

City of Escanaba,
Michigan



Year Ended
June 30, 2022

Financial
Statements

Rehmann

CITY OF ESCANABA, MICHIGAN

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CITY OF ESCANABA, MICHIGAN

ELECTED AND APPOINTED OFFICIALS

For the Year Ended June 30, 2022

Elected Officials

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

Appointed Officials

Interim City Manager	James McNeil
Clerk	Phil Demay
Treasurer	Kim Gustafson
Controller	Melissa Becotte
Planning Director/Zoning Administrator	Tyler Anthony
Director of Public Safety	Robert LaMarche
Director of DPW	Wendy Taavola
Electric Superintendent	Gerald Pirkola
Assessor	James McNeil
WWTP/WTP Superintendent	Jeff Lampi
Harbormaster	Shayne Sanville
Recreation Director	Kimberly Peterson
Library Director	Carolyn Stacey
Attorney	Lisa Vogler

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INDEPENDENT AUDITORS' REPORT

December 7, 2022

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

In our opinion, based on our audit and the report of 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, 2022, 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 December 7, 2022, 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 Loborn 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, 2022. 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	\$ 73,485,179
· Change in total net position	4,591,007
· Fund balances, governmental funds	15,510,855
· Change in fund balances, governmental funds	(465,108)
· Unassigned fund balance, general fund	5,436,857
· Change in fund balance, general fund	(247,235)
· Bonded debt outstanding	16,884,285
· Change in bonded debt	3,936,286

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 \$73,485,179 as of June 30, 2022.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 18,401,279	\$ 20,254,840	\$ 22,683,388	\$ 19,856,911	\$ 41,084,667	\$ 40,111,751
Capital assets, net	24,343,122	24,133,938	46,880,123	41,765,685	71,223,245	65,899,623
	<u>42,744,401</u>	<u>44,388,778</u>	<u>69,563,511</u>	<u>61,482,513</u>	<u>112,307,912</u>	<u>106,011,374</u>
Deferred outflows of resources	<u>3,133,211</u>	<u>760,207</u>	<u>437,094</u>	<u>390,069</u>	<u>3,570,305</u>	<u>1,150,276</u>
Liabilities						
Long-term debt	813,705	935,116	17,368,872	13,393,354	18,182,577	14,328,470
Current and other liabilities	14,030,699	9,636,683	7,902,208	8,858,788	21,932,907	18,495,471
	<u>14,844,404</u>	<u>10,571,799</u>	<u>25,271,080</u>	<u>22,112,059</u>	<u>40,115,484</u>	<u>32,823,941</u>
Deferred inflows of resources	<u>1,276,496</u>	<u>5,019,515</u>	<u>1,001,058</u>	<u>424,022</u>	<u>2,277,554</u>	<u>5,443,537</u>
Net position						
Net investment in capital assets	24,343,122	24,133,938	28,690,847	28,511,361	53,033,969	52,645,299
Restricted	7,623,176	7,750,725	377,291	455,743	8,000,467	8,206,468
Unrestricted (deficit)	<u>(2,209,586)</u>	<u>(2,626,992)</u>	<u>14,660,329</u>	<u>10,369,397</u>	<u>12,450,743</u>	<u>8,042,405</u>
Total net position	<u>\$ 29,756,712</u>	<u>\$ 29,557,671</u>	<u>\$ 43,728,467</u>	<u>\$ 39,336,501</u>	<u>\$ 73,485,179</u>	<u>\$ 68,894,172</u>

The largest portion of the City's net position (72 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 (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (17 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	
	2022	2021	2022	2021	2022	2021
Program revenues						
Charges for services	\$ 1,127,329	\$ 1,443,017	\$ 22,926,098	\$ 21,117,215	\$ 24,053,427	\$ 22,560,232
Operating grants and contributions	2,049,858	2,649,672	(677,806)	-	1,372,052	2,700,038
Capital grants and contributions	939,988	61,540	670,867	50,366	1,610,855	61,540
General revenues						
Property taxes	5,704,331	5,895,765	-	-	5,704,331	5,895,765
State shared revenue	1,703,115	1,588,283	-	-	1,703,115	1,588,283
Unrestricted grants and contributions	192,492	204,082	-	-	192,492	204,082
Unrestricted investment earnings (loss)	(438,997)	186,231	-	72,524	(438,997)	258,755
Gain on sale of capital assets	6,200	-	-	14,119	6,200	14,119
Total revenues	11,284,316	12,274,052	22,919,159	21,254,224	34,203,475	33,282,814
Expenses						
General government	850,643	1,157,051	-	-	850,643	1,157,051
Public safety	5,193,483	3,872,348	-	-	5,193,483	3,872,348
Highways, streets and public works	2,672,821	2,507,540	-	-	2,672,821	2,507,540
Sanitation	821,101	810,214	-	-	821,101	810,214
Community services	120,554	94,550	-	-	120,554	94,550
Recreation and culture	1,717,055	1,625,408	-	-	1,717,055	1,625,408
Community and economic development	456,699	540,345	-	-	456,699	540,345
Other functions	6,024	3,937	-	-	6,024	3,937
Interest on long-term debt	11,685	15,317	-	-	11,685	15,317
Electric utility	-	-	13,004,786	12,953,865	13,004,786	12,953,865
Waste water utility	-	-	1,961,099	1,886,091	1,961,099	1,886,091
Water utility	-	-	2,511,644	2,616,808	2,511,644	2,616,808
Marina	-	-	284,874	235,195	284,874	235,195
Total expenses	11,850,065	10,626,710	17,762,403	17,691,959	29,612,468	28,318,669

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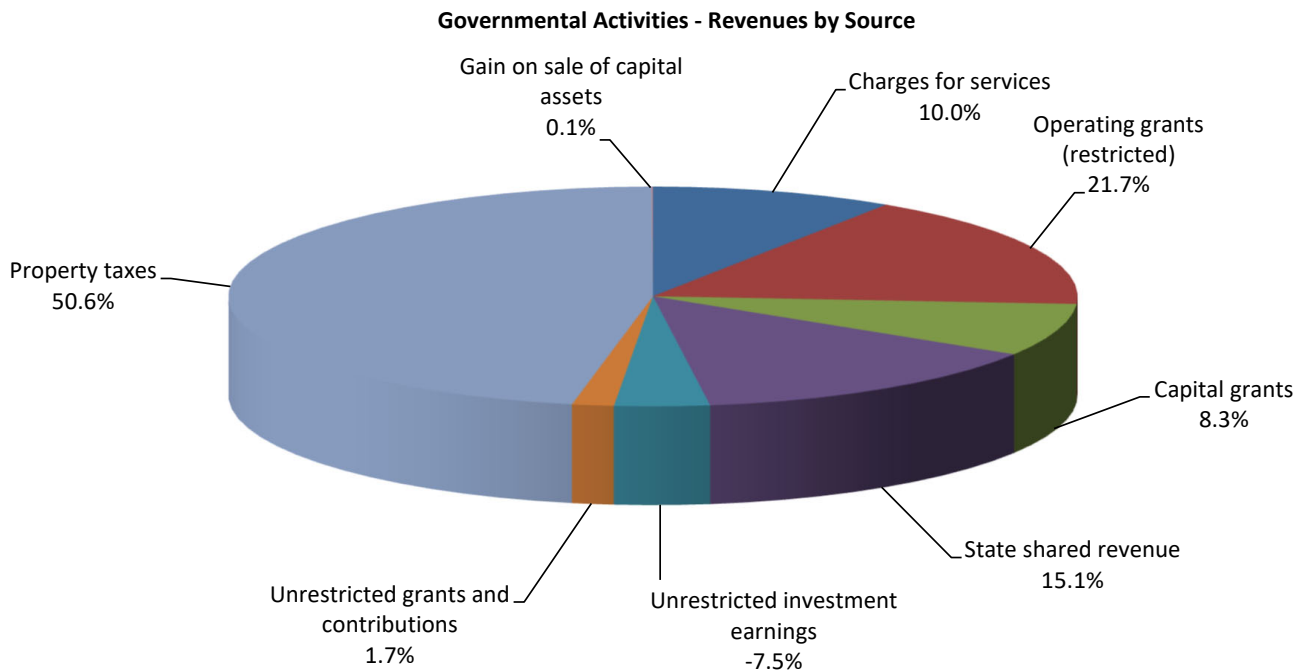
CITY OF ESCANABA, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position (Concluded)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Change in net position, before transfers	\$ (565,749)	\$ 1,401,880	\$ 5,156,756	\$ 3,562,265	\$ 4,591,007	\$ 4,964,145
Transfers	764,790	765,790	(764,790)	(765,790)	-	-
Change in net position	199,041	2,167,670	4,391,966	2,796,475	4,591,007	4,964,145
Net position:						
Beginning of year	29,557,671	27,390,001	39,336,501	36,540,026	68,894,172	63,930,027
End of year	\$ 29,756,712	\$ 29,557,671	\$ 43,728,467	\$ 39,336,501	\$ 73,485,179	\$ 68,894,172

concluded

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

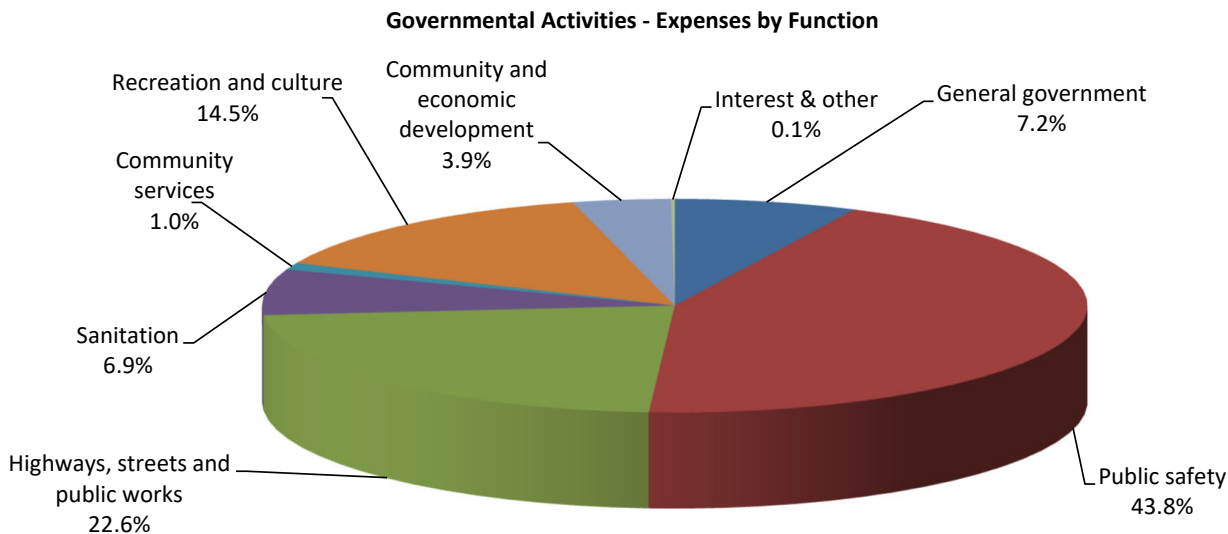


Total governmental activities revenue decreased by approximately \$990,000 or 8.1% compared to prior year. Unrestricted investment earnings decreased approximately \$625,000, primarily due to changes within the investment markets. Operating grants were also reduced in 2022 due to related investment losses within programs. These decreases were offset by an increase in State shared revenue of approximately \$115,000, as well as capital grants and contributions of approximately \$878,000, primarily related to the receipt of a transportation alternatives program grant.

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 \$1,223,000. The majority of this increase is due to changes in the net pension liability/asset and related deferred items for the public safety pension plan.

Business-type Activities. Net position of the business-type activities increased by approximately \$4,392,000 in fiscal 2022. Total revenues increased approximately \$1,665,000, primarily due to an increase in charges for services due to increased usage fees and capital grants related to the lead service line project and state drinking water program, offset by a reduction in operating grants due to investment losses. Total expenses increased approximately \$70,000.

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 2022 fiscal year, the governmental funds reported combined fund balance of \$15,510,855. Of this amount, \$5,436,857 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 \$5,917,620, a decrease of \$247,235 (4%) from fiscal year 2020/21. 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, 2022 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 \$13,000 final budget item was created.
- Based on final cost estimates and projects during the year, budgeted recreation administration expenditures were increased by \$106,000.

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 \$293,000. 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.
- Revenues from intergovernmental sources were \$2,077,198 rather than the \$1,536,300 budgeted amount, an increase of \$540,898, which was primarily attributable to increased grant awards that were not expected.

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 \$14,660,329 and the net investment in capital assets was \$28,690,847. In addition, enterprise funds reported restricted net position of \$377,291 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 increased the City's net position by approximately \$452,000. This was primarily due to a decrease in production costs as compared to the prior year.
- Waste water utility activities increased the City's net position by approximately \$1,379,000. This was due to an increase in customer sales.
- Water utility activities increased the City's net position by approximately \$2,571,000. This increase can be attributed to an increase in water sales and capital contributions received.
- Marina activities decreased the City's net position by approximately \$9,900. This decrease can be attributed to increased marina costs exceeding marina revenue.

CITY OF ESCANABA, MICHIGAN

Management's Discussion and Analysis

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, 2022 amounted to \$71,223,245 (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.

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

- Street construction
- Construction on the AMI meter project
- Construction on the SRF wastewater 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,332,769	\$ 1,332,769	\$ 56,953	\$ 56,953	\$ 1,389,722	\$ 1,389,722
Construction in progress	1,047,021	-	17,296,968	12,003,494	18,343,989	12,003,494
Land improvements	2,878,246	2,958,290	911,918	944,088	3,790,164	3,902,378
Infrastructure	12,354,779	12,716,906	-	-	12,354,779	12,716,906
Buildings and improvements	4,796,907	5,044,409	10,296,500	10,700,025	15,093,407	15,744,434
Electricity generating equipment	-	-	1,433,933	1,512,203	1,433,933	1,512,203
Water and waste water transmission and distribution system	-	-	15,148,312	15,411,099	15,148,312	15,411,099
Machinery, vehicles and equipment	1,809,193	1,944,789	1,597,914	997,740	3,407,107	2,942,529
Parking lot	124,207	136,775	-	-	124,207	136,775
Leased land	-	-	137,625	140,083	137,625	140,083
Total capital assets, net	\$ 24,343,122	\$ 24,133,938	\$ 46,880,123	\$ 41,765,685	\$ 71,223,245	\$ 65,899,623

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

CITY OF ESCANABA, MICHIGAN

Management's Discussion and Analysis

Long-term Debt. At the end of the current fiscal year, the City had bonds related to various construction projects with a balance of \$16,884,285. 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	
	2022	2021	2022	2021	2022	2021
Waste water / Water utility fund revenue bonds	\$ -	\$ -	\$ 15,324,285	\$ 11,237,999	\$ 15,324,285	\$ 11,237,999
Water utility fund refunding bonds	-	-	1,560,000	1,710,000	1,560,000	1,710,000
Unamortized bond premium	-	-	163,953	182,514	163,953	182,514
Compensated absences	813,705	935,116	320,634	262,841	1,134,339	1,197,957
Total	\$ 813,705	\$ 935,116	\$ 17,368,872	\$ 13,393,354	\$ 18,182,577	\$ 14,328,470

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the fiscal 2023:

- The economic vitality of the City.
- Departmental needs and priorities.
- Inflationary effect on expenses.
- Legislative outlook.
- The COVID-19 pandemic has resulted in many unknowns when considering the long-term future economic outlook for the City. However, over the past several years, the City has been awarded several grants for reimbursement of expenditures related to the pandemic. This funding will help offset the projected deficit within the approved budget for fiscal year 2023.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents and investments	\$ 16,013,461	\$ 16,194,603	\$ 32,208,064	\$ 1,271,665
Receivables, net	1,500,116	4,991,178	6,491,294	24,088
Internal balances	(173,504)	173,504	-	-
Inventory	137,264	1,323,206	1,460,470	-
Prepaid items	923,942	897	924,839	35,538
Capital assets not being depreciated	2,379,790	17,353,921	19,733,711	382,843
Capital assets being depreciated/amortized, net	21,963,332	29,526,202	51,489,534	900,014
Total assets	42,744,401	69,563,511	112,307,912	2,614,148
Deferred outflows of resources				
Deferred charge on refunding	-	14,617	14,617	-
Deferred pension amounts	3,133,211	422,477	3,555,688	-
Total deferred outflows of resources	3,133,211	437,094	3,570,305	-
Liabilities				
Accounts payable and accrued liabilities	1,020,690	2,567,686	3,588,376	303,224
Unearned revenue	252,704	639,719	892,423	17,104
Leases payable:				
Due within one year	-	745	745	-
Due in more than one year	-	135,636	135,636	-
Long-term debt:				
Compensated absences, due within one year	123,553	43,710	167,263	5,306
Compensated absences, due in more than one year	690,152	276,924	967,076	-
General obligation bonds, due within one year	-	1,078,561	1,078,561	-
General obligation bonds, due in more than one year	-	15,969,677	15,969,677	-
Net pension liability, due in more than one year	12,757,305	4,558,422	17,315,727	-
Total liabilities	14,844,404	25,271,080	40,115,484	325,634
Deferred inflows of resources				
Deferred lease amounts	-	201,951	201,951	-
Deferred pension amounts	1,276,496	799,107	2,075,603	-
Total deferred inflows of resources	1,276,496	1,001,058	2,277,554	-
Net position				
Net investment in capital assets	24,343,122	28,690,847	53,033,969	1,282,857
Restricted for:				
Public safety	38,829	-	38,829	-
Streets, highways and public works	3,242,627	-	3,242,627	-
Community development	3,126,015	-	3,126,015	-
Brownfield	33,828	-	33,828	-
Capital improvements	87,242	-	87,242	-
Energy optimization and renewable energy	-	377,291	377,291	-
Gas permanent fund (nonexpendable)	1,094,635	-	1,094,635	-
Unrestricted (deficit)	(2,209,586)	14,660,329	12,450,743	1,005,657
Total net position	\$ 29,756,712	\$ 43,728,467	\$ 73,485,179	\$ 2,288,514

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

CITY OF ESCANABA, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 850,643	\$ 190,799	\$ 443,735	\$ -	\$ (216,109)
Public safety	5,193,483	335,003	(2,022)	-	(4,860,502)
Highways, streets and public works	2,672,821	17,017	1,719,516	-	(936,288)
Sanitation	821,101	331,317	483	-	(489,301)
Community services	120,554	-	-	-	(120,554)
Recreation and culture	1,717,055	81,036	121,791	-	(1,514,228)
Community and economic development	456,699	172,157	(233,645)	939,988	421,801
Other functions	6,024	-	-	-	(6,024)
Interest on long-term debt	11,685	-	-	-	(11,685)
Total governmental activities	11,850,065	1,127,329	2,049,858	939,988	(7,732,890)
Business-type activities:					
Electric utility	13,004,786	14,698,683	(476,048)	-	1,217,849
Waste water utility	1,961,099	3,370,112	(29,925)	-	1,379,088
Water utility	2,511,644	4,575,279	(163,795)	670,867	2,570,707
Marina	284,874	282,024	(8,038)	-	(10,888)
Total business-type activities	17,762,403	22,926,098	(677,806)	670,867	5,156,756
Total primary government	\$ 29,612,468	\$ 24,053,427	\$ 1,372,052	\$ 1,610,855	\$ (2,576,134)
Component unit					
Escanaba Housing Commission	\$ 1,015,938	\$ 740,019	\$ 255,785	\$ 283,515	\$ 263,381

continued...

CITY OF ESCANABA, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenue (expense)	\$ (7,732,890)	\$ 5,156,756	\$ (2,576,134)	\$ 263,381
General revenues:				
Property taxes	5,704,331	-	5,704,331	-
State shared revenues	1,703,115	-	1,703,115	-
Unrestricted grants and contributions	192,492	-	192,492	-
Unrestricted investment earnings (loss)	(438,997)	-	(438,997)	7,575
Gain on sale of capital assets	6,200	-	6,200	-
Transfers - internal activities	764,790	(764,790)	-	-
Total general revenues and transfers	7,931,931	(764,790)	7,167,141	7,575
Change in net position	199,041	4,391,966	4,591,007	270,956
Net position, beginning of year	29,557,671	39,336,501	68,894,172	2,017,558
Net position, end of year	<u>\$ 29,756,712</u>	<u>\$ 43,728,467</u>	<u>\$ 73,485,179</u>	<u>\$ 2,288,514</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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents and investments	\$ 5,791,361	\$ 9,215,355	\$ 15,006,716
Accounts receivable	163,822	55,000	218,822
Loans receivable	-	55,012	55,012
Accrued interest receivable	6,210	15,127	21,337
Other receivables	28,482	8,460	36,942
Due from other governments	327,333	785,420	1,112,753
Prepaid items	249,127	231	249,358
Inventory	137,264	-	137,264
Advances to other funds	94,372	390,651	485,023
Total assets	\$ 6,797,971	\$ 10,525,256	\$ 17,323,227
Liabilities			
Negative equity in pooled cash and investments	\$ -	\$ 397,885	\$ 397,885
Accounts payable	398,308	251,475	649,783
Accrued liabilities	125,914	-	125,914
Due to other governments	73,881	-	73,881
Unearned revenue	188,963	61,791	250,754
Advances from other funds	93,285	220,870	314,155
Total liabilities	880,351	932,021	1,812,372
Fund balances			
Nonspendable	480,763	1,094,866	1,575,629
Restricted	-	6,528,541	6,528,541
Committed	-	1,969,828	1,969,828
Unassigned	5,436,857	-	5,436,857
Total fund balances	5,917,620	9,593,235	15,510,855
Total liabilities and fund balances	\$ 6,797,971	\$ 10,525,256	\$ 17,323,227

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, 2022

Fund balances - total governmental funds	\$ 15,510,855
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.</p>	
Capital assets not being depreciated	2,379,790
Capital assets being depreciated, net	21,963,332
Capital assets accounted for in internal service funds, net	(4,585,881)
<p>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.</p>	
	6,161,451
<p>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.</p>	
Net pension liability	(12,757,305)
Deferred outflows related to the net pension liability	3,133,211
Deferred inflows related to the net pension liability	(1,276,496)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
Compensated absences	(813,705)
Compensated absences accounted for in internal service funds	41,460
	<hr/>
Net position of governmental activities	<u><u>\$ 29,756,712</u></u>

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, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,354,379	\$ 349,952	\$ 5,704,331
Intergovernmental	2,077,198	2,936,044	5,013,242
Charges for services	177,099	683,337	860,436
Fines and fees	182,655	81,124	263,779
Investment loss	(302,022)	(464,480)	(766,502)
Other revenues	79,526	198,887	278,413
Total revenues	<u>7,568,835</u>	<u>3,784,864</u>	<u>11,353,699</u>
Expenditures			
General government	1,010,025	-	1,010,025
Public safety	4,607,088	335,906	4,942,994
Highway, streets & public works	706,807	1,735,724	2,442,531
Sanitation	820,928	173	821,101
Community services	54,651	-	54,651
Recreation and culture	1,038,150	661,656	1,699,806
Community and economic development	124,628	1,372,037	1,496,665
Other functions	6,024	-	6,024
Total expenditures	<u>8,368,301</u>	<u>4,105,496</u>	<u>12,473,797</u>
Revenues under expenditures	<u>(799,466)</u>	<u>(320,632)</u>	<u>(1,120,098)</u>
Other financing sources (uses)			
Transfers in	1,196,803	506,226	1,703,029
Transfers out	<u>(644,572)</u>	<u>(403,467)</u>	<u>(1,048,039)</u>
Total other financing sources (uses)	<u>552,231</u>	<u>102,759</u>	<u>654,990</u>
Net change in fund balances	(247,235)	(217,873)	(465,108)
Fund balances, beginning of year	<u>6,164,855</u>	<u>9,811,108</u>	<u>15,975,963</u>
Fund balances, end of year	<u>\$ 5,917,620</u>	<u>\$ 9,593,235</u>	<u>\$ 15,510,855</u>

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, 2022

Net change in fund balances - total governmental funds \$ (465,108)

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	1,839,427
Less: purchase/construction of capital assets being accounted for in internal service funds	(118,641)
Depreciation expense	(1,623,899)
Less: depreciation expense being accounted for in internal service funds	419,978

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

Operating loss from governmental internal service funds	(202,761)
Net nonoperating revenues (expenses) from governmental internal service funds	(81,068)
Net transfers in from governmental internal service funds	109,800

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 asset/liability and related deferred amounts	200,680
Change in accrual of compensated absences	121,411
Change in accrual of compensated absences accounted for in internal service funds	(778)

Change in net position of governmental activities \$ 199,041

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,473,925	\$ 5,473,925	\$ 5,354,379	\$ (119,546)
Intergovernmental	1,536,300	1,536,300	2,077,198	540,898
Charges for services	148,250	148,250	177,099	28,849
Fines and fees	170,000	170,000	182,655	12,655
Investment earnings (loss)	60,000	60,000	(302,022)	(362,022)
Other revenues	28,600	28,600	79,526	50,926
Total revenues	7,417,075	7,417,075	7,568,835	151,760
Expenditures				
General government:				
City Council	29,432	29,432	28,644	(788)
City Manager	305,390	308,390	295,568	(12,822)
Elections	24,780	24,780	18,589	(6,191)
City Controller	385,834	387,834	387,672	(162)
Auditors	20,990	20,990	18,110	(2,880)
Assessors	254,186	284,186	238,035	(46,151)
Attorneys	80,200	95,200	100,998	5,798
City Clerk	224,470	224,470	228,593	4,123
Human Resources	93,890	97,390	97,736	346
Board of Review	1,800	1,800	1,366	(434)
City Treasurer	266,500	271,500	293,381	21,881
Information technology	41,895	41,895	38,458	(3,437)
Billing	366,850	366,850	351,209	(15,641)
City Hall and Grounds	81,252	81,252	81,252	-
Bad Debt	-	13,000	1,067	(11,933)
Less: overhead to utilities	(1,152,120)	(1,176,472)	(1,170,653)	5,819
Total general government	1,025,349	1,072,497	1,010,025	(62,472)
Public safety:				
Public Safety	4,486,885	4,486,885	4,430,285	(56,600)
Community Preservation	100,932	130,932	125,854	(5,078)
Crossing Guards	44,650	46,650	50,949	4,299
Total public safety	4,632,467	4,664,467	4,607,088	(57,379)
Highway, streets & public works:				
Care of trees & shrubs	163,400	163,400	161,125	(2,275)
Sidewalks	12,325	12,325	7,330	(4,995)
Engineer	373,590	373,590	373,755	165
Street lighting	170,000	170,000	160,625	(9,375)
Cross walks	5,000	5,000	-	(5,000)
Alley maintenance	5,975	5,975	3,972	(2,003)
Total highway, streets & public works	730,290	730,290	706,807	(23,483)

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CITY OF ESCANABA, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Sanitation:				
Solid waste collection	\$ 469,895	\$ 474,895	\$ 480,118	\$ 5,223
Composting	78,220	78,220	85,275	7,055
Snowplowing for garbage collection	19,855	19,855	12,239	(7,616)
Sanitary landfill	240,000	270,000	243,296	(26,704)
Total sanitation	807,970	842,970	820,928	(22,042)
Community services:				
Community promotional	10,550	25,550	28,503	2,953
Community services	21,148	26,148	26,148	-
Total community services	31,698	51,698	54,651	2,953
Recreation and culture:				
Civic center	105,045	105,045	75,614	(29,431)
Celebration flags	7,090	9,590	7,915	(1,675)
Fourth of July	33,270	33,270	21,340	(11,930)
Recreation administration	494,720	600,720	583,869	(16,851)
Parks	288,070	288,070	262,467	(25,603)
Band	43,310	43,310	36,366	(6,944)
Tourism promotion	32,075	37,575	37,573	(2)
Boat launches	13,220	13,220	13,006	(214)
Total recreation and culture	1,016,800	1,130,800	1,038,150	(92,650)
Community and economic development:				
Planning Commission	33,800	33,800	1,696	(32,104)
Zoning	128,832	128,832	122,932	(5,900)
Total community and economic development	162,632	162,632	124,628	(38,004)
Other functions:				
Insurance & bonds	5,000	6,025	6,024	(1)
Total expenditures	8,412,206	8,661,379	8,368,301	(293,078)
Revenues over (under) expenditures	(995,131)	(1,244,304)	(799,466)	444,838

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 1,112,490	\$ 1,137,490	\$ 1,196,803	\$ 59,313
Transfers out	(668,000)	(668,000)	(644,572)	(23,428)
Total other financing sources (uses)	<u>444,490</u>	<u>469,490</u>	<u>552,231</u>	<u>82,741</u>
Net change in fund balance	(550,641)	(774,814)	(247,235)	527,579
Fund balance, beginning of year	<u>4,477,487</u>	<u>6,164,855</u>	<u>6,164,855</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3,926,846</u></u>	<u><u>\$ 5,390,041</u></u>	<u><u>\$ 5,917,620</u></u>	<u><u>\$ 527,579</u></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, 2022

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Assets			
Current assets:			
Cash and cash equivalents and investments	\$ 8,402,853	\$ 2,628,013	\$ 5,000,524
Accrued interest receivable	20,746	6,576	562
Accounts receivable, net	2,068,391	554,120	734,288
Current portion of leases receivable	-	-	15,193
Due from other governments	21,103	718,019	646,480
Inventory	520,279	18,297	758,863
Prepaid items	-	1	888
Total current assets	<u>11,033,372</u>	<u>3,925,026</u>	<u>7,156,798</u>
Noncurrent assets:			
Leases receivable, net of current portion	-	-	191,070
Advances to other funds	1,343,285	-	-
Capital assets not being depreciated	394,409	16,138,493	821,019
Capital assets being depreciated/amortized, net	9,921,793	6,193,523	11,953,439
Total noncurrent assets	<u>11,659,487</u>	<u>22,332,016</u>	<u>12,965,528</u>
Total assets	<u>22,692,859</u>	<u>26,257,042</u>	<u>20,122,326</u>
Deferred outflows of resources			
Deferred charge on refunding	-	-	14,617
Deferred pension amounts	184,134	118,513	118,513
Total deferred outflows of resources	<u>184,134</u>	<u>118,513</u>	<u>133,130</u>
Liabilities			
Current liabilities:			
Negative equity in pooled cash and investments	-	-	-
Accounts payable and accrued liabilities	1,271,747	848,771	343,176
Accrued interest	-	70,000	17,296
Unearned revenue	-	-	636,209
Current portion of leases payable	745	-	-
Current portion of compensated absences	17,987	13,450	12,273
Current portion of bonds payable	-	575,000	503,561
Total current liabilities	<u>1,290,479</u>	<u>1,507,221</u>	<u>1,512,515</u>
Noncurrent liabilities:			
Advances from other funds	-	1,000,000	-
Leases payable, net of current portion	135,636	-	-
Compensated absences, net of current portion	144,997	62,381	69,546
Bonds payable, net of current portion	-	13,055,597	2,914,080
Net pension liability	1,986,762	1,278,726	1,278,726
Total noncurrent liabilities	<u>2,267,395</u>	<u>15,396,704</u>	<u>4,262,352</u>
Total liabilities	<u>3,557,874</u>	<u>16,903,925</u>	<u>5,774,867</u>
Deferred inflows of resources			
Deferred lease amounts	-	-	201,951
Deferred pension amounts	348,286	224,165	224,165
Total deferred inflows of resources	<u>348,286</u>	<u>224,165</u>	<u>426,116</u>
Net position			
Net investment in capital assets	10,179,821	7,887,717	9,165,862
Restricted for electric utility energy efficiency	377,291	-	-
Unrestricted (deficit)	8,413,721	1,359,748	4,888,611
Total net position	<u>\$ 18,970,833</u>	<u>\$ 9,247,465</u>	<u>\$ 14,054,473</u>

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
\$ 163,213	\$ 16,194,603	\$ 1,475,592
338	28,222	2,770
14,292	3,371,091	51,560
-	15,193	-
-	1,385,602	920
25,767	1,323,206	-
8	897	674,584
<u>203,618</u>	<u>22,318,814</u>	<u>2,205,426</u>
-	191,070	-
-	1,343,285	-
-	17,353,921	625,731
<u>1,457,447</u>	<u>29,526,202</u>	<u>3,960,150</u>
<u>1,457,447</u>	<u>48,414,478</u>	<u>4,585,881</u>
<u>1,661,065</u>	<u>70,733,292</u>	<u>6,791,307</u>
-	14,617	-
<u>1,317</u>	<u>422,477</u>	<u>-</u>
<u>1,317</u>	<u>437,094</u>	<u>-</u>
-	-	70,962
16,696	2,480,390	171,112
-	87,296	-
3,510	639,719	1,950
-	745	-
-	43,710	11,082
-	1,078,561	-
<u>20,206</u>	<u>4,330,421</u>	<u>255,106</u>
169,781	1,169,781	344,372
-	135,636	-
-	276,924	30,378
-	15,969,677	-
<u>14,208</u>	<u>4,558,422</u>	<u>-</u>
<u>183,989</u>	<u>22,110,440</u>	<u>374,750</u>
<u>204,195</u>	<u>26,440,861</u>	<u>629,856</u>
-	201,951	-
<u>2,491</u>	<u>799,107</u>	<u>-</u>
<u>2,491</u>	<u>1,001,058</u>	<u>-</u>
1,457,447	28,690,847	4,585,881
-	377,291	-
<u>(1,751)</u>	<u>14,660,329</u>	<u>1,575,570</u>
<u>\$ 1,455,696</u>	<u>\$ 43,728,467</u>	<u>\$ 6,161,451</u>

CITY OF ESCANABA, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Operating revenues			
Charges for services	\$ 14,600,423	\$ 3,351,190	\$ 4,554,870
Provisions for self-insurance	-	-	-
Other revenue	98,260	18,922	20,409
Total operating revenues	14,698,683	3,370,112	4,575,279
Operating expenses			
Production	9,462,706	-	-
Personnel services	877,666	804,285	732,339
Overhead	1,028,664	230,156	240,911
Fuel	-	1,084	1,849
Contracted services	118,411	135,942	270,532
Insurance	264,470	86,825	42,658
Dues and training	120,948	3,575	9,635
Sales and promotion	223,856	785	6,270
Repairs and maintenance	59,187	76,056	385,546
Claims	-	-	-
Equipment rental	7,402	33,117	32,540
Depreciation/amortization	758,783	298,837	527,961
Supplies	18,156	100,460	184,776
Bad debt	3,177	724	992
Other	61,347	5,013	14,018
Total operating expenses	13,004,773	1,776,859	2,450,027
Operating income (loss)	1,693,910	1,593,253	2,125,252
Nonoperating revenues (expenses)			
Gain (loss) on sale of capital assets	(13)	-	-
Investment loss	(476,048)	(29,925)	(163,795)
Interest expense	-	(184,240)	(61,617)
Total nonoperating revenues (expenses)	(476,061)	(214,165)	(225,412)
Income (loss) before capital contributions & transfers	1,217,849	1,379,088	1,899,840
Capital contributions	-	-	670,867
Income (loss) before transfers	1,217,849	1,379,088	2,570,707
Transfers in	-	-	-
Transfers out	(765,790)	-	-
Change in net position	452,059	1,379,088	2,570,707
Net position, beginning of year	18,518,774	7,868,377	11,483,766
Net position, end of year	\$ 18,970,833	\$ 9,247,465	\$ 14,054,473

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
\$ 278,996	\$ 22,785,479	\$ 1,312,062
-	-	356,649
3,028	140,619	206,000
<u>282,024</u>	<u>22,926,098</u>	<u>1,874,711</u>
-	9,462,706	-
61,841	2,476,131	414,640
-	1,499,731	60,528
100,114	103,047	182,278
26,990	551,875	145,037
2,373	396,326	354,634
-	134,158	1,261
-	230,911	825
2,298	523,087	300,315
-	-	91,443
5,067	78,126	4,080
74,957	1,660,538	419,978
2,002	305,394	87,028
-	4,893	-
3,652	84,030	15,425
<u>279,294</u>	<u>17,510,953</u>	<u>2,077,472</u>
<u>2,730</u>	<u>5,415,145</u>	<u>(202,761)</u>
-	(13)	6,200
(8,038)	(677,806)	(75,583)
(5,580)	(251,437)	(11,685)
<u>(13,618)</u>	<u>(929,256)</u>	<u>(81,068)</u>
(10,888)	4,485,889	(283,829)
-	670,867	-
(10,888)	5,156,756	(283,829)
1,000	1,000	149,000
-	(765,790)	(39,200)
(9,888)	4,391,966	(174,029)
<u>1,465,584</u>	<u>39,336,501</u>	<u>6,335,480</u>
<u>\$ 1,455,696</u>	<u>\$ 43,728,467</u>	<u>\$ 6,161,451</u>

CITY OF ESCANABA, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Cash flows from operating activities			
Cash received from customers	\$ 14,319,830	\$ 2,515,028	\$ 4,920,895
Cash received from interfund services	-	-	-
Cash payments to employees	(637,885)	(967,357)	(672,091)
Cash payments to suppliers	(11,748,896)	(633,334)	(1,930,941)
Net cash provided by operating activities	<u>1,933,049</u>	<u>914,337</u>	<u>2,317,863</u>
Cash flows from noncapital financing activities			
Repayment on advances from other funds	(1,000,000)	-	-
Receipt on advances to other funds	132,813	1,000,000	-
Transfers in	-	-	-
Transfers out	(765,790)	-	-
Net cash provided by (used in) noncapital financing activities	<u>(1,632,977)</u>	<u>1,000,000</u>	<u>-</u>
Cash flows from capital and related financing activities			
Capital contributions	-	-	670,867
Proceeds from sale of capital assets	11,089	104,152	-
Purchase of capital assets	(1,248,666)	(5,555,285)	(1,121,892)
Proceeds from issuance of long-term debt	-	6,349,049	-
Principal payments on bonds payable	-	-	(475,000)
Principal payments on leases payable	(3,702)	-	-
Interest payments	-	(184,240)	(77,347)
Net cash provided by (used in) capital and related financing activities	<u>(1,241,279)</u>	<u>713,676</u>	<u>(1,003,372)</u>
Cash flows from investing activities			
Interest loss on investments	(478,978)	-	(164,357)
Net change in cash and cash equivalents and investments	<u>(1,420,185)</u>	<u>2,628,013</u>	<u>1,150,134</u>
Cash and cash equivalents and investments, beginning of year	<u>9,823,038</u>	<u>-</u>	<u>3,850,390</u>
Cash and cash equivalents and investments, end of year	<u>\$ 8,402,853</u>	<u>\$ 2,628,013</u>	<u>\$ 5,000,524</u>

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 270,556	\$ 22,026,309	\$ -
-	-	1,887,489
-	(2,277,333)	(415,418)
<u>(215,859)</u>	<u>(14,529,030)</u>	<u>(1,253,289)</u>
54,697	5,219,946	218,782
(16,225)	(1,016,225)	(142,348)
-	1,132,813	-
1,000	1,000	149,000
<u>-</u>	<u>(765,790)</u>	<u>(39,200)</u>
<u>(15,225)</u>	<u>(648,202)</u>	<u>(32,548)</u>
-	670,867	-
-	115,241	12,544
(33,790)	(7,959,633)	(118,641)
-	6,349,049	-
-	(475,000)	-
-	(3,702)	-
<u>(5,580)</u>	<u>(267,167)</u>	<u>(11,685)</u>
<u>(39,370)</u>	<u>(1,570,345)</u>	<u>(117,782)</u>
<u>(8,095)</u>	<u>(651,430)</u>	<u>(76,076)</u>
(7,993)	2,349,969	(7,624)
<u>171,206</u>	<u>13,844,634</u>	<u>1,483,216</u>
<u>\$ 163,213</u>	<u>\$ 16,194,603</u>	<u>\$ 1,475,592</u>

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CITY OF ESCANABA, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,693,910	\$ 1,593,253	\$ 2,125,252
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation/amortization expense	758,783	298,837	527,961
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable, net	(359,997)	(164,466)	(41,049)
Due from other governments	(18,856)	-	(262,426)
Lease receivable	-	-	14,474
Prepaid items	1	-	(22)
Inventory	(182,452)	(3,050)	(611,984)
Negative equity in pooled cash and investments	-	(690,618)	-
Accounts payable and accrued liabilities	174,579	(63,733)	17,942
Compensated absences	53,431	8,296	(3,934)
Unearned revenue	-	-	634,617
Net pension liability	(328,145)	(155,978)	(155,978)
Deferred outflows of resources related to the net pension liability	(17,744)	(15,390)	(15,390)
Deferred inflows of resources related to the net pension liability	159,539	107,186	107,186
Deferred lease amounts	-	-	(18,786)
Net cash provided by (used in) operating activities	<u>\$ 1,933,049</u>	<u>\$ 914,337</u>	<u>\$ 2,317,863</u>
Noncash capital and related financing activities			
Change in due from other governments related to change in long-term debt	\$ -	\$ (2,271,451)	\$ 333,688
Change in accounts payable related to capital asset additions	-	1,274,975	(205,572)
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ (996,476)</u>	<u>\$ 128,116</u>

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
\$ 2,730	\$ 5,415,145	\$ (202,761)
74,957	1,660,538	419,978
(9,126)	(574,638)	(3,810)
-	(281,282)	(920)
-	14,474	-
(8)	(29)	(32,682)
(6,919)	(804,405)	-
-	(690,618)	16,588
(3,670)	125,118	23,167
-	57,793	(778)
(2,342)	632,275	-
(1,943)	(642,044)	-
(156)	(48,680)	-
1,174	375,085	-
-	(18,786)	-
<u>\$ 54,697</u>	<u>\$ 5,219,946</u>	<u>\$ 218,782</u>
\$ -	\$ (1,937,763)	\$ -
-	1,069,403	-
<u>\$ -</u>	<u>\$ (868,360)</u>	<u>\$ -</u>

concluded

CITY OF ESCANABA, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Pension Trust Fund	Tax Collection Custodial Fund
Assets		
Cash and cash equivalents	\$ 59,663	\$ 14,559
Investments:		
Money market funds	59,365	-
Mutual funds:		
Bond	6,981,532	-
Fixed income	5,882,778	-
Large cap equity	4,299,204	-
Mid cap equity	5,168,296	-
Small cap equity	3,547,180	-
International equity	3,517,018	-
Emerging markets	714,003	-
Real estate	2,062,735	-
	<u>32,232,111</u>	<u>-</u>
Total assets	32,291,774	14,559
Liabilities		
Undistributed receipts	-	14,559
	<u>-</u>	<u>14,559</u>
Net position		
Restricted for retiree pension benefits	<u>\$ 32,291,774</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, 2022

	Pension Trust Fund	Tax Collection Custodial Fund
Additions		
Investment earnings (loss):		
Net depreciation in fair value of investments	\$ (6,103,454)	\$ -
Dividends	1,723,752	-
Interest	594	-
Total investment earnings (loss)	<u>(4,379,108)</u>	<u>-</u>
Contributions:		
Employer	626,901	-
Plan members	72,229	-
Total contributions	<u>699,130</u>	<u>-</u>
Property tax collections for other governments	<u>-</u>	<u>10,033,501</u>
Total additions (net of investment loss)	<u>(3,679,978)</u>	<u>10,033,501</u>
Deductions		
Benefit payments	2,297,553	-
General and administrative expense	15,534	-
Property tax distributions to other governments	<u>-</u>	<u>10,033,501</u>
Total deductions	<u>2,313,087</u>	<u>10,033,501</u>
Change in net position	(5,993,065)	-
Net position, beginning of year	<u>38,284,839</u>	<u>-</u>
Net position, end of year	<u><u>\$ 32,291,774</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, 2021 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 income taxes that use a 45-day collection period, 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 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, 2022, the electric utility fund is shown net of an estimated allowance for uncollectible accounts of \$52,111. 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 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 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 debt 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, 2022, 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
General fund			
General government:			
Attorneys	\$ 95,200	\$ 100,998	\$ 5,798
City Clerk	224,470	228,593	4,123
Human Resources	97,390	97,736	346
City Treasurer	271,500	293,381	21,881
Public safety:			
Crossing Guards	46,650	50,949	4,299
Highway, streets & public works:			
Engineer	373,590	373,755	165
Sanitation:			
Solid Waste Collection	474,895	480,118	5,223
Composting	78,220	85,275	7,055
Community services:			
Community promotional	25,550	28,503	2,953

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 \$29,756,712 and deficit in unrestricted net position of \$2,209,586 at June 30, 2022. The nonmajor Marina enterprise fund reported total net position of \$1,455,696, and a deficit unrestricted fund net position of \$1,751. The Escanaba Building Authority internal service fund reported a total net position of \$3,155,632 and a deficit unrestricted net position of \$123,502.

5. CASH AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

	Primary Government	Component Unit	Total
Statement of Net Position			
Cash and cash equivalents and investments	\$ 32,208,064	\$ 1,271,665	\$ 33,479,729
Statement of Fiduciary Net Position			
Cash and cash equivalents	74,222	-	74,222
Investments	32,232,111	-	32,232,111
Total	<u>\$ 64,514,397</u>	<u>\$ 1,271,665</u>	<u>\$ 65,786,062</u>
Deposits and Investments			
Bank deposits:			
Checking / savings accounts			\$ 2,640,580
Certificates of deposit:			
Due within one year			4,833,561
Due in one to five years			2,040,072
Investments:			
Pooled investments			24,035,503
Money market funds			59,365
Mutual funds:			
Bond			6,981,532
Fixed income			5,882,778
Large cap equity			4,299,204
Mid cap equity			5,168,296
Small cap equity			3,547,180
International equity			3,517,018
Emerging markets			714,003
Real estate			2,062,735
Cash on hand			<u>4,235</u>
Total			<u>\$ 65,786,062</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, \$7,478,448 of the City’s bank balance of \$8,481,058, 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, 2022, the City's investments consisted entirely of United States Government backed securities, money market funds and equity/mutual funds totaling \$24,035,503, \$59,365 and \$32,172,746, 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	\$ 42,890,825
S&P AA+	214,424
S&P AA	1,115,246
Moody A1	32,479
Moody Aa1	468,912
Moody Aa2	555,078
Moody Aa3	10,206
Moody Aaa	<u>10,980,444</u>
Total	<u><u>\$ 56,267,614</u></u>

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:

	Amount
No maturity	\$ 32,405,816
Due within 1 year	3,701,044
Due within 1-5 years	11,567,506
Due within 6-10 years	6,907,948
Due within 10+ years	<u>1,685,300</u>
Total	<u><u>\$ 56,267,614</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, 2022:

	Governmental Activities	Business-type Activities	Component Unit
Accounts receivable	\$ 270,382	\$ 3,423,202	\$ 24,088
Leases receivable	-	206,263	-
Loans receivable	55,012	-	-
Accrued interest receivable	24,107	28,222	-
Other receivables	36,942	-	-
Due from other governmental units	1,113,673	1,385,602	-
Allowance for uncollectable	-	<u>(52,111)</u>	-
	<u>\$ 1,500,116</u>	<u>\$ 4,991,178</u>	<u>\$ 24,088</u>

Of the business-type activities amounts reported for receivables above, leases receivable in the amount of \$191,070 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, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 1,332,769	\$ -	\$ -	\$ -	\$ 1,332,769
Construction in progress	-	1,047,021	-	-	1,047,021
	<u>1,332,769</u>	<u>1,047,021</u>	<u>-</u>	<u>-</u>	<u>2,379,790</u>
Capital assets being depreciated:					
Land improvements	6,312,227	113,538	(42,357)	-	6,383,408
Infrastructure	25,168,116	453,386	-	-	25,621,502
Buildings and improvements	11,288,015	11,595	(2,802)	-	11,296,808
Vehicles and equipment	9,401,003	213,887	(234,095)	-	9,380,795
Parking lots	439,709	-	-	-	439,709
	<u>52,609,070</u>	<u>792,406</u>	<u>(279,254)</u>	<u>-</u>	<u>53,122,222</u>
Less accumulated depreciation for:					
Land improvements	(3,353,937)	(193,582)	42,357	-	(3,505,162)
Infrastructure	(12,451,210)	(815,513)	-	-	(13,266,723)
Buildings and improvements	(6,243,606)	(259,097)	2,802	-	(6,499,901)
Vehicles and equipment	(7,456,214)	(343,139)	227,751	-	(7,571,602)
Parking lots	(302,934)	(12,568)	-	-	(315,502)
	<u>(29,807,901)</u>	<u>(1,623,899)</u>	<u>272,910</u>	<u>-</u>	<u>(31,158,890)</u>
Total capital assets being depreciated, net	<u>22,801,169</u>	<u>(831,493)</u>	<u>(6,344)</u>	<u>-</u>	<u>21,963,332</u>
Governmental activities capital assets, net	<u>\$ 24,133,938</u>	<u>\$ 215,528</u>	<u>\$ (6,344)</u>	<u>\$ -</u>	<u>\$ 24,343,122</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 56,953	\$ -	\$ -	\$ -	\$ 56,953
Construction in progress	12,003,494	5,296,169	-	(2,695)	17,296,968
	<u>12,060,447</u>	<u>5,296,169</u>	<u>-</u>	<u>(2,695)</u>	<u>17,353,921</u>
Capital assets being depreciated/amortized:					
Land improvements	2,196,146	17,401	-	-	2,213,547
Buildings and improvements	23,456,088	230,993	(104,152)	-	23,582,929
Electricity generating equipment	1,692,353	-	(11,102)	-	1,681,251
Transmission and distribution systems	32,417,702	586,453	(67,624)	2,695	32,939,226
Other machinery and equipment	2,570,804	759,214	(241,073)	-	3,088,945
Leased land	140,083	-	-	-	140,083
	<u>62,473,176</u>	<u>1,594,061</u>	<u>(423,951)</u>	<u>2,695</u>	<u>63,645,981</u>
Less accumulated depreciation/amortization for:					
Land improvements	(1,252,058)	(49,571)	-	-	(1,301,629)
Buildings and improvements	(12,756,063)	(530,366)	-	-	(13,286,429)
Electric Generating equipment	(180,150)	(67,168)	-	-	(247,318)
Transmission and distribution systems	(17,006,603)	(851,935)	67,624	-	(17,790,914)
Other machinery and equipment	(1,573,064)	(159,040)	241,073	-	(1,491,031)
Leased land	-	(2,458)	-	-	(2,458)
	<u>(32,767,938)</u>	<u>(1,660,538)</u>	<u>308,697</u>	<u>-</u>	<u>(34,119,779)</u>
Total capital assets being depreciated/amortized, net	<u>29,705,238</u>	<u>(66,477)</u>	<u>(115,254)</u>	<u>2,695</u>	<u>29,526,202</u>
Business-type activities capital assets, net	<u>\$ 41,765,685</u>	<u>\$ 5,229,692</u>	<u>\$ (115,254)</u>	<u>\$ -</u>	<u>\$ 46,880,123</u>

* The City implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leased assets have been added to the beginning balances shown above and a corresponding lease payable has been recorded for the same amount.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Depreciation expense for the year ended June 30, 2022 was charged to functions/programs of the primary government as follows:

	Amount
Depreciation of governmental activities by function	
General government	\$ 530
Public safety	81,167
Highway, streets & public works	837,467
Recreation and culture	218,854
Community and economic development	65,903
Capital assets held by the governmental activity internal service funds are charged to the various functions based on their usage of the assets	<u>419,978</u>
	<u>\$ 1,623,899</u>
	Amount
Depreciation/amortization of business-type activities by function	
Electric utility	\$ 758,783
Waste water utility	298,837
Water utility	527,961
Marina	<u>74,957</u>
	<u>\$ 1,660,538</u>

At June 30, 2022, the City has approximately \$13,627,000 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, 2021, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 380,172	\$ -	\$ -	\$ -	\$ 380,172
Construction in progress	1,633	286,186	-	(285,148)	2,671
	<u>381,805</u>	<u>286,186</u>	<u>-</u>	<u>(285,148)</u>	<u>382,843</u>
Capital assets being depreciated:					
Buildings and improvements	8,289,266	54,416	-	285,148	8,628,830
Machinery and equipment	322,109	8,540	(436)	-	330,213
	<u>8,611,375</u>	<u>62,956</u>	<u>(436)</u>	<u>285,148</u>	<u>8,959,043</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,575,563)	(176,208)	-	-	(7,751,771)
Machinery and equipment	(300,458)	(7,236)	436	-	(307,258)
	<u>(7,876,021)</u>	<u>(183,444)</u>	<u>436</u>	<u>-</u>	<u>(8,059,029)</u>
Total capital assets being depreciated, net	<u>735,354</u>	<u>(120,488)</u>	<u>-</u>	<u>285,148</u>	<u>900,014</u>
Component unit capital assets, net	<u>\$ 1,117,159</u>	<u>\$ 165,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282,857</u>

Depreciation expense for the component unit, included in the statement of activities, was \$183,444 for the year ended September 30, 2021.

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, 2022:

	Governmental Activities	Business-type Activities	Component Unit
Accounts payable and accrued liabilities	\$ 946,809	\$ 2,480,390	\$ 303,224
Due to other governmental units	73,881	-	-
Accrued interest	-	87,296	-
	<u>\$ 1,020,690</u>	<u>\$ 2,567,686</u>	<u>\$ 303,224</u>

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Advances to and from other funds

	Advances to Other Funds	Advances From Other Funds
General fund	\$ 94,372	\$ 93,285
Nonmajor governmental funds	390,651	220,870
Electric utility fund	1,343,285	-
Waste water utility fund	-	1,000,000
Nonmajor enterprise fund	-	169,781
Internal service funds	-	344,372
	<u>\$ 1,828,308</u>	<u>\$ 1,828,308</u>

For the year ended June 30, 2022, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,196,803	\$ 644,572
Nonmajor governmental funds	506,226	403,467
Electric utility fund	-	765,790
Nonmajor enterprise fund	1,000	-
Internal service funds	149,000	39,200
	<u>\$ 1,853,029</u>	<u>\$ 1,853,029</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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.

Asset Type	Remaining Term of Agreements
Airport solar garden land	56 years

The assets acquired through the lease are summarized as follows:

Land	\$ 140,083
Less accumulated amortization	<u>(2,458)</u>
Net book value	<u><u>\$ 137,625</u></u>

The net present value of future minimum payments as of June 30, 2022, were as follows:

Year Ended	Principal	Interest
2023	\$ 745	\$ 3,069
2024	762	3,052
2025	779	3,035
2026	796	3,017
2027	814	2,999
2028-2032	4,952	14,687
2033-2037	6,151	14,077
2038-2042	7,509	13,325
2043-2047	9,047	12,413
2048-2052	10,785	11,318
2053-2057	12,748	10,019
2058-2062	14,962	8,150
2063-2067	17,459	6,694
2068-2072	20,272	4,606
2073-2077	23,438	2,186
2078	<u>5,162</u>	<u>116</u>
Totals	<u><u>\$ 136,381</u></u>	<u><u>\$ 112,763</u></u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Lease liability activity for the year ended June 30, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
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Business-Type Activities

Leases payable	\$ 140,083	\$ -	\$ (3,702)	\$ 136,381	\$ 745
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* The City implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded for the same amount.

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, 2022 was \$18,786.

Asset Type	Remaining Term of Agreements
Water tower	11 years

Lease receivable activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
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Business-Type Activities

Leases receivable	\$ 220,737	\$ -	\$ (14,474)	\$ 206,263
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CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

11. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Primary Government					
Governmental activities:					
Compensated absences	\$ 935,116	\$ 415,287	\$ (536,698)	\$ 813,705	\$ 123,553
Business-type activities:					
Revenue and refunding bonds (direct placement)	12,947,999	4,411,286	(475,000)	16,884,285	1,060,000
Unamortized bond premium	182,514	-	(18,561)	163,953	18,561
Compensated absences	262,841	142,345	(84,552)	320,634	43,710
Total business-type activities	13,393,354	4,553,631	(578,113)	17,368,872	1,122,271
Total primary government	\$ 14,328,470	\$ 4,968,918	\$ (1,114,811)	\$ 18,182,577	\$ 1,245,824

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, 2022 are as follows:

Purpose	Matures	Interest Rates	Amount
Business-type activities			
2002 Water utility - revenue bonds	October 2023	2.25%	\$ 340,000
2009 Water utility - revenue bonds	October 2027	2.13%	1,020,000
2020 Waste water utility - revenue bonds	April 2042	2.00%	13,630,597
2021 Water refunding bonds	May 2031	2.00%-3.00%	1,560,000
2022 Water utility - revenue bonds	April 2044	1.88%	333,688
			<u>\$ 16,884,285</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2023	\$ 1,060,000	\$ 379,731
2024	1,085,000	363,979
2025	1,015,000	342,545
2026	1,030,000	320,482
2027	1,055,000	298,019
2028-2032	4,680,000	1,166,558
2033-2037	4,140,000	719,435
2038-2042	4,560,000	291,424
2043-2044	230,000	4,305
Less: amounts not drawn	<u>(1,970,715)</u>	<u>-</u>
	<u>\$ 16,884,285</u>	<u>\$ 3,886,478</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.

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).

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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, 2022 was \$17.00 per \$1,000 of taxable value.

14. PENSION PLANS

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.

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, 2021 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	123
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>17</u>
Total membership	<u>160</u>

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

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2022:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - Teamsters	\$48,137/month	0.00%	Closed
10 - General Elct	\$30,393/month	0.00%	Closed
11 - Non Union	\$66,891/month	0.00%	Closed
12 - Dispatchers	\$5,969/month	0.00%	Closed
13 - Part Time	\$436/month	0.00%	Closed
14 - Water/Wastewater Teamsters	\$31,064/month	0.00%	Closed

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

Actuarial Assumptions. The total pension liability in the December 31, 2021 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

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
- Disables 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, 2021 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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	<u>20.0%</u>	7.00%	1.40%
	<u><u>100.00%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.25%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 7.25% (down from 7.60% at December 31, 2020). 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.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 39,381,898	\$ 25,923,135	\$ 13,458,763
Changes for the year:			
Service cost	78,120	-	78,120
Interest	2,886,060	-	2,886,060
Differences between expected and actual experience	(418,705)	-	(418,705)
Changes in assumptions	1,312,584	-	1,312,584
Employer contributions	-	2,068,521	(2,068,521)
Net investment income	-	3,449,146	(3,449,146)
Benefit payments, including refunds of employee contributions	(2,892,957)	(2,892,957)	-
Administrative expense	-	(40,902)	40,902
Net changes	<u>965,102</u>	<u>2,583,808</u>	<u>(1,618,706)</u>
Balances at December 31, 2021	<u><u>\$ 40,347,000</u></u>	<u><u>\$ 28,506,943</u></u>	<u><u>\$ 11,840,057</u></u>

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

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	\$ 16,047,759	\$ 11,840,057	\$ 8,280,101

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, 2022, the City recognized pension expense of \$1,428,053. 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	\$ -	\$ 2,075,603	\$ (2,075,603)
Contributions subsequent to the measurement date	1,097,340	-	1,097,340
Total	<u>\$ 1,097,340</u>	<u>\$ 2,075,603</u>	<u>\$ (978,263)</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, 2023. 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
2023	\$ (329,951)
2024	(842,677)
2025	(600,601)
2026	<u>(302,374)</u>
Total	<u>\$ (2,075,603)</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Payable to the Pension Plan. At June 30, 2022, the City reported a payable of \$182,890 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, 2021 valuation date, Plan membership consisted of the following:

Retiree and beneficiaries	
currently receiving benefits	56
Terminated vested members	3
Active plan members	15
	<hr/>
Total membership	74
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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, 2022, the City contributed \$626,901 or 62.4% 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	13.50%	7.45%	1.01%
US Mid Cap	16.00%	8.52%	1.36%
US Small Cap	11.00%	7.16%	0.79%
Global Equity-US Stock Market	11.00%	1.94%	0.21%
Total US Bond Market	5.00%	2.17%	0.11%
Short-Term Investment Grade	13.00%	1.45%	0.19%
High Yield Corporate Bonds	5.00%	3.48%	0.17%
Intermediate Term Treasury	5.00%	2.36%	0.12%
Short-Term Treasury	12.00%	0.91%	0.11%
Emerging Markets	2.00%	3.11%	0.06%
REIT	6.50%	7.13%	0.46%
	<hr/>		
	100.00%		
	<hr/> <hr/>		
Inflation			2.75%
Risk adjustment			-0.09%
			<hr/>
Investment rate of return			7.25%
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CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Rate of Return. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.9%. 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, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022.

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	13 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	2.13%
Measurement date	3.37%
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 (Asset). The components of the changes in the net pension liability (asset) at June 30, 2022, are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 36,868,504	\$ 38,284,839	\$ (1,416,335)
Changes for the year:			
Service cost	382,153	-	382,153
Interest	2,591,137	-	2,591,137
Differences between expected and actual experience	223,203	-	223,203
Employer contributions	-	626,901	(626,901)
Plan member contributions	-	72,229	(72,229)
Net investment loss	-	(4,379,108)	4,379,108
Benefit payments, including refunds of Plan member contributions	(2,297,553)	(2,297,553)	-
Administrative expenses	-	(15,534)	15,534
Net changes	898,940	(5,993,065)	6,892,005
Balances at June 30, 2022	\$ 37,767,444	\$ 32,291,774	\$ 5,475,670

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	\$ 10,048,640	\$ 5,475,670	\$ 1,698,833

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

For the year ended June 30, 2022, the City recognized pension expense of \$881,005. At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 20,291
Net difference between projected and actual earnings on pension plan investments	2,438,057
Total	\$ 2,458,348

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
2023	\$ 521,515
2024	452,909
2025	64,472
2026	<u>1,419,452</u>
Total	<u>\$ 2,458,348</u>

Payable to the Pension Plan. At June 30, 2022, 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 \$305,594 to the plan and the employees contributed \$128,156.

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 \$294,119 and employees contributed \$186,625 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, 2022, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets:			
Capital assets, not being depreciated	\$ 2,379,790	\$ 17,353,921	\$ 382,843
Capital assets being depreciated/amortized, net	21,963,332	29,526,202	900,014
	<u>24,343,122</u>	<u>46,880,123</u>	<u>1,282,857</u>
Related debt:			
Total bonds payable	-	16,884,285	-
Total leases payable	-	136,381	-
Unamortized bond premium	-	163,953	-
Deferred charge on bond refunding	-	(14,617)	-
Accounts payable related to capital purchases	-	1,019,274	-
	<u>-</u>	<u>18,189,276</u>	<u>-</u>
Net investment in capital assets	<u>\$ 24,343,122</u>	<u>\$ 28,690,847</u>	<u>\$ 1,282,857</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	249,127	231	249,358
Inventory	137,264	-	137,264
Advance to other funds	94,372	-	94,372
Total nonspendable	<u>480,763</u>	<u>1,094,866</u>	<u>1,575,629</u>
Restricted:			
Economic development	-	3,126,015	3,126,015
Drug law enforcement	-	38,829	38,829
Brownfield	-	33,828	33,828
Capital improvements	-	87,242	87,242
Highways, streets and public works	-	3,242,627	3,242,627
Total restricted	<u>-</u>	<u>6,528,541</u>	<u>6,528,541</u>
Committed:			
Highways, streets and public works	-	87	87
Recreation and culture	-	35,112	35,112
Economic development	-	1,934,629	1,934,629
Total committed	<u>-</u>	<u>1,969,828</u>	<u>1,969,828</u>
Unassigned	<u>5,436,857</u>	<u>-</u>	<u>5,436,857</u>
Total fund balances, governmental funds	<u>\$ 5,917,620</u>	<u>\$ 9,593,235</u>	<u>\$ 15,510,855</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 2022 related to IFT exemptions amounted to \$64,803.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

21. SUBSEQUENT EVENTS

In August 2022, the City issued bonds totaling \$3,955,000 for a water treatment plant project in conjunction with Michigan Department of Environment, Great Lake, and Energy (EGLE) as Project 7634-01. The EGLE approved amount is \$3,955,000, with an anticipated loan forgiveness of \$1,146,950, resulting in a loan amount to repaid by the City of \$2,808,050. The loan principal payments range from \$95,000 to \$175,000 beginning on April 1, 2024 through April 1, 2053, with an interest rate of 2.125%.

22. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the City as it determines the appropriate methods to provide services to its residents. The City received over \$665,000 during 2022 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the American Rescue Plan Act and other funding sources. At this time, management does not believe that any ongoing negative financial impact related to the pandemic would be material to the City.



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,			
	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 78,120	\$ 139,731	\$ 150,963	\$ 169,705
Interest	2,886,060	2,771,699	2,805,883	2,802,937
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(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	(2,892,957)	(2,781,148)	(2,683,532)	(2,568,963)
Other	-	-	-	-
Net change in total pension liability	<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>39,381,898</u>	<u>37,790,433</u>	<u>36,339,816</u>	<u>36,236,354</u>
Total pension liability, end of year	<u>40,347,000</u>	<u>39,381,898</u>	<u>37,790,433</u>	<u>36,339,816</u>
Plan fiduciary net position				
Employer contributions	2,068,521	1,857,585	1,699,472	4,049,579
Net investment income (loss)	3,449,146	3,251,094	2,910,314	(814,734)
Benefit payments, including refunds of employee contributions	(2,892,957)	(2,781,148)	(2,683,532)	(2,568,963)
Administrative expense	(40,902)	(46,960)	(50,117)	(40,466)
Net change in plan fiduciary net position	<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>25,923,135</u>	<u>23,642,564</u>	<u>21,766,427</u>	<u>21,141,011</u>
Plan fiduciary net position, end of year	<u>28,506,943</u>	<u>25,923,135</u>	<u>23,642,564</u>	<u>21,766,427</u>
City's net pension liability	<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	70.7%	65.8%	62.6%	59.9%
Covered payroll	<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	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)
<u>424,011</u>	<u>813,548</u>	<u>2,495,939</u>	<u>791,998</u>
<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)
<u>1,463,255</u>	<u>1,118,250</u>	<u>(1,140,876)</u>	<u>349,838</u>
<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
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,			
	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 382,153	\$ 363,464	\$ 430,494	\$ 471,995
Interest	2,591,137	2,621,664	2,630,085	2,547,352
Differences between expected and actual experience	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	(2,297,553)	(2,132,166)	(1,944,538)	(1,928,509)
Net change in total pension liability	898,940	866,172	(20,950)	1,111,518
Total pension liability, beginning of year	36,868,504	36,002,332	36,023,282	34,911,764
Total pension liability, end of year	37,767,444	36,868,504	36,002,332	36,023,282
Plan fiduciary net position				
Employer contributions	626,901	726,596	897,598	985,218
Plan member contributions	72,229	76,756	84,390	87,313
Net investment income (loss)	(4,379,108)	9,018,958	288,818	1,989,548
Benefit payments, including refunds of Plan member contributions	(2,297,553)	(2,132,166)	(1,944,538)	(1,928,509)
Administrative expenses	(15,534)	(16,428)	(5,568)	(23,570)
Net change in plan fiduciary net position	(5,993,065)	7,673,716	(679,300)	1,110,000
Plan fiduciary net position, beginning of year	38,284,839	30,611,123	31,290,423	30,180,423
Plan fiduciary net position, end of year	32,291,774	38,284,839	30,611,123	31,290,423
City's net pension liability (asset)	\$ 5,475,670	\$ (1,416,335)	\$ 5,391,209	\$ 4,732,859
Plan fiduciary net position as a percentage of total pension liability	85.5%	103.8%	85.0%	86.9%
Covered payroll	\$ 1,004,529	\$ 1,017,373	\$ 1,118,256	\$ 1,481,131
City's net pension liability (asset) as a percentage of covered payroll	545.1%	-139.2%	482.1%	319.5%

See notes to required supplementary information.



Year Ended June 30,

2018	2017	2016	2015	2014
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\$ 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
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34,911,764	34,276,630	32,857,362	38,851,293	31,851,295
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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
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30,180,423	28,608,173	26,380,651	26,315,991	25,576,018
------------	------------	------------	------------	------------

\$ 4,731,341	\$ 5,668,457	\$ 6,476,711	\$ 12,535,302	\$ 6,275,277
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86.4%	83.5%	80.3%	67.7%	80.3%
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\$ 1,608,361	\$ 1,708,313	\$ 2,105,983	\$ 2,055,865	\$ 2,028,519
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294.2%	331.8%	307.5%	609.7%	309.4%
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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
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 ⁽¹⁾
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%

⁽¹⁾ 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 (2022, based on the 12/31/2019 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
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

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

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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	13 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.

Notes to Schedule of Investment Returns

GASB 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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**COMBINING FUND
FINANCIAL STATEMENTS**

CITY OF ESCANABA, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
Assets					
Cash and cash equivalents and investments	\$ 2,676,293	\$ 389,134	\$ 87	\$ 481,088	\$ 33,828
Accounts receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Accrued interest receivable	4,333	1,701	-	75	-
Other receivables	-	8,460	-	-	-
Due from other governments	203,331	77,064	-	1,963	-
Prepaid items	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	<u>\$ 2,883,957</u>	<u>\$ 476,359</u>	<u>\$ 87</u>	<u>\$ 483,126</u>	<u>\$ 33,828</u>
Liabilities					
Negative equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,228	228,121	-	3,954	-
Unearned revenue	-	8,460	-	82	-
Advances from other funds	-	-	-	220,870	-
Total liabilities	<u>1,228</u>	<u>236,581</u>	<u>-</u>	<u>224,906</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	2,882,729	239,778	-	258,220	33,828
Committed	-	-	87	-	-
Total fund balances	<u>2,882,729</u>	<u>239,778</u>	<u>87</u>	<u>258,220</u>	<u>33,828</u>
Total liabilities and fund balances	<u>\$ 2,883,957</u>	<u>\$ 476,359</u>	<u>\$ 87</u>	<u>\$ 483,126</u>	<u>\$ 33,828</u>

Special Revenue Funds							
Drug Law Enforcement	Delta County Central Dispatch Authority	Library	Housing Rehabilitation	Grants	UDAG/DIAL Grant	E.D.A Revolving Loan Fund	Farmers Home Grant
\$ 38,762	\$ -	\$ -	\$ 318,586	\$ -	\$ 2,338,850	\$ 491,400	\$ 4,766
-	-	-	-	-	-	-	-
-	-	-	-	-	55,012	-	-
67	-	306	415	-	2,383	361	-
-	-	-	-	-	-	-	-
-	112,198	90,864	-	300,000	-	-	-
-	-	231	-	-	-	-	-
-	-	-	-	-	220,870	-	-
<u>\$ 38,829</u>	<u>\$ 112,198</u>	<u>\$ 91,401</u>	<u>\$ 319,001</u>	<u>\$ 300,000</u>	<u>\$ 2,617,115</u>	<u>\$ 491,761</u>	<u>\$ 4,766</u>
\$ -	\$ 112,198	\$ 6,994	\$ -	\$ 278,693	\$ -	\$ -	\$ -
-	-	15,527	-	1,326	-	-	-
-	-	33,537	-	19,712	-	-	-
-	-	-	-	-	-	-	-
-	112,198	56,058	-	299,731	-	-	-
-	-	231	-	-	-	-	-
38,829	-	-	-	269	2,617,115	-	-
-	-	35,112	319,001	-	-	491,761	4,766
<u>38,829</u>	<u>-</u>	<u>35,343</u>	<u>319,001</u>	<u>269</u>	<u>2,617,115</u>	<u>491,761</u>	<u>4,766</u>
<u>\$ 38,829</u>	<u>\$ 112,198</u>	<u>\$ 91,401</u>	<u>\$ 319,001</u>	<u>\$ 300,000</u>	<u>\$ 2,617,115</u>	<u>\$ 491,761</u>	<u>\$ 4,766</u>

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CITY OF ESCANABA, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2022

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
Assets					
Cash and cash equivalents and investments	\$ 947,679	\$ 250,339	\$ 64,892	\$ 1,179,651	\$ 9,215,355
Accounts receivable	-	-	55,000	-	55,000
Loans receivable	-	-	-	-	55,012
Accrued interest receivable	2,641	380	239	2,226	15,127
Other receivables	-	-	-	-	8,460
Due from other governments	-	-	-	-	785,420
Prepaid items	-	-	-	-	231
Advances to other funds	169,781	-	-	-	390,651
Total assets	<u>\$ 1,120,101</u>	<u>\$ 250,719</u>	<u>\$ 120,131</u>	<u>\$ 1,181,877</u>	<u>\$ 10,525,256</u>
Liabilities					
Negative equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	397,885
Accounts payable	1,000	308	11	-	251,475
Unearned revenue	-	-	-	-	61,791
Advances from other funds	-	-	-	-	220,870
Total liabilities	<u>1,000</u>	<u>308</u>	<u>11</u>	<u>-</u>	<u>932,021</u>
Fund balances					
Nonspendable	-	-	-	1,094,635	1,094,866
Restricted	-	250,411	120,120	87,242	6,528,541
Committed	1,119,101	-	-	-	1,969,828
Total fund balances	<u>1,119,101</u>	<u>250,411</u>	<u>120,120</u>	<u>1,181,877</u>	<u>9,593,235</u>
Total liabilities and fund balances	<u>\$ 1,120,101</u>	<u>\$ 250,719</u>	<u>\$ 120,131</u>	<u>\$ 1,181,877</u>	<u>\$ 10,525,256</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, 2022

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 293,342	\$ 55,820
Intergovernmental	1,380,923	500,190	-	-	-
Charges for services	-	-	17,017	-	-
Fines and fees	-	-	-	-	-
Investment earnings (loss)	(114,418)	(47,175)	(4)	(21,894)	(1,729)
Other revenues	-	2,041	-	11,534	-
Total revenues	1,266,505	455,056	17,013	282,982	54,091
Expenditures					
Current:					
Public safety	-	-	-	-	-
Highway, streets & public works	732,185	942,252	61,287	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Community and economic development	-	-	-	198,814	55,781
Total expenditures	732,185	942,252	61,287	198,814	55,781
Revenues over (under) expenditures	534,320	(487,196)	(44,274)	84,168	(1,690)
Other financing sources (uses)					
Transfers in	-	-	44,270	-	-
Transfers out	-	-	-	(2,500)	-
Total other financing sources (uses)	-	-	44,270	(2,500)	-
Net change in fund balances	534,320	(487,196)	(4)	81,668	(1,690)
Fund balances, beginning of year,	2,348,409	726,974	91	176,552	35,518
Fund balances, end of year	\$ 2,882,729	\$ 239,778	\$ 87	\$ 258,220	\$ 33,828

Special Revenue Funds							
Drug Law Enforcement	Delta County Central Dispatch Authority	Library	Housing Rehabilitation	Grants	UDAG/DIAL Grant	E.D.A Revolving Loan Fund	Farmers Home Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	114,943	-	939,988	-	-	-
-	335,003	-	-	-	-	-	-
88	-	81,036	-	-	-	-	-
(1,975)	(47)	(3,622)	(15,377)	(9,677)	(107,029)	(25,361)	(254)
-	-	10,470	16,096	1,508	-	-	-
(1,887)	334,956	202,827	719	931,819	(107,029)	(25,361)	(254)
1	335,905	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	661,656	-	-	-	-	-
-	-	-	475	1,081,841	1,249	1,408	99
1	335,905	661,656	475	1,081,841	1,249	1,408	99
(1,888)	(949)	(458,829)	244	(150,022)	(108,278)	(26,769)	(353)
-	302	450,000	-	11,654	-	-	-
-	-	-	-	-	-	-	-
-	302	450,000	-	11,654	-	-	-
(1,888)	(647)	(8,829)	244	(138,368)	(108,278)	(26,769)	(353)
40,717	647	44,172	318,757	138,637	2,725,393	518,530	5,119
\$ 38,829	\$ -	\$ 35,343	\$ 319,001	\$ 269	\$ 2,617,115	\$ 491,761	\$ 4,766

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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, 2022

	Special Revenue Funds			Permanent Fund	Total
	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
Revenues					
Taxes	\$ 790	\$ -	\$ -	\$ -	\$ 349,952
Intergovernmental	-	-	-	-	2,936,044
Charges for services	-	-	331,317	-	683,337
Fines and fees	-	-	-	-	81,124
Investment earnings (loss)	(41,672)	(13,337)	483	(61,392)	(464,480)
Other revenues	157,238	-	-	-	198,887
Total revenues	<u>116,356</u>	<u>(13,337)</u>	<u>331,800</u>	<u>(61,392)</u>	<u>3,784,864</u>
Expenditures					
Current:					
Public safety	-	-	-	-	335,906
Highway, streets & public works	-	-	-	-	1,735,724
Sanitation	-	-	173	-	173
Recreation and culture	-	-	-	-	661,656
Community and economic development	24,952	7,418	-	-	1,372,037
Total expenditures	<u>24,952</u>	<u>7,418</u>	<u>173</u>	<u>-</u>	<u>4,105,496</u>
Revenues over (under) expenditures	<u>91,404</u>	<u>(20,755)</u>	<u>331,627</u>	<u>(61,392)</u>	<u>(320,632)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	506,226
Transfers out	(146,017)	-	(243,296)	(11,654)	(403,467)
Total other financing sources (uses)	<u>(146,017)</u>	<u>-</u>	<u>(243,296)</u>	<u>(11,654)</u>	<u>102,759</u>
Net change in fund balances	<u>(54,613)</u>	<u>(20,755)</u>	<u>88,331</u>	<u>(73,046)</u>	<u>(217,873)</u>
Fund balances, beginning of year,	<u>1,173,714</u>	<u>271,166</u>	<u>31,789</u>	<u>1,254,923</u>	<u>9,811,108</u>
Fund balances, end 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>

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CITY OF ESCANABA, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2022

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Assets				
Current assets:				
Cash and cash equivalents and investments	\$ 134,362	\$ 198,076	\$ 409,360	\$ -
Accrued interest receivable	-	585	627	369
Accounts receivable	-	-	50,560	1,000
Due from other governments	-	-	-	-
Prepaid items	-	1,949	1,500	666,135
Total current assets	134,362	200,610	462,047	667,504
Noncurrent assets:				
Capital assets not being depreciated	625,731	-	-	-
Capital assets being depreciated, net	2,653,403	1,067,234	239,513	-
Total noncurrent assets	3,279,134	1,067,234	239,513	-
Total assets	3,413,496	1,267,844	701,560	667,504
Liabilities				
Current liabilities:				
Negative equity in pooled cash and investments	-	-	-	70,962
Accounts payable and accrued liabilities	5,927	14,079	3,130	10,000
Unearned revenue	-	1,950	-	-
Current portion of compensated absences	-	11,082	-	-
Total current liabilities	5,927	27,111	3,130	80,962
Noncurrent liabilities:				
Advances from other funds	250,000	94,372	-	-
Compensated absences, net of current portion	1,937	28,441	-	-
Total noncurrent liabilities	251,937	122,813	-	-
Total liabilities	257,864	149,924	3,130	80,962
Net position				
Investment in capital assets	3,279,134	1,067,234	239,513	-
Unrestricted (deficit)	(123,502)	50,686	458,917	586,542
Total net position	\$ 3,155,632	\$ 1,117,920	\$ 698,430	\$ 586,542



Workers Compensation	Unemployment Compensation	Total
\$ 414,696	\$ 319,098	\$ 1,475,592
586	603	2,770
-	-	51,560
-	920	920
5,000	-	674,584
<u>420,282</u>	<u>320,621</u>	<u>2,205,426</u>
-	-	625,731
-	-	3,960,150
-	-	<u>4,585,881</u>
<u>420,282</u>	<u>320,621</u>	<u>6,791,307</u>
-	-	70,962
137,581	395	171,112
-	-	1,950
-	-	11,082
<u>137,581</u>	<u>395</u>	<u>255,106</u>
-	-	344,372
-	-	30,378
-	-	<u>374,750</u>
<u>137,581</u>	<u>395</u>	<u>629,856</u>
-	-	4,585,881
<u>282,701</u>	<u>320,226</u>	<u>1,575,570</u>
<u>\$ 282,701</u>	<u>\$ 320,226</u>	<u>\$ 6,161,451</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, 2022

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Operating revenues				
Charges for services	\$ 133,248	\$ 1,139,682	\$ 39,132	\$ -
Provision for self insurance	-	-	-	266,146
Other revenue	-	8,097	196,903	1,000
Total operating revenues	<u>133,248</u>	<u>1,147,779</u>	<u>236,035</u>	<u>267,146</u>
Operating expenses				
Personnel services	62,656	343,088	-	-
Overhead	60,528	-	-	-
Fuel	-	182,278	-	-
Contracted services	645	40,222	81,128	415
Insurance	16,465	88,420	-	185,525
Dues and training	-	1,226	-	-
Sales and promotion	-	825	-	-
Repairs and maintenance	30,461	244,753	25,101	-
Claims	-	-	-	91,443
Equipment rental	-	4,080	-	-
Depreciation	152,829	211,934	55,215	-
Supplies	10,089	22,682	105	-
Other	12,769	2,656	-	-
Total operating expenses	<u>346,442</u>	<u>1,142,164</u>	<u>161,549</u>	<u>277,383</u>
Operating income (loss)	<u>(213,194)</u>	<u>5,615</u>	<u>74,486</u>	<u>(10,237)</u>
Nonoperating revenues (expenses)				
Gain on sale of capital assets	-	6,200	-	-
Investment earnings (loss)	(10,254)	(16,083)	(24,531)	15,525
Interest expense	(8,333)	(3,352)	-	-
Total nonoperating revenues (expenses)	<u>(18,587)</u>	<u>(13,235)</u>	<u>(24,531)</u>	<u>15,525</u>
Income (loss) before transfers	<u>(231,781)</u>	<u>(7,620)</u>	<u>49,955</u>	<u>5,288</u>
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
Change in net position	<u>(82,781)</u>	<u>(7,620)</u>	<u>10,755</u>	<u>5,288</u>
Net position, beginning of year	<u>3,238,413</u>	<u>1,125,540</u>	<u>687,675</u>	<u>581,254</u>
Net position, end of year	<u>\$ 3,155,632</u>	<u>\$ 1,117,920</u>	<u>\$ 698,430</u>	<u>\$ 586,542</u>



Workers Compensation	Unemployment Compensation	Total
\$ -	\$ -	\$ 1,312,062
90,503	-	356,649
-	-	206,000
<u>90,503</u>	<u>-</u>	<u>1,874,711</u>
8,896	-	414,640
-	-	60,528
-	-	182,278
22,403	224	145,037
64,224	-	354,634
35	-	1,261
-	-	825
-	-	300,315
-	-	91,443
-	-	4,080
-	-	419,978
54,152	-	87,028
-	-	15,425
<u>149,710</u>	<u>224</u>	<u>2,077,472</u>
<u>(59,207)</u>	<u>(224)</u>	<u>(202,761)</u>
-	-	6,200
(23,790)	(16,450)	(75,583)
-	-	(11,685)
<u>(23,790)</u>	<u>(16,450)</u>	<u>(81,068)</u>
(82,997)	(16,674)	(283,829)
-	-	149,000
-	-	(39,200)
(82,997)	(16,674)	(174,029)
<u>365,698</u>	<u>336,900</u>	<u>6,335,480</u>
<u>\$ 282,701</u>	<u>\$ 320,226</u>	<u>\$ 6,161,451</u>

CITY OF ESCANABA, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2022

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Cash flows from operating activities				
Cash received from interfund services	\$ 133,373	\$ 1,147,779	\$ 233,100	\$ 282,734
Cash payments to employees	(60,719)	(345,803)	-	-
Cash payments to suppliers	(131,221)	(581,019)	(118,760)	(298,259)
Net cash provided by (used in) operating activities	<u>(58,567)</u>	<u>220,957</u>	<u>114,340</u>	<u>(15,525)</u>
Cash flows from noncapital financing activities				
Repayment on advances from other funds	(125,000)	(17,348)	-	-
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
Net cash provided by (used in) noncapital financing activities	<u>24,000</u>	<u>(17,348)</u>	<u>(39,200)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	12,544	-	-
Purchase of capital assets	(11,595)	(18,200)	(88,846)	-
Interest payments	(8,333)	(3,352)	-	-
Net cash used in capital and related financing activities	<u>(19,928)</u>	<u>(9,008)</u>	<u>(88,846)</u>	<u>-</u>
Cash flows from investing activities				
Interest received (loss) on investments	(10,254)	(16,192)	(24,674)	15,525
Net change in cash and cash equivalents and investments	<u>(64,749)</u>	<u>178,409</u>	<u>(38,380)</u>	<u>-</u>
Cash and cash equivalents and investments, beginning of year	<u>199,111</u>	<u>19,667</u>	<u>447,740</u>	<u>-</u>
Cash and cash equivalents and investments, end of year	<u><u>\$ 134,362</u></u>	<u><u>\$ 198,076</u></u>	<u><u>\$ 409,360</u></u>	<u><u>\$ -</u></u>



Workers Compensation	Unemployment Compensation	Total
\$ 90,503	\$ -	\$ 1,887,489
(8,896)	-	(415,418)
<u>(123,281)</u>	<u>(749)</u>	<u>(1,253,289)</u>
<u>(41,674)</u>	<u>(749)</u>	<u>218,782</u>
-	-	(142,348)
-	-	149,000
<u>-</u>	<u>-</u>	<u>(39,200)</u>
-	-	(32,548)
-	-	12,544
-	-	(118,641)
<u>-</u>	<u>-</u>	<u>(11,685)</u>
-	-	(117,782)
<u>(23,935)</u>	<u>(16,546)</u>	<u>(76,076)</u>
(65,609)	(17,295)	(7,624)
<u>480,305</u>	<u>336,393</u>	<u>1,483,216</u>
<u>\$ 414,696</u>	<u>\$ 319,098</u>	<u>\$ 1,475,592</u>

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CITY OF ESCANABA, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2022

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (213,194)	\$ 5,615	\$ 74,486	\$ (10,237)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	152,829	211,934	55,215	-
Change in operating assets and liabilities that provided (used) cash:				
Accounts receivable	125	-	(2,935)	(1,000)
Due from other governments	-	-	-	-
Prepaid items	-	(22)	2,268	(29,928)
Negative equity in pooled cash and investments	-	-	-	16,588
Accounts payable and accrued liabilities	(264)	6,145	(14,694)	9,052
Compensated absences	1,937	(2,715)	-	-
Net cash provided by (used in) operating activities	<u>\$ (58,567)</u>	<u>\$ 220,957</u>	<u>\$ 114,340</u>	<u>\$ (15,525)</u>



Workers Compensation	Unemployment Compensation	Total
\$ (59,207)	\$ (224)	\$ (202,761)
-	-	419,978
-	-	(3,810)
-	(920)	(920)
(5,000)	-	(32,682)
-	-	16,588
22,533	395	23,167
-	-	(778)
<u>\$ (41,674)</u>	<u>\$ (749)</u>	<u>\$ 218,782</u>

concluded