344	574,408
	Total	<u>\$2,869,667</u>	<u>\$2,845,436</u>

**NOTE D – ACCOUNTS RECEIVABLE:**

A summary of accounts receivable at December 31, 2020 is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Property taxes	\$2,348,599	\$-	\$2,348,599
Other	90,194	53,064	143,258
Due from other gov't	192,456	172,000	364,456
Utilities	-	498,855	498,855
Delinquent property taxes	-	-	-
<b>Total</b>	<b>\$2,631,249</b>	<b>\$723,919</b>	<b>\$3,355,168</b>

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of yearend, including the applicable allowances for uncollectible accounts, are presented below.

	Governmental Activities	Business- Type Activities
Gross accounts receivable	\$2,631,849	\$741,219
Less: allowance for uncollectible accounts	(600)	(17,300)
<b>Net receivable</b>	<b>\$2,631,249</b>	<b>\$723,919</b>

**NOTE E – INTERFUND RECEIVABLES/PAYABLES AND TRANSFER IN/OUT:**

The amounts of interfund receivables and payables as of December 31, 2020 are as follows:

		DUE FROM OTHER FUNDS			
		General Fund	Other Governmental Funds	Business-Type Activities	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	\$-	\$-	\$-	\$-
	Major Street Fund	-	-	-	-
	<b>Total Due From Other Funds</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

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

**NOTE E – INTERFUND RECEIVABLES/PAYABLES AND TRANSFER IN/OUT (Continued):**

The transfers between funds for the year ended December 31, 2020 are as follows:

		TRANSFERS OUT TO OTHER FUNDS				
		General Fund	Major Special Revenue	Enterprise Funds	Other Gov'tl Funds	Total Transfers In
TRANSFER IN FROM OTHER FUNDS	General Fund	\$-	\$-	\$-	\$85,000	\$85,000
	Major Street Fund	-	-	-	-	-
	Local Street Fund	105,625	100,000	-	-	205,625
	Other Gov'tl Funds	-	-	50,000	-	50,000
	Sewer Fund	-	-	-	-	-
	Electric Fund	-	-	-	-	-
	Water Fund	-	-	-	-	-
	Total Transfers Out	<u>\$105,625</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$85,000</u>	<u>\$340,625</u>

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 authorizations.

**NOTE F – CAPITAL ASSETS:**

A summary of the changes in governmental activities capital assets as of December 31, 2020 is as follows:

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Capital assets not being depreciated:				
Land	\$1,071,126	\$-	\$-	\$1,071,126
Construction in progress	570,192	945,484	(544,609)	971,067
Subtotal	<u>1,641,318</u>	<u>945,484</u>	<u>(544,609)</u>	<u>2,042,193</u>
Capital assets being depreciated:				
Land improvements	279,139	544,609	-	823,748
Buildings	6,238,733	-	(11,500)	6,227,233
Building improvements	531,740	29,113	-	560,853
Equipment and vehicles	3,606,312	423,267	-	4,029,579
Infrastructure	2,398,276	8,295	-	2,406,571
Subtotal	<u>13,054,200</u>	<u>1,005,284</u>	<u>(11,500)</u>	<u>14,047,984</u>
Total Capital Assets	<u>14,695,518</u>	<u>1,950,768</u>	<u>(556,109)</u>	<u>16,090,177</u>



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

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Less accumulated depreciation:				
Land Improvements	(\$163,520)	(\$27,855)	\$-	(\$191,375)
Buildings	(5,743,207)	(30,277)	11,500	(5,761,984)
Building improvements	(248,587)	(28,647)	-	(277,234)
Equipment and vehicles	(2,956,537)	(162,037)	-	(3,118,574)
Infrastructure	(1,047,489)	(101,044)	-	(1,148,533)
Total Accumulated Depreciation	<u>(10,159,340)</u>	<u>(349,860)</u>	<u>11,500</u>	<u>(10,497,700)</u>
Capital Assets, Net	<u>\$4,536,178</u>	<u>\$1,600,908</u>	<u>(\$544,609)</u>	<u>\$5,592,477</u>

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

Governmental Activities:		
General Government		\$41,443
Public Health and Safety		51,725
Public Works		211,432
Parks and Recreation		42,750
Senior Center		2,510
Library		-
Total Depreciation Expense		<u>\$349,860</u>

A summary of changes in business-type activities capital assets as of December 31, 2020, is as follows:

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Capital assets not being depreciated:				
Land	\$52,200	\$-	\$-	\$52,200
Construction in progress	441,242	349,211	(486,916)	303,537
Subtotal	<u>493,442</u>	<u>349,211</u>	<u>(486,916)</u>	<u>355,737</u>
Capital assets being depreciated:				
Sewer plant and equipment	11,924,883	568,322	-	12,493,205
Electric system and equipment	2,961,588	80,007	-	3,041,595
Water plant and equipment	11,851,524	20,000	-	11,871,524
Subtotal	<u>26,737,995</u>	<u>668,329</u>	<u>-</u>	<u>27,406,324</u>
Total Capital Assets	<u>27,231,437</u>	<u>1,017,540</u>	<u>(486,916)</u>	<u>27,762,061</u>
Less accumulated depreciation:				
Sewer plant and equipment	(3,112,972)	(304,305)	3,712	(3,413,565)
Electric system and equipment	(1,903,709)	(103,836)	-	(2,007,545)
Water plant and equipment	(5,750,785)	(321,698)	-	(6,072,483)
Total Accumulated Depreciation	<u>(10,767,466)</u>	<u>(729,839)</u>	<u>3,712</u>	<u>(11,493,593)</u>
Capital Assets, Net	<u>\$16,463,971</u>	<u>\$287,701</u>	<u>(\$483,204)</u>	<u>\$16,268,468</u>

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

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

Business-type Activities:		
Sewer system		\$304,305
Electric system		103,836
Water system		321,698
	Total Depreciation Expense	<u>\$729,839</u>

A summary of changes in the discretely presented component units capital assets as of December 31, 2020 is as follows:

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Capital assets not being depreciated:				
Land	\$18,720	\$-	\$-	\$18,720
Construction in progress	-	20,388	(3,933)	16,455
Subtotal	<u>18,720</u>	<u>20,388</u>	<u>(3,933)</u>	<u>35,175</u>
Capital assets being depreciated:				
Building and improvement	4,280,430	16,986	-	4,297,416
Equipment	217,773	31,282	(1,646)	247,409
Subtotal	<u>4,498,203</u>	<u>48,268</u>	<u>(1,646)</u>	<u>4,544,825</u>
Total Capital Assets	<u>4,516,923</u>	<u>68,656</u>	<u>(5,579)</u>	<u>4,580,000</u>
Less accumulated depreciation:				
Accumulated Depreciation	(3,904,671)	(98,586)	1,605	(4,001,652)
Total Accumulated Depreciation	<u>(3,904,671)</u>	<u>(98,586)</u>	<u>1,605</u>	<u>(4,001,652)</u>
Capital Assets, Net	<u>\$612,252</u>	<u>(\$29,930)</u>	<u>(\$3,974)</u>	<u>\$578,348</u>

Depreciation expense for the discretely presented component unit was charged \$98,586 for the year.

**NOTE G – CONSTRUCTION IN PROGRESS:**

The City has a number of projects underway which involve additions, extensions, and improvements to the City parks, streets, sanitary sewer, and/or water systems. Major construction projects in progress as of December 31, 2020 include the following:

Jackson Mine Pavilion, \$527,967; the City continued work for the Pavilion at Jackson Mine Park. Total cost for the project is expected to be \$551,700.

Senior Center MEDC Project, \$443,100; the City began a major improvement project for the senior center in the current year. Total cost for the project is expected to be \$570,014.

USDA Wastewater Project, \$22,235; the City began the engineering phase of a major wastewater improvement project in the current year. Total cost for the project is expected to be \$320,000.

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

Senior Center MEDC Wastewater Improvement Project, \$20,000; the City began some wastewater improvements for the senior center in the current year. Total cost for the project is expected to be \$289,000.

Water Project Phase 1, \$261,302; the City continued the engineering phase of a major water improvement project in the current year. Total cost for the project is expected to be \$450,000 for Phase 1 alone.

As of December 31, 2020, total construction in progress costs incurred amounted to \$971,067 in the governmental type activities and \$303,537 in the business-type activities.

**NOTE H – LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the primary government at December 31, 2020:

	Balance 1/1/20	Additions	Deductions	Balance 12/31/20	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital Lease:					
Police Car	\$8,954	\$-	(\$8,954)	\$-	\$-
Police Tahoe	24,505	-	(11,896)	12,609	12,609
Zamboni	88,066	-	(12,829)	75,237	13,517
Peterbilt Snowplows (2)	-	330,224	(72,882)	257,342	59,522
2020 Police Tahoe	-	37,746	(13,236)	24,510	11,939
Subtotal	121,525	367,970	(119,797)	369,698	97,587
Compensated absences	121,290	661	-	121,951	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$242,815</b>	<b>\$368,631</b>	<b>(\$119,797)</b>	<b>\$491,649</b>	<b>\$97,587</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Revenue Bonds:					
Sewer System, Series 2002	\$1,185,000	\$-	(\$1,185,000)	\$-	\$-
Sewer System, Series 2012	3,272,000	-	(64,000)	3,208,000	65,000
Sewer System, Series 2020	-	910,000	-	910,000	-
Water Supply, Series 1997	1,476,000	-	(1,476,000)	-	-
Water Supply, Series 2020	-	1,436,000	-	1,436,000	78,000
Capital Lease:					
Aerial Truck	110,091	-	(13,008)	97,083	20,418
Digger Derrick Truck	46,561	-	(46,561)	-	-
Subtotal	6,089,652	2,346,000	(2,784,569)	5,651,083	163,418
Less: Deferred gain on refunding 2002	(45,693)	-	45,693	-	-
Less: Deferred amounts	(19,390)	-	19,390	-	-
Less: Deferred gain on refunding 2020	-	(130,000)	-	(130,000)	-
Subtotal	6,024,569	2,216,000	(2,719,486)	5,521,083	163,418
Compensated absences	20,645	14,360	-	35,005	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$6,045,214</b>	<b>\$2,230,360</b>	<b>(\$2,719,486)</b>	<b>\$5,556,088</b>	<b>\$163,418</b>

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

The annual principal and interest requirements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$97,587	\$19,449	\$163,418	\$111,296
2022	89,454	14,217	314,559	107,150
2023	80,890	9,545	322,764	101,153
2024	85,107	5,329	328,035	94,984
2025	16,660	894	318,307	88,944
2026-2030	-	-	1,165,000	374,330
2031-2035	-	-	955,000	278,446
2036-2040	-	-	561,000	195,521
2041-2045	-	-	575,000	138,020
2046-2050	-	-	657,000	73,504
2051-2055	-	-	291,000	9,350
Total	<u>\$369,698</u>	<u>\$49,434</u>	<u>\$5,651,083</u>	<u>\$1,572,698</u>

**2020 Sanitary Sewage Disposal System Revenue Refunding Bonds**

On October 6, 2020, the City issued \$910,000 in Sanitary Sewage Disposal System Revenue Refunding Bonds, Series 2020 with an interest rate of 1.190% for the purpose of refunding all of the City's outstanding Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002, dated November 27, 2002 and to pay the costs of issuance of the Bonds.

The refunding portion of the 2002 Sanitary Sewage Disposal Revenue and Revenue Refunding Bonds net proceeds of \$1,212,719 were paid to the refund bond escrow agent. As a result, the 2002 issue bonds are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On December 31, 2020, \$1,185,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of \$130,000. The difference has been deferred and amortized over the shorter of the life of the refunded or refunding debt. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$422,377.

The Sanitary Sewage Disposal System Revenue Refunding Bonds, Series 2020 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2020-01. The bond issued in the amount of \$910,000, dated October 6, 2020, mature annually on January 1 of each year through January 1, 2027. Interest is payable on January 1 and July 1 of each year at an average interest rate of 1.190% per annum. Scheduled payments of principal and interest are listed below:

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

	January 1		July 1	Total
	Interest	Principal	Interest	
2021	\$-	\$-	\$7,971	\$7,971
2022	5,415	145,000	4,552	154,967
2023	4,552	149,000	3,665	157,217
2024	3,665	151,000	2,767	157,432
2025	2,767	153,000	1,856	157,623
2026-2030	2,790	312,000	934	315,724
Total	\$19,189	\$910,000	\$21,745	\$950,934

2012 Sanitary Sewage Disposal System Revenue Bonds

In September 2012, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2012, authorized the issuance of \$3,673,000 in Sanitary Sewage Disposal System Junior Lien Revenue Bonds, Series 2012 for the purpose of (1) paying part the costs of the acquisition and construction of improvements to the City's Sanitary Sewage Disposal System. The improvements consist of construction of a wastewater transmission line through the City of Ishpeming to connect to the Ishpeming Area Wastewater Treatment Facility. The total cost of the project is approximately \$7,364,000. Federal funds of approximately \$1,691,000 are expected through a grant from the United States Department of Agriculture to defray a portion of the cost totaled. The City has issued revenue bonds in the amount of \$3,673,000 with the remainder of the financing coming from local sources. The Sanitary Sewage Disposal System Junior Lien Revenue Bonds, Series 2012 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2012.

The bonds, dated September 28, 2012, mature annually on September 1 of each year through September 1, 2052. Interest is payable on March 1 and September 1 of each year at an average interest rate of 2.125% per annum. Scheduled payments of principal and interest are listed below:

	March 1	September 1		Total
	Interest	Principal	Interest	
2021	\$34,085	\$65,000	\$34,085	\$133,170
2022	33,394	67,000	33,394	133,788
2023	32,683	69,000	32,683	134,366
2024	31,949	70,000	31,949	133,898
2025	31,206	72,000	31,206	134,412
2026-2030	144,128	390,000	144,128	678,256
2031-2035	122,283	445,000	122,283	689,566
2036-2040	97,358	507,000	97,358	701,716
2041-2045	69,010	575,000	69,010	713,020
2046-2050	36,752	657,000	36,752	730,504
2051-2055	4,675	291,000	4,675	300,350
Total	\$637,523	\$3,208,000	\$637,523	\$4,483,046

## NOTE H – LONG-TERM DEBT (Continued):

### 2020 Water Supply System Revenue Refunding Bond

On September 3, 2020, the City issued \$1,436,000 in Water Supply System Revenue Refunding Bonds, Series 2020 with an interest rate of 2.000% for the purpose of refunding all of the City's outstanding Water Supply System Revenue Bonds, Series 1997, dated June 11, 1997 and to pay the costs of issuance of the bond.

The refunding portion of the 1997 Water Supply System Revenue Bonds net proceeds of \$1,448,045 were paid to the refund bond escrow agent. As a result, the 1997 issue bonds are considered defeased and the liability for those bonds has been removed from the Business-Type Activities long term debt balances.

The irrevocable trust accounts for the assets and liability for the defeased bonds are not included in the City's financial statements. On December 31, 2020, \$1,421,000 of the bonds outstanding are considered defeased.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt in the amount of \$15,000. The difference was expensed in the year of refunding. This transaction was undertaken to reduce the total debt service payments and accordingly resulted in an economic gain of \$306,807.

The Water Supply System Revenue Refunding Bonds, Series 2020 are secured solely by the net revenues of the Water Supply System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2020. The bond issued in the amount of \$1,436,000, dated September 3, 2020, mature on April 1 and October 1 of each year through April 1, 2036. Interest is payable on April 1 and October 1 of each year at an average interest rate of 2.000% per annum. Scheduled payments of principal and interest are listed below:

	April 1		October 1		Total
	Interest	Principal	Interest	Principal	
2021	\$16,594	\$39,000	\$13,775	\$39,000	\$108,369
2022	13,775	40,000	12,975	41,000	107,750
2023	12,975	41,000	12,155	41,000	107,130
2024	12,155	41,000	11,330	42,000	106,485
2025	11,330	42,000	10,485	43,000	106,815
2026-2030	43,475	230,000	38,875	233,000	545,350
2031-2035	19,480	254,000	14,400	256,000	543,880
2036-2040	805	54,000	-	-	54,805
Total	<u>\$130,589</u>	<u>\$741,000</u>	<u>\$113,995</u>	<u>\$695,000</u>	<u>\$1,680,584</u>

### Capital Leases

In 2017, the City entered into agreements with unrelated third parties to lease a Police Car. The capital lease entered into with Santander Leasing LLC totaled \$35,155.

In 2019, the City entered into agreements with unrelated third parties to lease a Zamboni. The capital lease entered into with Lease Servicing Center totaled \$122,876.

In 2019, the City entered into agreements with unrelated third parties to lease a Police Tahoe. The capital lease entered into with Berger Chevrolet totaled \$40,092.

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

In 2020, the City entered into agreements with unrelated third parties to lease a 2020 Police Tahoe. The capital lease entered into with Berger Chevrolet totaled \$39,708.

In 2020, the City entered into agreements with unrelated third parties to lease 2 Peterbilt Snowplows. The capital lease entered into with Paccar Financial totaled \$364,411.

In 2016, the City entered into agreements with unrelated third parties to lease a Digger Derrick Aerial Truck. The capital lease entered into with Tax-Exempt Leasing Corp totaled \$178,289.

In 2019, the City entered into agreements with unrelated third parties to lease a 2019 Aerial Truck. The capital lease entered into with De Lage Landen Public Finance LLC totaled \$126,020.

The following presents future minimum lease payments as of December 31, 2020:

	Governmental Activities				Business-Type Activities
	Lease Services Center	Berger Chevrolet	Berger Chevrolet	Paccar Financial	De Lage Landen Public Finance LLC
			2020		
	Zamboni	Police Tahoe	Police Tahoe	2 Peterbilt Snowplows	2019 Aerial Truck
2021	\$17,554	\$13,364	\$13,236	\$72,882	\$25,204
2022	17,553	-	13,236	72,882	25,204
2023	17,553	-	-	72,882	25,204
2024	17,554	-	-	72,882	25,204
2025	17,554	-	-	-	8,401
2026-2030	-	-	-	-	-
Less: Interest	(12,531)	(755)	(1,962)	(34,186)	(12,134)
Present Value of Minimum Lease Payments	<u>\$75,237</u>	<u>\$12,609</u>	<u>\$24,510</u>	<u>\$257,342</u>	<u>\$97,083</u>

**NOTE I – COMPENSATED ABSENCES:**

The City accrues the liability for earned sick leave based on 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. Vacation in any current calendar year shall be taken as earned during the previous year. If an employee is not permitted to take all of his earned vacation time before the expiration of the calendar year, he shall be entitled to take any such unused vacation time during the succeeding six months. Upon retirement, death, termination or disability, employees or their estates are paid for any unused portion of vacation allowance in the current year to the separation date at their current rate of pay.

**NOTE I – COMPENSATED ABSENCES (Continued):**

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

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
ACCRUED SICK AND VACATION:			
Sewer Fund	\$5,674	\$330	\$6,004
Electric Fund	15,819	4,419	20,238
Water Fund	8,082	681	8,763
Governmental Activities – long-term portion	106,306	15,645	121,951
Total	<u>\$135,881</u>	<u>\$21,075</u>	<u>\$156,956</u>

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

Property taxes levied on December 1, 2020 have met all criteria related to revenue recognition except for time and as such are recorded as a deferred inflow of resources. The amount of taxes levied for a subsequent period is as follows:

General Fund	\$1,876,679
Street Millage Fund	208,008
Parks Beautification Fund	105,565
Equipment Fund	158,347
TOTAL	<u>\$2,348,599</u>

**NOTE K – 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 Board. The Board 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 Board.

*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 Board may assign amounts for specific purposes.

*Unassigned* — all other spendable amounts.

As of December 31, 2020, fund balances for the City are composed of the following:



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

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>Non-spendable:</b>					
Corpus	\$-	\$-	\$-	\$115,935	\$115,935
Prepaid expense	-	-	-	-	-
Subtotal	-	-	-	115,935	115,935
<b>Restricted:</b>					
Transportation Funds	-	228,545	-	-	228,545
Street Millage	-	-	-	257,022	257,022
Cemetery	-	-	-	15,782	15,782
Library State Aid	-	-	-	11,780	11,780
Elderly Citizens	-	-	-	135,646	135,646
Park Beautification Millage	-	-	-	33,684	33,684
Equipment Millage	-	-	-	-	-
Subtotal	-	228,545	-	453,914	682,459
<b>Committed:</b>					
Economic Development	-	-	-	5,000	5,000
Subtotal	-	-	-	5,000	5,000
<b>Assigned:</b>					
Transportation Funds	-	134,542	106,190	-	240,732
Law Enforcement	-	-	-	5,363	5,363
Crime Prevention	-	-	-	2,013	2,013
Economic Development	-	-	-	148,045	148,045
Salvage Inspection	-	-	-	7,307	7,307
Drug Forfeiture	-	-	-	362	362
Park Beautification	-	-	-	9,817	9,817
Building Improvement	-	-	-	35,825	35,825
Park Improvements	-	-	-	4,970	4,970
Equipment	-	-	-	305,625	305,625
Subtotal	-	134,542	106,190	519,327	760,059
Unassigned	777,931	-	-	-	777,931
Total fund balances	\$777,931	\$363,087	\$106,190	\$1,094,176	\$2,341,384

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 L – DEFINED BENEFIT PENSION PLAN:

### Summary of Significant Accounting Policies

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.

### 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](http://www.mersofmich.com).

### Benefits Provided

	2019 Valuation	
	<b>01 – General: Open Division</b>	<b>10 – Public Works: Open Division</b>
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	
COLA for Current Retirees:	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 12/13/1962)	Yes (Adopted 12/13/1962)

### Employees covered by benefit terms

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

	Component Unit:	
	Primary Government	Housing Commission
Inactive employees or beneficiaries currently receiving benefits:	43	1
Inactive employees entitled to but not yet receiving:	7	-
Active employees:	23	2
<b>Total</b>	<b>73</b>	<b>3</b>

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

### Contributions

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

The contribution rates as a percentage of payroll as December 31, 2019 is as follows:

<u>Division</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
01 – General	90.43%	0%
10 – Public Works	46.51%	0%

There were no contributions requirements for closed divisions.

### Net Pension Liability

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

### 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: 2.5%

Salary Increases: 3.00% in the long-term

Investment rate of return: 7.35%, net of investment and administrative 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 of 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 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:

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

Asset Class	Target Allocation	Long-Term Expected Gross Rate of Return	Long-Term Expected Real Rate of Return
Global Equity	55.50%	4.80%	3.41%
Global Fixed Income	18.50%	0.70%	0.23%
Real Assets	13.50%	1.31%	0.97%
Diversifying Strategies	12.50%	0.94%	0.63%
	100.00%	7.75%	5.25%

Discount rate

The discount rate used to measure the total pension liability is 7.60%. 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 – Primary Government**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2019	\$12,804,508	\$6,668,653	\$6,135,855
<b>Changes for the Year</b>			
Service Cost	135,379	-	135,379
Interest on Total Pension Liability	963,416	-	963,416
Changes in benefits	-	-	-
Difference between expected and actual experience	228,403	-	228,403
Change in assumptions	371,151	-	371,151
Employer Contributions	-	654,263	(654,263)
Employee Contributions	-	-	-
Net Investment Income	-	786,924	(786,924)
Benefit payments, including employee refunds	(927,588)	(927,588)	-
Administrative expense	-	(12,741)	12,741
Other changes	(10,125)	-	(10,125)
<b>Net Changes</b>	760,636	500,858	259,778
<b>Balances at 12/31/2020</b>	\$13,565,144	\$7,169,511	\$6,395,633

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

**Calculating the Net Pension Liability – Component Unit – Housing Commission**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/2019	\$609,623	\$372,773	\$236,850
<b>Changes for the Year</b>			
Service Cost	6,606	-	6,606
Interest on Total Pension Liability	44,889	-	44,889
Changes in benefits	-	-	-
Difference between expected and actual experience	11,145	-	11,145
Change in assumptions	18,110	-	18,110
Employer Contributions	-	53,558	(53,558)
Employee Contributions	-	-	-
Net Investment Income	-	37,941	(37,941)
Benefit payments, including employee refunds	(44,570)	(44,570)	-
Administrative expense	-	(613)	613
Other changes	(1,759)	-	(1,759)
<b>Net Changes</b>	<b>34,421</b>	<b>46,316</b>	<b>(11,895)</b>
<b>Balances at 12/31/2020</b>	<b>\$644,044</b>	<b>\$419,089</b>	<b>\$224,955</b>

**Net Pension Liability (NPL):**

MERS – Primary Government	\$6,395,633
Police – Primary Government (Note N)	616,974
Total Primary Government	<u>\$7,012,607</u>

**Net Pension Liability (NPL):**

MERS: Component Unit – Housing Commission	<u>\$224,955</u>
Total Component Unit	<u>\$224,955</u>

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

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

	Primary Government		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net Pension Liability at 12/31/2020	\$6,395,633	\$6,395,633	\$6,395,633
Change in Net Pension Liability	1,286,727	-	(1,103,589)
Calculated Net Pension Liability	<u>\$7,682,360</u>	<u>\$6,395,633</u>	<u>\$5,292,044</u>

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

	Component Unit – Housing Commission		
	1%	Current	1%
	Decrease 6.60%	Discount Rate 7.60%	Increase 8.60%
Net Pension Liability at 12/31/2020	\$224,955	\$224,955	\$224,955
Change in Net Pension Liability	62,966	-	(53,954)
Calculated Net Pension Liability	<u>\$287,921</u>	<u>\$224,955</u>	<u>\$171,001</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 2020 the employer recognized pension expense of \$91,588. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	12/31/2020		12/31/2020	
	Primary Government		Component Unit – Housing Commission	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$171,198	\$-	\$8,491	\$-
Difference in assumptions Excess (Deficit) Investment Returns	247,445	-	12,073	-
Subtotal	<u>418,643</u>	<u>(163,400)</u>	<u>20,564</u>	<u>(1,781)</u>
Contributions subsequent to the measurement date*	-	-	53,558	-
Total	<u>\$418,643</u>	<u>(\$163,400)</u>	<u>\$74,122</u>	<u>(\$1,781)</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2021.

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

Plan Year Ended:	Primary Government	Component Unit – Housing Commission
2021	\$188,133	\$11,212
2022	230,911	13,677
2023	(122,652)	(4,247)
2024	(41,149)	(1,859)
2025	-	-
Thereafter	-	-
Total	<u>\$255,243</u>	<u>\$18,783</u>

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
<b>Deferred Amounts Related to Pension:</b>		
MERS – Primary Government	\$418,643	(\$163,400)
Police – Primary Government (Note N)	532,252	(503,091)
Total Primary Government	<u>\$950,895</u>	<u>(\$666,491)</u>
<b>Deferred Amounts Related to Pension:</b>		
MERS: Component Unit – Housing Commission	\$20,564	(\$1,781)
Total Component Unit	<u>\$20,564</u>	<u>(\$1,781)</u>

Payable to the Pension Plan

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

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

Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the City of Negaunee Retiree Health Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as if they are reported by the City of Negaunee. 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.

Description

The City of Negaunee Retiree Health Plan is a single employer plan established and administered by the City of Negaunee and can be amended at its discretion.

Under the City's various union agreements, eligible retirees and their spouses receive full or partial contributions on their behalf for health, dental, vision, and life insurance premiums. Negaunee Police Association and AFSCME retirees (and spouses) remain eligible until age 65 upon which time they are then eligible to receive Medicare Supplemental coverage. Local 214 retirees are eligible until age 65; no supplement Medicare coverage is offered.

## NOTE M – OTHER POST-EMPLOYMENT BENEFITS (Continued):

### Benefits Provided

<u>Group</u>	<u>Description of Benefits Provided</u>
DPW	If an employee meets the eligibility criteria, the City agrees to pay the full health insurance premium for the retired employee and 50% of the additional cost to add the retiree's spouse to the insurance benefits. The City agrees to pay the premium for the full-term life insurance for each retiree.
City Hall	If an employee meets the eligibility criteria, the City agrees to provide health insurance for the retired employee and pay 50% of the spouse premium at the time of retirement. The City will provide Medicare supplemental insurance for the retiree only. The spouse shall not be eligible for any type of Medicare supplemental coverage. The City also agrees to pay the premium for the term life insurance for each retiree.
Police	If an employee meets the eligibility criteria, the City agrees to provide health insurance for the retired employee. The City will also provide Medicare supplemental insurance for the retiree. The spouse shall not be eligible for any type of Medicare supplemental coverage. The City also agrees to pay the premium for the term life insurance for each retiree.

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

Active Employees	10
Retirees and beneficiaries	34
Total	<u>44</u>

### Contributions

The City of Negaunee Retiree Health plan was established and is being funded under the authority of the Employer's governing body and under agreements with the unions representing various classes of employees. The Plan's funding policy is to pay expected plan benefits from general operating funds – pay-as-you-go. Active participants do not make contributions to pre-fund the Plan. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves.

### Net OPEB Liability

The City's net OPEB Liability was measured as of December 31, 2020, and the total OPEB liability was determined by an annual actuarial valuation as of that date.

### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of the December 31, 2020. The following actuarial assumptions were used in the measurement:

Inflation	Not applicable; the plan is not pre-funded
Salary Increases	3.50%
Investment rate of return	Not applicable; the plan is not pre-funded
20-year Aa Municipal bond rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General / Safety Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2020



**NOTE M – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

As the plan is not pre-funded, no long-term expected rate of return on Plan investments was determined.

Discount rate

The discount rate used to measure the total OPEB liability is 1.93%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members, therefore, benefit payments are discounts at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. As of December 31, 2019 the discount rate used to value OPEB liabilities was 3.26%.

Changes in Net OPEB Liability

<b>Calculating the Net OPEB Liability</b>			
Changes in Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Increase (Decrease) Net OPEB Liability (a) – (b)
Balances at 12/31/2019	\$11,360,470	\$-	\$11,360,470
<b>Changes for the Year:</b>			
Service cost	115,287	-	115,287
Interest	370,147	-	370,147
Changes in benefits	-	-	-
Change in experience	(2,802,802)	-	(2,802,802)
Change in assumptions	1,911,595	-	1,911,595
Employer contributions	-	243,092	(243,092)
Employee contributions	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds	(243,092)	(243,092)	-
Administrative expense	-	-	-
Other changes	-	-	-
<b>Net Changes</b>	<b>(648,865)</b>	<b>-</b>	<b>(648,865)</b>
<b>Balances as of 12/31/2020</b>	<b>\$10,711,605</b>	<b>\$-</b>	<b>\$10,711,605</b>

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the net OPEB Liability of the City, calculated using the discount rate of 1.93%, as well as what the City's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (0.93%) or 1% higher (2.93%) than the current rate.

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Net OPEB Liability at 12/31/20	\$10,711,605	\$10,711,605	\$10,711,605
Change in Net OPEB Liability (NOL)	1,941,941	-	(1,525,355)
	<u>\$12,653,546</u>	<u>\$10,711,605</u>	<u>\$9,186,250</u>

The following presents the Net OPEB Liability of the City, calculated using the current healthcare cost trend rates as well as what the City's net OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1% higher than the current trend rates.

**NOTE M – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability at 12/31/20	\$10,711,605	\$10,711,605	\$10,711,605
Change in Net OPEB Liability (NOL)	(1,467,876)	-	1,831,207
	<u>\$9,243,729</u>	<u>\$10,711,605</u>	<u>\$12,542,812</u>

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

For the year ended December 31, 2020, the City recognized OPEB expense of \$405,773. The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences in experience	\$-	\$-
Differences in assumptions	-	-
(Excess) Deficit Investment Returns	-	-
Subtotal	-	-
Contributions subsequent to the measurement date*	-	-
Total	<u>\$-</u>	<u>\$-</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net OPEB Liability for the year ending December 31, 2021.

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

**Deferred (Inflows) and Deferred Outflows  
of Resources by Year (to Be Recognized  
in Future OPEB Expenses)**

Plan Year Ended December 31,	Amount
2021	\$-
2022	-
2023	-
2024	-
2025	-
Thereafter	-
Total	<u>\$-</u>

**NOTE N – POLICEMEN RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN:**

**Summary of Significant Accounting Policies**

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 Policemen Retirement System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by Policemen Retirement 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 N – POLICEMEN RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN  
(Continued):**

Plan Description

The City is the administrator of a single-employer public employee retirement system (“System”) established and administered by the City to provide pension benefits for the Police Department employees. The Policemen’s System is considered part of the City financial reporting entity and is included in the City’s financial report as a pension trust fund. A separately issued actuarial report is issued and available from the City Clerk. Management of the System is vesting in the Negaunee Police Retirement Board of the City which consists of five members: two that are elected (representing the police employees), two that are appointed by the City Council of the City and one that is the Treasurer of the City.

Benefits Provided:

	<u>2020 Valuation</u>
Benefit Multiplier:	2.90% Multiplier (plus 1% for years in excess of 25 years, and police chief plus 2.90% for years in excess of 25)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	Not applicable
Average Final Compensation (AFC):	5 years (3 years for Police Chief)
COLA for Future Retirees:	2.50% per annum compounding for prior Police Chief and current chief; per annum non-compounding adjustment based on seniority level for future Police Participants
Employee Contributions:	5.00%
Non-duty Disability:	To age 55: 1.5% multiple At age 55: same as above
Duty Disability:	To age 55: 50% AFC At age 55: same as above w/ service credit from date of disability to age 55.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits:	10
Inactive employees entitled to but not yet receiving:	2
Active employees:	9
Total	<u>21</u>

Contributions

The City’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due, and requires a contribution from the employees of 5% of gross wages.

The City contributes actuarially determined amounts.

There were no contributions requirements for closed divisions.

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

Net Pension Liability

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

Actuarial assumptions

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

- Inflation: 2.0%
- Salary Increases: 2.5% per annum
- Investment rate of return: 7.0%, net of investment expense, including inflation
- Although no specific price inflation assumptions are needed for the valuation, the 2.0% long-term wage inflation assumption would be consistent with a price inflation of 2.0%.
- Mortality rates used were based on the Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables.
- Disability rates: It is assumed that 20% of disabilities before retirement are duty related.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations were estimated based on the asset allocation provided by the client as of December 31, 2017. Best estimates of arithmetic real rates of return were approximated using expected returns from eight investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0%
Domestic Equity – Large Cap	35%	7.8%
Domestic Equity – Small Cap	6%	7.2%
International Equity	10%	2.3%
Emerging Markets	4%	4.3%
Domestic Corporate Fixed Income	30%	4.3%
Domestic Government Fixed Income	4%	4.3%
Treasury Inflation Protected Securities	6%	4.3%
High Yield Bonds	0%	0%
Real Estate	1%	13.4%
Private Equity	0%	0%
Hedge Funds	0%	0%
Other Alternatives	4%	-3.8%
TOTAL	100.00%	
Total Real Rate of Return		7%
Plus: Price Inflation – Actuary's Assumption		1%
Less: Admin and Investment Expense		-1%
Net Expected Return		7%

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

Deposits and Investments

Michigan statute (Act 314, PA 1965, as amended) authorizes the System to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus funds pooled accounts; and bank or trust company collective investment funds. The City of Negaunee ACT 345 Policeman 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 Negaunee ACT 345 Policeman 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:

Vanguard Total Bnd Mrkt Ind F Adm	\$310,767
DFA Emerging Markets Port Ins	317,133
American Funds Wash Mtual	444,576
PIMCO Income Fund Ins	322,117
MFS Growth Fund R6	294,208
Invesco Diversified Dividend Fd R6	697,783
Pioneer Fundamental Growth F K	247,465
VOYA Intermediate Bond Fund R6	538,394
Vangrd Tot Int Stk In F Adm	459,477

Discount rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from System members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**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 12/31/2019	\$4,972,486	\$4,428,891	\$543,595
<b>Changes for the Year</b>			
Service Cost	117,278	-	117,278
Interest on Total Pension Liability	345,638	-	345,638
Changes in benefits	-	-	-
Difference between expected and actual experience	332,564	-	332,564
Change in assumptions	(18,654)	-	(18,654)
Employer Contributions	-	256,422	(256,422)
Employee Contributions	-	23,293	(23,293)
Net Investment Income	-	434,223	(434,223)
Benefit payments, including employee refunds	(280,757)	(280,757)	-
Administrative expense	-	(10,491)	10,491
Other changes	-	-	-
<b>Net Changes</b>	<b>496,069</b>	<b>422,690</b>	<b>73,379</b>
<b>Balances at 12/31/2020</b>	<b>\$5,468,555</b>	<b>\$4,851,581</b>	<b>\$616,974</b>

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability at 12/31/2020	\$616,974	\$616,974	\$616,974
Change in Net Pension Liability	728,228	-	(637,792)
Calculated Net Pension Liability	<u>\$1,345,202</u>	<u>\$616,974</u>	<u>(\$20,818)</u>

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

For the year ended 2020 the employer recognized pension expense of \$96,736. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$301,236	(\$92,373)
Difference in assumptions	55,616	(17,808)
Excess (Deficit) Investment Returns	175,400	(392,910)
Subtotal	<u>532,252</u>	<u>(503,091)</u>
Contributions subsequent to the measurement date*	-	-
Total	<u>\$532,252</u>	<u>(\$503,091)</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the plan year ending 2021.

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

Plan Year Ended:	Amount
2021	(\$6,579)
2022	31,642
2023	(53,858)
2024	32,726
2025	25,230
Thereafter	-
Total	<u>\$29,161</u>

**Payable to the Pension Plan**

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

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

The components of the net pension liability of the City at December 31, 2020, are as follows:

Total pension liability	\$5,468,555
Plan fiduciary net position	<u>(4,851,581)</u>
City's net pension liability	<u>\$616,974</u>
Plan fiduciary net position as a percentage of the total pension liability	88.72%

**NOTE P – PROPERTY TAXES:**

Property taxes levied on December 1, 2020, in the amount of \$2,348,599 were deferred since they are not "available" to finance current expenditures. The tax rate to finance general government services for the year ended December 31, 2020 (levied December 1, 2019) totaled 21.5493 mills broken out as follows: 17.1948 mills for general operating (General Fund), 1.9193 mills for Streets (Street Millage Fund), 0.9741 mills for Parks and Recreation (Park Beautification Fund), and 1.4611 for Equipment (Equipment Fund). The millage rate is based on each \$1,000 of property assessed valuation and the current taxable value of the City of \$111,356,522.

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

In November 2008, the City of Negaunee 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, 2020 (the latest available financial report) is as follows:

Assets	\$3,371,591
Deferred Outflows of Resources	-
Liabilities	19,364
Deferred Inflows of Resources	347,674
Net Position	3,004,553
Operating Revenues	670,424
Operating Expenses	782,212

**NOTE R – INVESTMENT IN JOINT WATER AUTHORITY:**

On July 31, 1991, the City of Negaunee and the City of Ishpeming entered into an intergovernmental agreement pursuant to both Act 35 of 1951, as amended, and Act 7 of 1967 for the purpose of creating the Negaunee-Ishpeming Water Authority Board (NIWAB), a corporate public body which shall design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, each city was obligated to pay 50% of the preliminary engineering, design engineering, and construction bidding 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.

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2018 (the most recent report available) is as follows:

Assets	\$2,312,660
Liabilities	26,192
Net Position	2,286,468
Operating Revenues	615,271
Operating Expenses	680,780
Non-operating Revenues (Expense)	9,752



**NOTE R – INVESTMENT IN JOINT WATER AUTHORITY (Continued):**

The balance of the investment in Joint Water Authority for the year ended December 31, 2020 of \$543,875 represents the City’s net investment in the NIWAB.

**NOTE S – JOINT VENTURE – MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY:**

In June 1988, the City of Negaunee joined with other municipalities to create 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 structures, equipment, and any 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.

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 Sands Township; two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners; and one (1) resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

A summary of financial information from the separately audited financial statements of the Authority for the year ended June 30, 2020 is as follows:

Assets	\$18,460,076
Deferred Outflows of Resources	148,260
Liabilities	8,294,563
Deferred Inflows of Resources	131,727
Net Position	10,182,046
Operating Revenues	\$3,803,185
Operating Expenses	(3,854,521)
Non-operating Revenues (Expenses)	227,972
Net Income (Loss)	176,636

**NOTE T – 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; therefore, 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. This 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 T – RISK MANAGEMENT (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.

**NOTE U – SINGLE AUDIT:**

Under Uniform Guidance a Single Audit is required when the City expends more than \$750,000 in federal dollars. During the 2020 fiscal year, the City of Negaunee expended \$555,623 in federal dollars; therefore, the City is not required to have a Single Audit in order to comply with the Uniform Guidance.

**NOTE V – 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. Information relevant to tax abatements within the City for the year ended December 31, 2020 are as follows:

<u>Issuing Government</u>	<u>Type of Tax Abatement Agreement</u>	<u>Tax Abated</u>	<u>Gross Amount Abated in Fiscal Year</u>
Marquette County	Brownfield	Property Taxes	<u>\$49,088</u>

For the fiscal year ended December 31, 2020, there were no other significant tax abatements made by the City.

**NOTE W – NEW GASB STANDARDS:**

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

Recently Issued and Adopted Accounting Pronouncements

None

Other Recently Issued Accounting Pronouncements

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. GASB 90 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. This statement defines when a majority equity interest should be measured using the equity method or measured

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

at fair value. It further establishes when a governmental unit is required report a legally separate organization as a component unit due to ownership of a majority interest in the legally separate organization. This Statement 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. This Statement was originally effective for periods beginning after December 15, 2018. However, under GASB 95, the effective date was postponed by one year, to periods beginning after December 15, 2019. The City does not have equity interests that meet the criteria for GASB 90; therefore, GASB 90 is not applicable to the City.

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

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

### GASB 87: Leases

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

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

### GASB 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 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 X – 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 X – 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.

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

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

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 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.

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

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

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

*Effective for fiscal years beginning after June 15, 2018 until below GASBs implemented (beginning with the City's fiscal year 2019)*

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

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

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

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

- Statement No. 87, *Leases*

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

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

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

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

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

reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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

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

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

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

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

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



**NOTE Y – BUDGET VIOLATIONS:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a City 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. The following activity and/or programs had excess expenditures over appropriations at December 31, 2020:

<u>Activity/Program</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Street Millage Fund:</b>			
Public Works	\$200,000	\$222,290	(\$22,290)
<b>Library State Aid Fund:</b>			
Library	6,500	7,651	(1,151)
<b>Elderly Citizens Fund:</b>			
Senior Center	300,150	302,922	(2,772)
<b>Salvage Inspection Fund:</b>			
Community Development	1,500	4,122	(2,622)
<b>Park Beautification Fund:</b>			
Parks and Recreation	-	586	(586)

**NOTE Z – 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. 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.

The results of performing the deficit test revealed that no deficit elimination plans are required for the Sewer Fund or the Electric Fund based on the criteria of Numbered Letter 2016-1.

**NOTE AA – SUBSEQUENT EVENTS:**

COVID-19

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

At the current time, we are unable to quantify the potential effects of the various recovery plans from the pandemic may have on our future financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
PRIMARY GOVERNMENT - CITY OF NEGAUNEE

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service cost	\$ 135,379	\$ 126,177	\$ 112,242	\$ 130,691	\$ 126,076
Interest	963,416	943,396	968,856	951,658	934,574
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	228,403	64,850	(170,271)	2,408	(285,515)
Changes of assumptions	371,151	-	-	-	611,633
Benefit payments including employee refunds	(927,588)	(898,954)	(899,384)	(784,569)	(786,450)
Other	(10,125)	(1,071)	55,263	(42,593)	(54,498)
<b>Net Change in Total Pension Liability</b>	<u>760,636</u>	<u>234,398</u>	<u>66,706</u>	<u>257,595</u>	<u>545,820</u>
<b>Total Pension Liability, beginning of year</b>	<u>12,804,508</u>	<u>12,570,110</u>	<u>12,503,404</u>	<u>12,245,809</u>	<u>11,699,989</u>
<b>Total Pension Liability, end of year</b>	<u>\$ 13,565,144</u>	<u>\$ 12,804,508</u>	<u>\$ 12,570,110</u>	<u>\$ 12,503,404</u>	<u>\$ 12,245,809</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 654,263	\$ 558,401	\$ 486,713	\$ 417,955	\$ 370,879
Contributions-employee	-	-	-	-	-
Net Investment income	786,924	799,505	(257,153)	830,501	682,984
Benefit payments including employee refunds	(927,588)	(898,954)	(899,384)	(784,569)	(786,450)
Administrative expense	(12,741)	(13,767)	(13,046)	(13,181)	(13,502)
Other	-	-	(1)	(1)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>500,858</u>	<u>445,185</u>	<u>(682,871)</u>	<u>450,705</u>	<u>253,911</u>
<b>Plan Fiduciary Net Position, beginning of year</b>	<u>6,668,653</u>	<u>6,223,468</u>	<u>6,906,339</u>	<u>6,455,634</u>	<u>6,201,723</u>
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 7,169,511</u>	<u>\$ 6,668,653</u>	<u>\$ 6,223,468</u>	<u>\$ 6,906,339</u>	<u>\$ 6,455,634</u>
<b>Employer Net Pension Liability</b>	<u>\$ 6,395,633</u>	<u>\$ 6,135,855</u>	<u>\$ 6,346,642</u>	<u>\$ 5,597,065</u>	<u>\$ 5,790,175</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	53%	52%	50%	55%	53%
<b>Covered Employee Payroll</b>	\$ 1,183,099	\$ 1,206,503	\$ 983,670	\$ 1,105,979	\$ 1,107,052
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	541%	509%	645%	506%	523%

**Notes to schedule:**

*Benefit Changes:*

NONE

NONE

NONE

NONE

NONE

*Changes of Assumptions:*

2020

NONE

NONE

NONE

2016

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

2020 - The investment rate of return decreased from 7.75% to 7.35%.

- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

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

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
PRIMARY GOVERNMENT - CITY OF NEGAUNEE

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,			
	<u>2015</u>			
<b>Total Pension Liability</b>				
Service cost	\$ 143,177			
Interest	916,034			
Changes of benefit terms	-			
Difference between expected and actual experience	-			
Changes of assumptions	-			
Benefit payments including employee refunds	(750,649)			
Other	(15,749)			
<b>Net Change in Total Pension Liability</b>	<u>292,813</u>			
<b>Total Pension Liability, beginning of year</b>	<u>11,407,176</u>			
<b>Total Pension Liability, end of year</b>	<u>\$ 11,699,989</u>			
<b>Plan Fiduciary Net Position</b>				
Contributions-employer	\$ 372,452			
Contributions-employee	-			
Net Investment income	(96,020)			
Benefit payments including employee refunds	(750,649)			
Administrative expense	(14,341)			
Other	-			
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(488,558)</u>			
<b>Plan Fiduciary Net Position, beginning of year</b>	<u>6,690,281</u>			
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 6,201,723</u>			
<b>Employer Net Pension Liability</b>	<u>\$ 5,498,266</u>			
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	53%			
<b>Covered Employee Payroll</b>	\$ 1,086,804			
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	506%			

**Notes to schedule:**

*Benefit Changes:*

NONE

*Changes of Assumptions:*

NONE

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

2020 - The investment rate of return decreased from 7.75% to 7.35%.

- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

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

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
PRIMARY GOVERNMENT - CITY OF NEGAUNEE

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 654,289	\$ 558,401	\$ 486,713	\$ 417,955	\$ 370,879
Contributions in relation to the actuarially determined contribution	654,289	558,401	486,713	417,955	370,879
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,183,099	\$ 1,112,878	\$ 983,670	\$ 1,105,979	\$ 1,107,052
Contributions as a percentage of covered employee payroll	55%	50%	49%	38%	34%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	2020	None	None	None	2016

Note that these are employer contributions not employee contributions

2020 - The investment rate of return decreased from 7.75% to 7.35%.  
- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%.

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
PRIMARY GOVERNMENT - CITY OF NEGAUNEE

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years (Continued)

	Fiscal Year Ending December 31,				
	2015	2013	2012	2011	2010
Actuarial determined contributions	\$ 372,452	\$ 357,395	\$ 325,971	\$ 370,848	\$ 418,785
Contributions in relation to the actuarially determined contribution	372,452	357,395	325,971	370,848	418,785
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,086,804	\$ 1,234,737	\$ 1,241,842	\$ 1,308,881	\$ 1,366,243
Contributions as a percentage of covered employee payroll	34%	29%	26%	28%	31%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	None	None	None	None	None

Note that these are employer contributions not employee contributions

2020 - The investment rate of return decreased from 7.75% to 7.35%.  
- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%.

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
COMPONENT UNIT - NEGAUNEE HOUSING COMMISSION

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,				
	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>					
Service cost	\$ 6,606	\$ 6,197	\$ 5,824	\$ 6,615	\$ 6,343
Interest	44,889	50,682	48,902	47,904	46,966
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	11,145	3,185	(8,835)	122	(14,364)
Changes of assumptions	18,110	-	-	-	30,771
Benefit payments including employee refunds	(44,570)	(43,653)	(46,692)	(41,188)	(40,825)
Other	(1,759)	(59,032)	21,335	2,173	42,296
<b>Net Change in Total Pension Liability</b>	<u>34,421</u>	<u>(42,621)</u>	<u>20,534</u>	<u>15,626</u>	<u>71,187</u>
<b>Total Pension Liability, beginning of year</b>	609,623	652,244	631,710	616,084	544,897
<b>Total Pension Liability, end of year</b>	<u>\$ 644,044</u>	<u>\$ 609,623</u>	<u>\$ 652,244</u>	<u>\$ 631,710</u>	<u>\$ 616,084</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 53,558	\$ 47,708	\$ 44,925	\$ 35,106	\$ 27,404
Contributions-employee	-	-	-	-	-
Net Investment income	37,941	38,551	(13,238)	42,236	34,728
Benefit payments including employee refunds	(44,570)	(43,653)	(46,692)	(41,188)	(40,825)
Administrative expense	(613)	(664)	(677)	(671)	(688)
Other	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>46,316</u>	<u>41,942</u>	<u>(15,682)</u>	<u>35,483</u>	<u>20,619</u>
<b>Plan Fiduciary Net Position, beginning of year</b>	372,773	330,831	346,513	311,030	290,411
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 419,089</u>	<u>\$ 372,773</u>	<u>\$ 330,831</u>	<u>\$ 346,513</u>	<u>\$ 311,030</u>
<b>Employer Net Pension Liability</b>	<u>\$ 224,955</u>	<u>\$ 236,850</u>	<u>\$ 321,413</u>	<u>\$ 285,197</u>	<u>\$ 305,054</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	65%	61%	51%	55%	50%
<b>Covered Employee Payroll</b>	\$ 57,728	\$ 54,655	\$ 61,473	\$ 55,886	\$ 54,813
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	390%	433%	523%	510%	557%

**Notes to schedule:**

*Benefit Changes:*

NONE

NONE

NONE

NONE

NONE

*Changes of Assumptions:*

2020

NONE

NONE

NONE

2016

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

2020 - The investment rate of return decreased from 7.75% to 7.35%.

- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
COMPONENT UNIT - NEGAUNEE HOUSING COMMISSION

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,			
	<b>2015</b>			
<b>Total Pension Liability</b>				
Service cost	\$ 6,668			
Interest	42,621			
Changes of benefit terms	-			
Difference between expected and actual experience	-			
Changes of assumptions	-			
Benefit payments including employee refunds	(35,959)			
Other	307			
<b>Net Change in Total Pension Liability</b>	<b>13,637</b>			
<b>Total Pension Liability, beginning of year</b>	<b>531,260</b>			
<b>Total Pension Liability, end of year</b>	<b>\$ 544,897</b>			
<b>Plan Fiduciary Net Position</b>				
Contributions-employer	\$ 16,951			
Contributions-employee	-			
Net Investment income	(4,492)			
Benefit payments including employee refunds	(35,959)			
Administrative expense	(673)			
Other	-			
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(24,173)</b>			
<b>Plan Fiduciary Net Position, beginning of year</b>	<b>314,584</b>			
<b>Plan Fiduciary Net Position, end of year</b>	<b>\$ 290,411</b>			
<b>Employer Net Pension Liability</b>	<b>\$ 254,486</b>			
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>53%</b>			
<b>Covered Employee Payroll</b>	<b>\$ 57,519</b>			
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	<b>442%</b>			

**Notes to schedule:**

*Benefit Changes:*

NONE

*Changes of Assumptions:*

NONE

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

2020 - The investment rate of return decreased from 7.75% to 7.35%.

- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%



**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
COMPONENT UNIT - NEGAUNEE HOUSING COMMISSION

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 53,558	\$ 47,708	\$ 44,925	\$ 35,106	\$ 27,404
Contributions in relation to the actuarially determined contribution	53,558	47,708	44,925	35,106	27,404
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 57,728	\$ 54,655	\$ 61,473	\$ 55,886	\$ 54,813
Contributions as a percentage of covered employee payroll	93%	87%	73%	63%	50%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	10 year smoothed market
Inflation	3.00% - 4.00%
Salary Increases	4.5%
Investment rate of return	7.60%, net of investment expenses, including inflation
Retirement age	60 years
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	2020	None	None	None	2016

Note that these are employer contributions not employee contributions

2020 - The investment rate of return decreased from 7.75% to 7.35%.  
- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%

**City of Negaunee, Michigan**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
COMPONENT UNIT - NEGAUNEE HOUSING COMMISSION

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years (Continued)

	Fiscal Year Ending December 31,				
	2015	2014	2013	2012	2011
Actuarial determined contributions	\$ 16,951	\$ 16,645	\$ 15,181	\$ 17,271	\$ 19,504
Contributions in relation to the actuarially determined contribution	16,951	16,645	15,181	17,271	19,504
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 57,519	\$ 57,836	\$ 57,836	\$ 57,836	\$ 57,836
Contributions as a percentage of covered employee payroll	29%	29%	26%	30%	34%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	10 year smoothed market
Inflation	3.00% - 4.00%
Salary Increases	4.5%
Investment rate of return	7.60%, net of investment expenses, including inflation
Retirement age	60 years
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	None	None	None	None	None

Note that these are employer contributions not employee contributions

2020 - The investment rate of return decreased from 7.75% to 7.35%.  
- The assumed rate of wage inflation was decreased from 3.75% to 3.00%.

2016 - Investment rate of return lowered from 8.0% to 7.75%. Inflation rate lowered from 3.5% to 2.5%

**City of Negaunee, Michigan**

**POLICEMAN RETIREMENT SYSTEM**

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,				
	2020	2019	2018	2017	2016
<b>Change in total pension liability</b>					
Service cost	\$ 117,278	\$ 87,851	\$ 79,185	\$ 55,421	\$ 61,699
Interest	345,638	332,845	308,572	232,165	229,293
Change in benefit terms	-	-	386,604	729,336	-
Differences between expected and actual experience	332,564	(106,970)	(230,214)	178,107	(75,010)
Changes in assumptions	(18,654)	79,714	(18,806)	61,818	-
Benefit payments, including refunds of member contributions	(280,757)	(192,057)	(181,579)	(197,954)	(187,835)
Other changes	-	-	-	-	1,612
<b>Net change in total pension liability</b>	<u>496,069</u>	<u>201,383</u>	<u>343,762</u>	<u>1,058,893</u>	<u>29,759</u>
<b>Total pension liability, beginning of year</b>	<u>4,972,486</u>	<u>4,771,103</u>	<u>4,427,341</u>	<u>3,368,448</u>	<u>3,338,689</u>
<b>Total pension liability, end of year</b>	<u>\$ 5,468,555</u>	<u>\$ 4,972,486</u>	<u>\$ 4,771,103</u>	<u>\$ 4,427,341</u>	<u>\$ 3,368,448</u>
<b>Change in plan fiduciary net position</b>					
Contributions – employer	\$ 256,422	\$ 228,621	\$ 271,423	\$ 249,788	\$ 224,085
Contributions – member	23,293	26,367	23,269	19,248	20,815
Net investment income	434,223	676,357	(169,560)	452,763	240,789
Benefit payments, including refunds of member contributions	(280,757)	(192,057)	(181,579)	(197,954)	(187,835)
Administrative expense	(10,491)	(8,032)	(21,862)	(5,825)	(16,684)
<b>Net change in plan fiduciary net position</b>	<u>422,690</u>	<u>731,256</u>	<u>(78,309)</u>	<u>518,020</u>	<u>281,170</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>4,428,891</u>	<u>3,697,635</u>	<u>3,775,944</u>	<u>3,257,924</u>	<u>2,976,754</u>
<b>Plan fiduciary net position, end of year</b>	<u>4,851,581</u>	<u>4,428,891</u>	<u>3,697,635</u>	<u>3,775,944</u>	<u>3,257,924</u>
<b>City's net pension liability, end of year</b>	<u>\$ 616,974</u>	<u>\$ 543,595</u>	<u>\$ 1,073,468</u>	<u>\$ 651,397</u>	<u>\$ 110,524</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.72%	89.07%	77.50%	85.29%	96.72%
<b>Covered-employee payroll</b>	\$ 418,022	\$ 527,337	\$ 439,731	\$ 476,595	\$ 379,967
<b>City's net pension liability as a percentage of covered payroll</b>	147.59%	103.08%	244.12%	136.68%	29.09%

**City of Negaunee, Michigan**

POLICEMAN RETIREMENT SYSTEM

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

(Ultimately ten years will be displayed)

	Plan Year Ending December 31,				
	2015	2014			
<b>Change in total pension liability</b>					
Service cost	\$ 52,956	\$ 49,492			
Interest	254,513	244,155			
Change in benefit terms	(513,346)	-			
Differences between expected and actual experience	(51,628)	-			
Changes in assumptions	100,086	-			
Benefit payments, including refunds of member contributions	(189,456)	(209,484)			
Other changes	-	-			
<b>Net change in total pension liability</b>	<b>(346,875)</b>	<b>84,163</b>			
<b>Total pension liability, beginning of year</b>	<b>3,685,564</b>	<b>3,601,401</b>			
<b>Total pension liability, end of year</b>	<b>\$ 3,338,689</b>	<b>\$ 3,685,564</b>			
<b>Change in plan fiduciary net position</b>					
Contributions – employer	\$ 196,177	\$ 159,570			
Contributions – member	16,464	13,860			
Net investment income	(83,669)	143,313			
Benefit payments, including refunds of member contributions	(189,456)	(209,484)			
Administrative expense	(1,745)	(25,187)			
<b>Net change in plan fiduciary net position</b>	<b>(62,229)</b>	<b>82,072</b>			
<b>Plan fiduciary net position, beginning of year</b>	<b>3,038,983</b>	<b>2,956,911</b>			
<b>Plan fiduciary net position, end of year</b>	<b>2,976,754</b>	<b>3,038,983</b>			
<b>City's net pension liability, end of year</b>	<b>\$ 361,935</b>	<b>\$ 646,581</b>			
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>89.16%</b>	<b>82.46%</b>			
<b>Covered-employee payroll</b>	<b>\$ 392,515</b>	<b>\$ 338,096</b>			
<b>City's net pension liability as a percentage of covered payroll</b>	<b>92.21%</b>	<b>191.24%</b>			

**City of Negaunee, Michigan**

POLICEMAN RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2020	2019	2018	2017	2016
Actuarial determined contributions	\$ 196,675	\$ 192,870	\$ 146,993	\$ 61,796	\$ 61,796
Contributions in relation to the actuarially determined contribution	256,422	228,621	271,423	249,788	224,085
Contribution deficiency (excess)	<u>\$ (59,747)</u>	<u>\$ (35,751)</u>	<u>\$ (124,430)</u>	<u>\$ (187,992)</u>	<u>\$ (162,289)</u>
Covered Employee Payroll	\$ 418,022	\$ 527,337	\$ 439,731	\$ 476,595	\$ 379,967
Contributions as a percentage of covered employee payroll	61.34%	43.35%	61.72%	52.41%	58.97%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Market value adjusted
Inflation	None
Salary Increases	2.50% per annum
Investment rate of return	7.00% per annum
Retirement age	Experience-based table rates specific to the type of eligible condition
Mortality	Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	2017	None
<i>Changes of Assumptions:</i>	2020	2019	None	2017	None

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

Note that these are employer contributions not employee contributions

2020 - There is now a 2.50% per annum compounding cost of living adjustment for the new chief. Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

2019 - There is now a per annum non-compounding cost of living adjustment based on seniority level for all participants. Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2019 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

2017 - Cost of living adjustment: 2.50% per annum compounding for former chief; 2.50% per annum non-compounding for current chief. Updated mortality tables. Updated salary scale. Proposed Benefit Changes - Ordinance 38.1140h indicates that the System must have a supplemental actuarial analysis performed before to adoption of pension benefit changes.

2015 - Cost of living adjustment

**City of Negaunee, Michigan**

POLICEMAN RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Year (Continued)

	Fiscal Year Ending December 31,				
	2015	2014	2013	2012	2011
Actuarial determined contributions	\$ 117,741	\$ 117,741	\$ 144,720	\$ 138,173	\$ 165,488
Contributions in relation to the actuarially determined contribution	196,177	159,570	144,720	138,173	165,488
Contribution deficiency (excess)	<u>\$ (78,436)</u>	<u>\$ (41,829)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 392,515	\$ 338,096	\$ 325,213	\$ 310,500	\$ 343,282
Contributions as a percentage of covered employee payroll	49.98%	47.20%	44.50%	44.50%	48.21%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Market value adjusted
Inflation	None
Salary Increases	2.50% per annum
Investment rate of return	7.00% per annum
Retirement age	Experience-based table rates specific to the type of eligible condition
Mortality	Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	2015	None	None	None	None
<i>Changes of Assumptions:</i>	None	None	None	None	None

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

Note that these are employer contributions not employee contributions

2020 - There is now a 2.50% per annum compounding cost of living adjustment for the new chief. Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

2019 - There is now a per annum non-compounding cost of living adjustment based on seniority level for all participants. Society of Actuaries' Pub-2010 Public Retirement Plans Mortality Tables for healthy safety personnel with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2019 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

2017 - Cost of living adjustment: 2.50% per annum compounding for former chief; 2.50% per annum non-compounding for current chief. Updated mortality tables. Updated salary scale. Proposed Benefit Changes - Ordinance 38.1140h indicates that the System must have a supplemental actuarial analysis performed before to adoption of pension benefit changes.

2015 - Cost of living adjustment

**City of Negaunee, Michigan**

**POLICEMAN RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS**  
(Ultimately 10 years will be displayed)

<u>Fiscal Year Ended December 31,</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
2014	4.86%
2015	-2.72%
2016	7.93%
2017	13.63%
2018	-4.41%
2019	18.03%
2020	9.76%

**City of Negaunee, Michigan**

CITY OF NEGAUNEE RETIREE HEALTH PLAN

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

(Ultimately ten years will be displayed)

	Plan Fiscal Year Ending December 31,		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 115,287	\$ 124,403	\$ 120,780
Interest	370,147	289,054	280,601
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,802,802)	20,089	-
Changes of assumptions	1,911,595	1,541,258	-
Benefit payments including employee refunds	(243,092)	(248,288)	(234,746)
Other	-	-	-
<b>Net Change in Total OPEB Liability</b>	<b>(648,865)</b>	<b>1,726,516</b>	<b>166,635</b>
<b>Total OPEB Liability, beginning of year</b>	<b>11,360,470</b>	<b>9,633,954</b>	<b>9,467,319</b>
<b>Total OPEB Liability, end of year</b>	<b>\$ 10,711,605</b>	<b>\$ 11,360,470</b>	<b>\$ 9,633,954</b>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 243,092	\$ 248,288	\$ 234,746
Contributions-employee	-	-	-
Net Investment income	-	-	-
Benefit payments including employee refunds	(243,092)	(248,288)	(234,746)
Administrative expense	-	-	-
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Employer Net OPEB Liability</b>	<b>\$ 10,711,605</b>	<b>\$ 11,360,470</b>	<b>\$ 9,633,954</b>
<b>Plan Fiduciary Net Position as a percentage of the Total OPEB Liability</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,710,060</b>	<b>\$ 898,692</b>	<b>\$ 1,854,186</b>
<b>Employer's Net OPEB Liability as a percentage of covered employee payroll</b>	<b>626%</b>	<b>1264%</b>	<b>520%</b>
<b>Notes to schedule:</b>			
<i>Benefit Changes:</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Changes of Assumptions:</i>	<i>2020</i>	<i>2019</i>	<i>NONE</i>

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

2020 - The discount rate was decreased from 3.26% to 1.93%. The salary scale was decreased from 3.50% to 2.00%.  
 - Mortality improvement scale undated from MP-2019 to MP-2020.  
 - Trend updated from rates prescribed by Public Act 202 for 2019 and 2020.

2019 - Mortality tables were changed from RPH 2014, adjusted to 2006, Total Data Set, with MP-2018 improvement scale to Public employer mortality tables. Trend tables were changed to utilize trend rates prescribed by PA202 for post-65 costs. Discount rate changed from 3.0% to 3.26%. The marital assumption changed from 75% to 30% to more accurately reflect actual plan experience. Adjustment made to member and spouse benefits from what was valued in 2018 report.



**City of Negaunee, Michigan**

CITY OF NEGAUNEE RETIREE HEALTH PLAN

SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2020	2019	2018		
Actuarial determined contributions	\$ 3,194,344	\$ 3,534,030	\$ 2,671,367		
Contributions in relation to the actuarially determined contribution	243,092	248,288	234,746		
Contribution deficiency (excess)	<u>\$ 2,951,252</u>	<u>\$ 3,285,742</u>	<u>\$ 2,436,621</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,710,060	\$ 898,692	\$ 1,854,186		
Contributions as a percentage of covered employee payroll	14%	28%	13%		

**Notes to Schedule**

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Amortization method	N/A; plan is not pre-funded
Inflation	N/A; plan is not pre-funded
Salary Increases	2.00%
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal Bond Rate	1.93%
Retirement age	100% at age when eligible for OPEB benefits
Mortality	2010 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted, with 2020 Mortality Improvement

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None
<i>Changes of Assumptions:</i>	2020	2019	None

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

Note that these are employer contributions not employee contributions

2020 - The discount rate was decreased from 3.26% to 1.93%. The salary scale was decreased from 3.50% to 2.00%.  
 - Mortality improvement scale undated from MP-2019 to MP-2020.  
 - Trend updated from rates prescribed by Public Act 202 for 2019 and 2020.

2019 - Mortality tables were changed from RPH 2014, adjusted to 2006, Total Data Set, with MP-2018 improvement scale to Public employer mortality tables. Trend tables were changed to utilize trend rates prescribed by PA202 for post-65 costs. Discount rate changed from 3.0% to 3.26%. The marital assumption changed from 75% to 30% to more accurately reflect actual plan experience. Adjustment made to member and spouse benefits from what was valued in 2018 report.

CITY OF NEGAUNEE, 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 Public Affairs, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

**SPECIAL REVENUE FUNDS**

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

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property Taxes:				
Current levy	\$ 1,889,451	\$ 1,889,451	\$ 1,855,318	\$ (34,133)
Specific ore tax	-	-	-	-
Payment in lieu of taxes	208,285	208,485	111,682	(96,803)
Interest and penalties	1,000	1,000	-	(1,000)
Administrative fees	45,000	86,100	50,565	(35,535)
Total Property Taxes	<u>2,143,736</u>	<u>2,185,036</u>	<u>2,017,565</u>	<u>(167,471)</u>
Licenses and Permits	400	450	16	(434)
Federal Sources	810,291	818,291	481,162	(337,129)
State Sources:				
State grants	-	-	-	-
State shared taxes	563,350	568,150	538,523	(29,627)
Liquor license refunds	6,000	6,000	5,305	(695)
Penal fines	22,000	22,000	15,206	(6,794)
Total State Sources	<u>591,350</u>	<u>596,150</u>	<u>559,034</u>	<u>(37,116)</u>
Service Charges:				
Building and equipment rentals	153,500	123,050	75,242	(47,808)
Rental inspections	3,000	3,000	575	(2,425)
Burial permits	37,000	37,000	30,850	(6,150)
Burn permits	1,400	1,400	750	(650)
Zoning permits	4,700	4,825	4,825	-
Garbage collection fees	358,550	358,550	350,589	(7,961)
Sale of cemetery lots	6,000	6,000	2,964	(3,036)
Recreation and ice arena sales	19,300	19,775	16,499	(3,276)
Landfill reimbursement	66,000	66,000	65,117	(883)
Traffic violations	10,000	10,000	6,236	(3,764)
Franchise fee	58,000	58,500	58,454	(46)
Total Service Charges	<u>717,450</u>	<u>688,100</u>	<u>612,101</u>	<u>(75,999)</u>
Contributions:				
Contributions from Highway Fund	531,000	588,200	583,887	(4,313)
Contributions from private sources	291,000	59,550	26,068	(33,482)
Total Contributions	<u>822,000</u>	<u>647,750</u>	<u>609,955</u>	<u>(37,795)</u>
Other Revenue:				
Investment income	15,000	15,000	11,763	(3,237)
Sale of surplus property	45,000	45,000	1	(44,999)
Hospitalization insurance reimbursement	35,000	49,650	49,617	(33)
Insurance refund	12,700	24,800	24,800	-
Miscellaneous	48,000	161,650	66,682	(94,968)
Total Other Revenue	<u>155,700</u>	<u>296,100</u>	<u>152,863</u>	<u>(143,237)</u>
<b>TOTAL REVENUES</b>	<u>5,240,927</u>	<u>5,231,877</u>	<u>4,432,696</u>	<u>(799,181)</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXPENDITURES:</b>				
<b>LEGISLATIVE:</b>				
City Council:				
Personal services	\$ 12,000	\$ 12,000	\$ 8,216	\$ 3,784
Social security taxes	920	920	554	366
Special services	15,000	4,500	-	4,500
Legislative publications	9,000	19,500	18,335	1,165
Conference and travel	1,000	1,000	-	1,000
Building rental	2,400	2,400	1,800	600
Dues and memberships	-	-	-	-
Miscellaneous	250	250	68	182
Total City Council	<u>40,570</u>	<u>40,570</u>	<u>28,973</u>	<u>11,597</u>
<b>TOTAL LEGISLATIVE</b>	<u>40,570</u>	<u>40,570</u>	<u>28,973</u>	<u>11,597</u>
<b>GENERAL GOVERNMENT:</b>				
City Manager:				
Personal services	56,800	56,575	48,536	8,039
Social security taxes	4,000	4,000	3,733	267
Retirement	42,400	42,400	18,519	23,881
Office supplies	4,000	4,050	4,049	1
Office equipment	2,000	2,000	1,257	743
Communications	3,500	3,500	1,810	1,690
Conference and travel	3,000	3,000	2,450	550
Repairs and maintenance	2,000	2,175	2,165	10
Dues and memberships	1,500	1,500	166	1,334
Total City Manager	<u>119,200</u>	<u>119,200</u>	<u>82,685</u>	<u>36,515</u>
Elections:				
Personal services	15,180	21,780	22,242	(462)
Office supplies	3,000	6,000	5,997	3
Communications	2,500	2,200	2,181	19
Printing and publishing	500	200	182	18
Repairs and maintenance	3,500	2,000	-	2,000
Office equipment	1,500	13,200	13,197	3
Total Elections	<u>26,180</u>	<u>45,380</u>	<u>43,799</u>	<u>1,581</u>
Assessment of Taxes:				
Personal services	34,000	34,000	34,000	-
Office supplies	-	-	-	-
Communications	1,000	1,300	1,296	4
Total Assessment of Taxes	<u>35,000</u>	<u>35,300</u>	<u>35,296</u>	<u>4</u>
City Attorney:				
Personal services	36,000	66,000	52,665	13,335
Miscellaneous	-	-	-	-
Total City Attorney	<u>36,000</u>	<u>66,000</u>	<u>52,665</u>	<u>13,335</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>City Clerk:</b>				
Personal services	\$ 19,800	\$ 22,475	\$ 20,557	\$ 1,918
Social security taxes	2,500	2,050	1,627	423
Retirement	19,800	16,800	16,465	335
Office supplies	2,200	2,200	1,642	558
Audit	10,000	10,125	10,122	3
Communications	4,000	4,350	4,337	13
Conference and travel	500	500	-	500
Repairs and maintenance	500	800	786	14
Miscellaneous	1,700	1,700	897	803
Total City Clerk	<u>61,000</u>	<u>61,000</u>	<u>56,433</u>	<u>4,567</u>
<b>Board of Review:</b>				
Personal services	750	750	490	260
Social security taxes	100	100	38	62
Conference and travel	-	-	-	-
Total Board of Review	<u>850</u>	<u>850</u>	<u>528</u>	<u>322</u>
<b>City Treasurer:</b>				
Personal services	24,400	26,040	26,022	18
Social security taxes	2,000	2,475	2,471	4
Retirement	20,600	18,400	18,397	3
Office supplies	1,500	1,290	1,286	4
Special services	5,200	6,450	6,445	5
Communications	1,200	1,360	1,359	1
Conference and travel	1,500	-	-	-
Repairs and maintenance	700	790	786	4
Dues and memberships	200	75	75	-
Miscellaneous	500	5,535	5,512	23
Office equipment	500	185	185	-
Total City Treasurer	<u>58,300</u>	<u>62,600</u>	<u>62,538</u>	<u>62</u>
<b>City Building:</b>				
Personal services	45,400	47,650	45,900	1,750
Social security taxes	4,100	4,100	3,485	615
Retirement	19,000	15,850	15,535	315
Supplies	5,000	5,000	3,919	1,081
Utilities	20,000	20,000	14,520	5,480
Repairs and maintenance	1,500	2,400	2,367	33
Total City Building	<u>95,000</u>	<u>95,000</u>	<u>85,726</u>	<u>9,274</u>
<b>Cemetery:</b>				
Personal services	76,450	92,175	90,526	1,649
Social security taxes	6,200	6,900	6,896	4
Retirement	18,000	8,100	8,076	24
Operating supplies	5,900	2,700	2,015	685
Communications	1,000	1,000	582	418
Vehicle expense	9,000	5,675	5,317	358
Electricity and water	3,500	3,500	3,237	263
Repairs and maintenance	4,500	4,500	2,764	1,736
Total Cemetery	<u>124,550</u>	<u>124,550</u>	<u>119,413</u>	<u>5,137</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>556,080</u>	<u>609,880</u>	<u>539,083</u>	<u>70,797</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>PUBLIC HEALTH AND SAFETY:</b>				
Police Department:				
Personal services	\$ 477,400	\$ 546,972	\$ 544,571	\$ 2,401
Social security taxes	36,400	42,485	42,482	3
Retirement	216,000	234,816	216,269	18,547
Office supplies	3,100	1,831	1,830	1
Operating supplies	6,000	4,870	7,284	(2,414)
Office equipment	3,000	2,936	2,935	1
Uniforms and accessories	7,000	6,527	6,526	1
Animal control	400	400	400	-
Communications	15,500	9,001	9,000	1
Vehicle expense	22,500	9,756	3,425	6,331
Training	600	200	4,111	(3,911)
Conference and travel	2,500	-	-	-
Repairs and maintenance	3,500	2,983	2,982	1
Dues and memberships	1,500	1,442	1,442	-
Patrol equipment	1,500	1,360	1,360	-
Crime prevention	8,900	8,496	8,495	1
Miscellaneous	3,000	665	3,054	(2,389)
Total Police Department	<u>808,800</u>	<u>874,740</u>	<u>856,166</u>	<u>18,574</u>
Fire Department:				
Personal services	44,000	68,700	68,681	19
Social security taxes	3,400	5,075	5,056	19
Retirement	250	250	183	67
Operating supplies	8,000	8,000	8,863	(863)
Physical exams and tests	1,500	1,500	1,410	90
Communications	2,000	2,075	2,073	2
Vehicle expense	4,300	3,975	2,672	1,303
Conference and travel	3,000	1,105	1,103	2
Utilities	12,000	7,650	7,649	1
Repairs and maintenance	9,000	8,920	8,889	31
Dues and memberships	200	200	125	75
Miscellaneous	1,000	-	-	-
Total Fire Department	<u>88,650</u>	<u>107,450</u>	<u>106,704</u>	<u>746</u>
<b>TOTAL PUBLIC HEALTH AND SAFETY</b>	<u>897,450</u>	<u>982,190</u>	<u>962,870</u>	<u>19,320</u>
<b>PUBLIC WORKS:</b>				
Streets, Highways and Alleys:				
Special services	75,000	31,840	-	31,840
Operating supplies	40,000	43,100	43,058	42
Total Streets, Highways and Alleys	<u>115,000</u>	<u>74,940</u>	<u>43,058</u>	<u>31,882</u>
Bridges and Culverts:				
Special services	2,000	2,000	1,501	499
Total Bridges and Culverts	<u>2,000</u>	<u>2,000</u>	<u>1,501</u>	<u>499</u>
Traffic Control:				
Special services	2,000	1,050	380	670
Operating supplies	6,000	6,950	6,911	39
Total Traffic Control	<u>8,000</u>	<u>8,000</u>	<u>7,291</u>	<u>709</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Snow Removal and Ice Control:</b>				
Personal services	\$ -	\$ 4,275	\$ 4,272	\$ 3
Special services	2,000	-	-	-
Operating supplies	43,000	42,225	42,217	8
<b>Total Snow Removal and Ice Control</b>	<b>45,000</b>	<b>46,500</b>	<b>46,489</b>	<b>11</b>
<b>County Sanitary Landfill:</b>				
Special services	353,050	386,000	385,975	25
<b>Total County Sanitary Landfill</b>	<b>353,050</b>	<b>386,000</b>	<b>385,975</b>	<b>25</b>
<b>Engineering Services:</b>				
Purchased services	30,000	30,000	23,975	6,025
<b>Total Engineering Services</b>	<b>30,000</b>	<b>30,000</b>	<b>23,975</b>	<b>6,025</b>
<b>Garage and Equipment:</b>				
Personal services	388,500	404,900	409,034	(4,134)
Social security taxes	29,000	30,350	30,329	21
Retirement	175,000	172,700	172,650	50
Office supplies	2,000	2,000	1,089	911
Operating supplies	18,000	18,000	11,266	6,734
Uniforms and accessories	3,400	3,525	3,473	52
Communications	71,000	3,475	3,461	14
Vehicle expense	45,000	104,625	98,329	6,296
Conference and travel	2,000	2,000	47	1,953
Utilities	27,000	18,500	18,377	123
Repairs and maintenance	8,000	8,825	3,513	5,312
<b>Total Garage and Equipment</b>	<b>768,900</b>	<b>768,900</b>	<b>751,568</b>	<b>17,332</b>
<b>Curb, Gutter and Sidewalk Maintenance:</b>				
Personal services	5,000	5,000	-	5,000
Social security taxes	800	800	-	800
Retirement	4,500	4,500	-	4,500
Special services	100,000	82,910	28,878	54,032
Operating supplies	10,000	10,000	1,100	8,900
<b>Total Curb, Gutter and Sidewalk Maintenance</b>	<b>120,300</b>	<b>103,210</b>	<b>29,978</b>	<b>73,232</b>
<b>Street Lighting:</b>				
Purchased services	42,000	42,000	27,958	14,042
<b>Total Street Lighting</b>	<b>42,000</b>	<b>42,000</b>	<b>27,958</b>	<b>14,042</b>
<b>TOTAL PUBLIC WORKS</b>	<b>1,484,250</b>	<b>1,461,550</b>	<b>1,317,793</b>	<b>143,757</b>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>				
<b>Planning &amp; Zoning:</b>				
Personal services	46,950	47,450	46,354	1,096
Social security taxes	3,600	3,600	3,519	81
Retirement	1,880	1,880	-	1,880
Supplies	11,750	11,250	10,710	540
<b>Total Planning &amp; Zoning</b>	<b>64,180</b>	<b>64,180</b>	<b>60,583</b>	<b>3,597</b>
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<b>64,180</b>	<b>64,180</b>	<b>60,583</b>	<b>3,597</b>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>RECREATION AND CULTURE:</b>				
Parks and Recreation:				
Personal services	\$ 119,830	\$ 110,705	\$ 96,335	\$ 14,370
Social security taxes	9,900	8,900	7,382	1,518
Retirement	28,500	24,150	21,958	2,192
Supplies	10,500	8,700	8,148	552
Special services	401,000	288,400	243,722	44,678
Utilities	43,500	37,900	37,032	868
Repairs and maintenance	32,000	53,025	39,365	13,660
Miscellaneous	675	825	2,262	(1,437)
Total Parks and Recreation	<u>645,905</u>	<u>532,605</u>	<u>456,204</u>	<u>76,401</u>
Library:				
Personal services	51,400	55,100	53,325	1,775
Social security taxes	4,000	4,050	4,036	14
Retirement	983	983	936	47
Office supplies	1,000	1,000	744	256
Communications	12,000	12,000	11,972	28
Electricity and water	2,000	2,000	1,980	20
Conferences and travel	100	100	-	100
Dues and memberships	1,200	1,200	1,107	93
Books, magazines and periodicals	6,500	4,000	3,911	89
Miscellaneous	2,000	750	731	19
Total Library	<u>81,183</u>	<u>81,183</u>	<u>78,742</u>	<u>2,441</u>
Special Events:				
Personal services	7,500	7,500	435	7,065
Social security taxes	600	600	33	567
Retirement	3,000	3,000	117	2,883
Operating supplies	5,000	5,000	1,248	3,752
Special services	5,000	5,000	-	5,000
Total Special Events	<u>21,100</u>	<u>21,100</u>	<u>1,833</u>	<u>19,267</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>748,188</u>	<u>634,888</u>	<u>536,779</u>	<u>98,109</u>
<b>OTHER GOVERNMENTAL:</b>				
Group life and hospitalization insurance	656,000	659,500	525,407	134,093
Workmen's compensation insurance	30,000	30,000	13,529	16,471
Longevity and separation pay	5,000	5,000	424	4,576
Fire, liability and other insurance	36,000	36,650	36,649	1
Easements and leases	700	775	763	12
Bad debt expense	-	-	-	-
Contribution - senior citizen	57,800	57,800	23,853	33,947
Miscellaneous	16,000	21,475	16,784	4,691
<b>TOTAL OTHER GOVERNMENTAL</b>	<u>801,500</u>	<u>811,200</u>	<u>617,409</u>	<u>193,791</u>
<b>DEBT SERVICE:</b>				
Principal payments	12,830	12,830	12,829	1
Interest and fiscal charges	4,807	4,807	4,725	82
<b>TOTAL DEBT SERVICE</b>	<u>17,637</u>	<u>17,637</u>	<u>17,554</u>	<u>83</u>



**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>CAPITAL OUTLAY:</b>				
City building	\$ -	\$ -	\$ -	\$ -
Police department	11,000	18,110	18,106	4
Fire department	15,000	14,850	14,849	1
Garage and equipment	5,000	5,000	5,000	-
Parks and Recreation	89,555	89,555	16,268	73,287
Cemetery	4,900	4,900	4,866	34
Senior center	749,527	749,527	426,424	323,103
Library	-	-	-	-
<b>TOTAL CAPITAL OUTLAY</b>	<u>874,982</u>	<u>881,942</u>	<u>485,513</u>	<u>396,429</u>
<b>TOTAL EXPENDITURES</b>	<u>5,484,837</u>	<u>5,504,037</u>	<u>4,566,557</u>	<u>937,480</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(243,910)</u>	<u>(272,160)</u>	<u>(133,861)</u>	<u>138,299</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	-	-	-
Transfers in	108,000	108,000	85,000	(23,000)
Transfers (out)	<u>(105,625)</u>	<u>(105,625)</u>	<u>(105,625)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,375</u>	<u>2,375</u>	<u>(20,625)</u>	<u>(23,000)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(241,535)</u>	<u>(269,785)</u>	<u>(154,486)</u>	<u>115,299</u>
Fund balance, beginning of year	<u>932,417</u>	<u>932,417</u>	<u>932,417</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 690,882</u>	<u>\$ 662,632</u>	<u>\$ 777,931</u>	<u>\$ 115,299</u>

**City of Negaunee, Michigan**

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources:				
Motor vehicle highway gas and weight tax	507,130	507,130	477,194	(29,936)
Highway maintenance contract	75,000	75,000	47,751	(27,249)
Investment income	1,700	1,700	1,810	110
<b>TOTAL REVENUES</b>	<b>583,830</b>	<b>583,830</b>	<b>526,755</b>	<b>(57,075)</b>
<b>EXPENDITURES:</b>				
MAJOR STREET:				
Administration, Engineering and Records:				
Personal services	12,750	11,750	10,647	1,103
Street Maintenance:				
Contracted services	10,000	-	-	-
Routine Maintenance:				
Personal services	31,600	21,750	21,408	342
Social security	2,500	2,350	1,638	712
Retirement	13,000	9,000	8,670	330
Supplies	20,000	9,000	7,228	1,772
Equipment rental	35,000	30,000	29,503	497
Total Routine Maintenance	102,100	72,100	68,447	3,653
Traffic Signs and Pavement Markings:				
Personal services	5,300	5,300	5,213	87
Social security	410	410	399	11
Retirement	2,200	2,200	2,111	89
Supplies	3,000	3,000	579	2,421
Equipment rental	1,500	1,500	1,479	21
Total Traffic Signs and Pavement Markings	12,410	12,410	9,781	2,629
Winter Maintenance:				
Personal services	60,500	36,900	35,448	1,452
Social security	4,900	4,900	2,976	1,924
Retirement	24,500	16,500	15,752	748
Supplies	35,000	18,000	17,001	999
Equipment rental	100,000	118,600	118,516	84
Total Winter Maintenance	224,900	194,900	189,693	5,207
Employee benefits	50,000	41,000	40,241	759
<b>TOTAL MAJOR STREET</b>	<b>412,160</b>	<b>332,160</b>	<b>318,809</b>	<b>13,351</b>
TRUNKLINE:				
Administration, Engineering and Records:				
Personal services	10,200	10,200	8,032	2,168
Total Administration, Engineering and Records	10,200	10,200	8,032	2,168

**City of Negaunee, Michigan**

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Routine Maintenance:				
Personal services	\$ 6,400	\$ 1,400	\$ 776	\$ 624
Social security	600	600	59	541
Retirement	2,700	700	314	386
Supplies	2,000	1,000	79	921
Equipment rental	4,000	2,000	1,026	974
Total Routine Maintenance	<u>15,700</u>	<u>5,700</u>	<u>2,254</u>	<u>3,446</u>
Winter Maintenance:				
Personal services	10,700	7,700	6,456	1,244
Social security	1,250	1,250	495	755
Retirement	4,400	4,400	2,622	1,778
Supplies	10,000	6,000	5,328	672
Equipment rental	25,000	22,000	20,828	1,172
Total Winter Maintenance	<u>51,350</u>	<u>41,350</u>	<u>35,729</u>	<u>5,621</u>
Employee benefits	<u>17,400</u>	<u>17,400</u>	<u>17,390</u>	<u>10</u>
TOTAL TRUNKLINE	<u>94,650</u>	<u>74,650</u>	<u>63,405</u>	<u>11,245</u>
<b>TOTAL EXPENDITURES</b>	<u>506,810</u>	<u>406,810</u>	<u>382,214</u>	<u>24,596</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>77,020</u>	<u>177,020</u>	<u>144,541</u>	<u>(32,479)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	77,020	77,020	44,541	(32,479)
Fund balance, beginning of year	<u>318,546</u>	<u>318,546</u>	<u>318,546</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 395,566</u>	<u>\$ 395,566</u>	<u>\$ 363,087</u>	<u>\$ (32,479)</u>

**City of Negaunee, Michigan**

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State sources:				
State grants	\$ -	\$ -	\$ 20,409	\$ 20,409
Motor vehicle highway gas and weight tax	306,600	271,600	250,196	(21,404)
Investment Income	2,100	2,100	50	(2,050)
	<u>308,700</u>	<u>273,700</u>	<u>270,655</u>	<u>(3,045)</u>
<b>EXPENDITURES:</b>				
Administration, Engineering and Records:				
Personal services	14,000	12,400	11,448	952
Routine Maintenance:				
Personal services	39,600	60,600	58,582	2,018
Social security	3,100	4,600	4,456	144
Retirement	16,000	24,000	23,590	410
Supplies	20,000	24,500	24,139	361
Equipment rental	60,000	90,000	89,842	158
Contracted services	-	-	-	-
Total Routine Maintenance	<u>138,700</u>	<u>203,700</u>	<u>200,609</u>	<u>3,091</u>
Traffic Signs and Pavement Markings:				
Personal services	2,800	3,700	3,663	37
Social security	325	325	280	45
Retirement	1,200	1,500	1,483	17
Supplies	3,000	1,300	947	353
Equipment rental	1,000	1,500	1,466	34
Total Traffic Signs and Pavement Markings	<u>8,325</u>	<u>8,325</u>	<u>7,839</u>	<u>486</u>
Winter Maintenance:				
Personal services	48,300	48,300	40,773	7,527
Social security	5,000	5,000	3,141	1,859
Retirement	20,000	20,000	16,629	3,371
Supplies	25,000	14,900	11,815	3,085
Equipment rental	90,000	100,100	100,038	62
Total Winter Maintenance	<u>188,300</u>	<u>188,300</u>	<u>172,396</u>	<u>15,904</u>
Employee benefits	65,000	66,600	66,568	32
	<u>414,325</u>	<u>479,325</u>	<u>458,860</u>	<u>20,465</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(105,625)</u>	<u>(205,625)</u>	<u>(188,205)</u>	<u>17,420</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	105,625	205,625	205,625	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>105,625</u>	<u>205,625</u>	<u>205,625</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	-	-	17,420	17,420
Fund balance, beginning of year	88,770	88,770	88,770	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 88,770</u>	<u>\$ 88,770</u>	<u>\$ 106,190</u>	<u>\$ 17,420</u>

## OTHER FINANCIAL INFORMATION

## CITY OF NEGAUNEE, 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 STREET MILLAGE FUND, LIBRARY STATE AID FUND, ELDERLY CITIZEN FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND, ECONOMIC DEVELOPMENT FUND, SALVAGE INSPECTION FUND, DRUG FORFEITURE FUND, and PARKS BEAUTIFICATION FUND are non-major special revenue fund types.

#### **CAPITAL PROJECTS FUNDS**

The function of the Capital Projects Funds is to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by business-type funds). The modified accrual basis of accounting is used in recording Capital Projects Fund transactions. The BUILDING IMPROVEMENT FUND, PARK IMPROVEMENT FUND, and EQUIPMENT FUND is a non-major capital projects fund type.

#### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY TRUST FUND is a permanent fund type.

**City of Negaunee, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

December 31, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds Cemetery Trust Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 625,139	\$ 361,420	\$ 131,717	\$ 1,118,276
Accounts receivable	-	-	-	-
Tax receivable	313,573	158,347	-	471,920
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>938,712</b>	<b>519,767</b>	<b>131,717</b>	<b>1,590,196</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 938,712</b>	<b>\$ 519,767</b>	<b>\$ 131,717</b>	<b>\$ 1,590,196</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,045	\$ 15,000	\$ -	\$ 18,045
Accrued salaries	6,055	-	-	6,055
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>9,100</b>	<b>15,000</b>	<b>-</b>	<b>24,100</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	313,573	158,347	-	471,920
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>313,573</b>	<b>158,347</b>	<b>-</b>	<b>471,920</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE</b>				
Non-spendable	-	-	115,935	115,935
Restricted	438,132	-	15,782	453,914
Committed	5,000	-	-	5,000
Assigned	172,907	346,420	-	519,327
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCE</b>	<b>616,039</b>	<b>346,420</b>	<b>131,717</b>	<b>1,094,176</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 938,712</b>	<b>\$ 519,767</b>	<b>\$ 131,717</b>	<b>\$ 1,590,196</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**City of Negaunee, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Trust Fund	Total
<b>REVENUES:</b>				
Federal sources	\$ 6,990	\$ -	\$ -	\$ 6,990
State sources	7,279	-	-	7,279
Property taxes	310,301	156,696	-	466,997
Contributions - other	211,191	-	1,271	212,462
Investment income	1,901	-	975	2,876
Other revenue	60,713	-	9,968	70,681
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>598,375</b>	<b>156,696</b>	<b>12,214</b>	<b>767,285</b>
<b>EXPENDITURES:</b>				
Current Operations:				
Public works	222,290	-	-	222,290
Public health and safety	-	-	-	-
Parks and recreation	8,237	-	-	8,237
Senior center	302,922	-	-	302,922
Capital outlay	-	420,199	-	420,199
Debt service	-	108,793	-	108,793
Other Governmental:				
Community development	20,902	-	-	20,902
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>554,351</b>	<b>528,992</b>	<b>-</b>	<b>1,083,343</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>44,024</b>	<b>(372,296)</b>	<b>12,214</b>	<b>(316,058)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	367,970	-	367,970
Transfers in	50,000	-	-	50,000
Transfers (out)	(85,000)	-	-	(85,000)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(35,000)</b>	<b>367,970</b>	<b>-</b>	<b>332,970</b>
<b>CHANGE IN FUND BALANCE</b>	<b>9,024</b>	<b>(4,326)</b>	<b>12,214</b>	<b>16,912</b>
Fund balance, beginning of year	607,015	350,746	119,503	1,077,264
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 616,039</b>	<b>\$ 346,420</b>	<b>\$ 131,717</b>	<b>\$ 1,094,176</b>



City of Negaunee, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

December 31, 2020

	Street Millage Fund	Library State Aid Fund	Senior Center Fund	Law Enforcement Fund	Crime Prevention Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 257,022	\$ 11,824	\$ 144,702	\$ 5,363	\$ 2,013
Accounts receivable	-	-	-	-	-
Taxes receivable	208,008	-	-	-	-
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>465,030</u>	<u>11,824</u>	<u>144,702</u>	<u>5,363</u>	<u>2,013</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 465,030</u>	<u>\$ 11,824</u>	<u>\$ 144,702</u>	<u>\$ 5,363</u>	<u>\$ 2,013</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 44	\$ 3,001	\$ -	\$ -
Accrued salaries	-	-	6,055	-	-
<b>TOTAL LIABILITIES</b>	-	44	9,056	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	208,008	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>208,008</u>	-	-	-	-
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	-	-
Restricted	257,022	11,780	135,646	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	5,363	2,013
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>257,022</u>	<u>11,780</u>	<u>135,646</u>	<u>5,363</u>	<u>2,013</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 465,030</u>	<u>\$ 11,824</u>	<u>\$ 144,702</u>	<u>\$ 5,363</u>	<u>\$ 2,013</u>

City of Negaunee, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
(Continued)

December 31, 2020

	City Improvement Fund	Salvage Inspection Fund	Drug Forfeiture Fund	Parks Beautification Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 153,045	\$ 7,307	\$ 362	\$ 43,501	\$ 625,139
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	105,565	313,573
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>153,045</b>	<b>7,307</b>	<b>362</b>	<b>149,066</b>	<b>938,712</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 153,045</b>	<b>\$ 7,307</b>	<b>\$ 362</b>	<b>\$ 149,066</b>	<b>\$ 938,712</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,045
Accrued salaries	-	-	-	-	6,055
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,100</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	-	-	-	105,565	313,573
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,565</b>	<b>313,573</b>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	33,684	438,132
Committed	5,000	-	-	-	5,000
Assigned	148,045	7,307	362	9,817	172,907
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>153,045</b>	<b>7,307</b>	<b>362</b>	<b>43,501</b>	<b>616,039</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 153,045</b>	<b>\$ 7,307</b>	<b>\$ 362</b>	<b>\$ 149,066</b>	<b>\$ 938,712</b>

City of Negaunee, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2020

	Street Millage Fund	Library State Aid Fund	Senior Center Fund	Law Enforcement Fund	Crime Prevention Fund
<b>REVENUES:</b>					
Federal sources	\$ -	\$ 140	\$ 6,850	\$ -	\$ -
State sources	-	6,129	-	1,150	-
Contributions - other	-	2,951	208,240	-	-
Taxes	205,836	-	-	-	-
Investment income	-	85	1,816	-	-
Other revenues	-	-	53,793	-	-
<b>TOTAL REVENUES</b>	<b>205,836</b>	<b>9,305</b>	<b>270,699</b>	<b>1,150</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Public works	222,290	-	-	-	-
Public health and safety	-	-	-	-	-
Parks and recreation	-	7,651	-	-	-
Senior center	-	-	302,922	-	-
Other Governmental:					
Community development	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>222,290</b>	<b>7,651</b>	<b>302,922</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(16,454)</b>	<b>1,654</b>	<b>(32,223)</b>	<b>1,150</b>	<b>-</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCE</b>	<b>(16,454)</b>	<b>1,654</b>	<b>(32,223)</b>	<b>1,150</b>	<b>-</b>
Fund balance, beginning of year	273,476	10,126	167,869	4,213	2,013
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 257,022</b>	<b>\$ 11,780</b>	<b>\$ 135,646</b>	<b>\$ 5,363</b>	<b>\$ 2,013</b>

**City of Negaunee, Michigan**

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(Continued)

For the Year Ended December 31, 2020

	City Improvement Fund	Salvage Inspection Fund	Drug Forfeiture Fund	Parks Beautification Fund	Total
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 6,990
State sources	-	-	-	-	7,279
Contributions - other	-	-	-	-	211,191
Taxes	-	-	-	104,465	310,301
Investment income	-	-	-	-	1,901
Other revenues	6,220	700	-	-	60,713
<b>TOTAL REVENUES</b>	<b>6,220</b>	<b>700</b>	<b>-</b>	<b>104,465</b>	<b>598,375</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Public works	-	-	-	-	222,290
Public health and safety	-	-	-	-	-
Parks and recreation	-	-	-	586	8,237
Senior center	-	-	-	-	302,922
Other Governmental:					
Community development	16,780	4,122	-	-	20,902
<b>TOTAL EXPENDITURES</b>	<b>16,780</b>	<b>4,122</b>	<b>-</b>	<b>586</b>	<b>554,351</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,560)</b>	<b>(3,422)</b>	<b>-</b>	<b>103,879</b>	<b>44,024</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	50,000	-	-	-	50,000
Transfers (out)	-	-	-	(85,000)	(85,000)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>(85,000)</b>	<b>(35,000)</b>
<b>CHANGES IN FUND BALANCE</b>	<b>39,440</b>	<b>(3,422)</b>	<b>-</b>	<b>18,879</b>	<b>9,024</b>
Fund balance, beginning of year	113,605	10,729	362	24,622	607,015
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 153,045</b>	<b>\$ 7,307</b>	<b>\$ 362</b>	<b>\$ 43,501</b>	<b>\$ 616,039</b>

**City of Negaunee, Michigan**

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

December 31, 2020

	Capital Projects			
	Building Improvement Fund	Park Improvement Fund	Equipment Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 35,825	\$ 4,970	\$ 320,625	\$ 361,420
Accounts receivable	-	-	-	-
Tax receivable	-	-	158,347	158,347
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>35,825</u>	<u>4,970</u>	<u>478,972</u>	<u>519,767</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 35,825</u>	<u>\$ 4,970</u>	<u>\$ 478,972</u>	<u>\$ 519,767</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 15,000	\$ 15,000
Accrued salaries	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	<u>-</u>	<u>-</u>	<u>158,347</u>	<u>158,347</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>158,347</u>	<u>158,347</u>
<b>FUND BALANCE</b>				
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	35,825	4,970	305,625	346,420
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>35,825</u>	<u>4,970</u>	<u>305,625</u>	<u>346,420</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 35,825</u>	<u>\$ 4,970</u>	<u>\$ 478,972</u>	<u>\$ 519,767</u>

**City of Negaunee, Michigan**

**NON-MAJOR CAPITAL PROJECTS FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Year Ended December 31, 2020

	Capital Projects			Total
	Building Improvement Fund	Park Improvement Fund	Equipment Fund	
<b>REVENUES:</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	156,696	156,696
Contributions - other	-	-	-	-
Investment income	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>156,696</b>	<b>156,696</b>
<b>EXPENDITURES:</b>				
Current Operations:				
Public works	-	-	-	-
Public health and safety	-	-	-	-
Parks and recreation	-	-	-	-
Library	-	-	-	-
Senior center	-	-	-	-
Capital outlay	-	-	420,199	420,199
Debt service	-	-	108,793	108,793
Other Governmental:				
Community development	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>528,992</b>	<b>528,992</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(372,296)</b>	<b>(372,296)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	-	367,970	367,970
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>367,970</b>	<b>367,970</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(4,326)</b>	<b>(4,326)</b>
Fund balance, beginning of year	35,825	4,970	309,951	350,746
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 35,825</b>	<b>\$ 4,970</b>	<b>\$ 305,625</b>	<b>\$ 346,420</b>

## CITY OF NEGAUNEE, MICHIGAN

### ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of 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, ELECTRIC 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.

ELECTRIC FUND to account for the management of electric transmission and distribution related activities including billing, maintenance, and construction.

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

**City of Negaunee, Michigan**

SEWER FUND

STATEMENT OF NET POSITION

December 31, 2020

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 885,320
Accounts receivable	186,280
Allowance for uncollectible accounts	(3,300)
Non-current Assets:	
Restricted cash	1,281,273
Capital Assets:	
Land and construction in progress	94,435
Other capital assets, net of depreciation	9,079,640
Total Capital Assets	9,174,075
<b>TOTAL ASSETS</b>	<b>11,523,648</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred gain on refunding	130,000
Deferred outflows related to OPEB	-
Deferred outflows related to pension	43,269
Employer pension contributions subsequent to measurement date	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>173,269</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	34,552
Accrued interest	22,723
Accrued salaries	1,881
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	65,000
Compensated absences	-
Portion due or payable after one year	
Bonds payable	4,053,000
Compensated absences	6,004
Net OPEB liability	1,928,089
Net pension liability	478,231
<b>TOTAL LIABILITIES</b>	<b>6,589,480</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	23,824
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>23,824</b>

**NET POSITION**

Net investment in capital assets	5,186,075
Restricted for:	
Capital improvement	678,340
Debt service	643,376
Unrestricted	(1,424,178)
<b>TOTAL NET POSITION</b>	<b>\$ 5,083,613</b>



City of Negaunee, Michigan

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020

**OPERATING REVENUES:**

Sewer permits and revenues	\$ 1,435,842
Municipal departments	19,365
Other operating revenues	25,995

**TOTAL OPERATING REVENUES** 1,481,202

**OPERATING EXPENSES:**

Customer accounting and collection	41,457
Administrative and general	448,203
Sewage, sanitary and storm sewers	215,173
Wastewater treatment plan	2,498
Provision for depreciation	304,305

**TOTAL OPERATING EXPENSES** 1,011,636

**OPERATING INCOME (LOSS)** 469,566

**NONOPERATING REVENUES (EXPENSES):**

Interest income	13,208
Penalties on delinquent accounts	2,902
Gain (loss) on sale of fixed assets	3,712
Interest expense on bonds	(90,120)

**TOTAL NONOPERATING (EXPENSES)** (70,298)

**INCOME (LOSS) BEFORE CAPITAL  
CONTRIBUTION AND TRANSFERS** 399,268

Capital Contribution:

Federal	67,471
Non-federal	-
Transfers in	-
Transfers (out)	-

**CHANGE IN NET POSITION** 466,739

Net position, beginning of year 4,616,874

**NET POSITION, END OF YEAR** \$ 5,083,613

**City of Negaunee, Michigan**

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 1,397,604
Other operating revenues	25,995
Cash payments to employees for services	(229,791)
Cash payments to suppliers for goods and services	<u>(573,786)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>620,022</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments (to)/from other funds	-
(Increase)/decrease in due to other funds	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from borrowing	910,000
Acquisition and construction of capital assets	(191,111)
Proceeds from sale of capital assets	-
Capital contributions received	67,471
Principal payment on long-term bonds	(1,249,000)
Interest paid on long-term bonds	(155,037)
Penalties on delinquent accounts	<u>2,902</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(614,775)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>13,208</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>13,208</u>
	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>
	18,455
Cash and cash equivalents, beginning of year	<u>2,148,138</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,166,593</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 885,320
Restricted cash	<u>1,281,273</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u><u>\$ 2,166,593</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ 469,566</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	304,305
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, net	(57,603)
Increase (decrease) in accounts payable	8,285
Increase (decrease) in accrued liabilities	(454)
Increase (decrease) in accrued payroll liabilities	3,095
Increase (decrease) in OPEB liability and related	(116,796)
Increase (decrease) in net pension liability and related	<u>9,624</u>
<b>NET ADJUSTMENTS</b>	<u>150,456</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 620,022</u></u>

**City of Negaunee, Michigan**  
**ELECTRIC FUND**  
**STATEMENT OF NET POSITION**  
December 31, 2020

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 2,751,426
Accounts receivable	269,866
Allowance for uncollectible accounts	(9,700)
Due from other governmental units	172,000
Prepaid expense	-
Non-current Assets:	
Restricted cash	700,000
Investment in UPPPA Electric Utility	338,079
Capital Assets:	
Land and construction in progress	-
Other capital assets, net of depreciation	1,034,050
Total Capital Assets	<u>1,034,050</u>
<b>TOTAL ASSETS</b>	<b>5,255,721</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	-
Deferred outflows related to pension	102,005
Employer pension contributions subsequent to measurement date	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>102,005</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	221,750
Accrued salaries	7,028
Customer deposits payable	382,795
Non-current Liabilities:	
Portion due or payable within one year	
Notes payable	20,418
Compensated absences	-
Portion due or payable after one year	
Notes payable	76,665
Compensated absences	20,238
Net OPEB liability	1,928,089
Net pension liability	1,440,592
<b>TOTAL LIABILITIES</b>	<b>4,097,575</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	26,810
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>26,810</b>

**NET POSITION**

Net investment in capital assets	936,967
Restricted for:	
Capital improvement	700,000
Unrestricted	(403,626)
<b>TOTAL NET POSITION</b>	<b>\$ 1,233,341</b>

City of Negaunee, Michigan

ELECTRIC FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020

**OPERATING REVENUES:**

Electric charges	\$ 3,162,961
Pole line rental	20,448
Other operating revenues	<u>34,340</u>

**TOTAL OPERATING REVENUES** 3,217,749

**OPERATING EXPENSES:**

Transmission and distribution	583,148
Customer accounting and collection	90,963
Administrative and general	197,927
Services purchased	1,978,821
Provision for depreciation	<u>103,836</u>

**TOTAL OPERATING EXPENSES** 2,954,695

**OPERATING INCOME (LOSS)** 263,054

**NONOPERATING REVENUES (EXPENSES):**

Interest income	66,532
Penalties on delinquent accounts	16,909
Gain (loss) on sale of fixed assets	-
Interest expense on notes	<u>(5,187)</u>

**TOTAL NONOPERATING (EXPENSES)** 78,254

**INCOME (LOSS) BEFORE TRANSFERS** 341,308

Capital Contribution:

Federal	-
Non-federal	14,871
Transfers in	-
Transfers (out)	<u>(50,000)</u>

**CHANGE IN NET POSITION** 306,179

Net position, beginning of year 927,162

**NET POSITION, END OF YEAR** \$ 1,233,341

**City of Negaunee, Michigan**

ELECTRIC FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 3,123,004
Other operating revenues	34,340
Cash payments to employees for services	(384,764)
Cash payments to suppliers for goods and services	<u>(2,541,744)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>230,836</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments (to) from other funds	(50,000)
(Increase) in due to other funds	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(50,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from borrowing	-
Acquisition and construction of capital assets	(80,007)
Proceeds from sale of capital assets	-
Capital assets transfers from other funds	-
Capital contributions received	14,871
Principal payment on notes payable	(59,569)
Interest and tax expense	(5,187)
Penalties on delinquent accounts	<u>16,909</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(112,983)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
(Increase) decrease in investment in UPPPA electric utility	(6,718)
Investment income	<u>66,532</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>59,814</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
	127,667
Cash and cash equivalents, beginning of year	<u>3,323,759</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,451,426</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 2,751,426
Restricted cash	<u>700,000</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u>\$ 3,451,426</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 263,054
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	103,836
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, net	(60,405)
(Increase) decrease in prepaid expense	-
Increase (decrease) in accounts payable	574
Increase (decrease) in payroll liabilities	9,872
Increase (decrease) in customer deposits payable	7,250
Increase (decrease) in OPEB liability and related	(116,796)
Increase (decrease) in net pension liability and related	<u>23,451</u>
<b>NET ADJUSTMENTS</b>	<u>(32,218)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 230,836</u>

**City of Negaunee, Michigan**

WATER FUND

STATEMENT OF NET POSITION

December 31, 2020

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 1,384,673
Accounts receivable	113,073
Allowance for uncollectible accounts	(4,300)
Grants receivable	-
Non-current Assets:	
Restricted cash	864,163
Investment in Joint Water Authority	543,875
Capital Assets:	
Land and construction in progress	261,302
Other capital assets, net of depreciation	5,799,041
Total Capital Assets	<u>6,060,343</u>
<b>TOTAL ASSETS</b>	<b><u>8,961,827</u></b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	-
Deferred outflows related to pension	50,814
Employer pension contributions subsequent to measurement date	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>50,814</u></b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	51,667
Due to other funds	-
Accrued liabilities	12,445
Accrued salaries	3,973
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	78,000
Compensated absences	-
Portion due or payable after one year	
Bonds payable	1,358,000
Compensated absences	8,763
Net OPEB liability	428,464
Net pension liability	<u>673,932</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,615,244</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	<u>19,622</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>19,622</u></b>

**NET POSITION**

Net investment in capital assets	4,624,343
Restricted for:	
Capital improvement	710,344
Debt service	137,607
Unrestricted	<u>905,481</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,377,775</u></b>

City of Negaunee, Michigan

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2020

**OPERATING REVENUES:**

Water charges	\$ 1,259,641
Municipal departments	30,451
Tapping permits	-
Other operating revenues	<u>53,351</u>

**TOTAL OPERATING REVENUES** 1,343,443

**OPERATING EXPENSES:**

Power and pumping	4,625
Transmission and distribution	178,706
Customer accounting and collection	44,358
Administrative and general	563,973
Water meters	11,298
Provision for depreciation	<u>321,698</u>

**TOTAL OPERATING EXPENSES** 1,124,658

**OPERATING INCOME (LOSS)** 218,785

**NONOPERATING REVENUES (EXPENSES):**

Interest income	12,400
Penalties on delinquent accounts	2,434
Gain (loss) on sale of fixed assets	-
Interest expense on bonds	<u>(86,782)</u>

**TOTAL NONOPERATING (EXPENSES)** (71,948)

**INCOME (LOSS) BEFORE  
CAPITAL CONTRIBUTION** 146,837

Capital Contribution:

Federal	-
Non-federal	-
Transfers in	-
Transfers (out)	<u>-</u>

**CHANGE IN NET POSITION** 146,837

Net position, beginning of year 6,230,938

**NET POSITION, END OF YEAR** \$ 6,377,775

**City of Negaunee, Michigan**

WATER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 1,277,824
Other operating revenues	53,351
Cash payments to employees for services	(161,735)
Cash payments to suppliers for goods and services	<u>(651,084)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>518,356</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Payments from/(to) other funds	-
Increase/(decrease) in due to other funds	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from borrowing	1,436,000
Acquisition and construction of capital assets	(259,506)
Net book value of assets disposed of	-
Capital contributions received	-
Principal payment on long-term bonds	(1,476,000)
Interest paid on long-term bonds	(86,782)
Penalties on delinquent accounts	<u>2,434</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(383,854)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>12,400</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>12,400</u>
	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>
	146,902
Cash and cash equivalents, beginning of year	<u>2,101,934</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,248,836</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 1,384,673
Restricted cash	<u>864,163</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u><u>\$ 2,248,836</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ 218,785</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	321,698
Change in assets and liabilities:	
Decrease (increase) in accounts receivable, net	(12,268)
Decrease (increase) in grants receivable	-
Increase (decrease) in accounts payable	3,422
Increase (decrease) in accrued liabilities	(4,160)
Increase (decrease) in accrued payroll liabilities	5,508
Increase (decrease) in OPEB liability and related	(25,955)
Increase (decrease) in net pension liability and related	<u>11,326</u>
<b>NET ADJUSTMENTS</b>	<u>299,571</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 518,356</u></u>



## COMPLIANCE SECTION



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  
City of Negaunee, Michigan  
P.O. Box 70  
Negaunee, Michigan 49866

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan (the City), as of and for the year ended December 31, 2020, 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 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Negaunee Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 were not identified. 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 identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies (items 2020-001 and 2020-002).

### **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 Report to Management as item 2020-003.

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

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's responses were 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 City'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 29, 2021

## COMMUNICATIONS SECTION



***City of Negaunee, Michigan***  
***Report to Management***  
For the Year Ended December 31, 2020

To the City Council and Management of the  
City of Negaunee, Michigan  
P.O. Box 70  
Negaunee, Michigan 49866

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan (the City) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

**SIGNIFICANT DEFICIENCIES**

**2020-001 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)**

**Condition/Criteria:** Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in

the annual audit report in accordance with accounting principles generally accepted in the United States of America.

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

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

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

**Managements Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Not applicable
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - Not applicable

**2020-002 FAILURE TO ACCURATELY COMPLETE BANK RECONCILIATIONS**

**Condition/Criteria:** The City's bank reconciliations are not being accurately completed, as unknown amounts and issues are being coded to reconciliation discrepancies in order to balance without being appropriately identified and resolved before finalizing. A strong reconciliation function is a key component of properly designed internal controls as it allows management to identify and correct misstatements timely.

**Cause of the Condition:** The City staff was unable to identify the cause of the various discrepancies that occurred during the reconciliation process.

**Effect:** Without identifying the underlying cause of the discrepancies in the reconciliation procedures misstatements, whether due to error or fraud, could go undetected by management. Undetected errors could lead to misstatements that go uncorrected by management.

**Recommendation:** The City staff needs to identify the cause of the discrepancies and accurately complete the bank reconciliations.

**Managements Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Clerk
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - December 31, 2021

**INSTANCE OF NON-COMPLIANCE**

**2020-003 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEAT)**

**Condition/Criteria:** Public Act 621 of 1978, Section 18 (1) as amended, provides that cities shall not incur expenditures in excess of the amount appropriated. The City adopts budgets on an activity and/or program level. During the year ended December 31, 2020, the City incurred

functional expenditures which were in excess of the amounts appropriated as enumerated upon in the notes to the financial statements.

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

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

**Recommendation:** The City should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly. Transfers between funds should also be budgeted for and amended as necessary.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - City Council
  - City Clerk
- Corrective Action Planned:
  - See separate Corrective Action Plan
- Anticipated Completion Date:
  - December 31, 2021

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

This communication is intended solely for the information and use of management, the City Council, and others within the organization, 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 29, 2021



***City of Negaunee, Michigan***  
***Communication with Those Charged with Governance***  
**For the Year Ended December 31, 2020**

July 29, 2021

To the City Council of the  
City of Negaunee, Michigan  
P.O. Box 70  
Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan (the City) for the year ended December 31, 2020. 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 12, 2021. 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 the financial statements. Newly adopted GASB standards 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 service revenues, 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 and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and 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 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 portion of Net Pension Liability (under GASB 67) for the Police Retirement System is based on an actuarial performed for the City of Negaunee Police 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 Findley, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the key factors and assumptions used to develop the City's 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 Net OPEB Liability is based on an actuarial performed for the City of Negaunee Retiree Health Plan to determine its liability. We evaluated the key factors and assumptions used to develop the City's Net OPEB Liability, based on information provided by Watkins Ross, 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 disclosures affecting the financial statements were:

The disclosure of Defined Benefit Retirement Plan in the notes to the financial statements includes significant actuarial assumptions used in calculating the valuation. Municipal Employees' Retirement System of Michigan was responsible for preparation of the annual actuarial valuation. The disclosures made in the notes were based on information included their report.

The disclosure of the Police Retirement System Defined Benefit Retirement Plan in the notes to the financial statements includes significant actuarial assumptions used in calculating the valuation. Findley was the actuarial company hired for

preparation of the annual actuarial valuation. The disclosures made in the notes were based on information included their report.

The disclosure of Other Post-Employment Benefits in the notes to the financial statements includes significant actuarial assumptions used in the calculating the valuation. Watkins Ross was the actuarial company hired for preparation of the actuarial valuation. The disclosures made in the notes were based on information included their report.

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

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 29, 2021.

#### *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 governmental unit'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 a separate letter 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. 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 identify a deficiency in internal control, described in the accompanying Report to Management that we consider to be a significant deficiency (items 2020-001 and 2020-002).

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 Report to Management as item 2020-003.

#### Other Matters

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

We were engaged to report on other financial information, as listed in the table of contents, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other financial 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 the City Council and management of the City of Negaunee, Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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



# CITY OF NEGAUNEE

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*Corrective Action Plan*  
For the Year Ended December 31, 2020

July 29, 2021

In response to the findings disclosed in the audited financial statements for the year ended December 31, 2020:

**2020-001 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)**

**Corrective Action Plan:**

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

**2020-002 – FAILURE TO ACCURATELY COMPLETE BANK RECONCILIATIONS**

**Corrective Action Plan:**

The City staff will work together diligently and in a timely manner going forward. There will be greater in-depth discussions and research will be performed to identify the underlying cause of the discrepancies so they are resolved before finalizing the monthly reconciliations.

**2020-003 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEAT)**

**Corrective Action Plan:**

There will be more in-depth discussion between the City Manager and the Department Heads during the budget planning process to ensure that not only are basic needs fully accounted for, but also upcoming major purchases and projects. The City will take better care in the future to make sure that expenditures are within budgeted amounts or, when necessary, amend the budget for current-known changes.

***"ON THE BANKS OF MAJESTIC TEAL LAKE"***

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