

City of Escanaba,  
Michigan



Year Ended  
June 30, 2023

Financial  
Statements

**Rehmann**

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# CITY OF ESCANABA, MICHIGAN

## Table of Contents

	<u>Page</u>
<b>List of Elected and Appointed Officials</b>	1
<b>Independent Auditors' Report</b>	3
<b>Management's Discussion and Analysis</b>	7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of Net Change in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	28
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	36
Statement of Fiduciary Net Position – Fiduciary Funds	40
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	41
Notes to the Financial Statements	43
<b>Required Supplementary Information</b>	
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in City's Net Pension Liability and Related Ratios	82
Schedule of Contributions	84
Public Safety Officer Retirement System Defined Benefit Plan:	
Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios	86
Schedule of Contributions	88
Schedule of Investment Returns	89
Notes to Required Supplementary Information	90

# CITY OF ESCANABA, MICHIGAN

## ■ Table of Contents

	<u>Page</u>
<b>Combining Fund Financial Statements</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	98
Internal Service Funds:	
Combining Statement of Net Position	102
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	104
Combining Statement of Cash Flows	106



# CITY OF ESCANABA, MICHIGAN

## ELECTED AND APPOINTED OFFICIALS

For the Year Ended June 30, 2023

### Elected Officials

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Mayor	Mark Ammel
Mayor Pro Tem	Karen Moore
Council Member	Ron Beauchamp
Council Member	Tyler DuBord
Council Member	Todd Flath

### Appointed Officials

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City Manager	James McNeil
Clerk	Phil Demay
Treasurer	Heather Calouette
Controller	Melissa Becotte
Planning Director/Zoning Administrator	Tyler Anthony
Director of Public Safety	John Gudwer
Director of DPW	Kent DuBord
Electric Superintendent	Gerald Pirkola
Assessor	James McNeil
WWTP/WTP Superintendent	Jeff Lampi
Harbormaster	Shayne Sanville
Recreation Director	Kimberly Peterson
Library Director	Carolyn Stacey
Attorney	Laura Genovich

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## INDEPENDENT AUDITORS' REPORT

November 29, 2023

City Council  
City of Escanaba  
Escanaba, Michigan

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Escanaba, Michigan** (the "City"), as of and for the year ended June 30, 2023, 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 the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund 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 Escanaba Housing Commission (the "Commission") discretely presented component unit, which is a major component unit, and therefore its own opinion unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission, 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 (GAAS) 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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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

### ***Independent Auditors' 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 auditors' 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements 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 were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements 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, under separate cover, our report dated November 29, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# CITY OF ESCANABA, MICHIGAN

## Management's Discussion and Analysis

These financial statements are the responsibility of the City of Escanaba, Michigan's (the "City") management. We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

· Total net position	\$ 81,319,532
· Change in total net position	7,834,353
· Fund balances, governmental funds	15,727,648
· Change in fund balances, governmental funds	216,793
· Unassigned fund balance, general fund	5,599,626
· Change in fund balance, general fund	120,089
· Bonded debt outstanding	17,223,391
· Change in bonded debt	339,106

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred outflows/inflows, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways, streets and public works, sanitation, community services, recreation and culture, community and economic development and other functions. The business-type activities of the City include electric utility, waste water utility, water utility and the marina operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate component unit – the Escanaba Housing Commission – for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## CITY OF ESCANABA, MICHIGAN

### Management's Discussion and Analysis

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Following both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances are reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

Information for the general fund is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and special revenue funds.

**Proprietary Funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, waste water disposal, water distribution and marina operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its public building financing, motor vehicle and equipment usage, office equipment, self-insured general liability and property coverage, self-insured worker's compensation and self-insured unemployment compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major electric, waste water, water distribution and nonmajor marina operations.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other Information.* In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes this management's discussion and analysis and the schedules for the pension plans immediately following the notes to the financial statements.

## CITY OF ESCANABA, MICHIGAN

### Management's Discussion and Analysis

#### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$81,319,532 as of June 30, 2023.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 19,069,814	\$ 18,401,279	\$ 21,889,693	\$ 22,683,388	\$ 40,959,507	\$ 41,084,667
Capital assets, net	23,948,659	24,343,122	56,640,219	46,880,123	80,588,878	71,223,245
<b>Total assets</b>	<b>43,018,473</b>	<b>42,744,401</b>	<b>78,529,912</b>	<b>69,563,511</b>	<b>121,548,385</b>	<b>112,307,912</b>
<b>Deferred outflows of resources</b>	<b>4,260,111</b>	<b>3,133,211</b>	<b>1,494,812</b>	<b>437,094</b>	<b>5,754,923</b>	<b>3,570,305</b>
<b>Liabilities</b>						
Other liabilities	1,363,307	1,273,394	4,078,498	3,207,405	5,441,805	4,480,799
Long-term liabilities	16,097,771	13,571,010	24,261,035	22,063,675	40,358,806	35,634,685
<b>Total liabilities</b>	<b>17,461,078</b>	<b>14,844,404</b>	<b>28,339,533</b>	<b>25,271,080</b>	<b>45,800,611</b>	<b>40,115,484</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>1,276,496</b>	<b>183,165</b>	<b>1,001,058</b>	<b>183,165</b>	<b>2,277,554</b>
<b>Net position</b>						
Net investment in capital assets	23,948,659	24,343,122	36,735,113	28,690,847	60,683,772	53,033,969
Restricted	7,710,674	7,623,176	317,555	377,291	8,028,229	8,000,467
Unrestricted (deficit)	(1,841,827)	(2,209,586)	14,449,358	14,660,329	12,607,531	12,450,743
<b>Total net position</b>	<b>\$ 29,817,506</b>	<b>\$ 29,756,712</b>	<b>\$ 51,502,026</b>	<b>\$ 43,728,467</b>	<b>\$ 81,319,532</b>	<b>\$ 73,485,179</b>

The largest portion of the City's net position (74.6 percent) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, buildings and improvements, vehicles and equipment, and parking lots) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City's net position (9.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (15.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

## CITY OF ESCANABA, MICHIGAN

### Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide statement of activities and reflects how the City's net position changed during the fiscal year:

	Change in Net position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Program revenues</b>						
Charges for services	\$ 906,670	\$ 1,127,329	\$ 23,165,145	\$ 22,926,098	\$ 24,071,815	\$ 24,053,427
Operating grants and contributions	2,490,073	2,049,858	-	-	2,490,073	2,049,858
Capital grants and contributions	4,820	939,988	6,454,437	670,867	6,459,257	1,610,855
<b>General revenues</b>						
Property taxes	6,332,498	5,704,331	-	-	6,332,498	5,704,331
State shared revenue	1,725,882	1,703,115	-	-	1,725,882	1,703,115
Unrestricted grants and contributions	207,370	192,492	-	-	207,370	192,492
Unrestricted investment earnings (loss)	(4,810)	(438,997)	1,867	(677,806)	(2,943)	(1,116,803)
Gain on sale of capital assets	-	6,200	-	-	-	6,200
<b>Total revenues</b>	<b>11,662,503</b>	<b>11,284,316</b>	<b>29,621,449</b>	<b>22,919,159</b>	<b>41,283,952</b>	<b>34,203,475</b>
<b>Expenses</b>						
General government	655,100	850,643	-	-	655,100	850,643
Public safety	5,816,509	5,193,483	-	-	5,816,509	5,193,483
Highways, streets and public works	2,585,727	2,672,821	-	-	2,585,727	2,672,821
Sanitation	831,079	821,101	-	-	831,079	821,101
Community services	91,909	120,554	-	-	91,909	120,554
Recreation and culture	1,869,556	1,717,055	-	-	1,869,556	1,717,055
Community and economic development	504,643	456,699	-	-	504,643	456,699
Other functions	3,938	6,024	-	-	3,938	6,024
Interest on long-term liabilities	8,038	11,685	-	-	8,038	11,685
Electric utility	-	-	14,232,441	13,004,786	14,232,441	13,004,786
Waste water utility	-	-	3,082,644	1,961,099	3,082,644	1,961,099
Water utility	-	-	3,447,765	2,511,644	3,447,765	2,511,644
Marina	-	-	320,250	284,874	320,250	284,874
<b>Total expenses</b>	<b>12,366,499</b>	<b>11,850,065</b>	<b>21,083,100</b>	<b>17,762,403</b>	<b>33,449,599</b>	<b>29,612,468</b>

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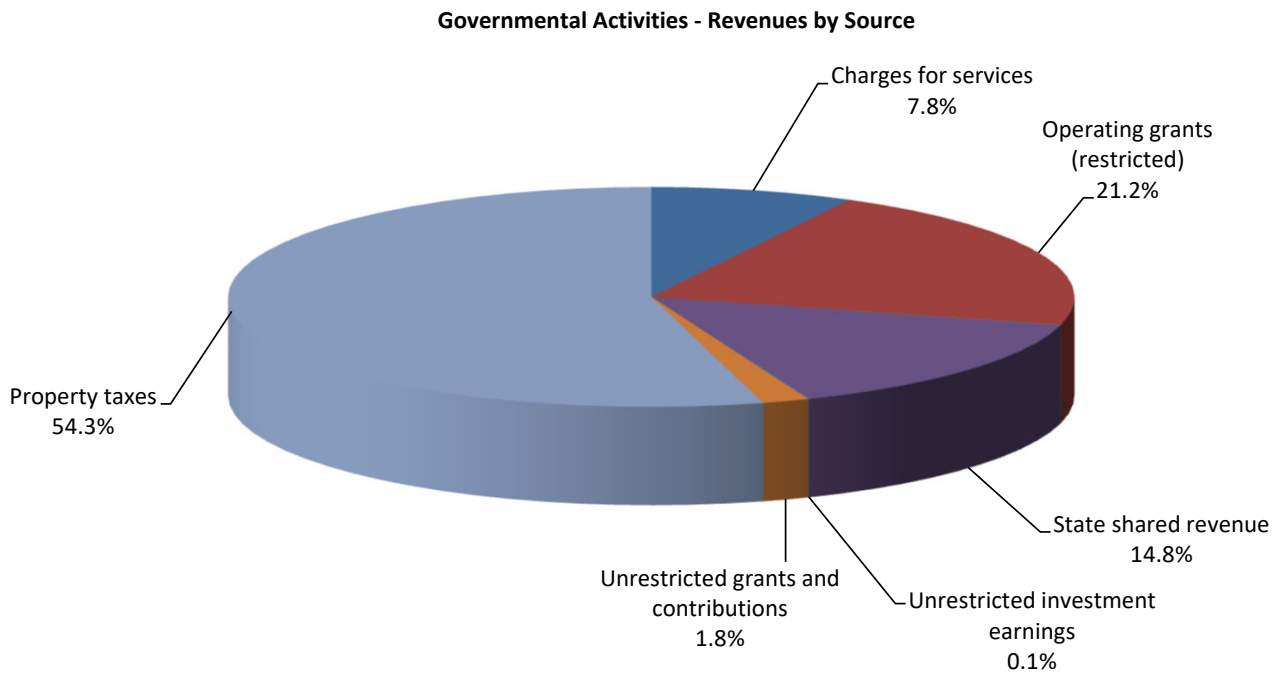
# CITY OF ESCANABA, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position (Concluded)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Change in net position, before transfers	\$ (703,996)	\$ (565,749)	\$ 8,538,349	\$ 5,156,756	\$ 7,834,353	\$ 4,591,007
Transfers	764,790	764,790	(764,790)	(764,790)	-	-
<b>Change in net position</b>	<b>60,794</b>	<b>199,041</b>	<b>7,773,559</b>	<b>4,391,966</b>	<b>7,834,353</b>	<b>4,591,007</b>
Net position:						
Beginning of year	29,756,712	29,557,671	43,728,467	39,336,501	73,485,179	68,894,172
<b>End of year</b>	<b>\$ 29,817,506</b>	<b>\$ 29,756,712</b>	<b>\$ 51,502,026</b>	<b>\$ 43,728,467</b>	<b>\$ 81,319,532</b>	<b>\$ 73,485,179</b>

concluded

**Governmental Activities.** The following chart presents revenues of governmental activities for the fiscal year:



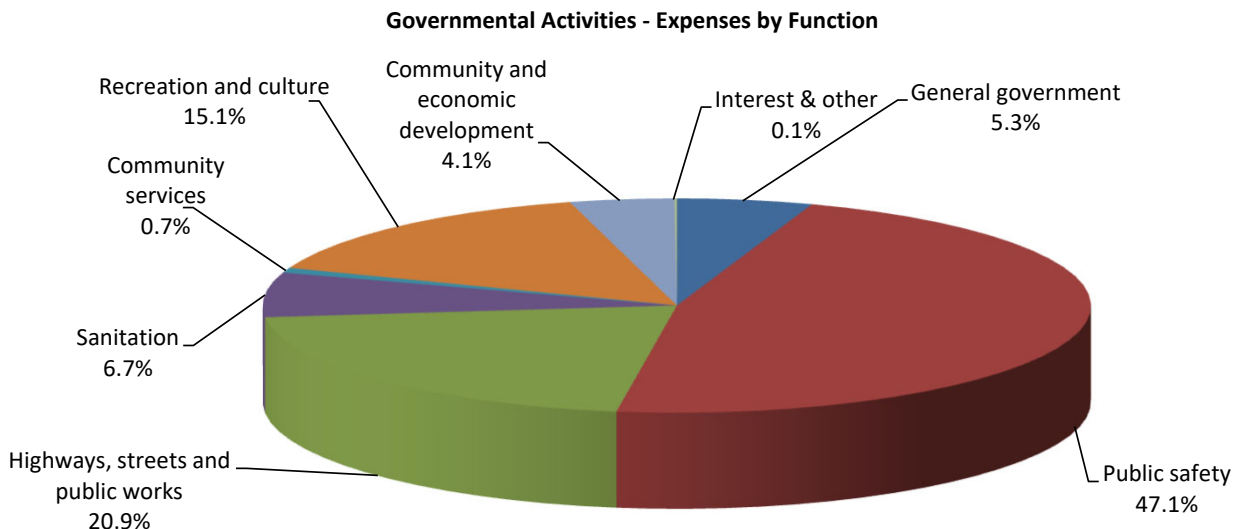
Total governmental activities revenue increased by approximately \$378,000 or 3.4% compared to prior year. Unrestricted investment earnings increased by approximately \$434,000, primarily due to changes within the investment markets. Property taxes increased by approximately \$628,000 due to a higher inflation rate multiplier for property values, increased value of home sales and an increase in the tax levy. These increases were partially offset by a reduction in charges for services of approximately \$221,000 due to the City no longer contracting with the Delta County Dispatch Authority to provide dispatch services and capital grants and contributions of approximately \$935,000 due to completion of grant funded projects in the prior year.



# CITY OF ESCANABA, MICHIGAN

## Management's Discussion and Analysis

The following chart presents expenses of the governmental activities for the fiscal year:



Total expenses for governmental activities increased by approximately \$516,000. The majority of this increase is due to changes in the net pension liability and related deferred items for the public safety pension plan.

**Business-type Activities.** Net position of the business-type activities increased by approximately \$7,774,000 in fiscal 2023. Total revenues increased approximately \$6,702,000, primarily due to increases in capital grants related to lead service line replacements and a water plan clearwell project and unrestricted investment earnings by approximately \$680,000 due to changes within the investment markets. These increases were partially offset by an increase in expenses of approximately \$3,321,000 due to significantly higher MISO costs, a large increase in depreciation expense associated with a completed wastewater project and continued replacement of leaking service lines.

### Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2023 fiscal year, the governmental funds reported combined fund balance of \$15,727,648. Of this amount, \$5,599,626 represents the general fund's unassigned fund balance. The unassigned fund balance represents what is available for spending at the City's discretion.

The general fund is the chief operating fund of the City. The general fund pays for administration, public safety, public works, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The general fund ended the year with a total fund balance of \$6,037,709, an increase of \$120,089 (2%) from fiscal year 2021/22. The health of the general fund may be measured by the ratio of general fund unassigned fund balance to annual general fund expenditures and transfers out. Unassigned general fund fund balance at June 30, 2023 represents 60% of the general fund expenditures and transfers out.

# CITY OF ESCANABA, MICHIGAN

## Management's Discussion and Analysis

### General Fund Budgetary Highlights

Generally, as additional information became known during the fiscal year, budget amendments were made as deemed necessary. A statement showing the City's original and final budget amounts, compared with actual amounts is provided in the basic financial statements.

The following were the significant differences between the original and final budget:

- Expenditures for bad debt were not originally budgeted separately due to the expenditures being included within other budgeted lines. During the final budget process, this was discovered and a separate \$15,320 final budget item was created.
- Based on final costs for necessary work, the sidewalks budget was increased by \$10,000.
- Due to the high amounts of snow, the transfer to the Parking Maintenance fund required an increase of \$36,435 to pay for plowing and snow removal from parking lots.

The following were the significant differences between the actual and budget:

- In comparison of the final budget to actual results, total expenditures were under budget by approximately \$480,000. The City does budget amendments in May of each year. When these are done, the City does not decrease budgets where expenditures are known to be lower than the budgeted amount. The City only increases budgets where necessary. This should always result in expenditures being less than budgeted.

**Proprietary Funds.** The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements business-type activities, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$14,449,358 and the net investment in capital assets was \$36,735,113. In addition, enterprise funds reported restricted net position of \$317,555 related to Electric Utility Fund surcharge revenues collected that are required to be used for energy optimization and renewable energy purposes. The changes in enterprise fund net positions were as follows:

- Electric utility activities decreased the City's net position by approximately \$900,000. This was primarily due to an increase in MISO related costs as compared to the prior year.
- Waste water utility activities increased the City's net position by approximately \$1,132,000. This was due to a rate increase implemented to pay for projects.
- Water utility activities increased the City's net position by approximately \$7,526,000. This increase can be attributed to an increase in capital contributions received.
- Marina activities increased the City's net position by approximately \$15,400. This increase can be attributed to increased marina revenue exceeding marina costs.

### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$80,588,878 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, infrastructure, buildings and improvements, electric generating equipment, water and waste water transmission and distribution system, machinery, vehicles and equipment, parking lot and leased land.

## CITY OF ESCANABA, MICHIGAN

### Management's Discussion and Analysis

Major capital asset events during the current fiscal year included the following:

- Street construction projects
- Construction on the AMI meter project
- Construction on the SRF water project
- Continued work on the lead service line replacement project
- Ongoing utility meter replacement

	Capital Assets (Net of Depreciation/Amortization, Where Applicable)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 1,332,769	\$ 1,332,769	\$ 56,953	\$ 56,953	\$ 1,389,722	\$ 1,389,722
Construction in progress	29,984	1,047,021	11,855,119	17,296,968	11,885,103	18,343,989
Land improvements	3,686,858	2,878,246	862,347	911,918	4,549,205	3,790,164
Infrastructure	12,328,403	12,354,779	-	-	12,328,403	12,354,779
Buildings and improvements	4,591,276	4,796,907	26,150,839	10,296,500	30,742,115	15,093,407
Electricity generating equipment	-	-	1,366,765	1,433,933	1,366,765	1,433,933
Water and waste water transmission and distribution system	-	-	14,693,634	15,148,312	14,693,634	15,148,312
Machinery, vehicles and equipment	1,867,730	1,809,193	1,519,395	1,597,914	3,387,125	3,407,107
Parking lot	111,639	124,207	-	-	111,639	124,207
Lease asset - land	-	-	135,167	137,625	135,167	137,625
<b>Total capital assets, net</b>	<b>\$ 23,948,659</b>	<b>\$ 24,343,122</b>	<b>\$ 56,640,219</b>	<b>\$ 46,880,123</b>	<b>\$ 80,588,878</b>	<b>\$ 71,223,245</b>

Additional information on the City's capital assets can be found in the notes to the financial statements.

**Long-term Debt.** At the end of the current fiscal year, the City had bonds related to various construction projects with a balance of \$17,223,391. The City has pledged its full faith and credit towards these obligations.

	General Obligations and Other Long-Term Debt					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Waste water / Water utility fund revenue bonds	\$ -	\$ -	\$ 15,818,391	\$ 15,324,285	\$ 15,818,391	\$ 15,324,285
Water utility fund refunding bonds	-	-	1,405,000	1,560,000	1,405,000	1,560,000
Unamortized bond premium	-	-	145,392	163,953	145,392	163,953
Compensated absences	833,580	813,705	341,417	320,634	1,174,997	1,134,339
<b>Total</b>	<b>\$ 833,580</b>	<b>\$ 813,705</b>	<b>\$ 17,710,200</b>	<b>\$ 17,368,872</b>	<b>\$ 18,543,780</b>	<b>\$ 18,182,577</b>

Additional information on the City's long-term debt can be found in the notes to the financial statement.

# CITY OF ESCANABA, MICHIGAN

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the fiscal 2024:

- The economic vitality of the City.
- Departmental needs and priorities.
- Inflationary effect on expenses.
- Legislative outlook.
- The City has been awarded several significant grants related to water and wastewater infrastructure improvements. The City is anticipating nearly \$60 million of work being done in the City over the next 3 years. This comes with some non-participating costs that need to be funded as well. The City is being very mindful of that and looking for options to pay for those expenses in a way that is least impactful to the budget.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Controller, 410 Ludington Street, P.O. Box 948, Escanaba, MI 49829 or by calling (906) 786-0605.

## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF ESCANABA, MICHIGAN**

**Statement of Net Position**

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents and investments	\$ 16,423,340	\$ 13,445,228	\$ 29,868,568	\$ 1,325,908
Receivables, net	1,466,797	7,056,678	8,523,475	5,069
Internal balances	(56,495)	56,495	-	-
Inventory	113,527	1,329,601	1,443,128	-
Prepaid items	1,122,645	1,691	1,124,336	31,973
Capital assets not being depreciated/amortized	1,362,753	11,912,072	13,274,825	380,172
Capital assets being depreciated/amortized, net	22,585,906	44,728,147	67,314,053	846,264
<b>Total assets</b>	<b>43,018,473</b>	<b>78,529,912</b>	<b>121,548,385</b>	<b>2,589,386</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	-	12,962	12,962	-
Deferred pension amounts	4,260,111	1,481,850	5,741,961	-
<b>Total deferred outflows of resources</b>	<b>4,260,111</b>	<b>1,494,812</b>	<b>5,754,923</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	980,418	4,015,951	4,996,369	136,136
Unearned revenue	382,889	62,547	445,436	15,696
Bonds and other long-term liabilities:				
Due within one year	189,733	1,253,731	1,443,464	12,151
Due in more than one year	643,847	16,592,105	17,235,952	-
Net pension liability, due in more than one year	15,264,191	6,415,199	21,679,390	-
<b>Total liabilities</b>	<b>17,461,078</b>	<b>28,339,533</b>	<b>45,800,611</b>	<b>163,983</b>
<b>Deferred inflows of resources</b>				
Deferred lease amounts	-	183,165	183,165	-
<b>Net position</b>				
Net investment in capital assets	23,948,659	36,735,113	60,683,772	1,226,436
Restricted for:				
Public safety	43,590	-	43,590	-
Health and welfare	48,632	-	48,632	-
Streets, highways and public works	3,245,129	-	3,245,129	-
Community development	3,158,204	-	3,158,204	-
Brownfield	36,917	-	36,917	-
Capital improvements	83,567	-	83,567	-
Energy optimization and renewable energy	-	317,555	317,555	-
Gas permanent fund (nonexpendable)	1,094,635	-	1,094,635	-
Unrestricted (deficit)	(1,841,827)	14,449,358	12,607,531	1,198,967
<b>Total net position</b>	<b>\$ 29,817,506</b>	<b>\$ 51,502,026</b>	<b>\$ 81,319,532</b>	<b>\$ 2,425,403</b>

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



# CITY OF ESCANABA, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 655,100	\$ 328,791	\$ 240,660	\$ -	\$ (85,649)
Public safety	5,816,509	-	-	-	(5,816,509)
Highways, streets and public works	2,585,727	18,956	2,043,807	4,820	(518,144)
Sanitation	831,079	321,973	-	-	(509,106)
Community services	91,909	-	-	-	(91,909)
Recreation and culture	1,869,556	87,175	205,606	-	(1,576,775)
Community and economic development	504,643	149,775	-	-	(354,868)
Other functions	3,938	-	-	-	(3,938)
Interest on long-term liabilities	8,038	-	-	-	(8,038)
<b>Total governmental activities</b>	<b>12,366,499</b>	<b>906,670</b>	<b>2,490,073</b>	<b>4,820</b>	<b>(8,964,936)</b>
Business-type activities:					
Electric utility	14,232,441	14,077,215	-	-	(155,226)
Waste water utility	3,082,644	4,174,309	-	54,000	1,145,665
Water utility	3,447,765	4,578,239	-	6,400,437	7,530,911
Marina	320,250	335,382	-	-	15,132
<b>Total business-type activities</b>	<b>21,083,100</b>	<b>23,165,145</b>	<b>-</b>	<b>6,454,437</b>	<b>8,536,482</b>
<b>Total primary government</b>	<b>\$ 33,449,599</b>	<b>\$ 24,071,815</b>	<b>\$ 2,490,073</b>	<b>\$ 6,459,257</b>	<b>\$ (428,454)</b>
<b>Component unit</b>					
Escanaba Housing Commission	\$ 1,091,738	\$ 791,525	\$ 363,280	\$ 69,159	\$ 132,226

continued...

**CITY OF ESCANABA, MICHIGAN**

**Statement of Activities**

For the Year Ended June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Change in net position</b>				
Net revenue (expense)	\$ (8,964,936)	\$ 8,536,482	\$ (428,454)	\$ 132,226
General revenues:				
Property taxes	6,332,498	-	6,332,498	-
State shared revenues	1,725,882	-	1,725,882	-
Unrestricted grants and contributions	207,370	-	207,370	-
Unrestricted investment earnings (loss)	(4,810)	1,867	(2,943)	4,663
Transfers - internal activities	764,790	(764,790)	-	-
Total general revenues and transfers	9,025,730	(762,923)	8,262,807	4,663
<b>Change in net position</b>	60,794	7,773,559	7,834,353	136,889
Net position, beginning of year	29,756,712	43,728,467	73,485,179	2,288,514
<b>Net position, end of year</b>	<u>\$ 29,817,506</u>	<u>\$ 51,502,026</u>	<u>\$ 81,319,532</u>	<u>\$ 2,425,403</u>

concluded

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

## **FUND FINANCIAL STATEMENTS**

# CITY OF ESCANABA, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents and investments	\$ 5,749,240	\$ 9,322,642	\$ 15,071,882
Accounts receivable	178,103	53,029	231,132
Loans receivable	-	55,012	55,012
Accrued interest receivable	16,838	31,660	48,498
Other receivables	39,122	6,220	45,342
Due from other governments	586,905	444,184	1,031,089
Prepaid items	247,983	5,078	253,061
Inventory	113,527	-	113,527
Advances to other funds	76,573	321,550	398,123
<b>Total assets</b>	<u>\$ 7,008,291</u>	<u>\$ 10,239,375</u>	<u>\$ 17,247,666</u>
<b>Liabilities</b>			
Negative equity in pooled cash and investments	\$ -	\$ 71,219	\$ 71,219
Accounts payable	352,936	235,797	588,733
Accrued liabilities	158,333	-	158,333
Due to other governments	79,039	-	79,039
Unearned revenue	295,051	36,457	331,508
Advances from other funds	85,223	168,481	253,704
<b>Total liabilities</b>	<u>970,582</u>	<u>511,954</u>	<u>1,482,536</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - long-term receivable	<u>-</u>	<u>37,482</u>	<u>37,482</u>
<b>Fund balances</b>			
Nonspendable	438,083	1,099,713	1,537,796
Restricted	-	6,577,355	6,577,355
Committed	-	2,012,871	2,012,871
Unassigned	5,599,626	-	5,599,626
<b>Total fund balances</b>	<u>6,037,709</u>	<u>9,689,939</u>	<u>15,727,648</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 7,008,291</u>	<u>\$ 10,239,375</u>	<u>\$ 17,247,666</u>

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

# CITY OF ESCANABA, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2023

**Fund balances - total governmental funds** \$ 15,727,648

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

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

Capital assets not being depreciated	1,362,753
Capital assets being depreciated, net	22,585,906
Capital assets accounted for in internal service funds, net	(4,431,969)

Internal service funds are used by management to charge the costs of certain employee benefits, building rental costs and equipment usage to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.

6,340,107

The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Deferred inflows from long-term receivable	37,482
--	--------

Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(15,264,191)
Deferred outflows related to the net pension liability	4,260,111

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

Compensated absences	(833,580)
Compensated absences accounted for in internal service funds	33,239

**Net position of governmental activities** \$ 29,817,506

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

# CITY OF ESCANABA, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 5,928,485	\$ 404,013	\$ 6,332,498
Intergovernmental	1,862,928	2,240,463	4,103,391
Charges for services	246,626	340,929	587,555
Fines and fees	189,903	92,084	281,987
Investment loss	(10,738)	(16,824)	(27,562)
Other revenues	140,683	183,717	324,400
<b>Total revenues</b>	<b>8,357,887</b>	<b>3,244,382</b>	<b>11,602,269</b>
<b>Expenditures</b>			
General government	990,168	-	990,168
Public safety	4,809,416	-	4,809,416
Highway, streets & public works	801,935	2,186,840	2,988,775
Sanitation	830,796	283	831,079
Community services	33,595	-	33,595
Recreation and culture	1,106,056	782,736	1,888,792
Community and economic development	104,283	390,420	494,703
Other functions	3,938	-	3,938
<b>Total expenditures</b>	<b>8,680,187</b>	<b>3,360,279</b>	<b>12,040,466</b>
Revenues under expenditures	(322,300)	(115,897)	(438,197)
<b>Other financing sources (uses)</b>			
Transfers in	1,109,080	863,741	1,972,821
Transfers out	(666,691)	(651,140)	(1,317,831)
<b>Total other financing sources (uses)</b>	<b>442,389</b>	<b>212,601</b>	<b>654,990</b>
<b>Net change in fund balances</b>	<b>120,089</b>	<b>96,704</b>	<b>216,793</b>
Fund balances, beginning of year	5,917,620	9,593,235	15,510,855
<b>Fund balances, end of year</b>	<b>\$ 6,037,709</b>	<b>\$ 9,689,939</b>	<b>\$ 15,727,648</b>

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

## CITY OF ESCANABA, MICHIGAN

### Reconciliation

Net Change in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2023

**Net change in fund balances - total governmental funds** \$ 216,793

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated full lives and reported as depreciation expense.

Capital assets purchased/constructed	1,344,056
Less: purchase/construction of capital assets being accounted for in internal service funds	(271,790)
Depreciation expense	(1,690,376)
Less: depreciation expense being accounted for in internal service funds	419,804
Loss on disposal of capital assets	(48,143)
Less: loss on disposal of capital assets being accounted for in internal service funds	5,898

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The change in net position of the internal service funds is reported with governmental activities.

Operating income from governmental internal service funds	60,040
Net nonoperating revenues from governmental internal service funds	8,816
Net transfers in from governmental internal service funds	109,800

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Net change in long-term receivable	37,482
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in net pension liability and related deferred amounts	(103,490)
Change in accrual of compensated absences	(19,875)
Change in accrual of compensated absences accounted for in internal service funds	(8,221)

**Change in net position of governmental activities** \$ 60,794

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

# CITY OF ESCANABA, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 5,652,325	\$ 5,860,325	\$ 5,928,485	\$ 68,160
Intergovernmental	1,983,870	1,878,870	1,862,928	(15,942)
Charges for services	166,690	206,690	246,626	39,936
Fines and fees	180,000	180,000	189,903	9,903
Investment earnings (loss)	60,000	60,000	(10,738)	(70,738)
Other revenues	30,600	100,600	140,683	40,083
<b>Total revenues</b>	<b>8,073,485</b>	<b>8,286,485</b>	<b>8,357,887</b>	<b>71,402</b>
<b>Expenditures</b>				
General government:				
City Council	30,732	30,732	25,568	(5,164)
City Manager	314,870	314,870	261,472	(53,398)
Elections	25,815	25,815	21,824	(3,991)
City Controller	442,935	452,435	456,477	4,042
Auditors	20,000	20,365	20,730	365
Assessors	311,235	311,235	209,906	(101,329)
Attorneys	88,200	106,700	119,491	12,791
City Clerk	177,105	182,605	179,817	(2,788)
Human Resources	124,155	124,155	104,656	(19,499)
Board of Review	2,050	2,050	1,086	(964)
City Treasurer	288,925	288,925	263,233	(25,692)
Information technology	65,640	66,140	64,393	(1,747)
Billing	401,706	401,706	385,832	(15,874)
City Hall and Grounds	81,252	81,252	81,252	-
Bad Debt	-	15,320	195	(15,125)
Less: overhead to utilities	(1,267,763)	(1,298,289)	(1,205,764)	92,525
<b>Total general government</b>	<b>1,106,857</b>	<b>1,126,016</b>	<b>990,168</b>	<b>(135,848)</b>
Public safety:				
Public Safety	4,658,615	4,720,615	4,619,464	(101,151)
Community Preservation	158,830	158,830	138,566	(20,264)
Crossing Guards	45,965	52,665	51,386	(1,279)
<b>Total public safety</b>	<b>4,863,410</b>	<b>4,932,110</b>	<b>4,809,416</b>	<b>(122,694)</b>
Highway, streets & public works:				
Care of trees & shrubs	172,335	172,335	167,949	(4,386)
Sidewalks	12,325	22,325	35,758	13,433
Engineer	400,360	400,360	378,810	(21,550)
Street lighting	170,000	170,000	162,307	(7,693)
Cross walks	5,000	9,000	8,765	(235)
Alley maintenance	50,145	50,145	48,346	(1,799)
<b>Total highway, streets &amp; public works</b>	<b>810,165</b>	<b>824,165</b>	<b>801,935</b>	<b>(22,230)</b>

continued...



## CITY OF ESCANABA, MICHIGAN

### Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Expenditures (Continued)</b>				
Sanitation:				
Solid waste collection	\$ 492,645	\$ 499,645	\$ 481,591	\$ (18,054)
Composting	93,305	93,305	74,908	(18,397)
Snowplowing for garbage collection	21,125	21,125	10,872	(10,253)
Sanitary landfill	285,000	285,000	263,425	(21,575)
<b>Total sanitation</b>	<b>892,075</b>	<b>899,075</b>	<b>830,796</b>	<b>(68,279)</b>
Community services:				
Community promotional	7,550	12,550	9,947	(2,603)
Community services	23,648	38,648	23,648	(15,000)
<b>Total community services</b>	<b>31,198</b>	<b>51,198</b>	<b>33,595</b>	<b>(17,603)</b>
Recreation and culture:				
Civic center	151,550	164,550	146,596	(17,954)
Celebration flags	5,060	5,060	2,629	(2,431)
Fourth of July	22,980	22,980	21,231	(1,749)
Recreation administration	529,195	554,195	551,148	(3,047)
Parks	333,960	333,960	276,584	(57,376)
Band	43,660	43,660	43,985	325
Splash Park	15,255	15,255	-	(15,255)
Tourism promotion	34,675	52,675	50,926	(1,749)
Boat launches	15,775	15,775	12,957	(2,818)
<b>Total recreation and culture</b>	<b>1,152,110</b>	<b>1,208,110</b>	<b>1,106,056</b>	<b>(102,054)</b>
Community and economic development:				
Planning Commission	2,100	2,500	2,405	(95)
Zoning	110,360	110,360	101,878	(8,482)
<b>Total community and economic development</b>	<b>112,460</b>	<b>112,860</b>	<b>104,283</b>	<b>(8,577)</b>
Other functions:				
Insurance & bonds	6,500	6,500	3,938	(2,562)
<b>Total expenditures</b>	<b>8,974,775</b>	<b>9,160,034</b>	<b>8,680,187</b>	<b>(479,847)</b>
Revenues under expenditures	(901,290)	(873,549)	(322,300)	551,249

continued...

**CITY OF ESCANABA, MICHIGAN**

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - General Fund  
 For the Year Ended June 30, 2023

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 1,152,490	\$ 1,152,490	\$ 1,109,080	\$ (43,410)
Transfers out	(618,000)	(654,435)	(666,691)	12,256
<b>Total other financing sources (uses)</b>	<u>534,490</u>	<u>498,055</u>	<u>442,389</u>	<u>(55,666)</u>
<b>Net change in fund balance</b>	(366,800)	(375,494)	120,089	495,583
Fund balance, beginning of year	<u>4,477,487</u>	<u>5,917,620</u>	<u>5,917,620</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,110,687</u>	<u>\$ 5,542,126</u>	<u>\$ 6,037,709</u>	<u>\$ 495,583</u>

concluded

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

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**CITY OF ESCANABA, MICHIGAN**

**Statement of Net Position**

Proprietary Funds  
June 30, 2023

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents and investments	\$ 6,514,565	\$ 3,607,153	\$ 3,112,589
Accrued interest receivable	32,174	12,964	7,313
Accounts receivable, net	2,069,941	672,982	767,112
Current portion of lease receivable	-	-	15,193
Due from other governments	531	85,800	3,178,486
Due from other funds	-	-	-
Inventory	644,647	21,551	634,876
Prepaid items	781	-	910
<b>Total current assets</b>	<b>9,262,639</b>	<b>4,400,450</b>	<b>7,716,479</b>
Noncurrent assets:			
Lease receivable, net of current portion	-	-	175,877
Advances to other funds	1,173,007	-	-
Capital assets not being depreciated/amortized	1,432,049	1,873	10,478,150
Capital assets being depreciated/amortized, net	9,633,270	21,967,859	11,739,698
<b>Total noncurrent assets</b>	<b>12,238,326</b>	<b>21,969,732</b>	<b>22,393,725</b>
<b>Total assets</b>	<b>21,500,965</b>	<b>26,370,182</b>	<b>30,110,204</b>
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	-	-	12,962
Deferred pension amounts	569,915	453,284	453,284
<b>Total deferred outflows of resources</b>	<b>569,915</b>	<b>453,284</b>	<b>466,246</b>
<b>Liabilities</b>			
Current liabilities:			
Negative equity in pooled cash and investments	-	-	-
Accounts payable and accrued liabilities	1,225,163	36,085	2,617,696
Due to other funds	659	-	-
Accrued interest	-	66,624	49,850
Unearned revenue	-	-	59,987
Current portion of bonds and other long-term liabilities	39,945	611,655	602,131
<b>Total current liabilities</b>	<b>1,265,767</b>	<b>714,364</b>	<b>3,329,664</b>
Noncurrent liabilities:			
Advances from other funds	-	962,784	-
Bonds and other long-term liabilities, net of current portion	266,780	12,804,750	3,520,575
Net pension liability	2,467,265	1,962,351	1,962,351
<b>Total noncurrent liabilities</b>	<b>2,734,045</b>	<b>15,729,885</b>	<b>5,482,926</b>
<b>Total liabilities</b>	<b>3,999,812</b>	<b>16,444,249</b>	<b>8,812,590</b>
<b>Deferred inflows of resources</b>			
Deferred lease amounts	-	-	183,165
<b>Net position</b>			
Net investment in capital assets	10,929,683	8,638,166	15,779,944
Restricted for electric utility energy efficiency	317,555	-	-
Unrestricted	6,823,830	1,741,051	5,800,751
<b>Total net position</b>	<b>\$ 18,071,068</b>	<b>\$ 10,379,217</b>	<b>\$ 21,580,695</b>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 210,921	\$ 13,445,228	\$ 1,580,893
714	53,165	5,507
37,591	3,547,626	50,217
-	15,193	-
-	3,264,817	-
-	-	659
28,527	1,329,601	-
-	1,691	869,584
<u>277,753</u>	<u>21,657,321</u>	<u>2,506,860</u>
-	175,877	-
-	1,173,007	-
-	11,912,072	625,731
<u>1,387,320</u>	<u>44,728,147</u>	<u>3,806,238</u>
<u>1,387,320</u>	<u>57,989,103</u>	<u>4,431,969</u>
<u>1,665,073</u>	<u>79,646,424</u>	<u>6,938,829</u>
-	12,962	-
<u>5,367</u>	<u>1,481,850</u>	<u>-</u>
<u>5,367</u>	<u>1,494,812</u>	<u>-</u>
-	-	158,216
20,533	3,899,477	154,313
-	659	-
-	116,474	-
2,560	62,547	51,381
-	1,253,731	7,946
<u>23,093</u>	<u>5,332,888</u>	<u>371,856</u>
153,069	1,115,853	201,573
-	16,592,105	25,293
<u>23,232</u>	<u>6,415,199</u>	<u>-</u>
<u>176,301</u>	<u>24,123,157</u>	<u>226,866</u>
<u>199,394</u>	<u>29,456,045</u>	<u>598,722</u>
-	183,165	-
1,387,320	36,735,113	4,431,969
-	317,555	-
<u>83,726</u>	<u>14,449,358</u>	<u>1,908,138</u>
<u>\$ 1,471,046</u>	<u>\$ 51,502,026</u>	<u>\$ 6,340,107</u>

**CITY OF ESCANABA, MICHIGAN**

**Statement of Revenues, Expenses and Changes in Fund Net Position**

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
<b>Operating revenues</b>			
Charges for services	\$ 13,972,714	\$ 4,132,261	\$ 4,559,400
Provisions for self-insurance	-	-	-
Other revenue	104,501	42,048	18,839
<b>Total operating revenues</b>	<b>14,077,215</b>	<b>4,174,309</b>	<b>4,578,239</b>
<b>Operating expenses</b>			
Production	10,786,724	-	-
Personnel services	816,034	1,022,798	984,777
Overhead	1,067,437	239,204	251,371
Fuel	-	1,406	3,327
Contracted services	169,711	153,809	432,764
Insurance	275,775	85,715	43,018
Dues and training	103,869	12,418	17,430
Sales and promotion	83,209	999	6,101
Repairs and maintenance	58,453	105,425	824,997
Equipment rental	11,785	45,698	36,955
Depreciation/amortization	783,057	906,819	510,921
Supplies	18,673	193,323	208,118
Bad debt	5,278	1,585	1,735
Other	40,671	16,276	36,100
<b>Total operating expenses</b>	<b>14,220,676</b>	<b>2,785,475</b>	<b>3,357,614</b>
Operating income (loss)	(143,461)	1,388,834	1,220,625
<b>Nonoperating revenues (expenses)</b>			
Loss on disposal of capital assets	(8,696)	-	-
Investment income (loss)	21,251	(13,913)	(4,689)
Interest expense	(3,069)	(297,169)	(90,151)
<b>Total nonoperating revenues (expenses)</b>	<b>9,486</b>	<b>(311,082)</b>	<b>(94,840)</b>
Income (loss) before capital contributions & transfers	(133,975)	1,077,752	1,125,785
Capital contributions	-	54,000	6,400,437
Income (loss) before transfers	(133,975)	1,131,752	7,526,222
Transfers in	-	-	-
Transfers out	(765,790)	-	-
<b>Change in net position</b>	<b>(899,765)</b>	<b>1,131,752</b>	<b>7,526,222</b>
Net position, beginning of year	18,970,833	9,247,465	14,054,473
<b>Net position, end of year</b>	<b>\$ 18,071,068</b>	<b>\$ 10,379,217</b>	<b>\$ 21,580,695</b>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 325,014	\$ 22,989,389	\$ 1,643,233
-	-	263,803
10,368	175,756	201,179
<u>335,382</u>	<u>23,165,145</u>	<u>2,108,215</u>
-	10,786,724	-
76,733	2,900,342	439,443
-	1,558,012	69,861
117,194	121,927	223,630
21,677	777,961	125,161
2,264	406,772	264,208
-	133,717	1,566
-	90,309	1,249
5,214	994,089	133,520
6,217	100,655	5,913
76,164	2,276,961	419,804
3,170	423,284	354,160
-	8,598	-
6,524	99,571	9,660
<u>315,157</u>	<u>20,678,922</u>	<u>2,048,175</u>
<u>20,225</u>	<u>2,486,223</u>	<u>60,040</u>
-	(8,696)	(5,898)
(782)	1,867	22,752
(5,093)	(395,482)	(8,038)
<u>(5,875)</u>	<u>(402,311)</u>	<u>8,816</u>
14,350	2,083,912	68,856
-	6,454,437	-
14,350	8,538,349	68,856
1,000	1,000	149,000
-	(765,790)	(39,200)
15,350	7,773,559	178,656
<u>1,455,696</u>	<u>43,728,467</u>	<u>6,161,451</u>
<u>\$ 1,471,046</u>	<u>\$ 51,502,026</u>	<u>\$ 6,340,107</u>

**CITY OF ESCANABA, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 14,096,237	\$ 4,667,365	\$ 1,452,380
Cash received from interfund services	-	-	-
Cash payments to employees	(554,365)	(664,936)	(1,105,796)
Cash payments to suppliers	(13,299,787)	(1,895,962)	(1,646,488)
<b>Net cash provided by (used in) operating activities</b>	<u>242,085</u>	<u>2,106,467</u>	<u>(1,299,904)</u>
<b>Cash flows from noncapital financing activities</b>			
Repayment on advances from other funds	-	(37,216)	-
Receipt on advances to other funds	170,278	-	-
Transfers in	-	-	-
Transfers out	(765,790)	-	-
<b>Net cash used in noncapital financing activities</b>	<u>(595,512)</u>	<u>(37,216)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Capital contributions	-	54,000	6,400,437
Purchase of capital assets	(1,540,870)	(544,535)	(7,540,662)
Proceeds from issuance of long-term debt	-	275,969	1,123,137
Principal payments on bonds payable	-	(575,000)	(485,000)
Principal payments on leases payable	(745)	-	-
Interest payments	(3,069)	(300,545)	(74,503)
<b>Net cash used in capital and related financing activities</b>	<u>(1,544,684)</u>	<u>(1,090,111)</u>	<u>(576,591)</u>
<b>Cash flows from investing activities</b>			
Interest income (loss) on investments	<u>9,823</u>	<u>-</u>	<u>(11,440)</u>
<b>Net change in cash and cash equivalents and investments</b>	<u>(1,888,288)</u>	<u>979,140</u>	<u>(1,887,935)</u>
Cash and cash equivalents and investments , beginning of year	<u>8,402,853</u>	<u>2,628,013</u>	<u>5,000,524</u>
<b>Cash and cash equivalents and investments, end of year</b>	<u>\$ 6,514,565</u>	<u>\$ 3,607,153</u>	<u>\$ 3,112,589</u>



Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 311,133	\$ 20,527,115	\$ -
-	-	2,197,993
-	(2,325,097)	(447,664)
<u>(235,425)</u>	<u>(17,077,662)</u>	<u>(1,352,216)</u>
75,708	1,124,356	398,113
(16,712)	(53,928)	(142,799)
-	170,278	-
1,000	1,000	149,000
-	(765,790)	(39,200)
<u>(15,712)</u>	<u>(648,440)</u>	<u>(32,999)</u>
-	6,454,437	-
(6,037)	(9,632,104)	(271,790)
-	1,399,106	-
-	(1,060,000)	-
-	(745)	-
<u>(5,093)</u>	<u>(383,210)</u>	<u>(8,038)</u>
<u>(11,130)</u>	<u>(3,222,516)</u>	<u>(279,828)</u>
<u>(1,158)</u>	<u>(2,775)</u>	<u>20,015</u>
47,708	(2,749,375)	105,301
<u>163,213</u>	<u>16,194,603</u>	<u>1,475,592</u>
<u>\$ 210,921</u>	<u>\$ 13,445,228</u>	<u>\$ 1,580,893</u>

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**CITY OF ESCANABA, MICHIGAN**

**Statement of Cash Flows**

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (143,461)	\$ 1,388,834	\$ 1,220,625
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation/amortization expense	783,057	906,819	510,921
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable, net	(1,550)	(139,163)	(32,824)
Lease receivable	-	-	15,193
Due from other governments	20,572	632,219	(2,532,006)
Due from other funds	-	-	-
Inventory	(124,368)	(3,254)	123,987
Prepaid items	(781)	1	(22)
Negative equity in pooled cash and investments	-	-	-
Accounts payable and accrued liabilities	(46,584)	(812,686)	(139,129)
Due to other funds	659	-	-
Unearned revenue	-	-	(576,222)
Compensated absences	8,105	9,008	3,670
Net pension liability	480,503	683,625	683,625
Deferred outflows of resources related to the net pension liability	(385,781)	(334,771)	(334,771)
Deferred inflows of resources related to the net pension liability	(348,286)	(224,165)	(224,165)
Deferred lease amounts	-	-	(18,786)
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 242,085</u>	<u>\$ 2,106,467</u>	<u>\$ (1,299,904)</u>
<b>Noncash capital and related financing activities</b>			
Change in accounts payable related to capital asset additions	\$ -	\$ -	\$ (2,413,649)

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 20,225	\$ 2,486,223	\$ 60,040
76,164	2,276,961	419,804
(23,299)	(196,836)	1,343
-	15,193	-
-	(1,879,215)	920
-	-	(659)
(2,760)	(6,395)	-
8	(794)	(195,000)
-	-	87,254
3,837	(994,562)	(16,799)
-	659	-
(950)	(577,172)	49,431
-	20,783	(8,221)
9,024	1,856,777	-
(4,050)	(1,059,373)	-
(2,491)	(799,107)	-
-	(18,786)	-
<u>\$ 75,708</u>	<u>\$ 1,124,356</u>	<u>\$ 398,113</u>
<u>\$ -</u>	<u>\$ (2,413,649)</u>	<u>\$ -</u>

concluded

# CITY OF ESCANABA, MICHIGAN

## Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	Pension Trust Fund	Tax Collection Custodial Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 32,948	\$ 5,212
Investments:		
Money market funds	33,597	-
Mutual funds:		
Bond	10,466,550	-
Fixed income	2,001,547	-
Large cap equity	5,031,366	-
Mid cap equity	3,889,474	-
Small cap equity	3,807,162	-
International equity	4,374,355	-
Emerging markets	1,316,257	-
Real estate	1,631,902	-
	<u>32,552,210</u>	<u>-</u>
<b>Total assets</b>	32,585,158	5,212
<b>Liabilities</b>		
Undistributed receipts	<u>-</u>	<u>5,212</u>
<b>Net position</b>		
Restricted for retiree pension benefits	<u>\$ 32,585,158</u>	<u>\$ -</u>

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

# CITY OF ESCANABA, MICHIGAN

## Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2023

	Pension Trust Fund	Tax Collection Custodial Fund
<b>Additions</b>		
Investment earnings:		
Dividends and interest	\$ 1,233,129	\$ -
Net appreciation in fair value of investments	859,898	-
Total investment earnings	<u>2,093,027</u>	-
Investment expenses	(96,908)	-
Net investment earnings	<u>1,996,119</u>	-
Contributions:		
Employer	572,917	-
Plan members	64,646	-
Total contributions	<u>637,563</u>	-
Property tax collections for other governments	-	<u>10,130,790</u>
<b>Total additions</b>	<u>2,633,682</u>	<u>10,130,790</u>
<b>Deductions</b>		
Benefit payments	2,322,719	-
General and administrative expense	17,579	-
Property tax distributions to other governments	-	<u>10,130,790</u>
<b>Total deductions</b>	<u>2,340,298</u>	<u>10,130,790</u>
<b>Change in net position</b>	293,384	-
Net position, beginning of year	<u>32,291,774</u>	-
<b>Net position, end of year</b>	<u><u>\$ 32,585,158</u></u>	<u><u>\$ -</u></u>

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *City of Escanaba, Michigan* (the "City") was incorporated in 1883. In 1921, the City adopted a new city charter and a council-manager form of government. The City is directed by a four-member City Council and a Mayor elected by the community at large. This legislative body appoints a City Manager to administer the affairs of the City. The City provides the following services: general government (planning & zoning, public improvement and general administrative services), public safety (police and fire), public works (highways and streets, brush pick-up, sanitation), municipal marina (slip accommodations, gasoline and diesel fuel sales), recreation-culture, public library, downtown development authority and electric, water and waste water service.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

#### Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, for which the City is considered to be financially accountable. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### *Blended Component Units*

A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has three blended component units, the Downtown Development Authority, the Brownfield Development Authority, and the Escanaba Building Authority, all with a fiscal June 30 year-end. These component units provide services primarily to benefit the City. The blended component units are described as follows:

The **Downtown Development Authority** (the "DDA") promotes and provides financial support to the downtown merchants.

The **Escanaba Building Authority** (the "EBA") was established to account for the financing of the Public Works Complex and the financing and maintenance of the City Hall/Library Complex.

The **Escanaba Brownfield Development Authority** (the "CEBRA") was established to account for "captured" tax revenue on specific properties within the City that have been identified and approved by the State of Michigan as brownfields requiring site reclamation. These revenues are used to reimburse property owners for expenses incurred for brownfield cleanup and redevelopment. The City Council appoints the governing body of the Authority and approves the Authority's budget.



# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### *Discretely Presented Component Units*

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit, with a September 30, 2022 fiscal year end, is as follows:

**Escanaba Housing Commission** - The Escanaba Housing Commission ("Commission") is responsible for providing low rent public housing to individuals that present a need for financial assistance. The Commission manages 175 units, which include all of the activities relevant to its operations. The members of the Commission's governing board are appointed by the City of Escanaba and therefore the Commission is reported as a discretely presented component unit. The City also has the ability to significantly influence the operations of the Commission.

### *Component Unit Financial Statements*

Complete financial statements for the Commission component unit may be obtained from the City's administrative office at Escanaba Housing Commission, 110 South 5th Street, Escanaba, MI 49829.

### *Fiduciary Presented Component Units*

The **Public Safety Pension Plan** (the Plan) is a single-employer defined benefit contributory retirement plan established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Plan is administered through a qualified trust. The Plan is included as a fiduciary component unit of the City because (1) the Plan is a legally separate entity; (2) the City Council appoints a voting majority of the Pension Board; and (3) the City makes contributions to the Plan on behalf of its participants. Employee contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the City Council.

### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for property taxes that use a 60-day collection period and reimbursement-based grants that use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and as such have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all the financial resources of the government, except those accounted for and reported in another fund.

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

The City reports the following major enterprise funds:

The *electric utility fund* accounts for the activities of the City's electrical utility system.

The *waste water utility fund* accounts for the activities of the City's sewage disposal and treatment system.

The *water utility fund* accounts for the activities of the City's water distribution and treatment system.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects.

The *permanent fund* accounts for the assets that are restricted in the City's Gas Retirement Fund. The principal portion of these funds must stay intact, but the interest earnings must be used to provide for capital improvements only.

The *enterprise fund* accounts for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds* account for goods and services provided to other departments, agencies or funds of the City, on a cost reimbursement basis. In the government-wide financial statements, internal service fund activity is included with the governmental activities.

The *pension trust fund* accounts for the activity of the Public Safety Pension Plan, a defined benefit pension plan.

*Custodial funds* are used to account for assets that the City holds for others in a custodial capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, waste water disposal, and electric utility, cost of building rent and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric utility, waste water utility, water utility and marina enterprise funds and of the City's internal service funds are charges to customers or other funds for goods and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized on an accrual basis, in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Restricted net position includes assets that are subject to restrictions beyond the City's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

### **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

#### ***Deposits and Investments***

The City's cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

#### ***Receivables and Payables***

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2023, the electric utility fund is shown net of an estimated allowance for uncollectible accounts of \$36,810. Management of the waste water utility, water utility and marina consider the entire receivable balance to be collectible and have not reported any allowance for uncollectible accounts.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts due from other governments include amounts due from the State for state shared revenue, gas and weight tax and from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are reported as "unearned."

#### ***Leases***

*Lessee.* The City is a lessee for a noncancellable lease of real property (land). The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

*Lessor.* The City is a lessor for a noncancellable lease of a water tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### ***Inventories***

Inventories are valued using the weighted average method. Inventories of governmental funds are recorded as expenditures at the time the individual items are consumed.

#### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government and component unit are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Years
Land improvements	30 - 50
Infrastructure	20 - 50
Buildings and improvements	20 - 50
Transmission and distribution systems	5 - 20
Other machinery and equipment	5 - 10
Vehicles and equipment	3 - 25
Parking lots	30
Electricity generating equipment	25

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

### *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 represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred outflow of resources for the deferred charge on bond refunding reported in the government-wide and proprietary fund statement of net position, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is amortized over the shorter of the life of the refunded or refunding debt. In addition, the City reports deferred outflows of resources related to its pension plans. A portion of these deferred outflows of resources consists of contributions subsequent to the plan measurement date.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### *Compensated Absences*

The City's policies regarding vacation and sick time allow employees to accumulate earned but unused vacation and sick time. The governmental funds do not report a liability for these compensated absences as they are not payable from current available financial resources. The liability for governmental activity compensated absences is recorded as long-term liabilities in government-wide financial statements. Proprietary funds report the liability as incurred. Amounts payable within one year are reported as the current portion of compensated absences and the remainder is reported as noncurrent.

### *Unearned Revenue*

Unearned revenue consists of amounts received prior to the delivery of goods/services or allowable costs.

### *Long-term Obligations*

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, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### *Deferred Inflows of Resources*

In addition to liabilities, the statements of net position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until a future period. The City reports deferred inflows of resources related to its pension plans. In addition, the statements of net position report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.



# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### *Fund Balances*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council (the City's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City Treasurer or his designee (City Controller). Unassigned fund balance is the residual classification for the General Fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's procedure to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

### *Interfund Transactions*

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Internal service funds are used to record charges for services to all City funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures/expenses.

### *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 2. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The City Charter requires submission of the budget to the City Council no later than two months prior to the beginning of the next fiscal year (April 30). Publicized public hearings are held on the budgets from January through April encouraging public input. The City Charter and state law also require that an appropriations ordinance be adopted based on the approved budgets not later than one month prior to the ensuing fiscal year (June 30).

The budget document presents information by fund, function, activity, department, and line items. The legal level of budgetary control adopted by City Council is the activity level, which is the level at which expenditures may not legally exceed appropriations. The City Manager may make transfers of appropriations between departments within any funds; however, any supplemental appropriations that amend the total expenditures of any fund require City Council resolution.

### 3. ACCOUNTABILITY AND BUDGETARY COMPLIANCE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2023, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
<b>General fund</b>			
General government:			
City Controller	\$ 452,435	\$ 456,477	\$ 4,042
Auditors	20,365	20,730	365
Attorneys	106,700	119,491	12,791
Highway, streets & public works:			
Sidewalks	22,325	35,758	13,433
Recreation and culture:			
Band	43,660	43,985	325
Transfers out	654,435	666,691	12,256

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 4. DEFICIT FUND EQUITY

#### *Deficit Fund Balance / Net Position*

Governmental activities reported total net position of \$29,817,506 and deficit in unrestricted net position of \$1,841,827 at June 30, 2023. The Escanaba Building Authority internal service fund reported a total net position of \$3,062,198 and a deficit unrestricted net position of \$87,708.

### 5. CASH AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2023:

	Primary Government	Component Unit	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents and investments	\$ 29,868,568	\$ 1,325,908	\$ 31,194,476
<b>Statement of Fiduciary Net Position</b>			
Cash and cash equivalents	38,160	-	38,160
Investments	32,552,210	-	32,552,210
<b>Total</b>	<u>\$ 62,458,938</u>	<u>\$ 1,325,908</u>	<u>\$ 63,784,846</u>
<b>Deposits and Investments</b>			
Bank deposits:			
Checking / savings accounts			\$ 2,638,185
Certificates of deposit:			
Due within one year			2,944,161
Due in one to five years			514,845
Investments:			
Pooled investments			25,131,210
Money market funds			33,597
Mutual funds:			
Bond			10,466,550
Fixed income			2,001,547
Large cap equity			5,031,366
Mid cap equity			3,889,474
Small cap equity			3,807,162
International equity			4,374,355
Emerging markets			1,316,257
Real estate			1,631,902
Cash on hand			4,235
<b>Total</b>			<u>\$ 63,784,846</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*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. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$4,131,166 of the City's bank balance of \$5,183,370, excluding amounts in the discretely presented component unit, was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk – Investments.* As of June 30, 2023, the City's investments consisted entirely of United States Government backed securities, money market funds and equity/mutual funds totaling \$25,131,210, \$33,597 and \$32,518,613, respectively.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

	Amount
Not Rated	\$ 43,383,269
S&P AA	1,068,087
Moody A1	31,997
Moody Aa1	447,753
Moody Aa2	557,835
Moody Aa3	5,012
Moody Aaa	12,189,467
<b>Total</b>	<b><u>\$ 57,683,420</u></b>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

	<b>Amount</b>
No maturity	\$ 32,860,069
Due within 1 year	5,857,333
Due within 1-5 years	14,271,146
Due within 6-10 years	<u>4,694,872</u>
<b>Total</b>	<u><u>\$ 57,683,420</u></u>

*Fair Value.* The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other unobservable inputs, and Level 3 inputs are significant observable inputs. As of year end, the City's investments in governmental securities were considered Level 2 investments and the remaining investments were all considered to be Level 1.

## 6. RECEIVABLES

Receivables are comprised of the following as of June 30, 2023:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Unit</b>
Accounts receivable	\$ 281,349	\$ 3,584,436	\$ 5,069
Leases receivable	-	191,070	-
Loans receivable	55,012	-	-
Accrued interest receivable	54,005	53,165	-
Other receivables	45,342	-	-
Due from other governmental units	1,031,089	3,264,817	-
Allowance for uncollectable	-	<u>(36,810)</u>	-
	<u><u>\$ 1,466,797</u></u>	<u><u>\$ 7,056,678</u></u>	<u><u>\$ 5,069</u></u>

Of the business-type activities amounts reported for receivables above, leases receivable in the amount of \$175,877 are not expected to be collected within one year.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 7. CAPITAL ASSETS

#### Primary government

Capital assets activity for the primary government for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets not being depreciated/amortized:					
Land	\$ 1,332,769	\$ -	\$ -	\$ -	\$ 1,332,769
Construction in progress	1,047,021	29,984	(42,245)	(1,004,776)	29,984
	<u>2,379,790</u>	<u>29,984</u>	<u>(42,245)</u>	<u>(1,004,776)</u>	<u>1,362,753</u>
Capital assets being depreciated:					
Land improvements	6,383,408	21,699	(10,060)	1,004,776	7,399,823
Infrastructure	25,621,502	812,622	-	-	26,434,124
Buildings and improvements	11,296,808	58,271	-	-	11,355,079
Vehicles and equipment	9,380,795	421,480	(699,544)	-	9,102,731
Parking lots	439,709	-	-	-	439,709
	<u>53,122,222</u>	<u>1,314,072</u>	<u>(709,604)</u>	<u>1,004,776</u>	<u>54,731,466</u>
Less accumulated depreciation for:					
Land improvements	(3,505,162)	(217,863)	10,060	-	(3,712,965)
Infrastructure	(13,266,723)	(838,998)	-	-	(14,105,721)
Buildings and improvements	(6,499,901)	(263,902)	-	-	(6,763,803)
Vehicles and equipment	(7,571,602)	(357,045)	693,646	-	(7,235,001)
Parking lots	(315,502)	(12,568)	-	-	(328,070)
	<u>(31,158,890)</u>	<u>(1,690,376)</u>	<u>703,706</u>	<u>-</u>	<u>(32,145,560)</u>
Total capital assets being depreciated, net	<u>21,963,332</u>	<u>(376,304)</u>	<u>(5,898)</u>	<u>1,004,776</u>	<u>22,585,906</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 24,343,122</u>	<u>\$ (346,320)</u>	<u>\$ (48,143)</u>	<u>\$ -</u>	<u>\$ 23,948,659</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 56,953	\$ -	\$ -	\$ -	\$ 56,953
Construction in progress	17,296,968	10,758,724	(8,696)	(16,191,877)	11,855,119
	<u>17,353,921</u>	<u>10,758,724</u>	<u>(8,696)</u>	<u>(16,191,877)</u>	<u>11,912,072</u>
Capital assets being depreciated/amortized:					
Land improvements	2,213,547	-	-	-	2,213,547
Buildings and improvements	23,582,929	559,288	-	16,136,620	40,278,837
Electricity generating equipment	1,681,251	-	-	-	1,681,251
Transmission and distribution systems	32,939,226	351,167	(84,379)	55,257	33,261,271
Other machinery and equipment	3,088,945	376,574	(100,631)	-	3,364,888
Lease asset - land (Note 10)	140,083	-	-	-	140,083
	<u>63,645,981</u>	<u>1,287,029</u>	<u>(185,010)</u>	<u>16,191,877</u>	<u>80,939,877</u>
Less accumulated depreciation/amortization for:					
Land improvements	(1,301,629)	(49,571)	-	-	(1,351,200)
Buildings and improvements	(13,286,429)	(841,569)	-	-	(14,127,998)
Electric Generating equipment	(247,318)	(67,168)	-	-	(314,486)
Transmission and distribution systems	(17,790,914)	(861,102)	84,379	-	(18,567,637)
Other machinery and equipment	(1,491,031)	(455,093)	100,631	-	(1,845,493)
Lease asset - land (Note 10)	(2,458)	(2,458)	-	-	(4,916)
	<u>(34,119,779)</u>	<u>(2,276,961)</u>	<u>185,010</u>	<u>-</u>	<u>(36,211,730)</u>
Total capital assets being depreciated/amortized, net	<u>29,526,202</u>	<u>(989,932)</u>	<u>-</u>	<u>16,191,877</u>	<u>44,728,147</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 46,880,123</u>	<u>\$ 9,768,792</u>	<u>\$ (8,696)</u>	<u>\$ -</u>	<u>\$ 56,640,219</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

Depreciation/amortization expense for the year ended June 30, 2023 was charged to functions/programs of the primary government as follows:

	<b>Amount</b>
<b>Depreciation of governmental activities by function</b>	
General government	\$ 530
Public safety	82,720
Highway, streets & public works	860,950
Recreation and culture	268,058
Community and economic development	58,314
Capital assets held by the governmental activity internal service funds are charged to the various functions based on their usage of the assets	<u>419,804</u>
	<u>\$ 1,690,376</u>
	<b>Amount</b>
<b>Depreciation/amortization of business-type activities by function</b>	
Electric utility	\$ 783,057
Waste water utility	906,819
Water utility	510,921
Marina	<u>76,164</u>
	<u>\$ 2,276,961</u>

At June 30, 2023, the City has approximately \$23,122,000 in commitments related to the construction in progress in business-type activities reported above.



# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### Discretely Presented Component Unit

Capital assets activity for the Escanaba Housing Commission ("Commission") component unit for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 380,172	\$ -	\$ -	\$ -	\$ 380,172
Construction in progress	2,671	69,159	-	(71,830)	-
	<u>382,843</u>	<u>69,159</u>	<u>-</u>	<u>(71,830)</u>	<u>380,172</u>
Capital assets being depreciated:					
Buildings and improvements	8,628,830	12,827	-	71,830	8,713,487
Machinery and equipment	330,213	38,615	(21,311)	-	347,517
	<u>8,959,043</u>	<u>51,442</u>	<u>(21,311)</u>	<u>71,830</u>	<u>9,061,004</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,751,771)	(169,723)	-	-	(7,921,494)
Machinery and equipment	(307,258)	(7,299)	21,311	-	(293,246)
	<u>(8,059,029)</u>	<u>(177,022)</u>	<u>21,311</u>	<u>-</u>	<u>(8,214,740)</u>
Total capital assets being depreciated, net	<u>900,014</u>	<u>(125,580)</u>	<u>-</u>	<u>71,830</u>	<u>846,264</u>
<b>Component unit capital assets, net</b>	<u>\$ 1,282,857</u>	<u>\$ (56,421)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,226,436</u>

Depreciation expense for the component unit, included in the statement of activities, was \$177,022 for the year ended September 30, 2022.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following as of June 30, 2023:

	Governmental Activities	Business-type Activities	Component Unit
Accounts payable and accrued liabilities	\$ 901,379	\$ 3,899,477	\$ 136,136
Due to other governmental units	79,039	-	-
Accrued interest	-	116,474	-
	<u>\$ 980,418</u>	<u>\$ 4,015,951</u>	<u>\$ 136,136</u>

### 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, was as follows:

#### Due to and from other funds

	Due From Other Funds	Due to Other Funds
Electric utility fund	\$ -	\$ 659
Internal service funds	659	-
	<u>\$ 659</u>	<u>\$ 659</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

#### Advances to and from other funds

	Advances to Other Funds	Advances From Other Funds
General fund	\$ 76,573	\$ 85,223
Nonmajor governmental funds	321,550	168,481
Electric utility fund	1,173,007	-
Waste water utility fund	-	962,784
Nonmajor enterprise fund	-	153,069
Internal service funds	-	201,573
	<u>\$ 1,571,130</u>	<u>\$ 1,571,130</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

For the year ended June 30, 2023, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,109,080	\$ 666,691
Nonmajor governmental funds	863,741	651,140
Electric utility fund	-	765,790
Nonmajor enterprise fund	1,000	-
Internal service funds	149,000	39,200
	<u>\$ 2,122,821</u>	<u>\$ 2,122,821</u>

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed 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.

### 10. LEASES

**Lessee** - The City is involved in one agreement as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the City will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

The right-to-use-assets and the related activity are included in Note 7, Capital Assets. The lease liability and related activity are presented in Note 11, Bonds and Other Long-term Liabilities.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 762	\$ 3,052
2025	779	3,035
2026	796	3,017
2027	814	2,999
2028	947	2,981
2029-2033	5,181	14,575
2034-2038	6,411	13,938
2039-2043	7,803	13,156
2044-2048	9,379	12,209
2049-2053	11,160	11,076
2054-2058	13,171	9,732
2059-2063	15,440	8,150
2064-2068	17,997	6,301
2069-2073	20,877	4,150
2074-2078	24,119	1,659
<b>Totals</b>	<u>\$ 135,636</u>	<u>\$ 110,030</u>

**Lessor** - The City is involved in an agreement as a lessor that qualifies as a long-term lease agreement. Below is a summary of this agreement. This agreement qualifies as long-term lease agreement as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2023 was \$18,786.

Asset Type	Remaining Term of Agreements
Water tower	10 years

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 11. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Primary Government</b>					
Governmental activities:					
Compensated absences	\$ 813,705	\$ 413,806	\$ (393,931)	\$ 833,580	\$ 189,733
Business-type activities:					
Revenue and refunding bonds (direct placement)	16,884,285	1,399,106	(1,060,000)	17,223,391	1,153,050
Unamortized bond premium	163,953	-	(18,561)	145,392	18,561
Lease liability (Note 10)	136,381	-	(745)	135,636	762
Compensated absences	320,634	144,735	(123,952)	341,417	81,358
Total business-type activities	17,505,253	1,543,841	(1,203,258)	17,845,836	1,253,731
<b>Total primary government</b>	<b>\$ 18,318,958</b>	<b>\$ 1,957,647</b>	<b>\$ (1,597,189)</b>	<b>\$ 18,679,416</b>	<b>\$ 1,443,464</b>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

Revenue and refunding bonds are direct obligations and pledge the full faith and credit of the City. Revenue and refunding bonds currently outstanding at June 30, 2023 are as follows:

Purpose	Matures	Interest Rates	Amount
<b>Business-type activities</b>			
2002 Water utility - revenue bonds	October 2023	2.25%	\$ 170,000
2009 Water utility - revenue bonds	October 2027	2.13%	860,000
2020 Waste water utility - revenue bonds	April 2042	2.00%	13,331,566
2021 Water refunding bonds	May 2031	2.00%-3.00%	1,405,000
2022 Water utility - revenue bonds	April 2044	1.88%	642,193
2023 Water utility - revenue bonds	April 2053	2.13%	814,632
			<u>\$ 17,223,391</u>

Annual debt service requirements to maturity for the revenue and refunding bonds are as follows:

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2024	\$ 1,153,050	\$ 336,774
2025	1,085,000	316,584
2026	1,100,000	296,009
2027	1,130,000	275,033
2028	1,150,000	253,662
2029-2033	4,790,000	984,919
2034-2038	4,660,000	597,766
2039-2043	4,280,000	209,760
2044-2048	660,000	187,237
2049-2053	595,000	259,893
Less: amounts not drawn	(3,379,659)	-
	<u>\$ 17,223,391</u>	<u>\$ 3,717,637</u>

## 12. RISK MANAGEMENT

The City maintains self insurance programs for general liability and property coverage, worker's compensation and unemployment compensation that are reported as internal service funds. All fund types are charged premiums at rebates determined using established insurance rates and other factors which, in management's opinion, warrant consideration.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the City participates as a member in the Michigan Municipal Risk Management Authority. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### 13. PROPERTY TAXES

The City's property taxes are levied no later than each June 1 and become an enforceable lien on July 10, payable by September 15. The tax levies are based on the taxable valuation of property located in the City as of the preceding December 31. Property taxes are payable without penalty and interest through September 15; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Delta County. Collections of community college, school, and county taxes and remittances are accounted for in the Tax Collection Custodial Fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

The City is permitted by charter and state law to levy taxes up to \$20.00 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2023 was \$17.4420 per \$1,000 of taxable value.

### 14. PENSION PLANS (INCLUDING SUBSEQUENT EVENT)

#### Agent Multiple-Employer Plan (MERS)

##### *General Information About the Plan*

*Plan Description.* The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City 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).

On October 19, 2023, the City Council elected to terminate participation for all divisions of the MERS Defined Benefit Plan and transfer assets, liabilities and fiduciary duties to the City of Escanaba Defined Benefit Retirement Plan, a governmental pension plan qualified under Section 401(a) of the Internal Revenue Code.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 2.0% to 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 25 years of service, age 50 with 25 years of service, or age 55 with 15 years of service, depending on division.

*Employees Covered by Benefit Terms.* At the December 31, 2022 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	127
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>15</u>
<b>Total membership</b>	<b><u><u>161</u></u></b>

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2023:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - Teamsters	\$52,415/month	0.00%	Closed
10 - General Elct	\$31,044/month	0.00%	Closed
11 - Non Union	\$72,802/month	0.00%	Closed
12 - Dispatchers	\$6,355/month	0.00%	Closed
13 - Part Time	\$401/month	0.00%	Closed
14 - Water/Wastewater Teamsters	\$34,074/month	0.00%	Closed

*Net Pension Liability.* The City'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 actuarial valuation as of that date.

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

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation



# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
<b>Investment rate of return</b>			<u><b>7.25%</b></u>

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

*Discount Rate.* The discount rate used to measure the total pension liability as of December 31, 2022 was 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***

The components of the change in the net pension liability are summarized as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at December 31, 2021	\$ 40,347,000	\$ 28,506,943	\$ 11,840,057
Changes for the year:			
Service cost	80,376	-	80,376
Interest	2,820,000	-	2,820,000
Differences between expected and actual experience	(160,663)	-	(160,663)
Employer contributions	-	2,279,886	(2,279,886)
Net investment loss	-	(3,136,453)	3,136,453
Benefit payments, including refunds of employee contributions	(2,981,268)	(2,981,268)	-
Administrative expense	-	(51,833)	51,833
Net changes	<u>(241,555)</u>	<u>(3,889,668)</u>	<u>3,648,113</u>
<b>Balances at December 31, 2022</b>	<u>\$ 40,105,445</u>	<u>\$ 24,617,275</u>	<u>\$ 15,488,170</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 19,615,244	\$ 15,488,170	\$ 11,992,673

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended June 30, 2023, the City recognized pension expense of \$1,457,326. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,395,070	\$ -	\$ 2,395,070
Contributions subsequent to the measurement date	1,182,546	-	1,182,546
<b>Total</b>	<u>\$ 3,577,616</u>	<u>\$ -</u>	<u>\$ 3,577,616</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 June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ 192,503
2025	434,579
2026	732,806
2027	<u>1,035,182</u>
<b>Total</b>	<u>\$ 2,395,070</u>

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

*Payable to the Pension Plan.* At June 30, 2023, the City had no amounts payable for contributions to the pension plan.

The General Fund and certain special revenue funds have typically been used to liquidate the MERS net pension liability in the governmental funds.

#### **Public Safety Pension Plan**

*Plan Description.* The City of Escanaba (the "City") Public Safety Officer Retirement System - Defined Benefit Plan (the "Plan") is a single employer public employee retirement system established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Plan is accounted for as a pension trust fund.

The Plan is overseen by a five member board and provides retirement benefits as well as death and disability benefits. Employees who retire at any age (age 55 for members hired on or after July 1, 2011) with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount equal to 3.0% (2.5% for members hired on or after July 1, 2011) of their three-year average final compensation (AFC) multiplied by their first 25 years of service, for a maximum benefit of 75% of AFC. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The Plan provides for a minimum retiree pension amount of \$500 per month. This minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

As of June 30, 2014 the defined benefit plan is closed. Employees who are hired as of July 1, 2014 or later are now being covered with a defined contribution retirement plan.

*Summary of Significant Accounting Policies.* The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contribution has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administration of the Plan is funded through the Plan's investment earnings.

*Method Used to Value Investments.* Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Plan Board of Trustees, with the assistance of a valuation service.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Employees Covered by Benefit Terms.* At the June 30, 2023 valuation date, Plan membership consisted of the following:

Retiree and beneficiaries	
currently receiving benefits	58
Terminated vested members	3
Active plan members	<u>12</u>
<b>Total membership</b>	<u><u>73</u></u>

*Contributions.* Covered employees are required to contribute 5.0% of their compensation to the Plan if the City's contribution rate is below 6.83%. If the City's contribution rate rises above 6.83%, then members are required to contribute 6.0% to the Plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. City contributions are actuarially determined and based on the individual entry-age method. During the fiscal year ended June 30, 2023, the City contributed \$572,917 or 61.4% as a percentage of covered payroll.

*Investment Policy.* The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
US Large Cap	17.00%	8.50%	1.45%
US Mid Cap	13.50%	7.73%	1.04%
US Small Cap	11.00%	10.72%	1.18%
Global Equity-US Stock Market	9.50%	6.00%	0.57%
Total US Bond Market	4.00%	1.55%	0.06%
Short-Term Investment Grade	14.00%	0.95%	0.13%
High Yield Corporate Bonds	5.00%	3.15%	0.16%
Intermediate Term Treasury	5.00%	1.69%	0.08%
Short-Term Treasury	12.00%	0.32%	0.04%
Emerging Markets	4.00%	6.60%	0.26%
REIT	<u>5.00%</u>	6.20%	0.31%
	<u><u>100.00%</u></u>		
Inflation			2.75%
Risk adjustment			<u>-0.79%</u>
<b>Investment rate of return</b>			<u><u>7.25%</u></u>

## CITY OF ESCANABA, MICHIGAN

### Notes to the Financial Statements

*Rate of Return.* For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan is limited to investments in commercial paper of the top two ratings issued by nationally recognized rating organizations. All of the Plan's assets are invested in mutual funds, which are not rated.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. The Plan's investment accounts are in mutual fund investment pools, which is evidenced by shares in the pool, not by securities that physically exist or are in book-entry form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy prohibits any one security exceeding five percent of an overall fund. Additionally, no one industry can represent more than twenty percent of an individual fund.

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment are in mutual fund investment pools which are not subject to interest rate risk disclosure.

*Fair Value Measurements.* The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of year end, all of the Plan's investments are in mutual fund investment pools which are all considered to be Level 1.

*Net Pension Liability.* The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and rolled forward to June 30, 2023.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Actuarial Assumptions.* The following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry-age normal
Amortization method	Level Dollar, Closed
Remaining amortization period	12 years
Asset valuation method	Five years smoothed market
Inflation	2.75%
Salary increases	3.45% to 7.25%, including inflation
Investment rate of return	7.25%
Wage growth rate	3.25%
Municipal bond index rate:	
Prior measurement date	3.37%
Measurement date	3.65%
Cost of living adjustment	1.00% (1.5% for those hired prior to July 1, 2011 and retiring after July 1, 2002) per year, compounded annually

Mortality was based on the Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2020.

*Changes in the Net Pension Liability.* The components of the changes in the net pension liability at June 30, 2023, are summarized as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2022	\$ 37,767,444	\$ 32,291,774	\$ 5,475,670
Changes for the year:			
Service cost	380,221	-	380,221
Interest	2,655,414	-	2,655,414
Differences between expected and actual experience	296,018	-	296,018
Employer contributions	-	572,917	(572,917)
Plan member contributions	-	64,646	(64,646)
Net investment income	-	1,996,119	(1,996,119)
Benefit payments, including refunds of Plan member contributions	(2,322,719)	(2,322,719)	-
Administrative expenses	-	(17,579)	17,579
Net changes	<u>1,008,934</u>	<u>293,384</u>	<u>715,550</u>
<b>Balances at June 30, 2023</b>	<u><u>\$ 38,776,378</u></u>	<u><u>\$ 32,585,158</u></u>	<u><u>\$ 6,191,220</u></u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

*Discount Rate.* A single discount rate of 7.25% was used to measure the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the City’s net pension liability, calculated using the discount rate of 7.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 10,851,675	\$ 6,191,220	\$ 2,337,774

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

For the year ended June 30, 2023, the City recognized pension expense of \$1,582,469. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,164,345</u>	<u>\$ -</u>	<u>\$ 2,164,345</u>



# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

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

Year Ended June 30,	Amount
2024	\$ 509,787
2025	121,350
2026	1,476,330
2027	<u>56,878</u>
<b>Total</b>	<u><u>\$ 2,164,345</u></u>

*Payable to the Pension Plan.* At June 30, 2023, the City did not report amounts payable for contributions to the pension plan.

### 15. DEFINED CONTRIBUTION RETIREMENT PLAN

The defined contribution plan requires the City to contribute four percent of the employee's qualified wages, with an additional matching contribution of up to three percent based on the employee's contribution. The employee vests in the City portion of the contributions after one year of service. For this fiscal year the City contributed \$305,735 to the plan and the employees contributed \$128,732.

### 16. DEFERRED COMPENSATION PLAN

The City offers a supplemental retirement program in accordance with Section 457 of the Internal Revenue Code (IRC) that will provide for payments on retirement, as well as death benefits in the event of death prior to retirement. The Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these amounts have not been included in the financial statements. The City contributed \$306,665 and employees contributed \$185,028 to the Section 457 plan.

### 17. COMMITMENTS AND CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and contracts. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the City.

The City is involved in certain tax tribunal disputes wherein taxpayers have petitioned the courts to reduce the amount of property taxes that have been paid to the City and to receive reimbursement from the City. No liability has been recorded related to these disputes as the outcome and amount of any potential liability can not readily be determined.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 18. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2023, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets:			
Capital assets, not being depreciated/amortized	\$ 1,362,753	\$ 11,912,072	\$ 380,172
Capital assets being depreciated/amortized, net	22,585,906	44,728,147	846,264
	<u>23,948,659</u>	<u>56,640,219</u>	<u>1,226,436</u>
Related debt:			
Total bonds payable	-	17,223,391	-
Total lease liability	-	135,636	-
Unamortized bond premium	-	145,392	-
Deferred charge on bond refunding	-	(12,962)	-
Accounts payable related to capital purchases	-	2,413,649	-
	<u>-</u>	<u>19,905,106</u>	<u>-</u>
<b>Net investment in capital assets</b>	<u>\$ 23,948,659</u>	<u>\$ 36,735,113</u>	<u>\$ 1,226,436</u>

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 19. FUND BALANCES - GOVERNMENTAL FUNDS

Detailed information on fund balances of governmental funds is as follows:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Gas permanent fund	\$ -	\$ 1,094,635	\$ 1,094,635
Prepaid items	247,983	5,078	253,061
Inventory	113,527	-	113,527
Advance to other funds	76,573	-	76,573
Total nonspendable	<u>438,083</u>	<u>1,099,713</u>	<u>1,537,796</u>
Restricted:			
Economic development	-	3,157,002	3,157,002
Drug law enforcement	-	43,590	43,590
Opioid settlement	-	11,150	11,150
Brownfield	-	36,917	36,917
Capital improvements	-	83,567	83,567
Highways, streets and public works	-	3,245,129	3,245,129
Total restricted	<u>-</u>	<u>6,577,355</u>	<u>6,577,355</u>
Committed:			
Highways, streets and public works	-	87	87
Economic development	-	2,012,784	2,012,784
Total committed	<u>-</u>	<u>2,012,871</u>	<u>2,012,871</u>
Unassigned	<u>5,599,626</u>	<u>-</u>	<u>5,599,626</u>
Total fund balances, governmental funds	<u>\$ 6,037,709</u>	<u>\$ 9,689,939</u>	<u>\$ 15,727,648</u>

### 20. TAX ABATEMENTS

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the City in fiscal year 2023 related to IFT exemptions amounted to \$72,344.

# CITY OF ESCANABA, MICHIGAN

## Notes to the Financial Statements

### 21. OPIOID SETTLEMENT

The City is part of a \$21 billion nationwide settlement reached in July 2021 to resolve all Opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors: McKesson, Cardinal Health, and AmerisourceBergen (Distributors), and a \$5 billion nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (Janssen). The term of the settlement varies by entity; however, the City expects to receive eighteen (18) installments from the Distributors with the first two installments being paid early in 2023 in the amount of \$2,826 and the remaining 16 installments expected to be made annually beginning in 2024. Additionally, the City expects to receive eleven (11) installments from Janssen with the first five installments being paid early in 2023 in the amount of \$8,386 and the remaining installments expected to be made annually beginning in 2026. The City is currently allocated approximately 0.018% of the total State of Michigan local unit settlement and the total amount of the settlement is expected to be \$48,745 and \$11,204 from the Distributors and Janssen, respectively.

As a result of the payment terms issued to the Directing Administrator of the National Opioid Settlements, the receivable for the Distributor and Janssen settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2023 of 3%. The net present value of the combined settlement payments to be received as of June 30, 2023 is \$37,482.

Additional settlements with pharmacies and manufacturers were entered into during 2022, including CVS, Walgreens, Walmart, Allergan and Teva. However, as of June 30 2023, the amounts to be allocated to and collected by the City were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

## CITY OF ESCANABA, MICHIGAN

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Changes in City's Net Pension Liability and Related Ratios

	Year Ended June 30,				
	2023	2022	2021	2020	2019
<b>Total pension liability</b>					
Service cost	\$ 80,376	\$ 78,120	\$ 139,731	\$ 150,963	\$ 169,705
Interest	2,820,000	2,886,060	2,771,699	2,805,883	2,802,937
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(160,663)	(418,705)	312,082	342	(300,217)
Changes of assumptions	-	1,312,584	1,149,101	1,176,961	-
Benefit payments, including refunds of employee contributions	(2,981,268)	(2,892,957)	(2,781,148)	(2,683,532)	(2,568,963)
Other	-	-	-	-	-
<b>Net change in total pension liability</b>	<u>(241,555)</u>	<u>965,102</u>	<u>1,591,465</u>	<u>1,450,617</u>	<u>103,462</u>
Total pension liability, beginning of year	<u>40,347,000</u>	<u>39,381,898</u>	<u>37,790,433</u>	<u>36,339,816</u>	<u>36,236,354</u>
<b>Total pension liability, end of year</b>	<u>40,105,445</u>	<u>40,347,000</u>	<u>39,381,898</u>	<u>37,790,433</u>	<u>36,339,816</u>
<b>Plan fiduciary net position</b>					
Employer contributions	2,279,886	2,068,521	1,857,585	1,699,472	4,049,579
Net investment income (loss)	(3,136,453)	3,449,146	3,251,094	2,910,314	(814,734)
Benefit payments, including refunds of employee contributions	(2,981,268)	(2,892,957)	(2,781,148)	(2,683,532)	(2,568,963)
Administrative expense	(51,833)	(40,902)	(46,960)	(50,117)	(40,466)
<b>Net change in plan fiduciary net position</b>	<u>(3,889,668)</u>	<u>2,583,808</u>	<u>2,280,571</u>	<u>1,876,137</u>	<u>625,416</u>
Plan fiduciary net position, beginning of year	<u>28,506,943</u>	<u>25,923,135</u>	<u>23,642,564</u>	<u>21,766,427</u>	<u>21,141,011</u>
<b>Plan fiduciary net position, end of year</b>	<u>24,617,275</u>	<u>28,506,943</u>	<u>25,923,135</u>	<u>23,642,564</u>	<u>21,766,427</u>
<b>City's net pension liability</b>	<u>\$ 15,488,170</u>	<u>\$ 11,840,057</u>	<u>\$ 13,458,763</u>	<u>\$ 14,147,869</u>	<u>\$ 14,573,389</u>
Plan fiduciary net position as a percentage of total pension liability	61.4%	70.7%	65.8%	62.6%	59.9%
Covered payroll	<u>\$ 846,622</u>	<u>\$ 900,863</u>	<u>\$ 1,407,770</u>	<u>\$ 1,495,551</u>	<u>\$ 1,647,886</u>
City's net pension liability as a percentage of covered payroll	1829.4%	1314.3%	956.0%	946.0%	884.4%

See notes to required supplementary information.

Year Ended June 30,			
2018	2017	2016	2015
\$ 192,629	\$ 208,945	\$ 233,003	\$ 256,475
2,774,891	2,718,466	2,604,321	2,543,881
-	136,249	-	-
(98,457)	(5,233)	(100,016)	-
-	-	1,862,283	-
(2,445,052)	(2,244,879)	(2,103,652)	(2,008,357)
-	-	-	(1)
424,011	813,548	2,495,939	791,998
<u>35,812,343</u>	<u>34,998,795</u>	<u>32,502,856</u>	<u>31,710,858</u>
<u>36,236,354</u>	<u>35,812,343</u>	<u>34,998,795</u>	<u>32,502,856</u>
1,399,555	1,328,965	1,293,868	1,194,312
2,549,195	2,075,153	(288,545)	1,208,114
(2,445,052)	(2,244,879)	(2,103,652)	(2,008,357)
(40,443)	(40,989)	(42,547)	(44,231)
1,463,255	1,118,250	(1,140,876)	349,838
<u>19,677,756</u>	<u>18,559,506</u>	<u>19,700,382</u>	<u>19,350,544</u>
<u>21,141,011</u>	<u>19,677,756</u>	<u>18,559,506</u>	<u>19,700,382</u>
<u>\$ 15,095,343</u>	<u>\$ 16,134,587</u>	<u>\$ 16,439,289</u>	<u>\$ 12,802,474</u>
58.3%	54.9%	53.0%	60.6%
<u>\$ 1,882,609</u>	<u>\$ 2,074,943</u>	<u>\$ 2,342,307</u>	<u>\$ 2,580,370</u>
801.8%	777.6%	701.8%	496.1%

## CITY OF ESCANABA, MICHIGAN

### Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan  
Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2023	\$ 2,365,092	\$ 2,365,092	\$ -	\$ 890,342	265.6%
2022	2,198,479	2,198,479	-	1,126,819	195.1%
2021	1,942,903	1,942,903	-	1,393,190	139.5%
2020	1,769,395	1,769,395	-	1,581,214	111.9%
2019	1,629,348	4,129,348	2,500,000	1,689,845	244.4%
2018	1,399,555	1,399,555	-	1,936,759	72.3%
2017	1,328,965	1,328,965	-	2,265,300	58.7%
2016	1,293,868	1,293,868	-	2,401,701	53.9%
2015	1,194,312	1,194,312	-	2,055,865	58.1%

See notes to required supplementary information.



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## CITY OF ESCANABA, MICHIGAN

### Required Supplementary Information

City of Escanaba Public Safety Officer Retirement System Defined Benefit Plan  
 Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios

	Year Ended June 30,				
	2023	2022	2021	2020	2019
<b>Total pension liability</b>					
Service cost	\$ 380,221	\$ 382,153	\$ 363,464	\$ 430,494	\$ 471,995
Interest	2,655,414	2,591,137	2,621,664	2,630,085	2,547,352
Differences between expected and actual experience	296,018	223,203	(708,818)	(1,136,991)	21,181
Changes of assumptions	-	-	722,028	-	-
Other changes	-	-	-	-	(501)
Benefit payments, including refunds of Plan member contributions	(2,322,719)	(2,297,553)	(2,132,166)	(1,944,538)	(1,928,509)
<b>Net change in total pension liability</b>	<u>1,008,934</u>	<u>898,940</u>	<u>866,172</u>	<u>(20,950)</u>	<u>1,111,518</u>
Total pension liability, beginning of year	<u>37,767,444</u>	<u>36,868,504</u>	<u>36,002,332</u>	<u>36,023,282</u>	<u>34,911,764</u>
<b>Total pension liability, end of year</b>	<u>38,776,378</u>	<u>37,767,444</u>	<u>36,868,504</u>	<u>36,002,332</u>	<u>36,023,282</u>
<b>Plan fiduciary net position</b>					
Employer contributions	572,917	626,901	726,596	897,598	985,218
Plan member contributions	64,646	72,229	76,756	84,390	87,313
Net investment income (loss)	1,996,119	(4,379,108)	9,018,958	288,818	1,989,548
Benefit payments, including refunds of Plan member contributions	(2,322,719)	(2,297,553)	(2,132,166)	(1,944,538)	(1,928,509)
Administrative expenses	(17,579)	(15,534)	(16,428)	(5,568)	(23,570)
<b>Net change in plan fiduciary net position</b>	<u>293,384</u>	<u>(5,993,065)</u>	<u>7,673,716</u>	<u>(679,300)</u>	<u>1,110,000</u>
Plan fiduciary net position, beginning of year	<u>32,291,774</u>	<u>38,284,839</u>	<u>30,611,123</u>	<u>31,290,423</u>	<u>30,180,423</u>
<b>Plan fiduciary net position, end of year</b>	<u>32,585,158</u>	<u>32,291,774</u>	<u>38,284,839</u>	<u>30,611,123</u>	<u>31,290,423</u>
<b>City's net pension liability (asset)</b>	<u>\$ 6,191,220</u>	<u>\$ 5,475,670</u>	<u>\$ (1,416,335)</u>	<u>\$ 5,391,209</u>	<u>\$ 4,732,859</u>
Plan fiduciary net position as a percentage of total pension liability	84.0%	85.5%	103.8%	85.0%	86.9%
Covered payroll	<u>\$ 933,295</u>	<u>\$ 1,004,529</u>	<u>\$ 1,017,373</u>	<u>\$ 1,118,256</u>	<u>\$ 1,481,131</u>
City's net pension liability (asset) as a percentage of covered payroll	663.4%	545.1%	-139.2%	482.1%	319.5%

See notes to required supplementary information.

Year Ended June 30,				
2018	2017	2016	2015	2014
\$ 489,653	\$ 514,868	\$ 597,406	\$ 727,549	\$ 708,122
2,539,579	2,436,105	2,347,872	2,270,399	2,171,492
(583,628)	(352,923)	(1,120,348)	(321,158)	-
-	602,882	(6,227,926)	5,861,409	-
-	-	-	-	-
(1,810,470)	(1,781,664)	(1,590,935)	(1,538,201)	(1,500,644)
635,134	1,419,268	(5,993,931)	6,999,998	1,378,970
34,276,630	32,857,362	38,851,293	31,851,295	30,472,325
34,911,764	34,276,630	32,857,362	38,851,293	31,851,295
1,068,469	1,134,353	969,387	1,033,739	1,058,517
99,809	102,635	149,195	124,797	123,571
2,243,477	2,798,889	550,663	1,126,473	3,747,259
(1,810,470)	(1,781,664)	(1,590,935)	(1,538,201)	(1,500,644)
(29,035)	(26,691)	(13,650)	(6,835)	(12,702)
1,572,250	2,227,522	64,660	739,973	3,416,001
28,608,173	26,380,651	26,315,991	25,576,018	22,160,017
30,180,423	28,608,173	26,380,651	26,315,991	25,576,018
<u>\$ 4,731,341</u>	<u>\$ 5,668,457</u>	<u>\$ 6,476,711</u>	<u>\$ 12,535,302</u>	<u>\$ 6,275,277</u>
86.4%	83.5%	80.3%	67.7%	80.3%
<u>\$ 1,608,361</u>	<u>\$ 1,708,313</u>	<u>\$ 2,105,983</u>	<u>\$ 2,055,865</u>	<u>\$ 2,028,519</u>
294.2%	331.8%	307.5%	609.7%	309.4%

## CITY OF ESCANABA, MICHIGAN

### Required Supplementary Information

City of Escanaba Public Safety Officer Retirement System Defined Benefit Plan  
 Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2023	\$ 572,917	\$ 572,917	\$ -	\$ 933,295	61.4%
2022	626,901	626,901	-	1,004,529	62.4%
2021	726,585	726,596	11	1,017,373	71.4%
2020	897,598	897,598	-	1,118,256	80.3%
2019	985,218	985,218	-	1,481,131	66.5%
2018	1,068,469	1,068,469	-	1,608,361	66.4%
2017	1,134,353	1,134,353	-	1,708,313	66.4%
2016	969,387	969,387	-	2,105,983	46.0%
2015	1,033,739	1,033,739	-	2,055,865	50.3%
2014	1,058,517	1,058,517	-	2,028,519	52.2%

See notes to required supplementary information.

## CITY OF ESCANABA, MICHIGAN

### Required Supplementary Information

City of Escanaba Public Safety Officer Retirement System Defined Benefit Plan  
Schedule of Investment Returns

Fiscal Year Ending June 30,	Annual Return <sup>(1)</sup>
2023	6.4%
2022	-11.9%
2021	30.0%
2020	1.3%
2019	8.2%
2018	7.9%
2017	10.7%
2016	2.2%
2015	4.4%
2014	17.0%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses

See notes to required supplementary information.

# CITY OF ESCANABA, MICHIGAN

## Notes to Required Supplementary Information

### *MERS Agent Multiple-Employer Defined Benefit Pension Plan*

#### Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

*Changes in Assumptions.* In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes of assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

#### Notes to Schedule of Contributions

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2023, based on the 12/31/2020 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	8-19 years, depending on division
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60

## CITY OF ESCANABA, MICHIGAN

### Notes to Required Supplementary Information

#### Mortality

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

# CITY OF ESCANABA, MICHIGAN

## Notes to Required Supplementary Information

### *Public Safety Officer Retirement System Defined Benefit Plan*

#### Notes to the Schedule of Changes in the City's Net Pension Liability (Asset) and Related Ratios

*Changes in assumptions.* In 2021, the actuarial assumptions were updated to use the Pub-2010 Safety Mortality Tables and a discount rate of 7.25%, a decrease from the 7.50% used for the prior measurement date. In 2017, there was a change in the assumptions for members utilizing military and Act 88 reciprocal service in the future. In 2016, the asset valuation method changed from 5-year smoothed market; 20% corridor to market value of assets, the inflation assumption decreased from 4.0% to 3.25% and the salary increase assumption was reduced from 4.0% - 8.0% to 3.45% - 7.25%. In 2015, the salary increase assumption increased from 0.0% - 4.0% to 4.0% - 8.0%.

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level Dollar, closed
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.45% to 7.25%, including inflation
Investment rate of return	7.25%
Mortality	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2020.



**COMBINING FUND  
FINANCIAL STATEMENTS**

**CITY OF ESCANABA, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
<b>Assets</b>					
Cash and cash equivalents and investments	\$ 2,924,208	\$ -	\$ 87	\$ 535,781	\$ 36,917
Accounts receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Accrued interest receivable	9,553	1,701	-	1,031	-
Other receivables	-	6,220	-	-	-
Due from other governments	231,056	87,434	-	183	-
Prepaid items	-	-	-	1,202	-
Advances to other funds	-	-	-	-	-
<b>Total assets</b>	<u>\$ 3,164,817</u>	<u>\$ 95,355</u>	<u>\$ 87</u>	<u>\$ 538,197</u>	<u>\$ 36,917</u>
<b>Liabilities</b>					
Negative equity in pooled cash and investments	\$ -	\$ 1,578	\$ -	\$ -	\$ -
Accounts payable	196,920	9,874	-	21,032	-
Unearned revenue	-	6,220	-	82	-
Advances from other funds	-	-	-	168,481	-
<b>Total liabilities</b>	<u>196,920</u>	<u>17,672</u>	<u>-</u>	<u>189,595</u>	<u>-</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue:					
Long-term receivable	-	-	-	-	-
<b>Fund balances</b>					
Nonspendable	-	-	-	1,202	-
Restricted	2,967,897	77,683	-	347,400	36,917
Committed	-	-	87	-	-
<b>Total fund balances</b>	<u>2,967,897</u>	<u>77,683</u>	<u>87</u>	<u>348,602</u>	<u>36,917</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 3,164,817</u>	<u>\$ 95,355</u>	<u>\$ 87</u>	<u>\$ 538,197</u>	<u>\$ 36,917</u>

**Special Revenue Funds**

<b>Drug Law Enforcement</b>	<b>Library</b>	<b>Housing Rehabilitation</b>	<b>Grants</b>	<b>UDAG/DIAL Grant</b>	<b>Opioid Settlement</b>	<b>E.D.A Revolving Loan Fund</b>	<b>Farmers Home Grant</b>
\$ 43,445	\$ -	\$ 360,297	\$ 18,824	\$ 2,338,794	\$ 11,130	\$ 488,984	\$ 4,631
-	-	-	-	-	-	-	-
-	-	-	-	55,012	-	-	-
145	306	1,059	-	6,557	20	1,234	-
-	-	-	-	-	-	-	-
-	87,034	-	995	-	37,482	-	-
-	3,876	-	-	-	-	-	-
-	-	-	-	168,481	-	-	-
<u>\$ 43,590</u>	<u>\$ 91,216</u>	<u>\$ 361,356</u>	<u>\$ 19,819</u>	<u>\$ 2,568,844</u>	<u>\$ 48,632</u>	<u>\$ 490,218</u>	<u>\$ 4,631</u>
\$ -	\$ 69,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,256	-	107	-	-	-	-
-	10,443	-	19,712	-	-	-	-
-	-	-	-	-	-	-	-
-	<u>87,340</u>	-	<u>19,819</u>	-	-	-	-
-	-	-	-	-	37,482	-	-
-	3,876	-	-	-	-	-	-
43,590	-	-	-	2,568,844	11,150	-	-
-	-	361,356	-	-	-	490,218	4,631
<u>43,590</u>	<u>3,876</u>	<u>361,356</u>	<u>-</u>	<u>2,568,844</u>	<u>11,150</u>	<u>490,218</u>	<u>4,631</u>
<u>\$ 43,590</u>	<u>\$ 91,216</u>	<u>\$ 361,356</u>	<u>\$ 19,819</u>	<u>\$ 2,568,844</u>	<u>\$ 48,632</u>	<u>\$ 490,218</u>	<u>\$ 4,631</u>

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**CITY OF ESCANABA, MICHIGAN**

**Combining Balance Sheet**

Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
<b>Assets</b>					
Cash and cash equivalents and investments	\$ 999,116	\$ 240,527	\$ 146,020	\$ 1,173,881	\$ 9,322,642
Accounts receivable	-	-	53,029	-	53,029
Loans receivable	-	-	-	-	55,012
Accrued interest receivable	4,424	809	500	4,321	31,660
Other receivables	-	-	-	-	6,220
Due from other governments	-	-	-	-	444,184
Prepaid items	-	-	-	-	5,078
Advances to other funds	153,069	-	-	-	321,550
<b>Total assets</b>	<u>\$ 1,156,609</u>	<u>\$ 241,336</u>	<u>\$ 199,549</u>	<u>\$ 1,178,202</u>	<u>\$ 10,239,375</u>
<b>Liabilities</b>					
Negative equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	71,219
Accounts payable	30	578	-	-	235,797
Unearned revenue	-	-	-	-	36,457
Advances from other funds	-	-	-	-	168,481
<b>Total liabilities</b>	<u>30</u>	<u>578</u>	<u>-</u>	<u>-</u>	<u>511,954</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue:					
Long-term receivable	-	-	-	-	37,482
<b>Fund balances</b>					
Nonspendable	-	-	-	1,094,635	1,099,713
Restricted	-	240,758	199,549	83,567	6,577,355
Committed	1,156,579	-	-	-	2,012,871
<b>Total fund balances</b>	<u>1,156,579</u>	<u>240,758</u>	<u>199,549</u>	<u>1,178,202</u>	<u>9,689,939</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,156,609</u>	<u>\$ 241,336</u>	<u>\$ 199,549</u>	<u>\$ 1,178,202</u>	<u>\$ 10,239,375</u>

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**CITY OF ESCANABA, MICHIGAN**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Special Governmental Funds  
 For the Year Ended June 30, 2023

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 316,470	\$ 87,543
Intergovernmental	1,526,514	522,113	-	-	-
Charges for services	-	-	18,956	-	-
Fines and fees	-	-	-	-	-
Investment earnings (loss)	(9,929)	1,017	-	(1,778)	(107)
Other revenues	-	3,519	-	5,440	-
<b>Total revenues</b>	<b>1,516,585</b>	<b>526,649</b>	<b>18,956</b>	<b>320,132</b>	<b>87,436</b>
<b>Expenditures</b>					
Current:					
Highway, streets & public works	1,131,417	988,744	66,679	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Community and economic development	-	-	-	227,250	84,347
<b>Total expenditures</b>	<b>1,131,417</b>	<b>988,744</b>	<b>66,679</b>	<b>227,250</b>	<b>84,347</b>
Revenues over (under) expenditures	385,168	(462,095)	(47,723)	92,882	3,089
<b>Other financing sources (uses)</b>					
Transfers in	-	300,000	47,723	-	-
Transfers out	(300,000)	-	-	(2,500)	-
<b>Total other financing sources (uses)</b>	<b>(300,000)</b>	<b>300,000</b>	<b>47,723</b>	<b>(2,500)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>85,168</b>	<b>(162,095)</b>	<b>-</b>	<b>90,382</b>	<b>3,089</b>
Fund balances, beginning of year	2,882,729	239,778	87	258,220	33,828
<b>Fund balances, end of year</b>	<b>\$ 2,967,897</b>	<b>\$ 77,683</b>	<b>\$ 87</b>	<b>\$ 348,602</b>	<b>\$ 36,917</b>

Special Revenue Funds							
Drug Law Enforcement	Library	Housing Rehabilitation	Grants	UDAG/DIAL Grant	Opioid Settlement	E.D.A Revolving Loan Fund	Farmers Home Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	191,836	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,909	87,175	-	-	-	-	-	-
(148)	-	(1,247)	(47)	312	(63)	(1,543)	(14)
-	13,770	44,200	-	-	11,213	-	-
<u>4,761</u>	<u>292,781</u>	<u>42,953</u>	<u>(47)</u>	<u>312</u>	<u>11,150</u>	<u>(1,543)</u>	<u>(14)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	782,736	-	-	-	-	-	-
-	-	598	57,752	1,533	-	-	121
<u>-</u>	<u>782,736</u>	<u>598</u>	<u>57,752</u>	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>121</u>
<u>4,761</u>	<u>(489,955)</u>	<u>42,355</u>	<u>(57,799)</u>	<u>(1,221)</u>	<u>11,150</u>	<u>(1,543)</u>	<u>(135)</u>
-	458,488	-	57,530	-	-	-	-
-	-	-	-	(47,050)	-	-	-
<u>-</u>	<u>458,488</u>	<u>-</u>	<u>57,530</u>	<u>(47,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,761	(31,467)	42,355	(269)	(48,271)	11,150	(1,543)	(135)
38,829	35,343	319,001	269	2,617,115	-	491,761	4,766
<u>\$ 43,590</u>	<u>\$ 3,876</u>	<u>\$ 361,356</u>	<u>\$ -</u>	<u>\$ 2,568,844</u>	<u>\$ 11,150</u>	<u>\$ 490,218</u>	<u>\$ 4,631</u>

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**CITY OF ESCANABA, MICHIGAN**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

Nonmajor Special Governmental Funds

For the Year Ended June 30, 2023

	Special Revenue Funds			Permanent Fund	Total
	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 404,013
Intergovernmental	-	-	-	-	2,240,463
Charges for services	-	-	321,973	-	340,929
Fines and fees	-	-	-	-	92,084
Investment earnings (loss)	1,806	(737)	(671)	(3,675)	(16,824)
Other revenues	105,575	-	-	-	183,717
<b>Total revenues</b>	<u>107,381</u>	<u>(737)</u>	<u>321,302</u>	<u>(3,675)</u>	<u>3,244,382</u>
<b>Expenditures</b>					
Current:					
Highway, streets & public works	-	-	-	-	2,186,840
Sanitation	-	-	283	-	283
Recreation and culture	-	-	-	-	782,736
Community and economic development	9,903	8,916	-	-	390,420
<b>Total expenditures</b>	<u>9,903</u>	<u>8,916</u>	<u>283</u>	<u>-</u>	<u>3,360,279</u>
Revenues over (under) expenditures	<u>97,478</u>	<u>(9,653)</u>	<u>321,019</u>	<u>(3,675)</u>	<u>(115,897)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	863,741
Transfers out	(60,000)	-	(241,590)	-	(651,140)
<b>Total other financing sources (uses)</b>	<u>(60,000)</u>	<u>-</u>	<u>(241,590)</u>	<u>-</u>	<u>212,601</u>
<b>Net change in fund balances</b>	<u>37,478</u>	<u>(9,653)</u>	<u>79,429</u>	<u>(3,675)</u>	<u>96,704</u>
Fund balances, beginning of year	<u>1,119,101</u>	<u>250,411</u>	<u>120,120</u>	<u>1,181,877</u>	<u>9,593,235</u>
<b>Fund balances, end of year</b>	<u>\$ 1,156,579</u>	<u>\$ 240,758</u>	<u>\$ 199,549</u>	<u>\$ 1,178,202</u>	<u>\$ 9,689,939</u>

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# CITY OF ESCANABA, MICHIGAN

## Combining Statement of Net Position

Internal Service Funds

June 30, 2023

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
<b>Assets</b>				
Current assets:				
Cash and cash equivalents and investments	\$ 46,505	\$ 381,765	\$ 450,248	\$ -
Accrued interest receivable	-	1,265	1,431	369
Accounts receivable	-	963	46,128	-
Due from other funds	-	-	-	-
Prepaid items	-	1,762	5,149	862,673
<b>Total current assets</b>	<b>46,505</b>	<b>385,755</b>	<b>502,956</b>	<b>863,042</b>
Noncurrent assets:				
Capital assets not being depreciated	625,731	-	-	-
Capital assets being depreciated, net	2,524,175	1,069,751	212,312	-
<b>Total noncurrent assets</b>	<b>3,149,906</b>	<b>1,069,751</b>	<b>212,312</b>	<b>-</b>
<b>Total assets</b>	<b>3,196,411</b>	<b>1,455,506</b>	<b>715,268</b>	<b>863,042</b>
<b>Liabilities</b>				
Current liabilities:				
Negative equity in pooled cash and investments	-	-	-	158,216
Accounts payable and accrued liabilities	5,352	15,906	-	-
Unearned revenue	-	1,950	-	49,431
Current portion of compensated absences	2,064	5,882	-	-
<b>Total current liabilities</b>	<b>7,416</b>	<b>23,738</b>	<b>-</b>	<b>207,647</b>
Noncurrent liabilities:				
Advances from other funds	125,000	76,573	-	-
Compensated absences, net of current portion	1,797	23,496	-	-
<b>Total noncurrent liabilities</b>	<b>126,797</b>	<b>100,069</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>134,213</b>	<b>123,807</b>	<b>-</b>	<b>207,647</b>
<b>Net position</b>				
Investment in capital assets	3,149,906	1,069,751	212,312	-
Unrestricted (deficit)	(87,708)	261,948	502,956	655,395
<b>Total net position</b>	<b>\$ 3,062,198</b>	<b>\$ 1,331,699</b>	<b>\$ 715,268</b>	<b>\$ 655,395</b>



<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ 384,598	\$ 317,777	\$ 1,580,893
1,272	1,170	5,507
3,126	-	50,217
-	659	659
-	-	869,584
<u>388,996</u>	<u>319,606</u>	<u>2,506,860</u>
-	-	625,731
-	-	3,806,238
-	-	<u>4,431,969</u>
<u>388,996</u>	<u>319,606</u>	<u>6,938,829</u>
-	-	158,216
132,396	659	154,313
-	-	51,381
-	-	7,946
<u>132,396</u>	<u>659</u>	<u>371,856</u>
-	-	201,573
-	-	25,293
-	-	<u>226,866</u>
<u>132,396</u>	<u>659</u>	<u>598,722</u>
-	-	4,431,969
<u>256,600</u>	<u>318,947</u>	<u>1,908,138</u>
<u>\$ 256,600</u>	<u>\$ 318,947</u>	<u>\$ 6,340,107</u>

## CITY OF ESCANABA, MICHIGAN

### Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Year Ended June 30, 2023

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
<b>Operating revenues</b>				
Charges for services	\$ 133,248	\$ 1,509,985	\$ -	\$ -
Provision for self insurance	-	-	-	136,768
Other revenue	-	9,525	191,654	-
<b>Total operating revenues</b>	<u>133,248</u>	<u>1,519,510</u>	<u>191,654</u>	<u>136,768</u>
<b>Operating expenses</b>				
Personnel services	85,797	344,617	-	-
Overhead	69,861	-	-	-
Fuel	-	223,630	-	-
Contracted services	710	29,151	71,533	509
Insurance	11,841	84,676	-	88,452
Dues and training	-	1,166	-	-
Sales and promotion	-	1,249	-	-
Repairs and maintenance	39,179	80,736	13,605	-
Equipment rental	-	5,913	-	-
Depreciation	155,452	215,392	48,960	-
Supplies	11,299	302,515	-	-
Other	3,081	6,579	-	-
<b>Total operating expenses</b>	<u>377,220</u>	<u>1,295,624</u>	<u>134,098</u>	<u>88,961</u>
Operating income (loss)	<u>(243,972)</u>	<u>223,886</u>	<u>57,556</u>	<u>47,807</u>
<b>Nonoperating revenues (expenses)</b>				
Loss on disposal of capital assets	-	(5,898)	-	-
Investment earnings (loss)	6,745	(1,378)	(1,518)	21,046
Interest expense	(5,207)	(2,831)	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>1,538</u>	<u>(10,107)</u>	<u>(1,518)</u>	<u>21,046</u>
Income (loss) before transfers	<u>(242,434)</u>	<u>213,779</u>	<u>56,038</u>	<u>68,853</u>
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
<b>Change in net position</b>	<u>(93,434)</u>	<u>213,779</u>	<u>16,838</u>	<u>68,853</u>
Net position, beginning of year	<u>3,155,632</u>	<u>1,117,920</u>	<u>698,430</u>	<u>586,542</u>
<b>Net position, end of year</b>	<u>\$ 3,062,198</u>	<u>\$ 1,331,699</u>	<u>\$ 715,268</u>	<u>\$ 655,395</u>



<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ -	\$ -	\$ 1,643,233
127,035	-	263,803
-	-	201,179
<hr/>	<hr/>	<hr/>
127,035	-	2,108,215
<hr/>	<hr/>	<hr/>
9,029	-	439,443
-	-	69,861
-	-	223,630
22,983	275	125,161
79,239	-	264,208
400	-	1,566
-	-	1,249
-	-	133,520
-	-	5,913
-	-	419,804
40,346	-	354,160
-	-	9,660
<hr/>	<hr/>	<hr/>
151,997	275	2,048,175
<hr/>	<hr/>	<hr/>
(24,962)	(275)	60,040
<hr/>	<hr/>	<hr/>
-	-	(5,898)
(1,139)	(1,004)	22,752
-	-	(8,038)
<hr/>	<hr/>	<hr/>
(1,139)	(1,004)	8,816
<hr/>	<hr/>	<hr/>
(26,101)	(1,279)	68,856
-	-	149,000
-	-	(39,200)
<hr/>	<hr/>	<hr/>
(26,101)	(1,279)	178,656
<hr/>	<hr/>	<hr/>
282,701	320,226	6,161,451
<hr/>	<hr/>	<hr/>
\$ 256,600	\$ 318,947	\$ 6,340,107
<hr/>	<hr/>	<hr/>

## CITY OF ESCANABA, MICHIGAN

### Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2023

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
<b>Cash flows from operating activities</b>				
Cash received from interfund services	\$ 133,248	\$ 1,518,547	\$ 196,086	\$ 225,022
Cash payments to employees	(83,873)	(354,762)	-	-
Cash payments to suppliers	(136,546)	(733,601)	(91,917)	(246,068)
<b>Net cash provided by (used in) operating activities</b>	<u>(87,171)</u>	<u>430,184</u>	<u>104,169</u>	<u>(21,046)</u>
<b>Cash flows from noncapital financing activities</b>				
Repayment on advances from other funds	(125,000)	(17,799)	-	-
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>24,000</u>	<u>(17,799)</u>	<u>(39,200)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(26,224)	(223,807)	(21,759)	-
Interest payments	(5,207)	(2,831)	-	-
<b>Net cash used in capital and related financing activities</b>	<u>(31,431)</u>	<u>(226,638)</u>	<u>(21,759)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest received (loss) on investments	<u>6,745</u>	<u>(2,058)</u>	<u>(2,322)</u>	<u>21,046</u>
<b>Net change in cash and cash equivalents and investments</b>	<u>(87,857)</u>	<u>183,689</u>	<u>40,888</u>	<u>-</u>
Cash and cash equivalents and investments, beginning of year	<u>134,362</u>	<u>198,076</u>	<u>409,360</u>	<u>-</u>
<b>Cash and cash equivalents and investments, end of year</b>	<u>\$ 46,505</u>	<u>\$ 381,765</u>	<u>\$ 450,248</u>	<u>\$ -</u>



<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ 123,909	\$ 1,181	\$ 2,197,993
(9,029)	-	(447,664)
<u>(143,153)</u>	<u>(931)</u>	<u>(1,352,216)</u>
<u>(28,273)</u>	<u>250</u>	<u>398,113</u>
-	-	(142,799)
-	-	149,000
<u>-</u>	<u>-</u>	<u>(39,200)</u>
-	-	(32,999)
<u>-</u>	<u>-</u>	<u>(271,790)</u>
<u>-</u>	<u>-</u>	<u>(8,038)</u>
-	-	(279,828)
<u>(1,825)</u>	<u>(1,571)</u>	<u>20,015</u>
(30,098)	(1,321)	105,301
<u>414,696</u>	<u>319,098</u>	<u>1,475,592</u>
<u>\$ 384,598</u>	<u>\$ 317,777</u>	<u>\$ 1,580,893</u>

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## CITY OF ESCANABA, MICHIGAN

### Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2023

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>				
Operating income (loss)	\$ (243,972)	\$ 223,886	\$ 57,556	\$ 47,807
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	155,452	215,392	48,960	-
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	-	(963)	4,432	1,000
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	187	(3,649)	(196,538)
Negative equity in pooled cash and investments	-	-	-	87,254
Accounts payable and accrued liabilities	(575)	1,827	(3,130)	(10,000)
Compensated absences	1,924	(10,145)	-	-
Unearned revenue	-	-	-	49,431
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (87,171)</u>	<u>\$ 430,184</u>	<u>\$ 104,169</u>	<u>\$ (21,046)</u>





<b>Workers Compensation</b>	<b>Unemployment Compensation</b>	<b>Total</b>
\$ (24,962)	\$ (275)	\$ 60,040
-	-	419,804
(3,126)	-	1,343
-	920	920
-	(659)	(659)
5,000	-	(195,000)
-	-	87,254
(5,185)	264	(16,799)
-	-	(8,221)
-	-	49,431
<u>\$ (28,273)</u>	<u>\$ 250</u>	<u>\$ 398,113</u>

concluded