

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

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## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Negaunee Housing Commission, which is both a component unit and 97 percent, 99 percent, and 83 percent, respectively, of the assets, net position, and revenues of the component unit activities as of December 31, 2022, and the respective changes in financial position for the year then ended. 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 activities, is based solely on the report of the other auditors.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and

To the City Council of the  
City of Negaunee, Michigan

for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the

To the City Council of the  
City of Negaunee, Michigan

table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

July 25, 2023

## 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, 2022. 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 \$4,698,793 as a result of this year's operations. Net position of our business-type activities increased by \$1,670,372, or 13 percent, and net position of our governmental activities increased by \$3,028,421, or 149 percent.
- During the year, the City had expenses for governmental activities of \$3,657,594 and generated \$6,686,015 in general revenues and other program sources, including transfers.
- During the year, the City had expenses for business-type activities of \$4,994,036 and generated \$6,664,408 in general revenues and other program sources, including transfers.
- The General Fund reported a net change in fund balance of \$303,937.

#### **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, 2022 and 2021.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$6,952,944	\$6,201,956	\$5,824,416	\$5,617,595	\$12,777,360	\$11,819,551
Non-current assets	-	-	4,517,001	4,236,321	4,517,001	4,236,321
Capital assets, net	5,804,273	5,349,996	17,057,021	16,012,685	22,861,294	21,362,681
<b>Total Assets</b>	<b>12,757,217</b>	<b>11,551,952</b>	<b>27,398,438</b>	<b>25,866,601</b>	<b>40,155,655</b>	<b>37,418,553</b>
Deferred outflows of resources	1,779,420	769,383	557,291	308,755	2,336,711	1,078,138
Current and other liabilities	748,657	550,294	1,098,578	791,599	1,847,235	1,341,893
Long-term liabilities	9,736,665	10,676,408	11,939,303	11,987,741	21,675,968	22,664,149
<b>Total Liabilities</b>	<b>10,485,322</b>	<b>11,226,702</b>	<b>13,037,881</b>	<b>12,779,340</b>	<b>23,523,203</b>	<b>24,006,042</b>
Deferred inflows of resources	3,059,615	3,131,354	89,183	237,723	3,148,798	3,369,077
<b>Net Position:</b>						
Net investment in capital assets	5,428,439	5,140,527	10,567,773	10,636,449	15,996,212	15,776,976
Restricted	1,220,235	1,225,858	3,772,170	3,311,282	4,992,405	4,537,140
Unrestricted	(5,656,974)	(8,403,106)	488,722	(789,438)	(5,168,252)	(9,192,544)
<b>Total Net Position</b>	<b>\$991,700</b>	<b>(\$2,036,721)</b>	<b>\$14,828,665</b>	<b>\$13,158,293</b>	<b>\$15,820,365</b>	<b>\$11,121,572</b>

Net position of the City’s governmental activities stood at \$991,700. *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 (\$5,656,974).

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

The (\$5,656,974) 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 \$14,828,665. 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 2022 and 2021.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$751,312	\$731,985	\$6,602,113	\$6,260,929	\$7,353,425	\$6,992,914
Operating grants and contributions	1,890,142	1,762,682	21,268	34,817	1,911,410	1,797,499
Capital grants and contributions	483,141	85,884	-	-	483,141	85,884
General Revenues:						
Property taxes	2,440,698	2,599,366	-	-	2,440,698	2,599,366
Unrestricted intergovernmental sources	685,766	636,655	-	-	685,766	636,655
Investment earnings	36,046	11,098	91,027	68,868	127,073	79,966
Gain/(loss) on sale of assets	-	-	-	-	-	-
Miscellaneous	348,910	327,880	-	54,880	348,910	382,760
Total Revenues	<u>6,636,015</u>	<u>6,155,550</u>	<u>6,714,408</u>	<u>6,419,494</u>	<u>13,350,423</u>	<u>12,575,044</u>
Program Expenses:						
General government	(851,084)	1,061,149	-	-	(851,084)	1,061,149
Public safety	1,040,080	1,000,710	-	-	1,040,080	1,000,710
Public works	2,108,372	2,104,420	-	-	2,108,372	2,104,420
Health and welfare	288,488	247,902	-	-	288,488	247,902
Community and economic development	88,507	68,580	-	-	88,507	68,580
Recreation and culture	365,391	381,748	-	-	365,391	381,748
Capital Outlay	617,840	119,595	-	-	617,840	119,595
Debt service	-	12,136	-	-	-	12,136
Sewer	-	-	748,132	1,298,215	748,132	1,298,215
Electric	-	-	3,138,930	3,359,336	3,138,930	3,359,336
Water	-	-	1,106,974	1,248,379	1,106,974	1,248,379
Total Expenses	<u>3,657,594</u>	<u>4,996,240</u>	<u>4,994,036</u>	<u>5,905,930</u>	<u>8,651,630</u>	<u>10,902,170</u>
Excess (deficiency) before transfers	2,978,421	1,159,310	1,720,372	513,564	4,698,793	1,672,874
Transfers	50,000	50,000	(50,000)	(50,000)	-	-
Increase (decrease) in net position	<u>3,028,421</u>	<u>1,209,310</u>	<u>1,670,372</u>	<u>463,564</u>	<u>4,698,793</u>	<u>1,672,874</u>
Net Position, beginning	(2,036,721)	(3,246,031)	13,158,293	12,694,729	11,121,572	9,448,698
Net Position, Ending	<u>\$991,700</u>	<u>(\$2,036,721)</u>	<u>\$14,828,665</u>	<u>\$13,158,293</u>	<u>\$15,820,365</u>	<u>\$11,121,572</u>

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

The City's total revenues were \$13,350,423. The total cost of all programs and services was \$8,651,630, leaving an increase in net position of \$4,698,793. Our analysis below separately considers the operations of governmental and business-type activities:

### **Governmental Activities**

The net position of the governmental activities increased \$3,028,421. The net increase is due mainly the following factors:

- Overall change in fund balance of \$412,166
- Capital outlay of \$799,361
- Depreciation expense of (\$345,084)
- Net book value of disposed assets \$-
- Proceeds from the issuance of debt of (\$273,186)
- Repayment of bond/note principal of \$106,821
- Pension expense related to MERS of (\$258,019)
- Pension expense related to Police of (\$40,348)
- OPEB expense of \$2,637,133
- Change in compensated absences of (\$10,423)

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	(\$851,084)	(\$1,059,613)
Public safety	1,040,080	1,016,335
Public works	2,108,372	(143,930)

### **Business-type Activities**

The net position of the business-type activities increased \$1,670,372. The net increase is mainly the result of decreased expenses in the current year in the Sewer, Electric and Water 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 \$3,681,664, an increase of \$412,166 from the beginning of the year.

The total increase of \$412,166 consists primarily of an increase in the General Fund of \$303,937 combined with an increase in the Major Street Fund of \$168,627, an increase in the Local Street Fund of \$111,583, and a net decrease in other governmental funds of \$171,981.

## 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 \$92,213 more compared to the originally adopted budget; however, actual revenues were \$340,893 less than the final budget. Property taxes was one of the main areas in which revenues were significantly less than the final budget; by \$193,327. Federal sources was another one of the main areas in which revenues were significantly less than the final budget; by \$227,777. Additionally, actual transfers in were almost the same as the budgeted amount.

Conversely, the final amended budget for General Fund expenditures increased by \$304,950; however, actual expenditures were \$804,007 less than the final budget. The areas most under budget was the Streets, Highways, and Alleys Department under Public Works, Garbage and Equipment under Public Works, and Parks and Recreation under Recreation and Culture.

The original budgeted change in fund balance was an increase of \$71,886. The final budgeted change in fund balance was an increase of \$71,886. The actual change in fund balance was an increase of \$303,937.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2022, the City had \$22,861,294 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

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

	2022		2021	
	Governmental Activities	Business- Type Activities	Total	Total
Land	\$1,071,126	\$52,200	\$1,123,326	\$1,123,326
Construction in progress	-	2,115,437	2,115,437	1,762,050
Land improvements	683,916	-	683,916	597,035
Buildings and improvements	1,740,969	-	1,740,969	694,654
Equipment and furnishings	674,407	-	674,407	751,240
Infrastructure	1,633,855	-	1,633,855	1,156,718
Sewer plant and equipment	-	8,562,300	8,562,300	8,778,935
Electric system and equipment	-	1,088,989	1,088,989	986,579
Water plant and equipment	-	5,238,095	5,238,095	5,512,144
Total	\$5,804,273	\$17,057,021	\$22,861,294	\$21,362,681

During the year, the City continued a USDA Wastewater Improvement Project, started a Sewer Improvement Project on New Buffalo Road, started the 2023 City Sewer Project, continued a Sewer Improvement Project on Buffalo Road, purchased a loader bucket, purchased one new vehicle, completed the Gold Street Paving Project, continued work on the Substation Project, completed the Alley Improvement Project, continued Phase 1 of a Water Project, continued work on the DWAM Project, completed the Senior Center MEDC Project, completed the Jackson Mine Park Pavilion Project, and completed the Teal Lake Improvement Project.

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

During the year, the City did not have any fixed asset disposals.

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

### Debt

At year-end, the City had \$6,957,940 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

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

	2022			2021
	Governmental Activities	Business-Type Activities	Total	Total
Bonds	\$233,000	\$6,527,000	\$6,760,000	\$5,411,000
Loans payable	142,834	55,106	197,940	286,134
Totals	<u>\$375,834</u>	<u>\$6,582,106</u>	<u>\$6,957,940</u>	<u>\$5,697,134</u>

During the current year, the City issued a new loan in the amount of \$40,186, issued a new bond in the amount of \$233,000, and started drawing on the 2022 Water Supply Revenue bond in the current year in the amount of \$1,558,000. Principal payments in the current amounted to \$106,821 in the governmental activities and \$463,559 in the business-type activities. 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 2023 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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,454,702	\$ 4,836,809	\$ 7,291,511	\$ 1,142,505
Investments	1,507,064	-	1,507,064	281,508
Receivables (net)	2,974,145	934,234	3,908,379	40,713
Internal balances	-	-	-	-
Other current assets	-	-	-	-
Prepaid and other assets	17,033	53,373	70,406	27,496
Non-current Assets:				
Restricted cash	-	3,614,885	3,614,885	28,526
Investment in UPPPA Electric Utility	-	358,241	358,241	-
Investment in Joint Water Authority	-	543,875	543,875	-
Capital Assets:				
Land and construction in progress	1,071,126	2,167,637	3,238,763	18,720
Other capital assets, net	4,733,147	14,889,384	19,622,531	577,180
Total Capital Assets	5,804,273	17,057,021	22,861,294	595,900
<b>TOTAL ASSETS</b>	<b>12,757,217</b>	<b>27,398,438</b>	<b>40,155,655</b>	<b>2,116,648</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts on refunding	-	92,858	92,858	-
Deferred outflows related to OPEB	896	598	1,494	-
Deferred outflows related to pension	1,778,524	463,835	2,242,359	66,927
Employer pension contributions subsequent to measurement date	-	-	-	54,044
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,779,420</b>	<b>557,291</b>	<b>2,336,711</b>	<b>120,971</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	128,321	630,730	759,051	63,698
Accrued liabilities	90,917	54,703	145,620	67,819
Other current liabilities	-	413,145	413,145	28,526
Unearned revenue	529,419	-	529,419	2,677
Non-current Liabilities:				
Portion due or payable within one year				
Contracts and notes payable	96,980	22,764	119,744	-
Bonds payable	20,000	247,000	267,000	-
Compensated absences	-	-	-	70,359
Portion due or payable after one year				
Contracts and notes payable	45,854	32,342	78,196	-
Bonds payable	213,000	6,280,000	6,493,000	-
Compensated absences	138,190	45,596	183,786	9,219
Net OPEB liability	3,373,518	2,249,013	5,622,531	-
Net pension liability	5,849,123	3,062,588	8,911,711	285,513
<b>TOTAL LIABILITIES</b>	<b>10,485,322</b>	<b>13,037,881</b>	<b>23,523,203</b>	<b>527,811</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes levied for a subsequent period	2,522,623	-	2,522,623	24,295
Deferred inflows related to OPEB	-	-	-	-
Deferred inflows related to pension	536,992	89,183	626,175	9,505
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>3,059,615</b>	<b>89,183</b>	<b>3,148,798</b>	<b>33,800</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,428,439	10,567,773	15,996,212	595,900
Restricted for:				
Capital improvement	-	2,457,420	2,457,420	-
Debt service	-	1,314,750	1,314,750	-
Other	1,220,235	-	1,220,235	-
Unrestricted	(5,656,974)	488,722	(5,168,252)	1,080,108
<b>TOTAL NET POSITION</b>	<b>\$ 991,700</b>	<b>\$ 14,828,665</b>	<b>\$ 15,820,365</b>	<b>\$ 1,676,008</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, 2022

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:								
General government	\$ (851,084)	\$ 161,893	\$ 46,636	\$ -	\$ 1,059,613	\$ -	\$ 1,059,613	\$ -
Public safety	1,040,080	5,067	18,678	-	(1,016,335)	-	(1,016,335)	-
Public works	2,108,372	446,145	1,550,950	255,207	143,930	-	143,930	-
Health and welfare	288,488	-	245,948	-	(42,540)	-	(42,540)	-
Community and economic development	88,507	-	-	-	(88,507)	-	(88,507)	-
Recreation and culture	365,391	138,207	27,930	227,934	28,680	-	28,680	-
Capital outlay	617,840	-	-	-	(617,840)	-	(617,840)	-
Debt service	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>3,657,594</u>	<u>751,312</u>	<u>1,890,142</u>	<u>483,141</u>	<u>(532,999)</u>	<u>-</u>	<u>(532,999)</u>	<u>-</u>
Business-Type Activities:								
Sewer	748,132	1,486,240	-	-	-	738,108	738,108	-
Electric	3,138,930	3,701,918	4,500	-	-	567,488	567,488	-
Water	1,106,974	1,413,955	16,768	-	-	323,749	323,749	-
Total Business-Type Activities	<u>4,994,036</u>	<u>6,602,113</u>	<u>21,268</u>	<u>-</u>	<u>-</u>	<u>1,629,345</u>	<u>1,629,345</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 8,651,630</u>	<u>\$ 7,353,425</u>	<u>\$ 1,911,410</u>	<u>\$ 483,141</u>	<u>(532,999)</u>	<u>1,629,345</u>	<u>1,096,346</u>	<u>-</u>
<b>Component Units:</b>								
Negaunee Housing Commission	\$ 539,309	\$ 359,407	\$ 67,667	\$ 68,831	-	-	-	(43,404)
Downtown Development Authority	109,187	-	28,576	50,000	-	-	-	(30,611)
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 648,496</u>	<u>\$ 359,407</u>	<u>\$ 96,243</u>	<u>\$ 118,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,015)</u>
General Revenues:								
Property taxes					2,440,698	-	2,440,698	27,851
Unrestricted intergovernmental sources					685,766	-	685,766	-
Interest and investment earnings					36,046	91,027	127,073	2,085
Gain/(loss) on sale of assets					-	-	-	-
Miscellaneous					348,910	-	348,910	11,943
Transfers					50,000	(50,000)	-	-
<b>TOTAL GENERAL REVENUES, TRANSFERS</b>					<u>3,561,420</u>	<u>41,027</u>	<u>3,602,447</u>	<u>41,879</u>
<b>CHANGE IN NET POSITION</b>					<u>3,028,421</u>	<u>1,670,372</u>	<u>4,698,793</u>	<u>(32,136)</u>
Net position, beginning of year					<u>(2,036,721)</u>	<u>13,158,293</u>	<u>11,121,572</u>	<u>1,708,144</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 991,700</u>	<u>\$ 14,828,665</u>	<u>\$ 15,820,365</u>	<u>\$ 1,676,008</u>

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

City of Negaunee, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2022

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 330,150	\$ 831,450	\$ 301,542	\$ 991,560	\$ 2,454,702
Investments	1,507,064	-	-	-	1,507,064
Accounts receivable, net	202,009	-	-	-	202,009
Taxes receivable	2,019,175	-	-	509,138	2,528,313
Other grants receivable	-	-	-	-	-
Due from other governments	113,861	91,187	38,775	-	243,823
Due from other funds	-	-	-	-	-
Prepaid expense	17,033	-	-	-	17,033
<b>TOTAL ASSETS</b>	<b>4,189,292</b>	<b>922,637</b>	<b>340,317</b>	<b>1,500,698</b>	<b>6,952,944</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 4,189,292</b>	<b>\$ 922,637</b>	<b>\$ 340,317</b>	<b>\$ 1,500,698</b>	<b>\$ 6,952,944</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 109,678	\$ -	\$ -	\$ 18,643	\$ 128,321
Accrued salaries	72,332	7,558	3,292	7,735	90,917
Compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	529,419	-	-	-	529,419
<b>TOTAL LIABILITIES</b>	<b>711,429</b>	<b>7,558</b>	<b>3,292</b>	<b>26,378</b>	<b>748,657</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	2,013,485	-	-	509,138	2,522,623
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,013,485</b>	<b>-</b>	<b>-</b>	<b>509,138</b>	<b>2,522,623</b>
<b>FUND BALANCE</b>					
Non-spendable	17,033	-	-	115,935	132,968
Restricted	-	692,596	-	394,671	1,087,267
Committed	-	-	-	5,000	5,000
Assigned	-	222,483	337,025	449,576	1,009,084
Unassigned	1,447,345	-	-	-	1,447,345
<b>TOTAL FUND BALANCE</b>	<b>1,464,378</b>	<b>915,079</b>	<b>337,025</b>	<b>965,182</b>	<b>3,681,664</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 4,189,292</b>	<b>\$ 922,637</b>	<b>\$ 340,317</b>	<b>\$ 1,500,698</b>	<b>\$ 6,952,944</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, 2022

<b>Total Fund Balances for Governmental Funds</b>		<b>\$ 3,681,664</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.		5,804,273
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	\$ 4,491,077	
Policeman Retirement System	1,358,046	
Deferred (outflows) of resources related to net pension liability		
Michigan Municipal Employees' Retirement System	(628,809)	
Policeman Retirement System	(1,149,715)	
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	98,795	
Policeman Retirement System	438,197	
	438,197	(4,607,591)
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	3,373,518	
Deferred (outflows) of resources related to net OPEB liability	(896)	
Deferred inflows of resources related to net OPEB liability	-	
	-	(3,372,622)
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	96,980	
Current portion of bonds payable	20,000	
Compensated absences	138,190	
Long-term loans payable	45,854	
Long-term bonds payable	213,000	
	213,000	(514,024)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 991,700</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, 2022

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Federal sources	\$ 17,236	\$ -	\$ -	-	\$ 17,236
State sources	822,037	617,722	306,249	8,666	1,754,674
Property taxes	1,963,784	-	-	476,913	2,440,697
Licenses and permits	80	-	-	-	80
Service charges	977,166	-	-	-	977,166
Contributions	549,878	-	-	506,009	1,055,887
Investment income	25,759	5,378	1,208	3,701	36,046
Other revenues	297,089	-	-	57,140	354,229
<b>TOTAL REVENUES</b>	<b>4,653,029</b>	<b>623,100</b>	<b>307,457</b>	<b>1,052,429</b>	<b>6,636,015</b>
<b>EXPENDITURES:</b>					
Current Operations:					
General government	1,477,964	-	-	-	1,477,964
Public safety	986,778	-	-	-	986,778
Public works	1,358,724	454,473	295,874	397,346	2,506,417
Health and welfare	30,469	-	-	282,278	312,747
Community and economic development	58,180	-	-	30,327	88,507
Recreation and culture	333,914	-	-	116,047	449,961
Capital outlay	-	-	-	617,840	617,840
Debt service	-	-	-	106,821	106,821
<b>TOTAL EXPENDITURES</b>	<b>4,246,029</b>	<b>454,473</b>	<b>295,874</b>	<b>1,550,659</b>	<b>6,547,035</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>407,000</b>	<b>168,627</b>	<b>11,583</b>	<b>(498,230)</b>	<b>88,980</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from borrowing	-	-	-	273,186	273,186
Transfers in	-	-	100,000	53,063	153,063
Transfers (out)	(103,063)	-	-	-	(103,063)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(103,063)</b>	<b>-</b>	<b>100,000</b>	<b>326,249</b>	<b>323,186</b>
<b>CHANGE IN FUND BALANCE</b>	<b>303,937</b>	<b>168,627</b>	<b>111,583</b>	<b>(171,981)</b>	<b>412,166</b>
Fund balance, beginning of year	1,160,441	746,452	225,442	1,137,163	3,269,498
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,464,378</b>	<b>\$ 915,079</b>	<b>\$ 337,025</b>	<b>\$ 965,182</b>	<b>\$ 3,681,664</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, 2022

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 412,166</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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.</p>		
Capital outlays	\$ 799,361	
Depreciation expense	(345,084)	
Net book value of disposed assets	-	454,277
<p>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.</p>		
		(273,186)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		106,821
<p>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.</p>		
Pension liability expense - MERS		(258,019)
Pension liability expense - Police Retirement		(40,348)
OPEB expense		2,637,133
<p>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.</p>		
Compensated absences		(10,423)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 3,028,421</b>

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

City of Negaunee, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

December 31, 2022

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Electric Fund	Water Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 888,672	\$ 2,488,796	\$ 1,459,341	\$ 4,836,809
Accounts receivable	120,142	224,539	108,853	453,534
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(17,300)
Loan receivable	-	-	326,000	326,000
Due from other governmental units	-	172,000	-	172,000
Prepaid expense	39,123	14,250	-	53,373
Non-current Assets:				
Restricted cash	1,373,170	700,000	1,541,715	3,614,885
Investment in UPPPA Electric Utility	-	358,241	-	358,241
Investment in Joint Water Authority	-	-	543,875	543,875
Capital Assets:				
Land and construction in progress	225,810	132,417	1,809,410	2,167,637
Other capital assets, net	8,562,300	1,088,989	5,238,095	14,889,384
Total Capital Assets	<u>8,788,110</u>	<u>1,221,406</u>	<u>7,047,505</u>	<u>17,057,021</u>
<b>TOTAL ASSETS</b>	<u>11,205,917</u>	<u>5,169,532</u>	<u>11,022,989</u>	<u>27,398,438</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amounts on refunding	92,858	-	-	92,858
Deferred outflows related to OPEB	269	269	60	598
Deferred outflows related to pension	71,830	307,844	84,161	463,835
Employer pension contributions subsequent to measurement date	-	-	-	-
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>164,957</u>	<u>308,113</u>	<u>84,221</u>	<u>557,291</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	11,540	265,262	353,928	630,730
Due to other funds	-	-	-	-
Accrued liabilities	21,788	-	9,578	31,366
Accrued salaries	3,707	13,456	6,174	23,337
Customer deposits payable	-	413,145	-	413,145
Non-current Liabilities:				
Portion due or payable within one year				
Bonds payable	69,000	-	178,000	247,000
Notes payable	-	22,764	-	22,764
Compensated absences	-	-	-	-
Portion due or payable after one year				
Bonds payable	3,623,000	-	2,657,000	6,280,000
Notes payable	-	32,342	-	32,342
Compensated absences	9,474	23,445	12,677	45,596
Net OPEB liability	1,012,056	1,012,056	224,901	2,249,013
Net pension liability	555,491	1,752,714	754,383	3,062,588
<b>TOTAL LIABILITIES</b>	<u>5,306,056</u>	<u>3,535,184</u>	<u>4,196,641</u>	<u>13,037,881</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to OPEB	-	-	-	-
Deferred inflows related to pension	16,087	55,975	17,121	89,183
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>16,087</u>	<u>55,975</u>	<u>17,121</u>	<u>89,183</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,188,968	1,166,300	4,212,505	10,567,773
Restricted for:				
Capital improvement	768,928	700,000	988,492	2,457,420
Debt service	842,565	-	472,185	1,314,750
Unrestricted	(751,730)	20,186	1,220,266	488,722
<b>TOTAL NET POSITION</b>	<u>\$ 6,048,731</u>	<u>\$ 1,886,486</u>	<u>\$ 6,893,448</u>	<u>\$ 14,828,665</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, 2022

	<b>Business-Type Activities Enterprise Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Water Fund</b>	
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,472,108	\$ 3,699,115	\$ 1,361,587	\$ 6,532,810
Other operating revenue	14,132	2,803	52,368	69,303
<b>TOTAL OPERATING REVENUES</b>	<b>1,486,240</b>	<b>3,701,918</b>	<b>1,413,955</b>	<b>6,602,113</b>
<b>OPERATING EXPENSES:</b>				
Power and pumping	-	-	1,511	1,511
Transmission and distribution	-	836,550	337,031	1,173,581
Customer accounting and collection	53,336	116,833	54,490	224,659
Administrative and general	(6,792)	(259,395)	334,344	68,157
Sewage, sanitary and storm sewers	281,270	-	-	281,270
Wastewater treatment plant	62	-	-	62
Services purchased	-	2,324,836	-	2,324,836
Water meters	-	-	8,058	8,058
Provision for depreciation	320,853	116,461	302,999	740,313
<b>TOTAL OPERATING EXPENSES</b>	<b>648,729</b>	<b>3,135,285</b>	<b>1,038,433</b>	<b>4,822,447</b>
<b>OPERATING INCOME (LOSS)</b>	<b>837,511</b>	<b>566,633</b>	<b>375,522</b>	<b>1,779,666</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income	12,702	60,693	17,632	91,027
Gain/(loss) on sale of assets	-	-	-	-
Bond issuance costs	-	-	(42,390)	(42,390)
Interest expense on bonds	(99,403)	(3,645)	(26,151)	(129,199)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(86,701)</b>	<b>57,048</b>	<b>(50,909)</b>	<b>(80,562)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTION AND TRANSFERS</b>	<b>750,810</b>	<b>623,681</b>	<b>324,613</b>	<b>1,699,104</b>
Capital contribution	-	4,500	16,768	21,268
Transfers in	-	-	-	-
Transfers (out)	-	(50,000)	-	(50,000)
<b>CHANGE IN NET POSITION</b>	<b>750,810</b>	<b>578,181</b>	<b>341,381</b>	<b>1,670,372</b>
Net position, beginning of year	5,297,921	1,308,305	6,552,067	13,158,293
<b>NET POSITION, END OF YEAR</b>	<b>\$ 6,048,731</b>	<b>\$ 1,886,486</b>	<b>\$ 6,893,448</b>	<b>\$ 14,828,665</b>

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, 2022

	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	\$ 1,471,768	\$ 3,715,876	\$ 1,033,489	\$ 6,221,133
Other operating revenues	14,132	2,803	52,368	69,303
Cash payments to employees for services	(906,674)	(1,060,102)	(347,500)	(2,314,276)
Cash payments to suppliers for goods and services	(246,054)	(2,588,338)	(224,136)	(3,058,528)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>333,172</u>	<u>70,239</u>	<u>514,221</u>	<u>917,632</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	-	-	1,558,000	1,558,000
Acquisition and construction of capital assets	(110,120)	(330,884)	(1,343,645)	(1,784,649)
Net book value of assets disposed of	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Capital contributions received	-	4,500	16,768	21,268
Principal payment on long-term bonds and notes payable	(361,000)	(21,559)	(81,000)	(463,559)
Bond issuance costs	-	-	(42,390)	(42,390)
Interest paid on long-term bonds and notes payable	(80,832)	(3,645)	(26,151)	(110,628)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(551,952)</u>	<u>(351,588)</u>	<u>81,582</u>	<u>(821,958)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
(Increase) decrease in investment in UPPPA Electric Utility	-	(20,162)	-	(20,162)
Investment income	12,702	60,693	17,632	91,027
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>12,702</u>	<u>40,531</u>	<u>17,632</u>	<u>70,865</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(206,078)</u>	<u>(290,818)</u>	<u>613,435</u>	<u>116,539</u>
Cash and cash equivalents, beginning of year	2,467,920	3,479,614	2,387,621	8,335,155
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,261,842</u>	<u>\$ 3,188,796</u>	<u>\$ 3,001,056</u>	<u>\$ 8,451,694</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>				
Cash and cash equivalents	\$ 888,672	\$ 2,488,796	\$ 1,459,341	\$ 4,836,809
Restricted cash	1,373,170	700,000	1,541,715	3,614,885
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u>\$ 2,261,842</u>	<u>\$ 3,188,796</u>	<u>\$ 3,001,056</u>	<u>\$ 8,451,694</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 837,511	\$ 566,633	\$ 375,522	\$ 1,779,666
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	320,853	116,461	302,999	740,313
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	(340)	16,761	(2,098)	14,323
(Increase) decrease in grants receivable	-	-	(326,000)	(326,000)
(Increase) decrease in prepaid expense	(39,123)	-	-	(39,123)
Increase (decrease) in accounts payable	(30,307)	20,041	296,711	286,445
Increase (decrease) in accrued liabilities	(475)	-	(607)	(1,082)
Increase (decrease) in accrued payroll liabilities	2,163	2,737	6,930	11,830
Increase (decrease) in customer deposits payable	-	18,800	-	18,800
Increase (decrease) in OPEB liability and related	(791,140)	(791,140)	(175,809)	(1,758,089)
Increase (decrease) in net pension liability and related	34,030	119,946	36,573	190,549
<b>NET ADJUSTMENTS</b>	<u>(504,339)</u>	<u>(496,394)</u>	<u>138,699</u>	<u>(862,034)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 333,172</u>	<u>\$ 70,239</u>	<u>\$ 514,221</u>	<u>\$ 917,632</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, 2022

	<b>Pension (and Other Employee Benefit) Trust Funds</b>		<b>Custodial Fund</b>	
	<b>Police Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Tax Collection Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and equivalents	\$ -	\$ -	\$ 1,195,213	\$ 1,195,213
Investments	4,528,544	84,645	-	4,613,189
	<b>TOTAL ASSETS</b>	<b>84,645</b>	<b>1,195,213</b>	<b>5,808,402</b>
<b>LIABILITIES</b>				
Due to local governments	-	-	1,195,213	1,195,213
	<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,195,213</b>	<b>1,195,213</b>
<b>NET POSITION</b>				
Restricted for:				
Pension benefits	4,528,544	-	-	4,528,544
OPEB benefits	-	84,645	-	84,645
Other governments	-	-	-	-
	<b>TOTAL NET POSITION</b>	<b>\$ 84,645</b>	<b>\$ -</b>	<b>\$ 4,613,189</b>

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, 2022

	Pension (and Other Employee Benefit) Trust Funds		Custodial Fund	Total
	Police Pension Trust Fund	OPEB Trust Fund	Tax Collection Fund	
<b>ADDITIONS:</b>				
Contributions:				
Employer	\$ 296,786	\$ 367,107	\$ -	\$ 663,893
Employee	33,347	-	-	33,347
Total Contributions	<u>330,133</u>	<u>367,107</u>	<u>-</u>	<u>697,240</u>
Investment Income:				
Net appreciation (depreciation) in fair value of investments	(643,920)	(1,868)	-	(645,788)
Interest and dividends	-	-	-	-
Administrative expense	(11,797)	(13)	-	(11,810)
Net Investment Income (Loss)	<u>(655,717)</u>	<u>(1,881)</u>	<u>-</u>	<u>(657,598)</u>
Other Additions:				
Property tax collections for other governments	-	-	5,449,238	5,449,238
Total Other Additions	<u>-</u>	<u>-</u>	<u>5,449,238</u>	<u>5,449,238</u>
<b>TOTAL ADDITIONS</b>	<u>(325,584)</u>	<u>365,226</u>	<u>5,449,238</u>	<u>5,488,880</u>
<b>DEDUCTIONS:</b>				
Benefits and annuity withdrawals	364,639	280,581	-	645,220
Payments of property taxes to other governments	-	-	5,449,238	5,449,238
<b>TOTAL DEDUCTIONS</b>	<u>364,639</u>	<u>280,581</u>	<u>5,449,238</u>	<u>6,094,458</u>
<b>CHANGE IN NET POSITION</b>	<u>(690,223)</u>	<u>84,645</u>	<u>-</u>	<u>(605,578)</u>
Net position, beginning of year	5,218,767	-	-	5,218,767
<b>NET POSITION, END OF YEAR</b>	<u>\$ 4,528,544</u>	<u>\$ 84,645</u>	<u>\$ -</u>	<u>\$ 4,613,189</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, 2022

	Negaunee Housing Commission	Downtown Development Authority	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,091,521	\$ 50,984	\$ 1,142,505
Investments	281,508	-	281,508
Accounts receivable	15,618	25,095	40,713
Prepaid expense	19,541	-	19,541
Inventories	7,955	-	7,955
Non-current Assets:			
Restricted cash	28,526	-	28,526
Capital Assets:			
Land and construction in progress	18,720	-	18,720
Other capital assets, net	577,180	-	577,180
Total Capital Assets	<u>595,900</u>	<u>-</u>	<u>595,900</u>
<b>TOTAL ASSETS</b>	<u>2,040,569</u>	<u>76,079</u>	<u>2,116,648</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pension	66,927	-	66,927
Employer pension contributions subsequent to measurement date	54,044	-	54,044
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>120,971</u>	<u>-</u>	<u>120,971</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	36,493	27,205	63,698
Accrued liabilities	67,819	-	67,819
Tenant security deposits	28,526	-	28,526
Unearned revenue	2,677	-	2,677
Non-current Liabilities:			
Portion due or payable within one year			
Compensated absences	70,359	-	70,359
Portion due or payable after one year			
Compensated absences	9,219	-	9,219
Net pension liability	285,513	-	285,513
<b>TOTAL LIABILITIES</b>	<u>500,606</u>	<u>27,205</u>	<u>527,811</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a subsequent period	-	24,295	24,295
Deferred inflows related to pension	9,505	-	9,505
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u>9,505</u>	<u>24,295</u>	<u>33,800</u>
<b>NET POSITION</b>			
Net investment in capital assets	595,900	-	595,900
Restricted	-	-	-
Unrestricted	1,055,529	24,579	1,080,108
<b>TOTAL NET POSITION</b>	<u>\$ 1,651,429</u>	<u>\$ 24,579</u>	<u>\$ 1,676,008</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, 2022

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	\$ 539,309	\$ 359,407	\$ 67,667	\$ 68,831	(43,404)	-	(43,404)
Downtown Development Authority	109,187	-	28,576	50,000	-	(30,611)	(30,611)
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 648,496</u>	<u>\$ 359,407</u>	<u>\$ 96,243</u>	<u>\$ 118,831</u>	<u>(43,404)</u>	<u>(30,611)</u>	<u>(74,015)</u>
General Revenues:							
Property taxes					-	27,851	27,851
Interest and investment earnings					2,085	-	2,085
Gain/(loss) on sale of assets					-	-	-
Miscellaneous					11,943	-	11,943
<b>TOTAL GENERAL REVENUES</b>					<u>14,028</u>	<u>27,851</u>	<u>41,879</u>
<b>CHANGE IN NET POSITION</b>					(29,376)	(2,760)	(32,136)
Net position, beginning of year					1,680,805	27,339	1,708,144
<b>NET POSITION, END OF YEAR</b>					<u>\$ 1,651,429</u>	<u>\$ 24,579</u>	<u>\$ 1,676,008</u>

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

CITY OF NEGAUNEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

December 31, 2022

**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.

*Debt Funds* – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*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 and the OPEB Trust Fund are pension (and other employee benefit) trust funds 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 25, 2023, which is the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE B – 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	\$7,291,511	\$1,142,505	\$1,195,213	\$9,629,229
Restricted	3,614,885	28,526	-	3,643,411
Subtotal	<u>10,906,396</u>	<u>1,171,031</u>	<u>1,195,213</u>	<u>13,272,640</u>
Investments				
Unrestricted	1,507,064	281,508	4,613,189	6,401,761
Restricted	-	-	-	-
Subtotal	<u>1,507,064</u>	<u>281,508</u>	<u>4,613,189</u>	<u>6,401,761</u>
Total	<u>\$12,413,460</u>	<u>\$1,452,539</u>	<u>\$5,808,402</u>	<u>\$19,674,401</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 \$13,272,640 and the bank balance was \$13,924,352. The bank balance is categorized as follows:

Amount insured by the FDIC	\$3,892,148
Amount uninsured and uncollateralized	<u>10,032,204</u>
Total	<u>\$13,924,352</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, 2022, the City had the following investments:

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

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>General Fund:</b>				
U.S. Government Obligations*	\$1,507,064	\$1,507,064	\$-	\$-
Subtotal	1,507,064	1,507,064	-	-
<b>Pension Trust Fund:</b>				
Mutual Funds*	4,528,544	4,528,544	-	-
Subtotal	4,528,544	4,528,544	-	-
<b>OPEB Trust Fund:</b>				
Money Markets*	84,645	-	84,645	-
Subtotal	84,645	-	84,645	-
<b>Component Unit:</b>				
Certificate of Deposit*	281,508	-	281,508	-
Subtotal	281,508	-	281,508	-
<b>TOTAL</b>	<b>\$6,401,761</b>	<b>\$6,035,608</b>	<b>\$366,153</b>	<b>\$-</b>

\* Investment matures within one year

\*\* Investment matures in 1-5 years

\*\*\* Investment matures in 6-10 years

**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.

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

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:

		<u>December 31, 2022</u>	
		<u>Required Balance</u>	<u>Actual Balance</u>
<b>I. Construction accounts</b>			
	These accounts are used to receive loan/grant proceeds and pay construction costs.		
	a. 2022 Water Supply Revenue Bond	\$263,468	\$263,468
<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. 2022 Water Supply Revenue Bond, ½ of interest due on next payment and not less than ½ of the principal due the next year	49,197	-
	b. 2020 Water Supply Refunding Bond, ½ of interest due on next payment and not less than ½ of the principal due the next year	26,885	57,855
	c. 2020 Sewer Revenue Refunding Bond, ½ of interest due on next payment and not less than ½ of the principal due the next year	76,776	-
	d. 2012 Sewer Revenue Refunding Bond, 4 months of interest and 4 months of principal in deposits	44,789	45,289
<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. 2022 Water Supply Revenue Bond, maximum \$193,000	4,825	-
	b. 2020 Water Supply Refunding Bond, lesser of maximum debt service in any year or 125% of average debt service or 10% of amount refinanced	109,810	121,500
	c. 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	91,053
	d. 2012 Sewer Revenue Refunding Bond, maximum \$163,000	163,000	130,473

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

**IV. Capital improvement accounts**

These accounts are required to be funded per bond. These funds are to be used for repairs, replacement, or improvements to the water system. If the amounts in the bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.

a. 2022 Water Supply Revenue Bond, \$72,000 per year	\$18,000	\$-
b. 2020 Water Supply Refunding Bond, no reserve is required	-	110,400
c. 2012 Sewer Revenue Refunding Bond \$46,700 per year	467,000	337,350

**d. Operations and maintenance accounts**

These accounts are required to be funded per bond issues. The fund shall be used solely for the operation and maintenance of the System.

a. 2020 Sewer Revenue Refunding Bond, sum sufficient to provide for payment of next quarter's expenses of administration and operation, no reserve is required	-	77
b. 2012 Sewer Revenue Refunding Bond, no reserve is required	-	-

Sewer - USDA	842,565	604,242
Water - USDA	472,185	553,223
USDA Subtotal	1,314,750	1,157,465
Electric – Internal Restriction	700,000	700,000
Sewer – Internal Restriction	768,928	768,928
Water – Internal Restriction	988,492	988,492
Total	<u>\$3,772,170</u>	<u>\$3,614,885</u>

**NOTE D – ACCOUNTS RECEIVABLE:**

A summary of accounts receivable at December 31, 2022 is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Property taxes	\$2,528,313	\$-	\$2,528,313
Other	171,767	-	171,767
Due from other gov't	243,823	172,000	415,823
Utilities	30,242	436,234	466,476
Loan receivable	-	326,000	326,000
Total	<u>\$2,974,145</u>	<u>\$934,234</u>	<u>\$3,908,379</u>

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	\$2,974,745	\$951,534
Less: allowance for uncollectible accounts	(600)	(17,300)
Net receivable	<u>\$2,974,145</u>	<u>\$934,234</u>

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

The amounts of interfund receivables and payables as of December 31, 2022 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	-	-	-	-
	Total Due From Other Funds	\$-	\$-	\$-	\$-

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.

The transfers between funds for the year ended December 31, 2022 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	\$-	\$-	\$-	\$-	\$-
	Major Street Fund	-	-	-	-	-
	Local Street Fund	100,000	-	-	-	100,000
	Other Gov'tl Funds	3,063	-	50,000	-	53,063
	Sewer Fund	-	-	-	-	-
	Electric Fund	-	-	-	-	-
	Water Fund	-	-	-	-	-
	Total Transfers Out	\$103,063	\$-	\$50,000	\$-	\$153,063

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, 2022 is as follows:

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
Capital assets not being depreciated:				
Land	\$1,071,126	\$-	\$-	\$1,071,126
Construction in progress	1,079,223	142,707	(1,221,930)	-
Subtotal	<u>2,150,349</u>	<u>142,707</u>	<u>(1,221,930)</u>	<u>1,071,126</u>
Capital assets being depreciated:				
Land improvements	823,748	115,139	-	938,887
Buildings	6,227,233	542,269	-	6,769,502
Building improvements	566,803	564,523	-	1,131,326
Equipment and vehicles	4,029,579	65,715	-	4,095,294
Infrastructure	2,406,571	590,938	-	2,997,509
Subtotal	<u>14,053,934</u>	<u>1,878,584</u>	<u>-</u>	<u>15,932,518</u>
Total Capital Assets	<u>16,204,283</u>	<u>2,021,291</u>	<u>(1,221,930)</u>	<u>17,003,644</u>
Less accumulated depreciation:				
Land Improvements	(226,713)	(28,258)	-	(254,971)
Buildings	(5,792,261)	(30,276)	-	(5,822,537)
Building improvements	(307,121)	(30,201)	-	(337,322)
Equipment and vehicles	(3,278,339)	(142,548)	-	(3,420,887)
Infrastructure	(1,249,853)	(113,801)	-	(1,363,654)
Total Accumulated Depreciation	<u>(10,854,287)</u>	<u>(345,084)</u>	<u>-</u>	<u>(11,199,371)</u>
Capital Assets, Net	<u>\$5,349,996</u>	<u>\$1,676,207</u>	<u>(\$1,221,930)</u>	<u>\$5,804,273</u>

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

Governmental Activities:	
General Government	\$39,643
Public Safety	53,140
Public Works	218,423
Health and Welfare	1,947
Community and Economic Development	-
Recreation and Culture	31,931
Total Depreciation Expense	<u>\$345,084</u>

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

A summary of changes in business-type activities capital assets as of December 31, 2022, is as follows:

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
Capital assets not being depreciated:				
Land	\$52,200	\$-	\$-	\$52,200
Construction in progress	682,827	1,452,610	(20,000)	2,115,437
Subtotal	<u>735,027</u>	<u>1,452,610</u>	<u>(20,000)</u>	<u>2,167,637</u>
Capital assets being depreciated:				
Sewer plant and equipment	12,513,684	104,218	-	12,617,902
Electric system and equipment	3,104,496	218,871	-	3,323,367
Water plant and equipment	11,890,218	28,950	-	11,919,168
Subtotal	<u>27,508,398</u>	<u>352,039</u>	<u>-</u>	<u>27,860,437</u>
Total Capital Assets	<u>28,243,425</u>	<u>1,804,649</u>	<u>(20,000)</u>	<u>30,028,074</u>
Less accumulated depreciation:				
Sewer plant and equipment	(3,734,749)	(320,853)	-	(4,055,602)
Electric system and equipment	(2,117,917)	(116,461)	-	(2,234,378)
Water plant and equipment	(6,378,074)	(302,999)	-	(6,681,073)
Total Accumulated Depreciation	<u>(12,230,740)</u>	<u>(740,313)</u>	<u>-</u>	<u>(12,971,053)</u>
Capital Assets, Net	<u>\$16,012,685</u>	<u>\$1,064,336</u>	<u>(\$20,000)</u>	<u>\$17,057,021</u>

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

Business-type Activities:	
Sewer system	\$320,853
Electric system	116,461
Water system	302,999
Total Depreciation Expense	<u>\$740,313</u>

A summary of changes in the discretely presented component units capital assets as of December 31, 2022 is as follows:

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
Capital assets not being depreciated:				
Land	\$18,720	\$-	\$-	\$18,720
Construction in progress	-	-	-	-
Subtotal	<u>18,720</u>	<u>-</u>	<u>-</u>	<u>18,720</u>
Capital assets being depreciated:				
Building and improvement	4,458,483	63,175	-	4,521,658
Equipment	231,859	12,155	(4,283)	239,731
Subtotal	<u>4,690,342</u>	<u>75,330</u>	<u>(4,283)</u>	<u>4,761,389</u>
Total Capital Assets	<u>4,709,062</u>	<u>75,330</u>	<u>(4,283)</u>	<u>4,780,109</u>
Less accumulated depreciation:				
Accumulated Depreciation	(4,084,360)	(104,132)	4,283	(4,184,209)
Total Accumulated Depreciation	<u>(4,084,360)</u>	<u>(104,132)</u>	<u>4,283</u>	<u>(4,184,209)</u>
Capital Assets, Net	<u>\$624,702</u>	<u>(\$28,802)</u>	<u>\$-</u>	<u>\$595,900</u>

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

Depreciation expense for the discretely presented component unit was charged \$104,132 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, 2022 include the following:

USDA Wastewater Project, \$145,976; the City continued the engineering phase of a major wastewater improvement project in the prior year. Total cost for the project is expected to be \$320,000.

Buffalo Road Sewer Project, \$17,594; the City continued the engineering phase of a sewer improvement project on Buffalo Road in the current year. The project is in the early stages and the total cost is not yet known.

Sewer Improvement Project 2023, \$10,040; the City began the engineering phase of a sewer improvement project throughout the City in the current year. The project is in the early stages and the total cost is not yet known.

Substation Project, \$132,417; the City continued engineering to build its own substation in the current year. The cost for the project is expected to be approximately \$6 million.

Water Project Phase 1, \$1,769,527; the City continued Phase 1 of a major water improvement project in the current year. Total cost for the project is expected to be approximately \$5.5 million for Phase 1.

DWAM Project, \$39,883; the City continued a Drinking Water Asset Management project in the current year. Total cost for the project is expected to be approximately \$460,000.

As of December 31, 2022, total construction in progress costs incurred amounted to \$0 in the governmental type activities and \$2,115,437 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, 2022:

	Balance 1/1/22	Additions	Deductions	Balance 12/31/22	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
<i>Loans:</i>					
Zamboni (Payable annually including interest of 6.112%)	\$61,720	\$-	(\$14,242)	\$47,478	\$15,006
Peterbilt Snowplows (2) (Payable annually including of 5.18%)	135,178	-	(65,884)	69,294	69,294
2020 Police Tahoe (Payable annually including interest of 5.29%)	12,571	-	(12,571)	-	-
2022 Police Tahoe (Payable annually including interest of 5.54%)	-	40,186	(14,124)	26,062	12,680
Subtotal	<u>209,469</u>	<u>40,186</u>	<u>(106,821)</u>	<u>142,834</u>	<u>96,980</u>
<i>Bonds:</i>					
2022 Limited Tax General Obligation Capital Improv Bond (Payable semi-annually including interest of 2.8%)	-	233,000	-	233,000	20,000
Subtotal	<u>-</u>	<u>233,000</u>	<u>-</u>	<u>233,000</u>	<u>20,000</u>
<i>Compensated absences</i>	127,767	10,423	-	138,190	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$337,236</u></b>	<b><u>\$283,609</u></b>	<b><u>(\$106,821)</u></b>	<b><u>\$514,024</u></b>	<b><u>\$116,980</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
<i>Revenue Bonds:</i>					
Sewer System, Series 2012	\$3,143,000	\$-	(\$67,000)	\$3,076,000	\$69,000
Sewer System, Series 2020	910,000	-	(294,000)	616,000	-
Water Supply, Series 2020	1,358,000	-	(81,000)	1,277,000	82,000
Water Supply, Series 2022	-	1,558,000	-	1,558,000	96,000
Subtotal	<u>5,411,000</u>	<u>1,558,000</u>	<u>(442,000)</u>	<u>6,527,000</u>	<u>247,000</u>
<i>Loans:</i>					
Aerial Truck (Payable monthly including interest of 5.45%)	76,665	-	(21,559)	55,106	22,764
Subtotal	<u>76,665</u>	<u>-</u>	<u>(21,559)</u>	<u>55,106</u>	<u>22,764</u>
Less: Deferred gain on refunding 2020	(111,429)	-	18,571	(92,858)	-
Subtotal	<u>5,376,236</u>	<u>1,558,000</u>	<u>(444,988)</u>	<u>6,489,248</u>	<u>269,764</u>
<i>Compensated absences</i>	36,582	9,014	-	45,596	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>\$5,412,818</u></b>	<b><u>\$1,567,014</u></b>	<b><u>(\$444,988)</u></b>	<b><u>\$6,534,844</u></b>	<b><u>\$269,764</u></b>

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

The annual principal and interest requirements are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$116,980	\$13,823	\$269,764	\$192,851
2024	50,194	8,154	426,035	189,554
2025	38,660	5,962	417,307	181,800
2026	22,000	4,452	417,000	174,899
2027	23,000	3,822	427,000	167,936
2028-2032	125,000	8,554	1,436,000	754,060
2033-2037	-	-	1,426,000	610,400
2038-2042	-	-	1,179,000	489,294
2043-2047	-	-	1,311,000	371,140
2048-2052	-	-	1,462,000	239,348
2053-2057	-	-	837,000	124,564
2058-2062	-	-	916,000	48,774
Less: amounts to be drawn	-	-	(3,942,000)	-
<b>Total</b>	<b>\$375,834</b>	<b>\$44,767</b>	<b>\$6,582,106</b>	<b>\$3,544,620</b>

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, 2022, \$885,000 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, matures 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	
	Interest	Principal	Interest	Total
2023	\$-	\$-	\$3,665	\$3,665
2024	3,665	151,000	2,767	157,432
2025	2,767	153,000	1,856	157,623
2026	1,856	155,000	934	157,790
2027	934	157,000	-	157,934
Total	<u>\$9,222</u>	<u>\$616,000</u>	<u>\$9,222</u>	<u>\$634,444</u>

**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	
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	30,441	74,000	30,441	134,882
2027	29,654	76,000	29,654	135,308
2028-2032	135,734	411,000	135,734	682,468
2033-2037	112,700	469,000	112,700	694,400
2038-2042	86,446	533,000	86,446	705,892
2043-2047	56,621	607,000	56,621	720,242
2048-2052	22,610	695,000	22,610	740,220
Total	<u>\$570,044</u>	<u>\$3,076,000</u>	<u>\$570,044</u>	<u>\$4,216,088</u>

**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.

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

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, 2022, \$1,304,000 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, matures 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	
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	10,485	43,000	9,620	44,000	107,105
2027	9,620	45,000	8,720	46,000	109,340
2028-2033	34,170	240,000	29,370	242,000	545,540
2033-2037	9,485	210,000	5,565	157,000	382,050
Total	\$100,220	\$662,000	\$87,245	\$615,000	\$1,464,465

### 2022 Water Supply System Revenue Bonds

In July 2022, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2022, authorized the issuance of \$5,500,000 in Water Supply System Junior Lien Revenue Bonds, Series 2022 for the purpose of (1) paying part the costs of the acquisition and construction of improvements to the City's Water Supply System. The improvements consist of acquisition, construction, furnishing and equipping of improvements to the City's water supply system, including replacing existing water distribution mains, water service lines, hydrants, and associated vales and connections, together with any related sites, structures, equipment, appurtenances and attachments. The total cost of the project is approximately \$5,500,000, which the City has issued revenue bonds to cover the cost. The Water Supply System Junior Lien Revenue Bonds, Series 2022 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. 2022.

The bonds, dated June 28, 2022, mature annually on July 1 of each year through July 1, 2062. Interest is payable on January 1 and July 1 of each year at an average interest rate of 1.75% 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	
2023	\$48,125	\$96,000	\$48,125	\$192,250
2024	47,285	98,000	47,285	192,570
2025	46,428	99,000	46,428	191,856
2026	45,561	101,000	45,561	192,122
2027	44,677	103,000	44,677	192,354
2028-2032	209,526	543,000	209,526	962,052
2033-2037	184,975	590,000	184,975	959,950
2038-2042	158,201	646,000	158,201	962,402
2043-2047	128,949	704,000	128,949	961,898
2048-2052	97,064	767,000	97,064	961,128
2053-2057	62,282	837,000	62,282	961,564
2058-2062	24,387	916,000	24,387	964,774
Less: amounts to be drawn	-	(3,942,000)	-	(3,942,000)
Total	<u>\$1,097,460</u>	<u>\$1,558,000</u>	<u>\$1,097,460</u>	<u>\$3,752,920</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.

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

	Sick Leave	Vacation	Total
<b>ACCRUED SICK AND VACATION:</b>			
Sewer Fund	\$8,515	\$959	\$9,474
Electric Fund	20,707	2,738	23,445
Water Fund	11,324	1,353	12,677
Governmental Activities – long-term portion	124,776	13,414	138,190
Total	<u>\$165,322</u>	<u>\$18,464</u>	<u>\$183,786</u>



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

Property taxes levied on December 1, 2022 have met all criteria related to revenue recognition except for time and as such are recorded as a deferred inflow of resources. The amount of taxes levied for a subsequent period is as follows:

	<u>Primary Government</u>
General Fund	\$2,013,485
Street Millage Fund	227,605
Parks Beautification Fund	110,832
Equipment Fund	170,701
TOTAL	<u>\$2,522,623</u>
	<u>Component Unit</u>
Downtown Development Authority	\$24,295
TOTAL	<u>\$24,295</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, 2022, 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	17,033	-	-	-	17,033
Subtotal	<u>17,033</u>	<u>-</u>	<u>-</u>	<u>115,935</u>	<u>132,968</u>
<b>Restricted:</b>					
Transportation Funds	-	692,596	-	-	692,596
Street Millage	-	-	-	247,933	247,933
Cemetery	-	-	-	(26,280)	(26,280)
Library State Aid	-	-	-	15,384	15,384
Elderly Citizens	-	-	-	128,052	128,052
Park Beautification Millage	-	-	-	29,582	29,582
Equipment Millage	-	-	-	-	-
Subtotal	<u>-</u>	<u>692,596</u>	<u>-</u>	<u>394,671</u>	<u>1,087,267</u>
<b>Committed:</b>					
Economic Development	-	-	-	5,000	5,000
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>Assigned:</b>					
Transportation Funds	-	222,483	337,025	-	559,508
Law Enforcement	-	-	-	955	955
Crime Prevention	-	-	-	2,013	2,013
Economic Development	-	-	-	181,818	181,818
Salvage Inspection	-	-	-	7,150	7,150
Drug Forfeiture	-	-	-	362	362
Park Beautification	-	-	-	13,317	13,317
Building Improvement	-	-	-	33,722	33,722
Park Improvements	-	-	-	4,970	4,970
Equipment	-	-	-	205,269	205,269
Subtotal	<u>-</u>	<u>222,483</u>	<u>337,025</u>	<u>449,576</u>	<u>1,009,084</u>
Unassigned	1,447,345	-	-	-	1,447,345
Total fund balances	<u>\$1,464,378</u>	<u>\$915,079</u>	<u>\$337,025</u>	<u>\$965,182</u>	<u>\$3,681,664</u>

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

	2021 Valuation	
	<b>01 – General: Open Division</b>	<b>10 – Public Works: Closed to new hires (linked to Division 11</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)	N/A
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)

	2021 Valuation	
	<b>11 – Public Works af 8/1/2021: Open Division (linked to Division 10</b>	
Benefit Multiplier:	Bridged	Benefit: 2.50% Multiplier (80% Max) – Frozen FAC; 2.25% Multiplier (80% Max)
Bridged Benefit Date:	8/31/2021	
Normal Retirement Age:	60	
Vesting:	10 years	
Early Retirement (Unreduced):	55/25	
Early Retirement (Reduced):	50/25	
	55/15	
Final Average Compensation:	3 years	
Employee Contributions:	0%	
Act 88:	Yes (Adopted 8/9/1990)	

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

Employees covered by benefit terms

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

	Primary Government	Component Unit: Housing Commission
Inactive employees or beneficiaries currently receiving benefits:	42	1
Inactive employees entitled to but not yet receiving:	7	-
Active employees:	23	2
Total	72	3

Contributions

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

The contribution rates as a percentage of payroll as December 31, 2021 is as follows:

Division	Employer Contribution	Employee Contribution
01 – General	98.53%	0%
10 – Public Works	\$32,823	0%
11 – Public Works af 8/1/2021	12.95%	0%

Net Pension Liability

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

Actuarial assumptions

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment rate of return: 7.00%, net of investment expense, including inflation

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

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

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

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.90%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.00%		4.50%

### Discount rate

The discount rate used to measure the total pension liability is 7.25%. The 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 12/31/2021	\$14,035,569	\$7,907,522	\$6,128,047
<b>Changes for the Year</b>			
Service Cost	121,204	-	121,204
Interest on Total Pension Liability	1,015,612	-	1,015,612
Changes in benefits	-	-	-
Difference between expected and actual experience	(235,009)	-	(235,009)
Change in assumptions	454,382	-	454,382
Employer Contributions	-	743,007	(743,007)
Employee Contributions	-	-	-
Net Investment Income	-	(799,397)	799,397
Benefit payments, including employee refunds	(968,568)	(968,568)	-
Administrative expense	-	(14,208)	14,208
Other changes	(1,169)	-	(1,169)
<b>Net Changes</b>	<b>386,452</b>	<b>(1,039,166)</b>	<b>1,425,618</b>
<b>Balances at 12/31/2022</b>	<b>\$14,422,021</b>	<b>\$6,868,356</b>	<b>\$7,553,665</b>

**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 12/31/2021	\$697,382	\$478,831	\$218,551
<b>Changes for the Year</b>			
Service Cost	6,241	-	6,241
Interest on Total Pension Liability	49,045	-	49,045
Changes in benefits	-	-	-
Difference between expected and actual experience	(12,101)	-	(12,101)
Change in assumptions	23,397	-	23,397
Employer Contributions	-	54,044	(54,044)
Employee Contributions	-	-	-
Net Investment Income	-	(39,829)	39,829
Benefit payments, including employee refunds	(48,041)	(48,041)	-
Administrative expense	-	(710)	710
Other changes	13,885	-	13,885
<b>Net Changes</b>	<b>32,426</b>	<b>(34,536)</b>	<b>66,962</b>
<b>Balances at 12/31/2022</b>	<b>\$729,808</b>	<b>\$444,295</b>	<b>\$285,513</b>

**Net Pension Liability (NPL):**

MERS – Primary Government	\$7,553,665
Police – Primary Government (Note O)	1,358,046
Total Primary Government	<u>\$8,911,711</u>

**Net Pension Liability (NPL):**

MERS: Component Unit – Housing Commission	<u>\$285,513</u>
Total Component Unit	<u>\$285,513</u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	Primary Government		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/2022	\$7,553,665	\$7,553,665	\$7,553,665
Change in Net Pension Liability	1,451,521	-	(1,234,148)
Calculated Net Pension Liability	<u>\$9,005,186</u>	<u>\$7,553,665</u>	<u>\$6,319,517</u>

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

	Component Unit – Housing Commission		
	1%	Current	1%
	Decrease 6.25%	Discount Rate 7.25%	Increase 8.25%
Net Pension Liability at 12/31/2022	\$285,513	\$285,513	\$285,513
Change in Net Pension Liability	75,053	-	(63,761)
Calculated Net Pension Liability	<u>\$360,566</u>	<u>\$285,513</u>	<u>\$221,752</u>

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

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

For the year ended 2022 the employer recognized pension expense of \$448,568. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	12/31/2022		12/31/2022	
	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	\$-	(\$187,978)	\$-	(\$9,505)
Difference in assumptions Excess (Deficit) Investment Returns	438,744	-	22,623	-
	653,900	-	44,304	-
Subtotal	<u>1,092,644</u>	<u>(187,978)</u>	<u>66,927</u>	<u>(9,505)</u>
Contributions subsequent to the measurement date*	-	-	54,044	-
Total	<u>\$1,092,644</u>	<u>(\$187,978)</u>	<u>\$120,971</u>	<u>(\$9,505)</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 2023.

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
2023	\$240,569	\$16,926
2024	196,909	13,728
2025	180,324	11,821
2026	286,864	14,947
2027	-	-
Thereafter	-	-
Total	<u>\$904,666</u>	<u>\$57,422</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	\$1,092,644	(\$187,978)
Police – Primary Government (Note O)	1,149,715	(438,197)
Total Primary Government	<u>\$2,242,359</u>	<u>(\$626,175)</u>
<b>Deferred Amounts Related to Pension:</b>		
MERS: Component Unit – Housing Commission	\$66,927	(\$9,505)
Total Component Unit	<u>\$66,927</u>	<u>(\$9,505)</u>

Payable to the Pension Plan

At December 31, 2022, 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, 2022.

**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.

Benefits Provided

Group	Description of Benefits Provided
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.



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

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, 2022 valuation date, the following employees were covered by the benefit terms:

Active Employees	8
Retirees and beneficiaries	35
Total	<u>43</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 make annual contributions of \$86,526 to the OPEB Trust through 2041 and continue 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.

Net OPEB Liability

The City’s net OPEB Liability was measured as of December 31, 2022, and the total OPEB liability was determined by an annual actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of the December 31, 2022. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary Increases	3.00% (for purpose of allocating liability)
Investment rate of return	7.00%
20-year Aa Municipal bond rate	4.31%
Mortality	2010 Public General Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2021

The long-term expected rate of return on retirement 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 retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.0%	4.50%
Global Fixed Income	20.0%	2.00%
Private Investments	20.0%	7.00%

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

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00%.

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City will make annual contributions to the OPEB Trust of \$86,526 through 2041, and the City will continue to make benefit payments from general operating funds – pay-as-you-go. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members, the cross-over point (not applicable to The City’s plan). For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of December 31, 2021 the discount rate used to value OPEB liabilities was 2.25%.

Changes in Net OPEB Liability

<b>Calculating the Net OPEB Liability</b>			
	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at 12/31/2021	\$10,016,259	\$-	\$10,016,259
<b>Changes for the Year:</b>			
Service cost	54,764	-	54,764
Interest	223,441	-	223,441
Changes in benefits	-	-	-
Change in experience	(70,256)	-	(70,256)
Change in assumptions	(4,236,451)	-	(4,236,451)
Contributions to OPEB trust	-	86,526	(86,526)
Employer contributions	-	280,581	(280,581)
Employee contributions	-	-	-
Net investment income	-	(1,868)	1,868
Benefit payments, including refunds	(280,581)	(280,581)	-
Administrative expense	-	(13)	13
Other changes	-	-	-
<b>Net Changes</b>	<b>(4,309,083)</b>	<b>84,645</b>	<b>(4,393,728)</b>
<b>Balances as of 12/31/2022</b>	<b>\$5,707,176</b>	<b>\$84,645</b>	<b>\$5,622,531</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 7.00%, as well as what the City’s Net OPEB Liability would be using a discount rate that is 1 percentage point lower (6.00%) or 1% higher (8.00%) than the current rate.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability at 12/31/22	\$5,622,531	\$5,622,531	\$5,622,531
Change in Net OPEB Liability (NOL)	595,670	-	(501,114)
	<u>\$6,218,201</u>	<u>\$5,622,531</u>	<u>\$5,121,417</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.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability at 12/31/22	\$5,622,531	\$5,622,531	\$5,622,531
Change in Net OPEB Liability (NOL)	(515,942)	-	606,405
	<u>\$5,106,589</u>	<u>\$5,622,531</u>	<u>\$6,228,936</u>

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

For the year ended December 31, 2022, the City recognized OPEB expense/(benefit) of (\$4,395,222). 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	1,494	-
Subtotal	<u>1,494</u>	<u>-</u>
Contributions subsequent to the measurement date*	-	-
Total	<u>\$1,494</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, 2023.

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

<b>Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)</b>	
Plan Year Ended December 31,	Amount
2023	\$374
2024	374
2025	374
2026	372
2027	-
Thereafter	-
Total	<u>\$1,494</u>

**NOTE N – NET OPEB LIABILITY OF THE CITY (UNDER GASB 67):**

The components of the net OPEB liability of the City at December 31, 2022, are as follows:

Total OPEB liability	\$5,707,176
Plan fiduciary net position	<u>(84,645)</u>
City's net OPEB liability	<u>\$5,622,531</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.48%

**NOTE O – 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.

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>2022 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 50/20 for Police Chief
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.

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

Employees covered by benefit terms

At the December 31, 2022 valuation date, the latest actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	11
Inactive employees entitled to but not yet receiving:	2
Active employees:	8
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 contribution requirements for closed divisions.

Net Pension Liability

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

Actuarial assumptions

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Salary Increases: 3.25% per annum
- Investment rate of return: 6.85%, net of investment expense, including inflation
- Although no specific price inflation assumptions are needed for the valuation, the 3.25% long-term wage inflation assumption would be consistent with a price inflation of 3.25%.
- Mortality rates used were based on the 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-2021 (male and female scales). Distinct tables are used for employees, retirees and beneficiaries.
- 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

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

asset class that is included in the pension plan’s target asset allocation as of December 31, 2022, 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%

**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.

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

Concentration of Investments

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

Vangrd Tot Bd Mkt Ind Fd Adm	\$316,608
JPMorgan Equity Income Fund R6	632,955
DFA Emerging Markets Pt Ins	269,937
American Funds Wash Mtual R6	407,954
DFA Infl-Prot Sec Port Ins	226,554
DFA S-Tm Extend Quality Pt Ins	226,554
PIMCO Income Fund Ins	316,874
MFS Growth Fund R6	273,566
Pioneer Fundamental Growth F K	227,957
VOYA Intermediate Bond Fund R6	542,670
Vangrd Tot Int Stk In F Adm	406,921

Discount rate

A single discount rate of 6.85% 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 6.85%. 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.

**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 12/31/2021	\$5,877,127	\$5,218,767	\$658,360
<b>Changes for the Year</b>			
Service Cost	109,233	-	109,233
Interest on Total Pension Liability	396,536	-	396,536
Changes in benefits	-	-	-
Difference between expected and actual experience	(159,904)	-	(159,904)
Change in assumptions	28,237	-	28,237
Employer Contributions	-	305,997	(305,997)
Employee Contributions	-	24,136	(24,136)
Net Investment Income	-	(643,920)	643,920
Benefit payments, including employee refunds	(364,639)	(364,639)	-
Administrative expense	-	(11,797)	11,797
Other changes	-	-	-
<b>Net Changes</b>	<b>9,463</b>	<b>(690,223)</b>	<b>699,686</b>
<b>Balances at 12/31/2022</b>	<b>\$5,886,590</b>	<b>\$4,528,544</b>	<b>\$1,358,046</b>

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

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 6.85%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (5.85%) or 1% higher (7.85%) than the current rate.

	1% Decrease 5.85%	Current Discount Rate 6.85%	1% Increase 7.85%
Net Pension Liability at 12/31/2022	\$1,358,046	\$1,358,046	\$1,358,046
Change in Net Pension Liability	748,024	-	(615,634)
Calculated Net Pension Liability	<u>\$2,106,070</u>	<u>\$1,358,046</u>	<u>\$742,412</u>

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

For the year ended 2022 the employer recognized pension expense of \$40,348. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$235,325	(\$142,958)
Difference in assumptions	113,424	(8,361)
Excess (Deficit) Investment Returns	800,966	(286,878)
Subtotal	<u>1,149,715</u>	<u>(438,197)</u>
Contributions subsequent to the measurement date*	-	-
Total	<u>\$1,149,715</u>	<u>(\$438,197)</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 2023.

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

Plan Year Ended:	Amount
2023	\$124,703
2024	211,287
2025	203,403
2026	174,352
2027	(2,227)
Thereafter	-
Total	<u>\$711,518</u>

Payable to the Pension Plan

At December 31, 2022, there was a reported payable of \$20,857 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.



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

The components of the net pension liability of the City at December 31, 2022, are as follows:

Total pension liability	\$5,886,590
Plan fiduciary net position	<u>(4,528,544)</u>
City's net pension liability	<u>\$1,358,046</u>
Plan fiduciary net position as a percentage of the total pension liability	76.93%

**NOTE Q – PROPERTY TAXES:**

Property taxes levied on December 1, 2022, in the amount of \$2,522,623 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, 2022 (levied December 1, 2021) totaled 21.1526 mills broken out as follows: 16.8784 mills for general operating (General Fund), 1.8839 mills for Streets (Street Millage Fund), 0.9561 mills for Parks and Recreation (Park Beautification Fund), and 1.4342 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 \$120,878,433.

**NOTE R – 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, 2022 (the latest available financial report) is as follows:

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

**NOTE S – 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, 2021 (the most recent report available) is as follows:

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

The balance of the investment in Joint Water Authority for the year ended December 31, 2022 of \$543,875 represents the City's net investment in the NIWAB.

**NOTE T – 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, 2022 is as follows:

**NOTE T – JOINT VENTURE – MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY (Continued):**

Assets	\$22,225,129
Deferred Outflows of Resources	348,238
Liabilities	10,589,602
Deferred Inflows of Resources	398,085
Net Position	11,585,680
Operating Revenues	\$5,756,799
Operating Expenses	(5,149,980)
Non-operating Revenues (Expenses)	(67,744)
Net Income (Loss)	539,075

**NOTE U – 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.

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

**NOTE V – SINGLE AUDIT:**

Under Uniform Guidance a Single Audit is required when the City expends more than \$750,000 in federal dollars. During the 2022 fiscal year, the City of Negaunee expended \$1,625,236 in federal dollars; therefore, the City is required to have a Single Audit in order to comply with the Uniform Guidance.

**NOTE W – TAX ABATEMENTS:**

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

For purposes of disclosure under GASB 77, the City discloses tax abatements by issuing government and type greater than \$5,000 in the aggregate. Information relevant to tax abatements within the City for the year ended December 31, 2022 are as follows:

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

Issuing Government	Type of Tax Abatement Agreement	Tax Abated	Gross Amount Abated in Fiscal Year
Marquette County	Brownfield	Property Taxes	<u>\$53,833</u>

For the fiscal year ended December 31, 2022, there were no other significant tax abatements made by the City.

**NOTE X – NEW GASB STANDARDS:**

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

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement was originally effective for periods beginning after December 15, 2019. However, under GASB 95, the effective date was postponed by 18 months, to periods beginning after June 15, 2021. The City has reviewed potential leasing activity for which GASB 87 may apply. All current material leases do not meet the criteria for GASB 87; however GASB 87 is still applicable to the City and future material leases will be reviewed for applicability upon execution of lease agreements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB 92 enhances comparability of accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports. This Statement also addresses reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits are also discussed along with the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements. Lastly, the Statement discusses measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers

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

or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and terminology used to refer to derivative instruments. This Statement was originally effective for periods beginning after June 15, 2020. However, under GASB 95, the effective date was postponed by one year, to periods beginning after June 15, 2021. The City does have activities that meet the criteria for GASB 92; therefore, GASB 92 is applicable to the City.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. GASB 97 increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. This Statement also mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, this Statement enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement is effective for periods beginning after June 15, 2021. The City does have activities that meet the criteria for GASB 97; therefore, GASB 97 is applicable to the City.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objective of GASB 99 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. GASB 99 includes requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 and are effective upon issuance. GASB 99 also has requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022 with early implementation permitted. The last requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023 with early implementation permitted. The City has implemented the requirements of the activities which apply to the City under GASB 99; therefore, GASB 99 is applicable to the City.

### Other Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for account and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit

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

debt obligations. This Statement was originally effective for periods beginning after December 15, 2020. However, under GASB 95, the effective date was postponed by 12 months, to periods beginning after December 15, 2021. The City does not have obligations that meet the criteria under GASB 91; therefore, GASB 91 is not applicable to the City.

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

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

### **GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements** *Effective for fiscal years beginning after June 15, 2022 (City's fiscal year 2023)*

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

Under this Statement, a PPP is defined as an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Under this Statement a PPP meets the definition of a service concession arrangement (SCA) if: (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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

### **GASB 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

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

a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

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

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

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

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

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

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

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

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

### GASB 101: Compensated Absences

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

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

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

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

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

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

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



**NOTE 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 based on the criteria of Numbered Letter 2016-1.

**NOTE AA – SUBSEQUENT EVENTS:**

BOND ISSUANCE

On March 29, 2023, the City issued a bond in the amount of \$5.8 million for the construction of a new substation.

FIRE TRUCK

In October 2022, the City approved the purchase of a new fire truck. The fire truck is expected to be delivered in 2024 and will cost approximately \$700,000.

## 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,				
	2022	2021	2020	2019	2018
<b>Total Pension Liability</b>					
Service cost	\$ 121,204	\$ 131,503	\$ 135,379	\$ 126,177	\$ 112,242
Interest	1,015,612	972,432	963,416	943,396	968,856
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(235,009)	(84,750)	228,403	64,850	(170,271)
Changes of assumptions	454,382	414,187	371,151	-	-
Benefit payments including employee refunds	(968,568)	(922,924)	(927,588)	(898,954)	(899,384)
Other	(1,169)	(40,023)	(10,125)	(1,071)	55,263
<b>Net Change in Total Pension Liability</b>	<u>386,452</u>	<u>470,425</u>	<u>760,636</u>	<u>234,398</u>	<u>66,706</u>
<b>Total Pension Liability, beginning of year</b>	<u>14,035,569</u>	<u>13,565,144</u>	<u>12,804,508</u>	<u>12,570,110</u>	<u>12,503,404</u>
<b>Total Pension Liability, end of year</b>	<u>\$ 14,422,021</u>	<u>\$ 14,035,569</u>	<u>\$ 13,565,144</u>	<u>\$ 12,804,508</u>	<u>\$ 12,570,110</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 743,007	\$ 701,920	\$ 654,263	\$ 558,401	\$ 486,713
Contributions-employee	-	-	-	-	-
Net Investment income	(799,397)	970,135	786,924	799,505	(257,153)
Benefit payments including employee refunds	(968,568)	(922,924)	(927,588)	(898,954)	(899,384)
Administrative expense	(14,208)	(11,120)	(12,741)	(13,767)	(13,046)
Other	-	-	-	-	(1)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(1,039,166)</u>	<u>738,011</u>	<u>500,858</u>	<u>445,185</u>	<u>(682,871)</u>
<b>Plan Fiduciary Net Position, beginning of year</b>	<u>7,907,522</u>	<u>7,169,511</u>	<u>6,668,653</u>	<u>6,223,468</u>	<u>6,906,339</u>
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 6,868,356</u>	<u>\$ 7,907,522</u>	<u>\$ 7,169,511</u>	<u>\$ 6,668,653</u>	<u>\$ 6,223,468</u>
<b>Employer Net Pension Liability</b>	<u>\$ 7,553,665</u>	<u>\$ 6,128,047</u>	<u>\$ 6,395,633</u>	<u>\$ 6,135,855</u>	<u>\$ 6,346,642</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	48%	56%	53%	52%	50%
<b>Covered Employee Payroll</b>	\$ 1,138,032	\$ 1,141,044	\$ 1,183,099	\$ 1,206,503	\$ 983,670
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	664%	537%	541%	509%	645%

**Notes to schedule:**

*Benefit Changes:*

NONE

NONE

NONE

NONE

NONE

*Changes of Assumptions:*

2022

2021

2020

NONE

NONE

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

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,		
	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 130,691	\$ 126,076	\$ 143,177
Interest	951,658	934,574	916,034
Changes of benefit terms	-	-	-
Difference between expected and actual experience	2,408	(285,515)	-
Changes of assumptions	-	611,633	-
Benefit payments including employee refunds	(784,569)	(786,450)	(750,649)
Other	(42,593)	(54,498)	(15,749)
<b>Net Change in Total Pension Liability</b>	<u>257,595</u>	<u>545,820</u>	<u>292,813</u>
<b>Total Pension Liability, beginning of year</b>	<u>12,245,809</u>	<u>11,699,989</u>	<u>11,407,176</u>
<b>Total Pension Liability, end of year</b>	<u>\$ 12,503,404</u>	<u>\$ 12,245,809</u>	<u>\$ 11,699,989</u>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 417,955	\$ 370,879	\$ 372,452
Contributions-employee	-	-	-
Net Investment income	830,501	682,984	(96,020)
Benefit payments including employee refunds	(784,569)	(786,450)	(750,649)
Administrative expense	(13,181)	(13,502)	(14,341)
Other	(1)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>450,705</u>	<u>253,911</u>	<u>(488,558)</u>
<b>Plan Fiduciary Net Position, beginning of year</b>	<u>6,455,634</u>	<u>6,201,723</u>	<u>6,690,281</u>
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 6,906,339</u>	<u>\$ 6,455,634</u>	<u>\$ 6,201,723</u>
<b>Employer Net Pension Liability</b>	<u>\$ 5,597,065</u>	<u>\$ 5,790,175</u>	<u>\$ 5,498,266</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	55%	53%	53%
<b>Covered Employee Payroll</b>	\$ 1,105,979	\$ 1,107,052	\$ 1,086,804
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	506%	523%	506%

**Notes to schedule:**

*Benefit Changes:*

NONE                      NONE                      NONE

*Changes of Assumptions:*

NONE                      2016                      NONE

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

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ 740,128	\$ 744,431	\$ 654,289	\$ 558,401	\$ 486,713
Contributions in relation to the actuarially determined contribution	740,128	744,431	654,289	558,401	486,713
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,138,032	\$ 1,141,044	\$ 1,183,099	\$ 1,206,503	\$ 983,670
Contributions as a percentage of covered employee payroll	65%	65%	55%	46%	49%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption by division
Mortality	Pub-2010 - fully generational MP-2019

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	2022	2021	2020	None	None

Note that these are employer contributions not employee contributions

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2017	2016	2015	2013	2012
Actuarial determined contributions	\$ 417,955	\$ 370,879	\$ 372,452	\$ 357,395	\$ 325,971
Contributions in relation to the actuarially determined contribution	417,955	370,879	372,452	357,395	325,971
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,105,979	\$ 1,107,052	\$ 1,086,804	\$ 1,234,737	\$ 1,241,842
Contributions as a percentage of covered employee payroll	38%	34%	34%	29%	26%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.00%
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption by division
Mortality	Pub-2010 - fully generational MP-2019

**Previous actuarial methods and assumptions:**

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

Note that these are employer contributions not employee contributions

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2022	2021	2020	2019	2018
<b>Total Pension Liability</b>					
Service cost	\$ 6,241	\$ 6,691	\$ 6,606	\$ 6,197	\$ 5,824
Interest	49,045	47,459	44,889	50,682	48,902
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(12,101)	(4,312)	11,145	3,185	(8,835)
Changes of assumptions	23,397	21,075	18,110	-	-
Benefit payments including employee refunds	(48,041)	(45,864)	(44,570)	(43,653)	(46,692)
Other	13,885	28,289	(1,759)	(59,032)	21,335
<b>Net Change in Total Pension Liability</b>	<u>32,426</u>	<u>53,338</u>	<u>34,421</u>	<u>(42,621)</u>	<u>20,534</u>
<b>Total Pension Liability, beginning of year</b>	<u>697,382</u>	<u>644,044</u>	<u>609,623</u>	<u>652,244</u>	<u>631,710</u>
<b>Total Pension Liability, end of year</b>	<u>\$ 729,808</u>	<u>\$ 697,382</u>	<u>\$ 644,044</u>	<u>\$ 609,623</u>	<u>\$ 652,244</u>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 54,044	\$ 58,225	\$ 53,558	\$ 47,708	\$ 44,925
Contributions-employee	-	-	-	-	-
Net Investment income	(39,829)	47,931	37,941	38,551	(13,238)
Benefit payments including employee refunds	(48,041)	(45,864)	(44,570)	(43,653)	(46,692)
Administrative expense	(710)	(550)	(613)	(664)	(677)
Other	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(34,536)</u>	<u>59,742</u>	<u>46,316</u>	<u>41,942</u>	<u>(15,682)</u>
<b>Plan Fiduciary Net Position, beginning of year</b>	<u>478,831</u>	<u>419,089</u>	<u>372,773</u>	<u>330,831</u>	<u>346,513</u>
<b>Plan Fiduciary Net Position, end of year</b>	<u>\$ 444,295</u>	<u>\$ 478,831</u>	<u>\$ 419,089</u>	<u>\$ 372,773</u>	<u>\$ 330,831</u>
<b>Employer Net Pension Liability</b>	<u>\$ 285,513</u>	<u>\$ 218,551</u>	<u>\$ 224,955</u>	<u>\$ 236,850</u>	<u>\$ 321,413</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	61%	69%	65%	61%	51%
<b>Covered Employee Payroll</b>	\$ 91,291	\$ 79,584	\$ 57,728	\$ 54,655	\$ 61,473
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	313%	275%	390%	433%	523%

**Notes to schedule:**

*Benefit Changes:*

NONE

NONE

NONE

NONE

NONE

*Changes of Assumptions:*

2022

2021

2020

NONE

NONE

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

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,		
	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 6,615	\$ 6,343	\$ 6,668
Interest	47,904	46,966	42,621
Changes of benefit terms	-	-	-
Difference between expected and actual experience	122	(14,364)	-
Changes of assumptions	-	30,771	-
Benefit payments including employee refunds	(41,188)	(40,825)	(35,959)
Other	2,173	42,296	307
<b>Net Change in Total Pension Liability</b>	<b>15,626</b>	<b>71,187</b>	<b>13,637</b>
<b>Total Pension Liability, beginning of year</b>	<b>616,084</b>	<b>544,897</b>	<b>531,260</b>
<b>Total Pension Liability, end of year</b>	<b>\$ 631,710</b>	<b>\$ 616,084</b>	<b>\$ 544,897</b>
<b>Plan Fiduciary Net Position</b>			
Contributions-employer	\$ 35,106	\$ 27,404	\$ 16,951
Contributions-employee	-	-	-
Net Investment income	42,236	34,728	(4,492)
Benefit payments including employee refunds	(41,188)	(40,825)	(35,959)
Administrative expense	(671)	(688)	(673)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>35,483</b>	<b>20,619</b>	<b>(24,173)</b>
<b>Plan Fiduciary Net Position, beginning of year</b>	<b>311,030</b>	<b>290,411</b>	<b>314,584</b>
<b>Plan Fiduciary Net Position, end of year</b>	<b>\$ 346,513</b>	<b>\$ 311,030</b>	<b>\$ 290,411</b>
<b>Employer Net Pension Liability</b>	<b>\$ 285,197</b>	<b>\$ 305,054</b>	<b>\$ 254,486</b>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	<b>55%</b>	<b>50%</b>	<b>53%</b>
<b>Covered Employee Payroll</b>	<b>\$ 55,886</b>	<b>\$ 54,813</b>	<b>\$ 57,519</b>
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	<b>510%</b>	<b>557%</b>	<b>442%</b>

**Notes to schedule:**

*Benefit Changes:*

NONE                      NONE                      NONE

*Changes of Assumptions:*

NONE                      2016                      NONE

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

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ 54,044	\$ 58,225	\$ 53,558	\$ 47,708	\$ 44,925
Contributions in relation to the actuarially determined contribution	54,044	58,225	53,558	47,708	44,925
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 91,291	\$ 79,584	\$ 57,728	\$ 54,655	\$ 61,473
Contributions as a percentage of covered employee payroll	59%	73%	93%	87%	73%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	10 year smoothed market
Inflation	2.50%
Salary Increases	3.75% (plus 0.00% to 11.00% for merit and longevity)
Investment rate of return	7.35%, net of investment expenses, including inflation
Retirement age	60 years
Mortality	Pub-2010 - fully generational MP-2019

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	2022	2021	2020	None	None

Note that these are employer contributions not employee contributions

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2017	2016	2015	2014	2013
Actuarial determined contributions	\$ 35,106	\$ 27,404	\$ 16,951	\$ 16,645	\$ 15,181
Contributions in relation to the actuarially determined contribution	35,106	27,404	16,951	16,645	15,181
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 55,886	\$ 54,813	\$ 57,519	\$ 57,836	\$ 57,836
Contributions as a percentage of covered employee payroll	63%	50%	29%	29%	26%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	10 year smoothed market
Inflation	2.5%
Salary Increases	3.75% (plus 0.00% to 11.00% for merit and longevity)
Investment rate of return	7.35%, net of investment expenses, including inflation
Retirement age	60 years
Mortality	Pub-2010 - fully generational MP-2019

**Previous actuarial methods and assumptions:**

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

Note that these are employer contributions not employee contributions

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

2021 - Changes were made to the demographic assumptions as a result of an experience study conducted.

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,				
	2022	2021	2020	2019	2018
<b>Change in total pension liability</b>					
Service cost	\$ 109,233	\$ 95,412	\$ 117,278	\$ 87,851	\$ 79,185
Interest	396,536	376,561	345,638	332,845	308,572
Change in benefit terms	-	-	-	-	386,604
Differences between expected and actual experience	(159,904)	143,904	332,564	(106,970)	(230,214)
Changes in assumptions	28,237	133,353	(18,654)	79,714	(18,806)
Benefit payments, including refunds of member contributions	(364,639)	(340,658)	(280,757)	(192,057)	(181,579)
Other changes	-	-	-	-	-
<b>Net change in total pension liability</b>	<u>9,463</u>	<u>408,572</u>	<u>496,069</u>	<u>201,383</u>	<u>343,762</u>
<b>Total pension liability, beginning of year</b>	<u>5,877,127</u>	<u>5,468,555</u>	<u>4,972,486</u>	<u>4,771,103</u>	<u>4,427,341</u>
<b>Total pension liability, end of year</b>	<u>\$ 5,886,590</u>	<u>\$ 5,877,127</u>	<u>\$ 5,468,555</u>	<u>\$ 4,972,486</u>	<u>\$ 4,771,103</u>
<b>Change in plan fiduciary net position</b>					
Contributions – employer	\$ 305,997	\$ 113,610	\$ 256,422	\$ 228,621	\$ 271,423
Contributions – member	24,136	24,031	23,293	26,367	23,269
Net investment income	(643,920)	582,199	434,223	676,357	(169,560)
Benefit payments, including refunds of member contributions	(364,639)	(340,658)	(280,757)	(192,057)	(181,579)
Administrative expense	(11,797)	(11,996)	(10,491)	(8,032)	(21,862)
<b>Net change in plan fiduciary net position</b>	<u>(690,223)</u>	<u>367,186</u>	<u>422,690</u>	<u>731,256</u>	<u>(78,309)</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>5,218,767</u>	<u>4,851,581</u>	<u>4,428,891</u>	<u>3,697,635</u>	<u>3,775,944</u>
<b>Plan fiduciary net position, end of year</b>	<u>4,528,544</u>	<u>5,218,767</u>	<u>4,851,581</u>	<u>4,428,891</u>	<u>3,697,635</u>
<b>City's net pension liability, end of year</b>	<u>\$ 1,358,046</u>	<u>\$ 658,360</u>	<u>\$ 616,974</u>	<u>\$ 543,595</u>	<u>\$ 1,073,468</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	76.93%	88.80%	88.72%	89.07%	77.50%
<b>Covered-employee payroll</b>	\$ 427,808	\$ 419,860	\$ 418,022	\$ 527,337	\$ 439,731
<b>City's net pension liability as a percentage of covered payroll</b>	317.44%	156.80%	147.59%	103.08%	244.12%

**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,			
	2017	2016	2015	2014
<b>Change in total pension liability</b>				
Service cost	\$ 55,421	\$ 61,699	\$ 52,956	\$ 49,492
Interest	232,165	229,293	254,513	244,155
Change in benefit terms	729,336	-	(513,346)	-
Differences between expected and actual experience	178,107	(75,010)	(51,628)	-
Changes in assumptions	61,818	-	100,086	-
Benefit payments, including refunds of member contributions	(197,954)	(187,835)	(189,456)	(209,484)
Other changes	-	1,612	-	-
<b>Net change in total pension liability</b>	<b>1,058,893</b>	<b>29,759</b>	<b>(346,875)</b>	<b>84,163</b>
<b>Total pension liability, beginning of year</b>	<b>3,368,448</b>	<b>3,338,689</b>	<b>3,685,564</b>	<b>3,601,401</b>
<b>Total pension liability, end of year</b>	<b>\$ 4,427,341</b>	<b>\$ 3,368,448</b>	<b>\$ 3,338,689</b>	<b>\$ 3,685,564</b>
<b>Change in plan fiduciary net position</b>				
Contributions – employer	\$ 249,788	\$ 224,085	\$ 196,177	\$ 159,570
Contributions – member	19,248	20,815	16,464	13,860
Net investment income	452,763	240,789	(83,669)	143,313
Benefit payments, including refunds of member contributions	(197,954)	(187,835)	(189,456)	(209,484)
Administrative expense	(5,825)	(16,684)	(1,745)	(25,187)
<b>Net change in plan fiduciary net position</b>	<b>518,020</b>	<b>281,170</b>	<b>(62,229)</b>	<b>82,072</b>
<b>Plan fiduciary net position, beginning of year</b>	<b>3,257,924</b>	<b>2,976,754</b>	<b>3,038,983</b>	<b>2,956,911</b>
<b>Plan fiduciary net position, end of year</b>	<b>3,775,944</b>	<b>3,257,924</b>	<b>2,976,754</b>	<b>3,038,983</b>
<b>City's net pension liability, end of year</b>	<b>\$ 651,397</b>	<b>\$ 110,524</b>	<b>\$ 361,935</b>	<b>\$ 646,581</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>85.29%</b>	<b>96.72%</b>	<b>89.16%</b>	<b>82.46%</b>
<b>Covered-employee payroll</b>	<b>\$ 476,595</b>	<b>\$ 379,967</b>	<b>\$ 392,515</b>	<b>\$ 338,096</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>136.68%</b>	<b>29.09%</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,				
	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ 243,914	\$ 202,486	\$ 196,675	\$ 192,870	\$ 146,993
Contributions in relation to the actuarially determined contribution	305,997	113,610	256,422	228,621	271,423
Contribution deficiency (excess)	<u>\$ (62,083)</u>	<u>\$ 88,876</u>	<u>\$ (59,747)</u>	<u>\$ (35,751)</u>	<u>\$ (124,430)</u>
Covered Employee Payroll	\$ 427,808	\$ 419,860	\$ 418,022	\$ 527,337	\$ 439,731
Contributions as a percentage of covered employee payroll	71.53%	27.06%	61.34%	43.35%	61.72%

**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 noted
Salary Increases	3.25% per annum
Investment rate of return	6.85% 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-2021 (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	None	None
<i>Changes of Assumptions:</i>	2022	2021	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

2022 - Salary increased changed from 3.00% to 3.25%.

2021 - Salary increased changed from 2.50% to 3.00%. Investment rate of return decreased from 7.00% to 6.85%. The Mortality Projection Scale was updated from MP-2020 to MP-2021.

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,				
	2017	2016	2015	2014	2013
Actuarial determined contributions	\$ 61,796	\$ 61,796	\$ 117,741	\$ 117,741	\$ 144,720
Contributions in relation to the actuarially determined contribution	249,788	224,085	196,177	159,570	144,720
Contribution deficiency (excess)	<u>\$ (187,992)</u>	<u>\$ (162,289)</u>	<u>\$ (78,436)</u>	<u>\$ (41,829)</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 476,595	\$ 379,967	\$ 392,515	\$ 338,096	\$ 325,213
Contributions as a percentage of covered employee payroll	52.41%	58.97%	49.98%	47.20%	44.50%

**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 noted
Salary Increases	3.25% per annum
Investment rate of return	6.85% 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-2021 (male and female scales). Distinct tables are used for employees, retirees, and beneficiaries.

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	2017	None	2015	None	None
<i>Changes of Assumptions:</i>	2017	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

2022 - Salary increased changed from 3.00% to 3.25%.

2021 - Salary increased changed from 2.50% to 3.00%. Investment rate of return decreased from 7.00% to 6.85%. The Mortality Projection Scale was updated from MP-2020 to MP-2021.

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%
2021	12.17%
2022	-12.30%

**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,				
	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>					
Service cost	\$ 54,764	\$ 72,016	\$ 115,287	\$ 124,403	\$ 120,780
Interest	223,441	205,502	370,147	289,054	280,601
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(70,256)	(58,158)	(2,802,802)	20,089	-
Changes of assumptions	(4,236,451)	(642,959)	1,911,595	1,541,258	-
Benefit payments including employee refunds	(280,581)	(271,747)	(243,092)	(248,288)	(234,746)
Other	-	-	-	-	-
<b>Net Change in Total OPEB Liability</b>	<b>(4,309,083)</b>	<b>(695,346)</b>	<b>(648,865)</b>	<b>1,726,516</b>	<b>166,635</b>
<b>Total OPEB Liability, beginning of year</b>	<b>10,016,259</b>	<b>10,711,605</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>\$ 5,707,176</b>	<b>\$ 10,016,259</b>	<b>\$ 10,711,605</b>	<b>\$ 11,360,470</b>	<b>\$ 9,633,954</b>
<b>Plan Fiduciary Net Position</b>					
Contributions-employer	\$ 367,107	\$ 271,747	\$ 243,092	\$ 248,288	\$ 234,746
Contributions-employee	-	-	-	-	-
Net Investment income	(1,868)	-	-	-	-
Benefit payments including employee refunds	(280,581)	(271,747)	(243,092)	(248,288)	(234,746)
Administrative expense	(13)	-	-	-	-
Other	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>84,645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position, end of year</b>	<b>\$ 84,645</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Employer Net OPEB Liability</b>	<b>\$ 5,622,531</b>	<b>\$ 10,016,259</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>1.48%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Covered Employee Payroll</b>	<b>\$ 481,784</b>	<b>\$ 457,276</b>	<b>\$ 593,400</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>1167%</b>	<b>2190%</b>	<b>1805%</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>NONE</i>	<i>NONE</i>
<i>Changes of Assumptions:</i>	<i>2022</i>	<i>2021</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

2022 - The discount rate was increased from 2.25% to 7.00%.  
 - Salary scale was increased from 2.00% to 3.00%.

2021 - The discount rate was increased from 1.93% to 2.25%.  
 - Mortality improvement scale undated from MP-2020 to MP-2021.

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,				
	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ 5,233,776	\$ 3,782,642	\$ 3,194,344	\$ 3,534,030	\$ 2,671,367
Contributions in relation to the actuarially determined contribution	367,107	271,747	243,092	248,288	234,746
Contribution deficiency (excess)	<u>\$ 4,866,669</u>	<u>\$ 3,510,895</u>	<u>\$ 2,951,252</u>	<u>\$ 3,285,742</u>	<u>\$ 2,436,621</u>
Covered Employee Payroll	\$ 481,784	\$ 457,276	\$ 593,400	\$ 898,692	\$ 1,854,186
Contributions as a percentage of covered employee payroll	76%	59%	41%	28%	13%

**Notes to Schedule**

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Amortization method	Market Value
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	7.00%
20-year Aa Municipal Bond Rate	4.31%
Retirement age	100% at age when eligible for OPEB benefits
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted, with 2021 Mortality Improvement

**Previous actuarial methods and assumptions:**

<i>Benefit Changes:</i>	None	None	None	None	None
<i>Changes of Assumptions:</i>	2022	2021	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

2022 - The investment rate of return was increased from 2.25% to 7.00%.

- The salary scale was increased from 2.00% to 3.00%.

- The 20-year Aa Municipal Bond Rate was increased from 2.25% to 4.31%.

2021 - The discount rate was increased from 1.93% to 2.25%.

- Mortality improvement scale undated from MP-2020 to MP-2021.

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 INVESTMENT RETURNS  
(Ultimately 10 years will be displayed)

Fiscal Year Ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense
<hr/> 2022	<hr/> 7.00%

**Notes to Schedule**

In fiscal year 2022 the City created an OPEB Trust Fund.  
This schedule will be built prospectively.

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, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property Taxes:				
Current levy	\$ 1,888,411	\$ 1,888,411	\$ 1,883,292	\$ (5,119)
Specific ore tax	-	-	-	-
Payment in lieu of taxes	211,700	211,700	27,314	(184,386)
Interest and penalties	2,000	2,000	(1,331)	(3,331)
Administrative fees	55,000	55,000	54,509	(491)
Total Property Taxes	<u>2,157,111</u>	<u>2,157,111</u>	<u>1,963,784</u>	<u>(193,327)</u>
Licenses and Permits	<u>270</u>	<u>270</u>	<u>80</u>	<u>(190)</u>
Federal Sources	<u>236,813</u>	<u>245,013</u>	<u>17,236</u>	<u>(227,777)</u>
State Sources:				
State grants	419,372	419,372	119,515	(299,857)
State shared taxes	422,852	422,852	680,068	257,216
Liquor license refunds	6,000	6,000	5,698	(302)
Penal fines	15,500	15,500	16,756	1,256
Total State Sources	<u>863,724</u>	<u>863,724</u>	<u>822,037</u>	<u>(41,687)</u>
Service Charges:				
Building and equipment rentals	36,000	36,000	156,304	120,304
Rental inspections	650	650	1,275	625
Burial permits	30,000	40,570	47,112	6,542
Burn permits	1,000	1,000	850	(150)
Zoning permits	4,800	4,800	6,725	1,925
Garbage collection fees	381,841	381,841	378,305	(3,536)
Sale of cemetery lots	3,000	3,000	8,116	5,116
Recreation and ice arena sales	156,000	156,000	245,837	89,837
Landfill reimbursement	65,000	65,000	67,840	2,840
Traffic violations	8,000	8,000	5,067	(2,933)
Franchise fee	58,000	58,000	59,735	1,735
Total Service Charges	<u>744,291</u>	<u>754,861</u>	<u>977,166</u>	<u>222,305</u>
Contributions:				
Contributions from Highway Fund	449,000	449,000	544,378	95,378
Contributions from private sources	-	96,893	5,500	(91,393)
Total Contributions	<u>449,000</u>	<u>545,893</u>	<u>549,878</u>	<u>3,985</u>
Other Revenue:				
Investment income	7,000	7,000	25,759	18,759
Sale of surplus property	-	-	-	-
Hospitalization insurance reimbursement	35,000	35,000	49,951	14,951
Insurance refund	21,000	16,000	7,951	(8,049)
Miscellaneous	387,500	369,050	239,187	(129,863)
Total Other Revenue	<u>450,500</u>	<u>427,050</u>	<u>322,848</u>	<u>(104,202)</u>
<b>TOTAL REVENUES</b>	<u>4,901,709</u>	<u>4,993,922</u>	<u>4,653,029</u>	<u>(340,893)</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>				
<b>GENERAL GOVERNMENT:</b>				
City Council:				
Personal services	\$ 7,500	\$ 8,250	\$ 9,380	\$ (1,130)
Social security taxes	600	600	490	110
Special services	2,500	2,500	-	2,500
Legislative publications	11,000	10,000	7,988	2,012
Conference and travel	-	250	240	10
Building rental	1,800	1,800	1,800	-
Total City Council	<u>23,400</u>	<u>23,400</u>	<u>19,898</u>	<u>3,502</u>
City Manager:				
Personal services	62,800	58,525	48,050	10,475
Social security taxes	4,800	4,800	3,697	1,103
Retirement	23,000	23,000	20,469	2,531
Office supplies	4,000	4,000	2,889	1,111
Office equipment	6,625	5,625	3,260	2,365
Communications	2,000	2,275	2,264	11
Conference and travel	1,400	5,400	5,377	23
Repairs and maintenance	3,000	4,000	3,860	140
Dues and memberships	1,500	1,500	-	1,500
Total City Manager	<u>109,125</u>	<u>109,125</u>	<u>89,866</u>	<u>19,259</u>
Elections:				
Personal services	12,100	18,050	17,762	288
Office supplies	2,500	1,950	1,785	165
Communications	1,000	2,100	2,039	61
Printing and publishing	500	350	268	82
Repairs and maintenance	1,000	-	-	-
Office equipment	1,000	2,450	2,431	19
Total Elections	<u>18,100</u>	<u>24,900</u>	<u>24,285</u>	<u>615</u>
Assessment of Taxes:				
Personal services	34,000	39,000	38,979	21
Office supplies	-	-	-	-
Communications	1,000	1,000	-	1,000
Total Assessment of Taxes	<u>35,000</u>	<u>40,000</u>	<u>38,979</u>	<u>1,021</u>
City Attorney:				
Personal services	32,000	32,000	27,416	4,584
Miscellaneous	-	-	-	-
Total City Attorney	<u>32,000</u>	<u>32,000</u>	<u>27,416</u>	<u>4,584</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>City Clerk:</b>				
Personal services	\$ 22,400	\$ 22,400	\$ 17,985	\$ 4,415
Social security taxes	1,700	1,700	1,451	249
Retirement	21,000	21,000	16,958	4,042
Office supplies	2,000	3,500	3,443	57
Audit	11,000	9,500	8,614	886
Communications	4,000	4,100	4,066	34
Conference and travel	500	500	-	500
Repairs and maintenance	1,000	1,000	770	230
Miscellaneous	7,575	2,975	375	2,600
Total City Clerk	<u>71,175</u>	<u>66,675</u>	<u>53,662</u>	<u>13,013</u>
<b>Board of Review:</b>				
Personal services	750	750	440	310
Social security taxes	100	100	34	66
Conference and travel	-	-	-	-
Total Board of Review	<u>850</u>	<u>850</u>	<u>474</u>	<u>376</u>
<b>City Treasurer:</b>				
Personal services	27,100	29,250	29,185	65
Social security taxes	3,000	3,000	2,272	728
Retirement	22,000	19,500	15,905	3,595
Office supplies	1,500	1,500	1,492	8
Special services	6,000	6,000	4,691	1,309
Communications	2,000	2,050	2,027	23
Conference and travel	2,500	2,500	1,404	1,096
Repairs and maintenance	1,000	1,000	725	275
Dues and memberships	250	250	99	151
Miscellaneous	4,000	4,300	4,168	132
Office equipment	7,250	7,250	1,631	5,619
Total City Treasurer	<u>76,600</u>	<u>76,600</u>	<u>63,599</u>	<u>13,001</u>
<b>City Building:</b>				
Personal services	52,100	52,325	45,688	6,637
Social security taxes	4,000	4,000	3,508	492
Retirement	22,000	8,000	4,111	3,889
Supplies	4,000	4,325	4,310	15
Utilities	16,000	19,950	20,446	(496)
Repairs and maintenance	2,000	11,500	11,386	114
Total City Building	<u>100,100</u>	<u>100,100</u>	<u>89,449</u>	<u>10,651</u>
<b>Employee Benefits:</b>				
Group life and hospitalization insurance	659,000	790,875	757,320	33,555
Retirement	100,000	100,000	100,000	-
Workmen's compensation insurance	30,000	14,400	14,358	42
Longevity and separation pay	5,000	150	140	10
Total Employee Benefits	<u>794,000</u>	<u>905,425</u>	<u>871,818</u>	<u>33,607</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Administration:				
Fire, liability and other insurance	\$ 35,000	\$ 46,300	\$ 46,281	\$ 19
Easements and leases	800	800	720	80
Bad debt expense	-	-	-	-
Miscellaneous services	116,000	165,325	151,517	13,808
Total Administration	<u>151,800</u>	<u>212,425</u>	<u>198,518</u>	<u>13,907</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>1,412,150</u>	<u>1,591,500</u>	<u>1,477,964</u>	<u>113,536</u>
<b>PUBLIC SAFETY:</b>				
Police Department:				
Personal services	564,200	581,860	568,279	13,581
Social security taxes	43,000	43,600	43,576	24
Retirement	260,800	243,200	224,379	18,821
Office supplies	3,100	3,100	2,980	120
Operating supplies	12,000	16,450	15,176	1,274
Office equipment	4,250	4,250	1,704	2,546
Uniforms and accessories	7,000	10,840	10,824	16
Animal control	1,000	1,000	924	76
Communications	6,000	6,250	6,235	15
Vehicle expense	5,000	5,000	4,982	18
Training	6,000	6,000	5,301	699
Conference and travel	2,500	3,050	1,419	1,631
Repairs and maintenance	3,500	3,500	2,689	811
Dues and memberships	2,000	2,000	1,869	131
Patrol equipment	2,000	2,000	855	1,145
Crime prevention	3,000	3,000	297	2,703
Miscellaneous	5,000	5,000	4,303	697
Total Police Department	<u>930,350</u>	<u>940,100</u>	<u>895,792</u>	<u>44,308</u>
Fire Department:				
Personal services	44,000	39,800	39,791	9
Social security taxes	3,400	3,100	3,019	81
Retirement	300	300	142	158
Operating supplies	10,100	10,720	10,700	20
Physical exams and tests	1,500	200	-	200
Communications	2,000	2,250	2,244	6
Vehicle expense	3,000	100	54	46
Conference and travel	3,000	3,115	3,108	7
Utilities	7,000	9,575	9,954	(379)
Repairs and maintenance	9,000	14,185	14,179	6
Dues and memberships	200	200	125	75
Miscellaneous	1,000	1,455	1,454	1
Total Fire Department	<u>84,500</u>	<u>85,000</u>	<u>84,770</u>	<u>230</u>
Traffic Control:				
Special services	-	-	240	(240)
Operating supplies	4,500	7,500	5,976	1,524
Total Traffic Control	<u>4,500</u>	<u>7,500</u>	<u>6,216</u>	<u>1,284</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>1,019,350</u>	<u>1,032,600</u>	<u>986,778</u>	<u>45,822</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>PUBLIC WORKS:</b>				
Streets, Highways and Alleys:				
Personal services	\$ 21,000	\$ 64,000	\$ 47,653	\$ 16,347
Operating supplies	29,000	189,000	17,060	171,940
Total Streets, Highways and Alleys	<u>50,000</u>	<u>253,000</u>	<u>64,713</u>	<u>188,287</u>
 Bridges and Culverts:				
Special services	30,000	30,000	3,696	26,304
Total Bridges and Culverts	<u>30,000</u>	<u>30,000</u>	<u>3,696</u>	<u>26,304</u>
 Snow Removal and Ice Control:				
Personal services	-	-	-	-
Special services	2,000	2,000	-	2,000
Operating supplies	35,000	35,700	35,698	2
Total Snow Removal and Ice Control	<u>37,000</u>	<u>37,700</u>	<u>35,698</u>	<u>2,002</u>
 County Sanitary Landfill:				
Special services	375,960	420,960	397,720	23,240
Total County Sanitary Landfill	<u>375,960</u>	<u>420,960</u>	<u>397,720</u>	<u>23,240</u>
 Engineering Services:				
Purchased services	25,000	27,200	27,199	1
Total Engineering Services	<u>25,000</u>	<u>27,200</u>	<u>27,199</u>	<u>1</u>
 Garage and Equipment:				
Personal services	427,100	408,150	322,716	85,434
Social security taxes	31,500	31,500	24,706	6,794
Retirement	188,000	173,000	150,799	22,201
Office supplies	1,800	1,800	1,439	361
Operating supplies	14,000	15,750	15,374	376
Uniforms and accessories	2,880	3,630	3,624	6
Communications	3,000	3,150	3,142	8
Vehicle expense	106,000	132,500	131,141	1,359
Conference and travel	-	100	95	5
Utilities	22,000	26,700	27,416	(716)
Repairs and maintenance	6,000	6,000	2,591	3,409
Total Garage and Equipment	<u>802,280</u>	<u>802,280</u>	<u>683,043</u>	<u>119,237</u>
 Curb, Gutter and Sidewalk Maintenance:				
Personal services	16,000	16,000	3,574	12,426
Social security taxes	1,225	1,225	273	952
Retirement	7,500	7,500	2,067	5,433
Special services	11,000	8,000	-	8,000
Operating supplies	1,000	1,000	4,321	(3,321)
Total Curb, Gutter and Sidewalk Maintenance	<u>36,725</u>	<u>33,725</u>	<u>10,235</u>	<u>23,490</u>
 Street Lighting:				
Purchased services	26,000	29,000	28,687	313
Total Street Lighting	<u>26,000</u>	<u>29,000</u>	<u>28,687</u>	<u>313</u>



**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Cemetery:				
Personal services	\$ 89,850	\$ 86,975	\$ 74,727	\$ 12,248
Social security taxes	9,000	9,000	5,709	3,291
Retirement	23,500	23,500	9,063	14,437
Operating supplies	1,000	1,000	696	304
Communications	2,000	2,000	487	1,513
Vehicle expense	5,300	7,025	6,485	540
Electricity and water	3,600	4,750	4,736	14
Repairs and maintenance	4,000	4,000	964	3,036
Capital outlay	8,900	8,900	4,866	4,034
Total Cemetery	<u>147,150</u>	<u>147,150</u>	<u>107,733</u>	<u>39,417</u>
<b>TOTAL PUBLIC WORKS</b>	<u>1,530,115</u>	<u>1,781,015</u>	<u>1,358,724</u>	<u>422,291</u>
<b>HEALTH AND WELFARE:</b>				
Senior Citizens:				
Other charges and services	35,000	35,000	30,469	4,531
Total Senior Citizens	<u>35,000</u>	<u>35,000</u>	<u>30,469</u>	<u>4,531</u>
<b>TOTAL HEALTH AND WELFARE</b>	<u>35,000</u>	<u>35,000</u>	<u>30,469</u>	<u>4,531</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>				
Planning & Zoning:				
Personal services	47,860	48,535	47,858	677
Social security taxes	3,665	3,665	3,658	7
Retirement	1,915	1,915	-	1,915
Supplies	9,000	8,325	6,664	1,661
Total Planning & Zoning	<u>62,440</u>	<u>62,440</u>	<u>58,180</u>	<u>4,260</u>
<b>TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<u>62,440</u>	<u>62,440</u>	<u>58,180</u>	<u>4,260</u>
<b>RECREATION AND CULTURE:</b>				
Parks and Recreation:				
Personal services	126,750	74,670	30,791	43,879
Social security taxes	9,800	9,800	2,281	7,519
Retirement	33,700	68,200	68,184	16
Supplies	12,000	12,000	17,407	(5,407)
Special services	15,950	23,630	20,051	3,579
Utilities	43,500	44,500	29,314	15,186
Repairs and maintenance	32,000	33,350	18,131	15,219
Miscellaneous	250	250	3,887	(3,637)
Capital outlay	316,076	165,076	38,205	126,871
Total Parks and Recreation	<u>590,026</u>	<u>431,476</u>	<u>228,251</u>	<u>203,225</u>

**City of Negaunee, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Library:				
Personal services	\$ 57,650	\$ 57,025	\$ 51,093	\$ 5,932
Social security taxes	4,400	4,400	3,911	489
Retirement	1,000	1,000	926	74
Office supplies	1,000	1,450	1,431	19
Communications	12,000	12,000	11,692	308
Electricity and water	1,980	1,980	1,980	-
Conferences and travel	100	100	45	55
Dues and memberships	1,000	1,100	1,096	4
Books, magazines and periodicals	6,000	6,000	5,919	81
Miscellaneous	1,000	1,000	1,102	(102)
Capital outlay	2,050	2,125	871	1,254
Total Library	<u>88,180</u>	<u>88,180</u>	<u>80,066</u>	<u>8,114</u>
Special Recreation Events:				
Personal services	1,500	11,900	11,814	86
Social security taxes	125	925	909	16
Retirement	700	5,450	5,420	30
Operating supplies	1,500	5,550	5,529	21
Special services	4,000	4,000	1,925	2,075
Total Special Recreation Events	<u>7,825</u>	<u>27,825</u>	<u>25,597</u>	<u>2,228</u>
<b>TOTAL RECREATION AND CULTURE</b>	<u>686,031</u>	<u>547,481</u>	<u>333,914</u>	<u>213,567</u>
<b>TOTAL EXPENDITURES</b>	<u>4,745,086</u>	<u>5,050,036</u>	<u>4,246,029</u>	<u>804,007</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>156,623</u>	<u>(56,114)</u>	<u>407,000</u>	<u>463,114</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	233,000	-	(233,000)
Transfers in	106,963	-	-	-
Transfers (out)	<u>(191,700)</u>	<u>(105,000)</u>	<u>(103,063)</u>	<u>1,937</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(84,737)</u>	<u>128,000</u>	<u>(103,063)</u>	<u>(231,063)</u>
<b>CHANGE IN FUND BALANCE</b>	71,886	71,886	303,937	232,051
Fund balance, beginning of year	<u>1,160,441</u>	<u>1,160,441</u>	<u>1,160,441</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,232,327</u>	<u>\$ 1,232,327</u>	<u>\$ 1,464,378</u>	<u>\$ 232,051</u>

**City of Negaunee, Michigan**

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	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	510,000	510,000	546,156	36,156
Highway maintenance contract	75,000	75,000	71,566	(3,434)
Investment income	1,800	1,800	5,378	3,578
Other revenues	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>586,800</b>	<b>586,800</b>	<b>623,100</b>	<b>36,300</b>
<b>EXPENDITURES:</b>				
Public Works:				
Administration, Engineering and Records:				
Personal services	11,000	11,000	10,647	353
	<hr/>	<hr/>	<hr/>	<hr/>
Street Maintenance:				
Contracted services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Routine Maintenance:				
Personal services	35,000	35,000	13,373	21,627
Social security	3,200	3,200	1,023	2,177
Retirement	20,000	20,000	4,211	15,789
Supplies	10,000	10,000	9,999	1
Equipment rental	35,000	35,000	22,655	12,345
Total Routine Maintenance	<hr/>	<hr/>	<hr/>	<hr/>
	103,200	103,200	51,261	51,939
	<hr/>	<hr/>	<hr/>	<hr/>
Traffic Signs and Pavement Markings:				
Personal services	5,500	5,500	1,775	3,725
Social security	425	425	187	238
Retirement	2,525	2,325	276	2,049
Supplies	500	700	680	20
Equipment rental	1,500	1,500	423	1,077
Total Traffic Signs and Pavement Markings	<hr/>	<hr/>	<hr/>	<hr/>
	10,450	10,450	3,341	7,109
	<hr/>	<hr/>	<hr/>	<hr/>
Winter Maintenance:				
Personal services	55,000	56,750	54,408	2,342
Social security	5,400	5,400	3,979	1,421
Retirement	32,000	27,850	14,345	13,505
Supplies	20,000	37,400	37,384	16
Equipment rental	170,000	155,000	154,971	29
Total Winter Maintenance	<hr/>	<hr/>	<hr/>	<hr/>
	282,400	282,400	265,087	17,313
	<hr/>	<hr/>	<hr/>	<hr/>
Employee benefits	77,000	77,000	46,955	30,045
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL MAJOR STREET</b>	<b>484,050</b>	<b>484,050</b>	<b>377,291</b>	<b>106,759</b>
<b>TRUNKLINE:</b>				
Administration, Engineering and Records:				
Personal services	8,500	8,500	8,032	468
Total Administration, Engineering and Records	<hr/>	<hr/>	<hr/>	<hr/>
	8,500	8,500	8,032	468

**City of Negaunee, Michigan**

MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Routine Maintenance:				
Personal services	\$ 7,000	\$ 7,000	\$ 457	\$ 6,543
Social security	550	550	35	515
Retirement	3,200	3,200	48	3,152
Supplies	2,000	2,000	-	2,000
Equipment rental	4,000	4,000	994	3,006
Total Routine Maintenance	<u>16,750</u>	<u>16,750</u>	<u>1,534</u>	<u>15,216</u>
Winter Maintenance:				
Personal services	14,000	10,150	10,040	110
Social security	1,100	1,100	767	333
Retirement	6,400	2,480	2,429	51
Supplies	8,000	8,100	8,082	18
Equipment rental	25,000	32,670	32,655	15
Total Winter Maintenance	<u>54,500</u>	<u>54,500</u>	<u>53,973</u>	<u>527</u>
Employee benefits	<u>18,000</u>	<u>18,000</u>	<u>13,643</u>	<u>4,357</u>
TOTAL TRUNKLINE	<u>97,750</u>	<u>97,750</u>	<u>77,182</u>	<u>20,568</u>
<b>TOTAL EXPENDITURES</b>	<u>581,800</u>	<u>581,800</u>	<u>454,473</u>	<u>127,327</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,000</u>	<u>5,000</u>	<u>168,627</u>	<u>163,627</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	5,000	5,000	168,627	163,627
Fund balance, beginning of year	<u>746,452</u>	<u>746,452</u>	<u>746,452</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 751,452</u>	<u>\$ 751,452</u>	<u>\$ 915,079</u>	<u>\$ 163,627</u>

**City of Negaunee, Michigan**

LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
State sources:				
State grants	\$ -	\$ -	\$ 21,985	\$ 21,985
Motor vehicle highway gas and weight tax	260,000	260,000	284,264	24,264
Investment Income	<u>1,800</u>	<u>1,800</u>	<u>1,208</u>	<u>(592)</u>
<b>TOTAL REVENUES</b>	<u>261,800</u>	<u>261,800</u>	<u>307,457</u>	<u>45,657</u>
<b>EXPENDITURES:</b>				
<b>Public Works:</b>				
Administration, Engineering and Records:				
Personal services	<u>14,500</u>	<u>14,500</u>	<u>11,448</u>	<u>3,052</u>
Routine Maintenance:				
Personal services	54,000	17,000	15,417	1,583
Social security	4,200	1,200	1,179	21
Retirement	24,700	7,700	7,060	640
Supplies	12,000	14,600	14,581	19
Equipment rental	60,000	34,400	29,403	4,997
Contracted services	-	-	-	-
Total Routine Maintenance	<u>154,900</u>	<u>74,900</u>	<u>67,640</u>	<u>7,260</u>
Traffic Signs and Pavement Markings:				
Personal services	5,000	5,000	1,190	3,810
Social security	400	400	91	309
Retirement	2,300	975	335	640
Supplies	1,500	2,825	2,818	7
Equipment rental	<u>1,000</u>	<u>1,000</u>	<u>224</u>	<u>776</u>
Total Traffic Signs and Pavement Markings	<u>10,200</u>	<u>10,200</u>	<u>4,658</u>	<u>5,542</u>
Winter Maintenance:				
Personal services	53,000	46,600	36,082	10,518
Social security	4,100	4,100	2,879	1,221
Retirement	24,300	9,300	9,139	161
Supplies	15,500	25,200	25,194	6
Equipment rental	<u>100,000</u>	<u>100,000</u>	<u>98,351</u>	<u>1,649</u>
Total Winter Maintenance	<u>196,900</u>	<u>185,200</u>	<u>171,645</u>	<u>13,555</u>
Employee benefits	<u>77,000</u>	<u>77,000</u>	<u>40,483</u>	<u>36,517</u>
<b>TOTAL EXPENDITURES</b>	<u>453,500</u>	<u>361,800</u>	<u>295,874</u>	<u>65,926</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(191,700)</u>	<u>(100,000)</u>	<u>11,583</u>	<u>111,583</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>191,700</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>191,700</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>111,583</u>	<u>111,583</u>
Fund balance, beginning of year	<u>225,442</u>	<u>225,442</u>	<u>225,442</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 225,442</u></u>	<u><u>\$ 225,442</u></u>	<u><u>\$ 337,025</u></u>	<u><u>\$ 111,583</u></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, SENIOR CENTER FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND, CITY IMPROVEMENT FUND, SALVAGE INSPECTION FUND, DRUG FORFEITURE FUND, and PARKS BEAUTIFICATION FUND are non-major special revenue fund types.

#### **DEBT SERVICE FUNDS**

The function of the Debt Service Funds is to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The modified accrual basis of accounting is used in recording Debt Service Fund transactions. The DEBT SERVICE FUND IS a non-major debt service fund type.

#### **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, EQUIPMENT FUND, and ALLEY PROJECT FUND are 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, 2022

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Funds Cemetery Trust Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 651,534	\$ -	\$ 250,371	\$ 89,655	\$ 991,560
Accounts receivable	-	-	-	-	-
Tax receivable	338,437	-	170,701	-	509,138
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>989,971</u>	<u>-</u>	<u>421,072</u>	<u>89,655</u>	<u>1,500,698</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 989,971</u>	<u>\$ -</u>	<u>\$ 421,072</u>	<u>\$ 89,655</u>	<u>\$ 1,500,698</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,233	\$ -	\$ 6,410	\$ -	\$ 18,643
Accrued salaries	7,735	-	-	-	7,735
<b>TOTAL LIABILITIES</b>	<u>19,968</u>	<u>-</u>	<u>6,410</u>	<u>-</u>	<u>26,378</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	338,437	-	170,701	-	509,138
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>338,437</u>	<u>-</u>	<u>170,701</u>	<u>-</u>	<u>509,138</u>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	115,935	115,935
Restricted	420,951	-	-	(26,280)	394,671
Committed	5,000	-	-	-	5,000
Assigned	205,615	-	243,961	-	449,576
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>631,566</u>	<u>-</u>	<u>243,961</u>	<u>89,655</u>	<u>965,182</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 989,971</u>	<u>\$ -</u>	<u>\$ 421,072</u>	<u>\$ 89,655</u>	<u>\$ 1,500,698</u>



**City of Negaunee, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2022

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Permanent Fund Cemetery Trust Fund	Total
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	8,666	-	-	-	8,666
Property taxes	318,240	-	158,673	-	476,913
Contributions - other	247,324	-	255,207	3,478	506,009
Investment income	2,968	-	-	733	3,701
Other revenue	55,896	-	-	1,244	57,140
<b>TOTAL REVENUES</b>	<b>633,094</b>	<b>-</b>	<b>413,880</b>	<b>5,455</b>	<b>1,052,429</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Public safety	-	-	-	-	-
Public works	377,346	-	-	20,000	397,346
Health and welfare	282,278	-	-	-	282,278
Community and economic development	30,327	-	-	-	30,327
Recreation and culture	116,047	-	-	-	116,047
Capital outlay	-	-	617,840	-	617,840
Debt service	-	3,063	103,758	-	106,821
<b>TOTAL EXPENDITURES</b>	<b>805,998</b>	<b>3,063</b>	<b>721,598</b>	<b>20,000</b>	<b>1,550,659</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(172,904)</b>	<b>(3,063)</b>	<b>(307,718)</b>	<b>(14,545)</b>	<b>(498,230)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from borrowing	-	-	273,186	-	273,186
Transfers in	50,000	3,063	-	-	53,063
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>50,000</b>	<b>3,063</b>	<b>273,186</b>	<b>-</b>	<b>326,249</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(122,904)</b>	<b>-</b>	<b>(34,532)</b>	<b>(14,545)</b>	<b>(171,981)</b>
Fund balance, beginning of year	754,470	-	278,493	104,200	1,137,163
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 631,566</b>	<b>\$ -</b>	<b>\$ 243,961</b>	<b>\$ 89,655</b>	<b>\$ 965,182</b>

City of Negaunee, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

December 31, 2022

	Street Millage Fund	Library State Aid Fund	Senior Center Fund	Law Enforcement Fund	Crime Prevention Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 251,661	\$ 15,656	\$ 142,080	\$ 955	\$ 2,013
Accounts receivable	-	-	-	-	-
Taxes receivable	227,605	-	-	-	-
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>479,266</b>	<b>15,656</b>	<b>142,080</b>	<b>955</b>	<b>2,013</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 479,266</b>	<b>\$ 15,656</b>	<b>\$ 142,080</b>	<b>\$ 955</b>	<b>\$ 2,013</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,728	\$ 272	\$ 6,293	\$ -	\$ -
Accrued salaries	-	-	7,735	-	-
<b>TOTAL LIABILITIES</b>	<b>3,728</b>	<b>272</b>	<b>14,028</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	227,605	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>227,605</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	-	-
Restricted	247,933	15,384	128,052	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	955	2,013
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>247,933</b>	<b>15,384</b>	<b>128,052</b>	<b>955</b>	<b>2,013</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 479,266</b>	<b>\$ 15,656</b>	<b>\$ 142,080</b>	<b>\$ 955</b>	<b>\$ 2,013</b>

City of Negaunee, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
(Continued)

December 31, 2022

	City Improvement Fund	Salvage Inspection Fund	Drug Forfeiture Fund	Parks Beautification Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 188,758	\$ 7,150	\$ 362	\$ 42,899	\$ 651,534
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	110,832	338,437
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>188,758</b>	<b>7,150</b>	<b>362</b>	<b>153,731</b>	<b>989,971</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 188,758</b>	<b>\$ 7,150</b>	<b>\$ 362</b>	<b>\$ 153,731</b>	<b>\$ 989,971</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,940	\$ -	\$ -	\$ -	\$ 12,233
Accrued salaries	-	-	-	-	7,735
<b>TOTAL LIABILITIES</b>	<b>1,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,968</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	-	-	-	110,832	338,437
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,832</b>	<b>338,437</b>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	29,582	420,951
Committed	5,000	-	-	-	5,000
Assigned	181,818	7,150	362	13,317	205,615
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>186,818</b>	<b>7,150</b>	<b>362</b>	<b>42,899</b>	<b>631,566</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 188,758</b>	<b>\$ 7,150</b>	<b>\$ 362</b>	<b>\$ 153,731</b>	<b>\$ 989,971</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, 2022

	Street Millage Fund	Library State Aid Fund	Senior Center Fund	Law Enforcement Fund	Crime Prevention Fund
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	7,724	-	942	-
Contributions - other	-	2,450	243,874	-	-
Taxes	211,689	-	-	-	-
Investment income	-	1,018	1,950	-	-
Other revenues	-	-	44,006	-	-
<b>TOTAL REVENUES</b>	<b>211,689</b>	<b>11,192</b>	<b>289,830</b>	<b>942</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Public safety	-	-	-	-	-
Public works	377,346	-	-	-	-
Health and welfare	-	-	282,278	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	9,486	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>377,346</b>	<b>9,486</b>	<b>282,278</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(165,657)</b>	<b>1,706</b>	<b>7,552</b>	<b>942</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>(165,657)</b>	<b>1,706</b>	<b>7,552</b>	<b>942</b>	<b>-</b>
Fund balance, beginning of year	413,590	13,678	120,500	13	2,013
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 247,933</b>	<b>\$ 15,384</b>	<b>\$ 128,052</b>	<b>\$ 955</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, 2022

	City Improvement Fund	Salvage Inspection Fund	Drug Forfeiture Fund	Parks Beautification Fund	Total
<b>REVENUES:</b>					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	8,666
Contributions - other	-	-	-	1,000	247,324
Taxes	-	-	-	106,551	318,240
Investment income	-	-	-	-	2,968
Other revenues	9,890	2,000	-	-	55,896
<b>TOTAL REVENUES</b>	<b>9,890</b>	<b>2,000</b>	<b>-</b>	<b>107,551</b>	<b>633,094</b>
<b>EXPENDITURES:</b>					
Current Operations:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	377,346
Health and welfare	-	-	-	-	282,278
Community and economic development	30,327	-	-	-	30,327
Recreation and culture	-	-	-	106,561	116,047
<b>TOTAL EXPENDITURES</b>	<b>30,327</b>	<b>-</b>	<b>-</b>	<b>106,561</b>	<b>805,998</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,437)</b>	<b>2,000</b>	<b>-</b>	<b>990</b>	<b>(172,904)</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	50,000	-	-	-	50,000
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>CHANGES IN FUND BALANCE</b>	<b>29,563</b>	<b>2,000</b>	<b>-</b>	<b>990</b>	<b>(122,904)</b>
Fund balance, beginning of year	157,255	5,150	362	41,909	754,470
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 186,818</b>	<b>\$ 7,150</b>	<b>\$ 362</b>	<b>\$ 42,899</b>	<b>\$ 631,566</b>

City of Negaunee, Michigan

NON-MAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

December 31, 2022

	Capital Projects				Total
	Building Improvement Fund	Park Improvement Fund	Equipment Fund	Alley Project Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 33,722	\$ 4,970	\$ 211,679	\$ -	\$ 250,371
Accounts receivable	-	-	-	-	-
Tax receivable	-	-	170,701	-	170,701
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>33,722</u>	<u>4,970</u>	<u>382,380</u>	<u>-</u>	<u>421,072</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 33,722</u>	<u>\$ 4,970</u>	<u>\$ 382,380</u>	<u>\$ -</u>	<u>\$ 421,072</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 6,410	\$ -	\$ 6,410
Accrued salaries	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>6,410</u>	<u>-</u>	<u>6,410</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes levied for a subsequent period	-	-	170,701	-	170,701
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>170,701</u>	<u>-</u>	<u>170,701</u>
<b>FUND BALANCE</b>					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	33,722	4,970	205,269	-	243,961
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>33,722</u>	<u>4,970</u>	<u>205,269</u>	<u>-</u>	<u>243,961</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 33,722</u>	<u>\$ 4,970</u>	<u>\$ 382,380</u>	<u>\$ -</u>	<u>\$ 421,072</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, 2022

	Capital Projects				Total
	Building Improvement Fund	Park Improvement Fund	Equipment Fund	Alley Project Fund	
<b>REVENUES:</b>					
State sources	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	158,673	-	158,673
Contributions - other	-	-	-	255,207	255,207
Investment income	-	-	-	-	-
Other revenue	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>158,673</b>	<b>255,207</b>	<b>413,880</b>
<b>EXPENDITURES:</b>					
Capital Outlay:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	2,103	-	127,530	488,207	617,840
Debt service	-	-	103,758	-	103,758
Total Capital Outlay	2,103	-	231,288	488,207	721,598
<b>TOTAL EXPENDITURES</b>	<b>2,103</b>	<b>-</b>	<b>231,288</b>	<b>488,207</b>	<b>721,598</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,103)</b>	<b>-</b>	<b>(72,615)</b>	<b>(233,000)</b>	<b>(307,718)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from borrowing	-	-	40,186	233,000	273,186
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>40,186</b>	<b>233,000</b>	<b>273,186</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(2,103)</b>	<b>-</b>	<b>(32,429)</b>	<b>-</b>	<b>(34,532)</b>
Fund balance, beginning of year	35,825	4,970	237,698	-	278,493
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 33,722</b>	<b>\$ 4,970</b>	<b>\$ 205,269</b>	<b>\$ -</b>	<b>\$ 243,961</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, 2022

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 888,672
Accounts receivable	120,142
Allowance for uncollectible accounts	(3,300)
Prepaid expense	39,123
Non-current Assets:	
Restricted cash	1,373,170
Capital Assets:	
Land and construction in progress	225,810
Other capital assets, net of depreciation	<u>8,562,300</u>
Total Capital Assets	<u>8,788,110</u>
<b>TOTAL ASSETS</b>	<b><u>11,205,917</u></b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred gain on refunding	92,858
Deferred outflows related to OPEB	269
Deferred outflows related to pension	71,830
Employer pension contributions subsequent to measurement date	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>164,957</u></b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	11,540
Accrued interest	21,788
Accrued salaries	3,707
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	69,000
Compensated absences	-
Portion due or payable after one year	
Bonds payable	3,623,000
Compensated absences	9,474
Net OPEB liability	1,012,056
Net pension liability	<u>555,491</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,306,056</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	<u>16,087</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>16,087</u></b>

**NET POSITION**

Net investment in capital assets	5,188,968
Restricted for:	
Capital improvement	768,928
Debt service	842,565
Unrestricted	<u>(751,730)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,048,731</u></b>

City of Negaunee, Michigan

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

**OPERATING REVENUES:**

Sewer permits and revenues	\$ 1,450,817
Municipal departments	21,291
Other operating revenues	14,132

**TOTAL OPERATING REVENUES** 1,486,240

**OPERATING EXPENSES:**

Customer accounting and collection	53,336
Administrative and general	(6,792)
Sewage, sanitary and storm sewers	281,270
Wastewater treatment plan	62
Provision for depreciation	320,853

**TOTAL OPERATING EXPENSES** 648,729

**OPERATING INCOME (LOSS)** 837,511

**NONOPERATING REVENUES (EXPENSES):**

Interest income	12,702
Gain (loss) on sale of fixed assets	-
Interest expense on bonds	(99,403)

**TOTAL NONOPERATING (EXPENSES)** (86,701)

**INCOME (LOSS) BEFORE CAPITAL  
CONTRIBUTION AND TRANSFERS** 750,810

Capital Contribution:

Federal	-
Non-federal	-
Transfers in	-
Transfers (out)	-

**CHANGE IN NET POSITION** 750,810

Net position, beginning of year 5,297,921

**NET POSITION, END OF YEAR** \$ 6,048,731

**City of Negaunee, Michigan**

SEWER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 1,471,768
Other operating revenues	14,132
Cash payments to employees for services	(906,674)
Cash payments to suppliers for goods and services	<u>(246,054)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>333,172</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	-
Acquisition and construction of capital assets	(110,120)
Proceeds from sale of capital assets	-
Capital contributions received	-
Principal payment on long-term bonds	(361,000)
Interest paid on long-term bonds	<u>(80,832)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(551,952)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>12,702</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>12,702</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
	(206,078)
Cash and cash equivalents, beginning of year	<u>2,467,920</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,261,842</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 888,672
Restricted cash	<u>1,373,170</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u><u>\$ 2,261,842</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ 837,511</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	320,853
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, net	(340)
(Increase) decrease in prepaid expenses	(39,123)
Increase (decrease) in accounts payable	(30,307)
Increase (decrease) in accrued liabilities	(475)
Increase (decrease) in accrued payroll liabilities	2,163
Increase (decrease) in OPEB liability and related	(791,140)
Increase (decrease) in net pension liability and related	34,030
<b>NET ADJUSTMENTS</b>	<u>(504,339)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 333,172</u></u>

**City of Negaunee, Michigan**  
**ELECTRIC FUND**  
**STATEMENT OF NET POSITION**  
December 31, 2022

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 2,488,796
Accounts receivable	224,539
Allowance for uncollectible accounts	(9,700)
Due from other governmental units	172,000
Prepaid expense	14,250
Non-current Assets:	
Restricted cash	700,000
Investment in UPPPA Electric Utility	358,241
Capital Assets:	
Land and construction in progress	132,417
Other capital assets, net of depreciation	1,088,989
Total Capital Assets	1,221,406
<b>TOTAL ASSETS</b>	<b>5,169,532</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	269
Deferred outflows related to pension	307,844
Employer pension contributions subsequent to measurement date	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>308,113</b>

**LIABILITIES**

Current Liabilities:	
Accounts payable	265,262
Accrued salaries	13,456
Customer deposits payable	413,145
Non-current Liabilities:	
Portion due or payable within one year	
Notes payable	22,764
Compensated absences	-
Portion due or payable after one year	
Notes payable	32,342
Compensated absences	23,445
Net OPEB liability	1,012,056
Net pension liability	1,752,714
<b>TOTAL LIABILITIES</b>	<b>3,535,184</b>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	55,975
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>55,975</b>

**NET POSITION**

Net investment in capital assets	1,166,300
Restricted for:	
Capital improvement	700,000
Unrestricted	20,186
<b>TOTAL NET POSITION</b>	<b>\$ 1,886,486</b>

City of Negaunee, Michigan

ELECTRIC FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

**OPERATING REVENUES:**

Electric charges	\$ 3,678,731
Pole line rental	20,384
Other operating revenues	<u>2,803</u>

**TOTAL OPERATING REVENUES** 3,701,918

**OPERATING EXPENSES:**

Transmission and distribution	836,550
Customer accounting and collection	116,833
Administrative and general	(259,395)
Services purchased	2,324,836
Provision for depreciation	<u>116,461</u>

**TOTAL OPERATING EXPENSES** 3,135,285

**OPERATING INCOME (LOSS)** 566,633

**NONOPERATING REVENUES (EXPENSES):**

Interest income	60,693
Gain (loss) on sale of fixed assets	-
Interest expense on notes	<u>(3,645)</u>

**TOTAL NONOPERATING (EXPENSES)** 57,048

**INCOME (LOSS) BEFORE TRANSFERS** 623,681

Capital Contribution:

Federal	-
Non-federal	4,500
Transfers in	-
Transfers (out)	<u>(50,000)</u>

**CHANGE IN NET POSITION** 578,181

Net position, beginning of year 1,308,305

**NET POSITION, END OF YEAR** \$ 1,886,486

**City of Negaunee, Michigan**

ELECTRIC FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 3,715,876
Other operating revenues	2,803
Cash payments to employees for services	(1,060,102)
Cash payments to suppliers for goods and services	<u>(2,588,338)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>70,239</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	(330,884)
Proceeds from sale of capital assets	-
Capital assets transfers from other funds	-
Capital contributions received	4,500
Principal payment on notes payable	(21,559)
Interest and tax expense	<u>(3,645)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(351,588)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
(Increase) decrease in investment in UPPPA electric utility	(20,162)
Investment income	<u>60,693</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>40,531</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
	(290,818)
Cash and cash equivalents, beginning of year	<u>3,479,614</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,188,796</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 2,488,796
Restricted cash	<u>700,000</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u>\$ 3,188,796</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ 566,633
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	116,461
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, net	16,761
(Increase) decrease in prepaid expense	-
Increase (decrease) in accounts payable	20,041
Increase (decrease) in payroll liabilities	2,737
Increase (decrease) in customer deposits payable	18,800
Increase (decrease) in OPEB liability and related	(791,140)
Increase (decrease) in net pension liability and related	119,946
<b>NET ADJUSTMENTS</b>	<u>(496,394)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 70,239</u>

**City of Negaunee, Michigan**

WATER FUND

STATEMENT OF NET POSITION

December 31, 2022

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 1,459,341
Accounts receivable	108,853
Allowance for uncollectible accounts	(4,300)
Loan receivable	326,000
Non-current Assets:	
Restricted cash	1,541,715
Investment in Joint Water Authority	543,875
Capital Assets:	
Land and construction in progress	1,809,410
Other capital assets, net of depreciation	5,238,095
Total Capital Assets	<u>7,047,505</u>
<b>TOTAL ASSETS</b>	<u><b>11,022,989</b></u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	60
Deferred outflows related to pension	84,161
Employer pension contributions subsequent to measurement date	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>84,221</b></u>

**LIABILITIES**

Current Liabilities:	
Accounts payable	353,928
Due to other funds	-
Accrued liabilities	9,578
Accrued salaries	6,174
Non-current Liabilities:	
Portion due or payable within one year	
Bonds payable	178,000
Compensated absences	-
Portion due or payable after one year	
Bonds payable	2,657,000
Compensated absences	12,677
Net OPEB liability	224,901
Net pension liability	754,383
<b>TOTAL LIABILITIES</b>	<u><b>4,196,641</b></u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to OPEB	-
Deferred inflows related to pension	17,121
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>17,121</b></u>

**NET POSITION**

Net investment in capital assets	4,212,505
Restricted for:	
Capital improvement	988,492
Debt service	472,185
Unrestricted	1,220,266
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 6,893,448</b></u></u>

City of Negaunee, Michigan

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2022

**OPERATING REVENUES:**

Water charges	\$ 1,323,809
Municipal departments	37,778
Tapping permits	-
Other operating revenues	<u>52,368</u>

**TOTAL OPERATING REVENUES** 1,413,955

**OPERATING EXPENSES:**

Power and pumping	1,511
Transmission and distribution	337,031
Customer accounting and collection	54,490
Administrative and general	334,344
Water meters	8,058
Provision for depreciation	<u>302,999</u>

**TOTAL OPERATING EXPENSES** 1,038,433

**OPERATING INCOME (LOSS)** 375,522

**NONOPERATING REVENUES (EXPENSES):**

Interest income	17,632
Gain (loss) on sale of fixed assets	-
Bond issuance costs	(42,390)
Interest expense on bonds	<u>(26,151)</u>

**TOTAL NONOPERATING (EXPENSES)** (50,909)

**INCOME (LOSS) BEFORE  
CAPITAL CONTRIBUTION** 324,613

Capital Contribution:

Federal	-
Non-federal	16,768
Transfers in	-
Transfers (out)	<u>-</u>

**CHANGE IN NET POSITION** 341,381

Net position, beginning of year 6,552,067

**NET POSITION, END OF YEAR** \$ 6,893,448



**City of Negaunee, Michigan**

WATER FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net cash received from fees and charges for services	\$ 1,033,489
Other operating revenues	52,368
Cash payments to employees for services	(347,500)
Cash payments to suppliers for goods and services	<u>(224,136)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>514,221</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	1,558,000
Acquisition and construction of capital assets	(1,343,645)
Net book value of assets disposed of	-
Capital contributions received	16,768
Principal payment on long-term bonds	(81,000)
Bond issuance costs	(42,390)
Interest paid on long-term bonds	<u>(26,151)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>81,582</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	<u>17,632</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>17,632</u>
	<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>
	613,435
Cash and cash equivalents, beginning of year	<u>2,387,621</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 3,001,056</u></u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>	
Cash and cash equivalents	\$ 1,459,341
Restricted cash	<u>1,541,715</u>
<b>TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<u><u>\$ 3,001,056</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	<u>\$ 375,522</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	302,999
Change in assets and liabilities:	
Decrease (increase) in accounts receivable, net	(2,098)
Decrease (increase) in grants receivable	(326,000)
Increase (decrease) in accounts payable	296,711
Increase (decrease) in accrued liabilities	(607)
Increase (decrease) in accrued payroll liabilities	6,930
Increase (decrease) in OPEB liability and related	(175,809)
Increase (decrease) in net pension liability and related	<u>36,573</u>
<b>NET ADJUSTMENTS</b>	<u>138,699</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ 514,221</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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 25, 2023. 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.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (items 2022-001 and 2022-002).

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

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit 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 25, 2023



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

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

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

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

We have audited the City of Negaunee, Michigan's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Negaunee Housing Commission, which expended federal awards which are not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2022. Our audit described below, did not include the operations of the Negaunee Housing Commission because the component unit engaged other auditors to perform an audit of compliance.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our

audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants

July 25, 2023

**City of Negaunee, Michigan**

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	2022 Federal Expenditures	Passed through to Subrecipient
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Direct Award:</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,558,000	\$ -
Sub-Total	10.760	<u>1,558,000</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b><u>1,558,000</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Highway Safety Cluster			
<i>Passed through Marquette County:</i>			
Marquette County Traffic Enforcement	20.600	17,236	-
Sub-Total	20.600	<u>17,236</u>	<u>-</u>
Highway Safety Cluster Sub-Total	20.600	<u>17,236</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		<b><u>17,236</u></b>	<b><u>-</u></b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Direct Award:</i>			
COVID -- Coronavirus State and Local Fiscal Recovery Funds	21.027	50,000	-
Sub-Total	21.027	<u>50,000</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>		<b><u>50,000</u></b>	<b><u>-</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE</b>		<b><u>\$ 1,625,236</u></b>	<b><u>\$ -</u></b>

The accompanying notes are an integral part of this schedule.



**CITY OF NEGAUNEE, MICHIGAN**

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

**December 31, 2022**

**NOTE A – BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Negaunee, Michigan (the City) for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

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

**NOTE C – OVERSIGHT AGENCY:**

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

**NOTE D – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements:	
Grant Revenue – Federal	\$17,236
USDA Water Supply Revenue Bond	1,558,000
Component Unit – Downtown Development Authority	50,000
Reconciling Items:	
Rounding	-
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	<u>\$1,625,236</u>

**CITY OF NEGAUNEE, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2022**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS:**

Financial Statements

- Type of auditor’s report issued: *Unmodified*.
- Internal control over financial reporting:
  - No material weaknesses were identified.
  - Significant deficiencies were reported.
- There were no instances of noncompliance to the financial statements identified.

Federal Awards

- Type of auditor’s report issued on compliance for major programs: *Unmodified*.
- Internal Control over major programs:
  - No material weaknesses were identified.
  - No significant deficiencies not considered to be material weaknesses were identified.
- Audit findings that are required to be reported in accordance with the Uniform Guidance: *None were identified*.

Major Programs

<u>ALN:</u>	<u>Name of Federal Program:</u>
10.760	Water and Waste Disposal Systems for Rural Communities

- Dollar threshold used to distinguish between Type A and Type B programs: *\$750,000*.
- Auditee qualified as low-risk auditee? *No*.

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

**SIGNIFICANT DEFICIENCIES**

**2022-001 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.

**CITY OF NEGAUNEE, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)**

**For the Year Ended December 31, 2022**

**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

**2022-002 ACT 345 CONTRIBUTIONS (REPEAT)**

**Condition/Criteria:** The City did not remit employee and employer contributions to the Act 345 Police Pension Plan on a monthly basis. In addition, some contributions to the plan were not calculated correctly as employees left employment at the City.

**Cause of the Condition:** Special pays, such as accrued sick and vacation payouts, for employees who left City employment during the fiscal year were not calculated correctly due to final pay checks not being coded properly in payroll. Lack of internal control for timely contributions to the plan and reconciliation function to ensure contributions are properly calculated.

**Effect:** The City did not remit their employee and employer contributions to the pension plan on a monthly basis. Also, the amount of the contributions to the pension plan were calculated incorrectly.

**Recommendation:** The City needs to implement better internal control and reconciliation functions in order to make contributions timely and properly calculate contribution amounts based on all eligible pay classifications.

**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, 2023

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

- None reported.



# CITY OF NEGAUNEE

P.O. Box 70 • Negaunee, Michigan 49866 • Phone (906) 475-7700 Fax  
(906) 475-0178 • [www.cityofnegaunee.com](http://www.cityofnegaunee.com)

*Corrective Action Plan*  
For the Year Ended December 31, 2022

July 25, 2023

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

**2022-001 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.

**2022-002 – ACT 345 CONTRIBUTIONS (REPEAT)**

**Corrective Action Plan:**

The City staff will work with each other to ensure contributions are made monthly. The City Clerk is planning to change the timing of when police officers are coded as inactive upon leaving City employment. This should prevent any further discrepancies between eligible and ineligible wages. The City Clerk will also complete a reconciliation of eligible and ineligible wages.

*"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.*



# CITY OF NEGAUNEE

P.O. Box 70 • Negaunee, Michigan 49866 • Phone (906) 475-7700

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## SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2022

### SECTION II - FINANCIAL STATEMENT FINDINGS:

#### SIGNIFICANT DEFICIENCIES

##### **2021-001 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.

**Management Response:** The City Council closely monitors all payments and reviews the financial statements on a monthly basis.

**Status:** Repeated, refer to current year finding 2022-001.

##### **2021-002 ACT 345 CONTRIBUTIONS**

**Condition/Criteria:** The City did not remit employee or employer contributions to the Act 345 Police Pension Plan for the last six months of fiscal year 2021 until early in 2022. In addition, some contributions were not calculated correctly.

*"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.*

**CITY OF NEGAUNEE, MICHIGAN**

**SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
(Continued)**

**For the Year Ended December 31, 2022**

**Cause of the Condition:** Special pays were not properly accounted for, especially for employees who left City employment during the fiscal year. Their final pay checks were not being coded properly in payroll. Lack of internal control for timely contributions to the plan. Lack of reconciliation function to ensure contributions are properly calculated.

**Effect:** The City did not make their annual required contributions to the pension plan timely, as a result there was a payable of \$116,087 to the pension plan as of December 31, 2021. Also, the amount of the required contributions to the pension plan were calculated incorrectly.

**Recommendation:** The City needs to implement better internal control and reconciliation functions in order to make contributions timely and properly calculate required contribution amounts based on all eligible pay classifications.

**Management Response:** City personnel will work together to ensure contributions are made timely. The City Clerk will also complete a reconciliation of eligible and ineligible wages.

**Status:** Repeated, refer to current year finding 2022-002.

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

There was no Single Audit required in the prior year.

## COMMUNICATIONS SECTION



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

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, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies (Items 2022-001 and 2022-002).

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.



City Council of the  
City of Negaunee, Michigan

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 25, 2023



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

July 25, 2023

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, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to 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 methods, assumptions, and

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

Management's estimate of accumulated depreciation 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 methods, assumptions, and data 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 methods, assumptions, and data used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's 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 methods, assumptions, and data used to develop the City's Net Pension Liability, based on information provided by USI Consulting Group, 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 methods, assumptions, and data used to develop the City's Net Pension Liability, based on information provided by the GRS 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 methods, assumptions, and data 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. USI Consulting Group 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 25, 2023.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (items 2022-001 and 2022-002).

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### 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