

City of Escanaba,
Michigan



Year Ended
June 30, 2021

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, 2021

Elected Officials

Mayor	Marc Tall
Mayor Pro Tem	Peggy O'Connell
Council Member	Ralph Blasier
Council Member	Tyler DuBord
Council Member	Karen Moore

Appointed Officials

City Manager	Patrick Jordan
Clerk	Phil Demay
Treasurer	Kim Gustafson
Controller	Melissa Becotte
Planning Director/Zoning Administrator	Roxanne Spencer
Director of Public Safety	Robert LaMarche
Director of DPW	Robert Becotte
Electric Superintendent	Gerald Pirkola
Assessor	James McNeil
WWTP/WTP Superintendent	Jeff Lampi
Harbormaster	Shayne Sanville
Recreation Director	Kimberly Peterson
Library Director	Carolyn Stacey
Attorney	John Bergman

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INDEPENDENT AUDITORS' REPORT

December 14, 2021

City Council
City of Escanaba, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Escanaba, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, 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 conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 20, the City implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning net position of governmental activities and beginning fund balance of the Bezold trust special revenue fund were restated. Our opinion is not modified with respect to this matter.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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.

The combining fund financial statements are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 14, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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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, 2021. 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	\$ 68,894,172
· Change in total net position	4,964,145
· Fund balances, governmental funds	15,975,963
· Change in fund balances, governmental funds	1,052,718
· Unassigned fund balance, general fund	5,746,362
· Change in fund balance, general fund	836,261
· Bonded debt outstanding	12,947,999
· Change in bonded debt	8,435,549

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 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 approximately \$68,894,172 as of June 30, 2021.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 20,254,840	\$ 17,599,611	\$ 19,856,911	\$ 16,528,065	\$ 40,111,751	\$ 34,127,676
Capital assets, net	24,133,938	24,498,896	41,625,602	31,876,938	65,759,540	56,375,834
	<u>44,388,778</u>	<u>42,098,507</u>	<u>61,482,513</u>	<u>48,405,003</u>	<u>105,871,291</u>	<u>90,503,510</u>
Deferred outflows of resources	<u>760,207</u>	<u>2,041,921</u>	<u>390,069</u>	<u>358,832</u>	<u>1,150,276</u>	<u>2,400,753</u>
Liabilities						
Long-term debt	935,116	880,013	13,393,354	4,774,899	14,328,470	5,654,912
Current and other liabilities	9,636,683	15,769,898	8,718,705	7,448,910	18,355,388	23,218,808
	<u>10,571,799</u>	<u>16,649,911</u>	<u>22,112,059</u>	<u>12,223,809</u>	<u>32,683,858</u>	<u>28,873,720</u>
Deferred inflows of resources	<u>5,019,515</u>	<u>378,997</u>	<u>424,022</u>	<u>-</u>	<u>5,443,537</u>	<u>378,997</u>
Net position						
Net investment in capital assets	24,133,938	24,498,896	28,511,361	27,364,488	52,645,299	51,863,384
Restricted	7,750,725	7,062,744	455,743	471,474	8,206,468	7,534,218
Unrestricted (deficit)	<u>(2,326,992)</u>	<u>(4,450,120)</u>	<u>10,369,397</u>	<u>8,704,064</u>	<u>8,042,405</u>	<u>4,253,944</u>
Total net position	<u>\$ 29,557,671</u>	<u>\$ 27,111,520</u>	<u>\$ 39,336,501</u>	<u>\$ 36,540,026</u>	<u>\$ 68,894,172</u>	<u>\$ 63,651,546</u>

The largest portion of the City's net position (76 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 (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (12 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	
	2021	2020	2021	2020	2021	2020
Program revenues						
Charges for services	\$ 1,443,017	\$ 1,427,622	\$ 21,117,215	\$ 18,684,582	\$ 22,560,232	\$ 20,112,204
Operating grants and contributions	2,649,672	2,336,510	50,366	366,596	2,700,038	2,703,106
Capital grants and contributions	61,540	107,000	-	-	61,540	107,000
General revenues						
Property taxes	5,895,765	5,892,013	-	-	5,895,765	5,892,013
State shared revenue	1,588,283	1,383,277	-	-	1,588,283	1,383,277
Unrestricted grants and contributions	204,082	198,394	-	-	204,082	198,394
Unrestricted investment earnings	186,231	891,111	72,524	628,195	258,755	1,519,306
Gain on sale of capital assets	-	38,125	14,119	398	14,119	38,523
Total revenues	12,028,590	12,274,052	21,254,224	19,679,771	33,282,814	31,953,823
Expenses						
General government	1,157,051	1,153,546	-	-	1,157,051	1,153,546
Public safety	3,872,348	5,087,874	-	-	3,872,348	5,087,874
Highways, streets and public works	2,507,540	2,797,002	-	-	2,507,540	2,797,002
Sanitation	810,214	755,320	-	-	810,214	755,320
Community services	94,550	92,248	-	-	94,550	92,248
Recreation and culture	1,625,408	1,697,363	-	-	1,625,408	1,697,363
Community and economic development	540,345	624,504	-	-	540,345	624,504
Other functions	3,937	4,804	-	-	3,937	4,804
Interest on long-term debt	15,317	17,891	-	-	15,317	17,891
Electric utility	-	-	12,953,865	13,285,302	12,953,865	13,285,302
Waste water utility	-	-	1,886,091	1,892,018	1,886,091	1,892,018
Water utility	-	-	2,616,808	2,266,802	2,616,808	2,266,802
Marina	-	-	235,195	234,346	235,195	234,346
Total expenses	10,626,710	12,230,552	17,691,959	17,678,468	28,318,669	29,909,020

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CITY OF ESCANABA, MICHIGAN

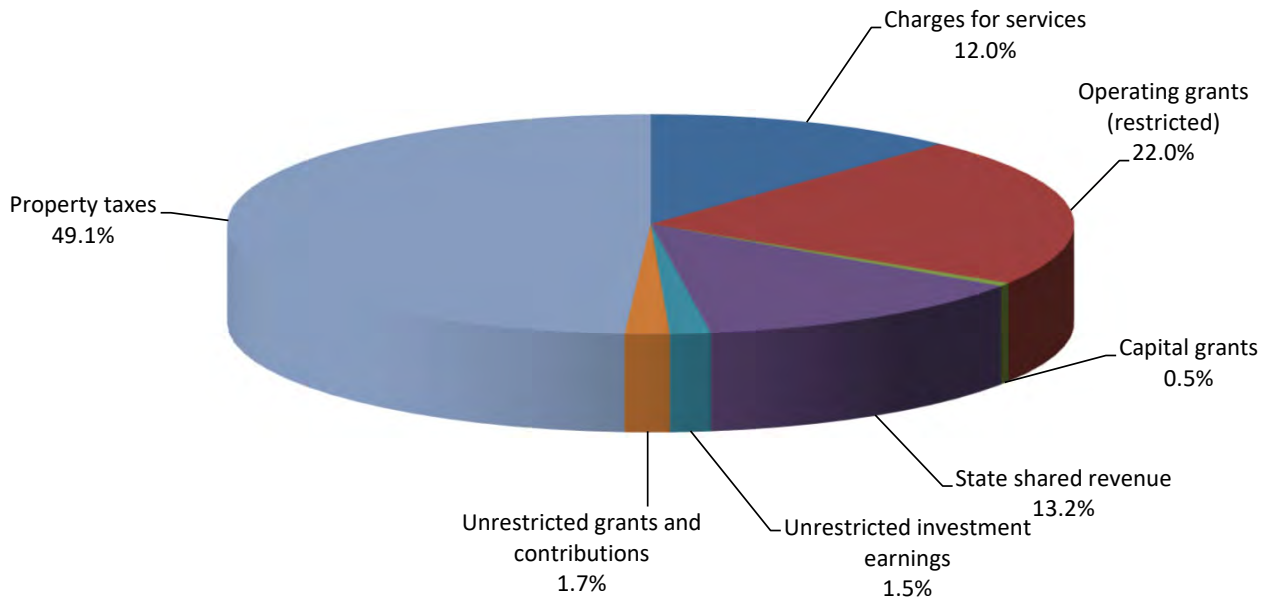
Management's Discussion and Analysis

	Change in Net Position (Concluded)					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Change in net position, before transfers	\$ 1,401,880	\$ 43,500	\$ 3,562,265	\$ 2,001,303	\$ 4,964,145	\$ 2,044,803
Transfers	765,790	634,188	(765,790)	(634,188)	-	-
Change in net position	2,167,670	677,688	2,796,475	1,367,115	4,964,145	2,044,803
Net position:						
Beginning of year	27,111,520	26,433,832	36,540,026	35,172,911	63,651,546	61,606,743
Restatement for implementation of GASB Statement No. 84	278,481	-	-	-	278,481	-
End of year	\$ 29,557,671	\$ 27,111,520	\$ 39,336,501	\$ 36,540,026	\$ 68,894,172	\$ 63,651,546

concluded

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

Governmental Activities - Revenues by Source

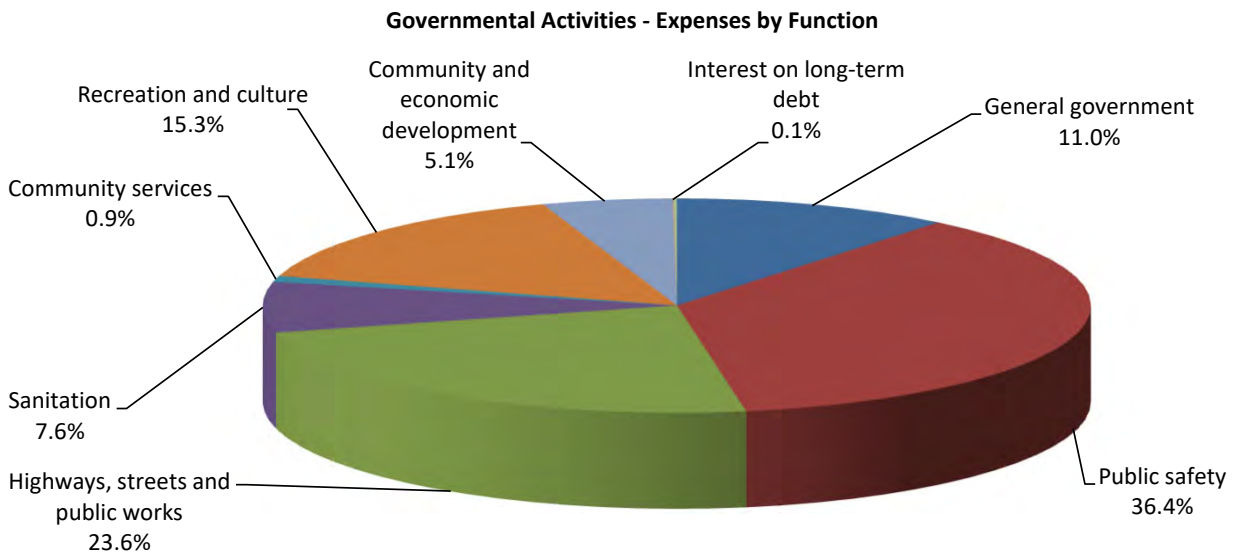


Total governmental activities revenue decreased by approximately \$245,000 or 2.0% compared to prior year. Unrestricted investment earnings decreased approximately \$705,000, primarily due to changes within the investment markets and realized reductions due to COVID-19. This decrease was offset by an increase in operating grants and contributions of approximately \$313,000, primarily due to recognition of donations from other communities, an increase in Act 51 funding and donations/grants toward other various smaller projects as well as an increase in State shared revenue of approximately \$205,000.

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 decreased by approximately \$1,604,000. The majority of this decrease 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 \$2,796,000 in fiscal 2021. Total revenues increased approximately \$1,574,000 primarily due to an increase in charges for services due to increased usage fees. Total expenses increased approximately \$13,000.

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 2021 fiscal year, the governmental funds reported combined fund balance of \$15,975,963. Of this amount, \$5,746,362 represents the General Fund's unassigned fund balance. The unassigned fund balance represents what is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, public works, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The General Fund ended the year with a total fund balance of \$6,164,855, an increase of \$836,261 (16%) from fiscal year 2019/20. 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, 2021 represents 67% of the general fund expenditures and transfers out.

CITY OF ESCANABA, MICHIGAN

Management's Discussion and Analysis

Overall and in comparison to the previous year, General Fund revenues increased by \$302,548 and expenditures increased by \$377,704. Revenues increased primarily due to an increase in State shared revenue and an increase in overall operating grants and contributions, while expenditures increased primarily due to higher contribution to MERS during the fiscal year and greater public safety costs.

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 \$59,500 final budget item was created.

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 \$452,000. 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 \$2,181,455 rather than the \$1,575,300 budgeted amount, an increase of \$606,155, 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 \$10,369,397 and the net investment in capital assets was \$28,511,361. In addition, enterprise funds reported restricted net position of \$455,743 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 \$131,700. 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 \$687,900. This was due to an increase in customer sales.
- Water utility activities increased the City's net position by approximately \$2,004,700. This increase can be attributed to an increase in water sales.
- Marina activities decreased the City's net position by approximately \$27,800. 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, 2021 amounted to \$65,759,540 (net of accumulated depreciation). 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 and parking lot.

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

- Street construction
- Continued construction on the solar panel project
- Continued development of a sewer line mapping system
- Construction on the SRF wastewater project
- Ongoing utility meter replacement

	Capital Assets (Net of Depreciation, Where Applicable)					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,332,769	\$ 1,332,769	\$ 56,953	\$ 56,953	\$ 1,389,722	\$ 1,389,722
Construction in progress	-	-	12,003,494	1,765,494	12,003,494	1,765,494
Land improvements	2,958,290	3,032,920	944,088	991,920	3,902,378	4,024,840
Infrastructure	12,716,906	12,760,385	-	-	12,716,906	12,760,385
Buildings and improvements	5,044,409	5,176,107	10,700,025	11,136,575	15,744,434	16,312,682
Electricity generating equipment	-	-	1,512,203	1,570,501	1,512,203	1,570,501
Water and waste water transmission and distribution system	-	-	15,411,099	15,453,539	15,411,099	15,453,539
Machinery, vehicles and equipment	1,944,789	2,047,369	997,740	901,956	2,942,529	2,949,325
Parking lot	136,775	149,346	-	-	136,775	149,346
Total capital assets, net	\$ 24,133,938	\$ 24,498,896	\$ 41,625,602	\$ 31,876,938	\$ 65,759,540	\$ 56,375,834

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 \$12,947,999. 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	
	2021	2020	2021	2020	2021	2020
Waste water / Water utility fund revenue bonds	\$ -	\$ -	\$ 11,237,999	\$ 2,542,450	\$ 11,237,999	\$ 2,542,450
Water utility fund refunding bonds	-	-	1,710,000	1,970,000	1,710,000	1,970,000
Unamortized bond premium	-	-	182,514	-	182,514	-
Compensated absences	935,116	880,013	262,841	262,449	1,197,957	1,142,462
Total	\$ 935,116	\$ 880,013	\$ 13,393,354	\$ 4,774,899	\$ 14,328,470	\$ 5,654,912

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 2022:

- 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, after June 30, 2021, the City was 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 2022.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents and investments	\$ 16,938,198	\$ 13,154,016	\$ 30,092,214	\$ 984,165
Receivables, net	1,240,833	5,893,134	7,133,967	8,028
Internal balances	(290,092)	290,092	-	-
Inventory	98,396	518,801	617,197	-
Prepaid items	851,170	868	852,038	37,133
Net pension asset	1,416,335	-	1,416,335	-
Capital assets not being depreciated	1,332,769	12,060,447	13,393,216	381,805
Capital assets being depreciated, net	22,801,169	29,565,155	52,366,324	735,354
Total assets	44,388,778	61,482,513	105,871,291	2,146,485
Deferred outflows of resources				
Deferred charge on refunding	-	16,272	16,272	-
Deferred pension amounts	760,207	373,797	1,134,004	-
Total deferred outflows of resources	760,207	390,069	1,150,276	-
Liabilities				
Accounts payable and accrued liabilities	1,178,454	3,510,795	4,689,249	114,002
Unearned revenue	199,932	7,444	207,376	8,900
Long-term debt:				
Compensated absences, due within one year	171,394	41,942	213,336	6,025
Compensated absences, due in more than one year	763,722	220,899	984,621	-
General obligation bonds, due within one year	-	493,561	493,561	-
General obligation bonds, due in more than one year	-	12,636,952	12,636,952	-
Net pension liability, due in more than one year	8,258,297	5,200,466	13,458,763	-
Total liabilities	10,571,799	22,112,059	32,683,858	128,927
Deferred inflows of resources				
Deferred pension amounts	5,019,515	424,022	5,443,537	-
Net position				
Net investment in capital assets	24,133,938	28,511,361	52,645,299	1,117,159
Restricted for:				
Public safety	41,364	-	41,364	-
Streets, highways and public works	3,107,172	-	3,107,172	-
Community development	3,311,748	-	3,311,748	-
Brownfield	35,518	-	35,518	-
Capital improvements	160,288	-	160,288	-
Energy optimization and renewable energy	-	455,743	455,743	-
Gas permanent fund (nonexpendable)	1,094,635	-	1,094,635	-
Unrestricted (deficit)	(2,326,992)	10,369,397	8,042,405	900,399
Total net position	\$ 29,557,671	\$ 39,336,501	\$ 68,894,172	\$ 2,017,558

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

CITY OF ESCANABA, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

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	\$ 1,157,051	\$ 191,077	\$ 645,900	\$ -	\$ (320,074)
Public safety	3,872,348	834,187	-	-	(3,038,161)
Highways, streets and public works	2,507,540	14,694	1,888,526	-	(604,320)
Sanitation	810,214	228,463	-	-	(581,751)
Community services	94,550	-	-	-	(94,550)
Recreation and culture	1,625,408	98,111	30,656	-	(1,496,641)
Community and economic development	540,345	76,485	84,590	61,540	(317,730)
Other functions	3,937	-	-	-	(3,937)
Interest on long-term debt	15,317	-	-	-	(15,317)
Total governmental activities	10,626,710	1,443,017	2,649,672	61,540	(6,472,481)
Business-type activities:					
Electric utility	12,953,865	13,771,852	-	-	817,987
Waste water utility	1,886,091	2,602,497	-	-	716,406
Water utility	2,616,808	4,539,056	50,366	-	1,972,614
Marina	235,195	203,810	-	-	(31,385)
Total business-type activities	17,691,959	21,117,215	50,366	-	3,475,622
Total primary government	\$ 28,318,669	\$ 22,560,232	\$ 2,700,038	\$ 61,540	\$ (2,996,859)
Component unit					
Escanaba Housing Commission	\$ 1,025,706	\$ 702,060	\$ 258,679	\$ -	\$ (64,967)

continued...

CITY OF ESCANABA, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net revenue (expense)	\$ (6,472,481)	\$ 3,475,622	\$ (2,996,859)	\$ (64,967)
General revenues:				
Property taxes	5,895,765	-	5,895,765	-
State shared revenues	1,588,283	-	1,588,283	-
Unrestricted grants and contributions	204,082	-	204,082	-
Unrestricted investment earnings	186,231	72,524	258,755	7,387
Gain on sale of capital assets	-	14,119	14,119	-
Transfers - internal activities	765,790	(765,790)	-	-
Total general revenues and transfers	8,640,151	(679,147)	7,961,004	7,387
Change in net position	2,167,670	2,796,475	4,964,145	(57,580)
Net position, beginning of year, as restated	27,390,001	36,540,026	63,930,027	2,075,138
Net position, end of year	<u>\$ 29,557,671</u>	<u>\$ 39,336,501</u>	<u>\$ 68,894,172</u>	<u>\$ 2,017,558</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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents and investments	\$ 6,292,927	\$ 9,333,171	\$ 15,626,098
Accounts receivable	92,117	37,691	129,808
Loans receivable	-	55,012	55,012
Accrued interest receivable	4,094	12,136	16,230
Other receivables	31,178	4,077	35,255
Due from other governments	336,722	617,779	954,501
Prepaid items	208,377	891	209,268
Inventory	98,396	-	98,396
Advances to other funds	111,720	457,494	569,214
Total assets	\$ 7,175,531	\$ 10,518,251	\$ 17,693,782
Liabilities			
Negative equity in pooled cash and investments	\$ -	\$ 116,742	\$ 116,742
Accounts payable	266,411	287,433	553,844
Accrued liabilities	417,762	-	417,762
Due to other governments	58,903	-	58,903
Unearned revenue	166,502	31,480	197,982
Advance from other funds	101,098	271,488	372,586
Total liabilities	1,010,676	707,143	1,717,819
Fund balances			
Nonspendable	418,493	1,095,526	1,514,019
Restricted	-	6,656,090	6,656,090
Committed	-	2,059,492	2,059,492
Unassigned	5,746,362	-	5,746,362
Total fund balances	6,164,855	9,811,108	15,975,963
Total liabilities and fund balances	\$ 7,175,531	\$ 10,518,251	\$ 17,693,782

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, 2021

Fund balances - total governmental funds	\$ 15,975,963
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Capital assets not being depreciated	1,332,769
Capital assets being depreciated, net	22,801,169
Capital assets accounted for in internal service funds, net	(4,893,562)
Internal service funds are used by management to charge the costs of certain employee benefits, building rental costs and equipment usage to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	
	6,335,480
Certain pension-related amounts, such as the net pension asset/liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension asset	1,416,335
Net pension liability	(8,258,297)
Deferred outflows related to the net pension asset/liability	760,207
Deferred inflows related to the net pension asset/liability	(5,019,515)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(935,116)
Compensated absences accounted for in internal service funds	42,238
Net position of governmental activities	<u>\$ 29,557,671</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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,562,029	\$ 333,736	\$ 5,895,765
Intergovernmental	2,181,455	2,039,281	4,220,736
Charges for services	164,906	1,077,344	1,242,250
Fines and fees	183,591	101,528	285,119
Investment earnings	72,067	67,063	139,130
Other revenues	78,947	119,542	198,489
Total revenues	8,242,995	3,738,494	11,981,489
Expenditures			
General government	1,028,613	-	1,028,613
Public safety	4,448,241	833,594	5,281,835
Highway, streets & public works	668,996	1,629,029	2,298,025
Sanitation	806,451	3,763	810,214
Community services	27,501	-	27,501
Recreation and culture	930,478	575,832	1,506,310
Community and economic development	107,494	520,832	628,326
Other functions	3,937	-	3,937
Total expenditures	8,021,711	3,563,050	11,584,761
Revenues over expenditures	221,284	175,444	396,728
Other financing sources (uses)			
Transfers in	1,180,665	632,688	1,813,353
Transfers out	(565,688)	(591,675)	(1,157,363)
Total other financing sources (uses)	614,977	41,013	655,990
Net change in fund balances	836,261	216,457	1,052,718
Fund balances, beginning of year, as restated	5,328,594	9,594,651	14,923,245
Fund balances, end of year	\$ 6,164,855	\$ 9,811,108	\$ 15,975,963

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, 2021

Net change in fund balances - total governmental funds \$ 1,052,718

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	1,225,403
Less: purchase/construction of capital assets being accounted for in internal service funds	(258,540)
Depreciation expense	(1,590,361)
Less: depreciation expense being accounted for in internal service funds	407,040

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	(10,920)
Net nonoperating revenues (expenses) from governmental internal service funds	31,784
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	1,254,385
Change in accrual of compensated absences	(55,103)
Change in accrual of compensated absences accounted for in internal service funds	1,464

Change in net position of governmental activities \$ 2,167,670

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 5,427,200	\$ 5,570,200	\$ 5,562,029	\$ (8,171)
Intergovernmental	1,575,000	1,575,300	2,181,455	606,155
Charges for services	166,150	166,150	164,906	(1,244)
Fines and fees	175,000	175,000	183,591	8,591
Investment earnings	60,000	60,000	72,067	12,067
Other revenues	29,100	28,800	78,947	50,147
Total revenues	7,432,450	7,575,450	8,242,995	667,545
Expenditures				
General government:				
City Council	35,370	35,370	23,836	(11,534)
City Manager	284,025	284,025	268,754	(15,271)
Elections	29,400	31,900	30,192	(1,708)
City Controller	357,334	365,334	362,055	(3,279)
Auditors	20,625	20,625	19,250	(1,375)
Assessors	217,478	317,478	265,338	(52,140)
Attorneys	76,700	80,700	80,229	(471)
City Clerk	239,286	239,286	189,556	(49,730)
Human Resources	90,652	90,652	81,664	(8,988)
Board of Review	2,250	2,250	1,897	(353)
City Treasurer	259,040	264,040	252,282	(11,758)
Information technology	-	40,500	38,854	(1,646)
Billing	371,314	371,314	343,477	(27,837)
City Hall and Grounds	81,252	81,252	81,252	-
Bad Debt	-	59,500	59,491	(9)
Less: overhead to utilities	(1,110,959)	(1,123,809)	(1,069,514)	54,295
Total general government	953,767	1,160,417	1,028,613	(131,804)
Public safety:				
Public Safety	4,408,055	4,408,055	4,323,124	(84,931)
Community Preservation	77,367	80,367	82,545	2,178
Crossing Guards	42,200	42,200	42,572	372
Total public safety	4,527,622	4,530,622	4,448,241	(82,381)
Highway, streets & public works:				
Care of trees & shrubs	145,866	175,866	149,130	(26,736)
Sidewalks	11,325	11,325	13,412	2,087
Engineer	329,168	336,168	327,235	(8,933)
Street lighting	167,000	167,000	160,476	(6,524)
Cross walks	5,000	5,000	4,094	(906)
Alley maintenance	5,058	15,058	14,649	(409)
Total highway, streets & public works	663,417	710,417	668,996	(41,421)

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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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (Continued)				
Sanitation:				
Solid waste collection	\$ 464,708	\$ 524,708	\$ 516,019	\$ (8,689)
Composting	68,441	68,441	52,137	(16,304)
Snowplowing for garbage collection	21,377	21,377	3,203	(18,174)
Sanitary landfill	235,000	240,000	235,092	(4,908)
Total sanitation	<u>789,526</u>	<u>854,526</u>	<u>806,451</u>	<u>(48,075)</u>
Community services:				
Community promotional	5,975	7,475	6,353	(1,122)
Community services	21,148	21,148	21,148	-
Total community services	<u>27,123</u>	<u>28,623</u>	<u>27,501</u>	<u>(1,122)</u>
Recreation and culture:				
Civic center	63,559	63,559	58,930	(4,629)
Celebration flags	2,649	2,649	2,436	(213)
Fourth of July	22,908	30,908	25,375	(5,533)
Recreation administration	603,556	603,556	523,279	(80,277)
Parks	263,166	268,166	256,889	(11,277)
Band	41,260	41,260	32,208	(9,052)
Tourism promotion	31,425	31,425	20,603	(10,822)
Boat launches	12,353	14,353	10,758	(3,595)
Total recreation and culture	<u>1,040,876</u>	<u>1,055,876</u>	<u>930,478</u>	<u>(125,398)</u>
Community and economic development:				
Planning Commission	5,000	5,000	1,244	(3,756)
Zoning	123,551	123,551	106,250	(17,301)
Total community and economic development	<u>128,551</u>	<u>128,551</u>	<u>107,494</u>	<u>(21,057)</u>
Other functions:				
Insurance & bonds	5,000	5,000	3,937	(1,063)
Total expenditures	<u>8,135,882</u>	<u>8,474,032</u>	<u>8,021,711</u>	<u>(452,321)</u>
Revenues over (under) expenditures	<u>(703,432)</u>	<u>(898,582)</u>	<u>221,284</u>	<u>1,119,866</u>

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Other financing sources (uses)				
Transfers in	\$ 1,102,490	\$ 1,202,490	\$ 1,180,665	\$ (21,825)
Transfers out	(568,000)	(568,000)	(565,688)	(2,312)
Total other financing sources (uses)	<u>534,490</u>	<u>634,490</u>	<u>614,977</u>	<u>(19,513)</u>
Net change in fund balance	(168,942)	(264,092)	836,261	1,100,353
Fund balance, beginning of year	<u>4,477,487</u>	<u>5,328,594</u>	<u>5,328,594</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,308,545</u>	<u>\$ 5,064,502</u>	<u>\$ 6,164,855</u>	<u>\$ 1,100,353</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, 2021

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Assets			
Current assets:			
Cash and cash equivalents and investments	\$ 9,823,038	\$ -	\$ 3,850,390
Accrued interest receivable	17,816	5,700	-
Receivables, net	1,708,394	420,455	693,239
Inventory	337,827	15,247	146,879
Due from other governments	2,247	2,989,470	50,366
Prepaid items	1	1	866
Total current assets	11,889,323	3,430,873	4,741,740
Noncurrent assets:			
Advance to other funds	476,098	-	-
Capital assets not being depreciated	75,359	11,979,488	5,600
Capital assets being depreciated, net	9,621,979	6,475,207	11,969,355
Total noncurrent assets	10,173,436	18,454,695	11,974,955
Total assets	22,062,759	21,885,568	16,716,695
Deferred outflows of resources			
Deferred charge on refunding	-	-	16,272
Deferred pension amounts	166,390	103,123	103,123
Total deferred outflows of resources	166,390	103,123	119,395
Liabilities			
Current liabilities:			
Negative equity in pooled cash and investments	-	690,618	-
Accounts payable and accrued liabilities	1,097,168	2,187,479	119,662
Accrued interest	-	70,000	16,120
Unearned revenue	-	-	1,592
Current portion of compensated absences	16,692	10,539	14,711
Current portion of bonds payable	-	-	475,000
Total current liabilities	1,113,860	2,958,636	627,085
Noncurrent liabilities:			
Advance from other funds	-	-	-
Compensated absences, net of current portion	92,861	56,996	71,042
Bonds payable, net of current portion	-	9,552,999	3,102,514
Net pension liability	2,314,907	1,434,704	1,434,704
Total noncurrent liabilities	2,407,768	11,044,699	4,608,260
Total liabilities	3,521,628	14,003,335	5,235,345
Deferred inflows of resources			
Deferred pension amounts	188,747	116,979	116,979
Net position			
Net investment in capital assets	9,697,338	8,901,696	8,413,713
Restricted for electric utility energy efficiency	455,743	-	-
Unrestricted (deficit)	8,365,693	(1,033,319)	3,070,053
Total net position	\$ 18,518,774	\$ 7,868,377	\$ 11,483,766

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
\$ 171,206	\$ 13,844,634	\$ 1,483,216
281	23,797	2,277
5,166	2,827,254	47,750
18,848	518,801	-
-	3,042,083	-
-	868	641,902
<u>195,501</u>	<u>20,257,437</u>	<u>2,175,145</u>
-	476,098	-
-	12,060,447	625,731
<u>1,498,614</u>	<u>29,565,155</u>	<u>4,267,831</u>
<u>1,498,614</u>	<u>42,101,700</u>	<u>4,893,562</u>
<u>1,694,115</u>	<u>62,359,137</u>	<u>7,068,707</u>
-	16,272	-
<u>1,161</u>	<u>373,797</u>	<u>-</u>
<u>1,161</u>	<u>390,069</u>	<u>-</u>
-	690,618	54,374
20,366	3,424,675	147,945
-	86,120	-
5,852	7,444	1,950
-	41,942	10,940
-	475,000	-
<u>26,218</u>	<u>4,725,799</u>	<u>215,209</u>
186,006	186,006	486,720
-	220,899	31,298
-	12,655,513	-
<u>16,151</u>	<u>5,200,466</u>	<u>-</u>
<u>202,157</u>	<u>18,262,884</u>	<u>518,018</u>
<u>228,375</u>	<u>22,988,683</u>	<u>733,227</u>
<u>1,317</u>	<u>424,022</u>	<u>-</u>
1,498,614	28,511,361	4,893,562
-	455,743	-
<u>(33,030)</u>	<u>10,369,397</u>	<u>1,441,918</u>
<u>\$ 1,465,584</u>	<u>\$ 39,336,501</u>	<u>\$ 6,335,480</u>

CITY OF ESCANABA, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Operating revenues			
Charges for services	\$ 13,685,543	\$ 2,592,208	\$ 4,500,142
Provisions for self-insurance	-	-	-
Other revenue	86,309	10,289	38,914
Total operating revenues	<u>13,771,852</u>	<u>2,602,497</u>	<u>4,539,056</u>
Operating expenses			
Production	9,585,704	-	-
Personnel services	947,874	808,209	751,261
Overhead	930,354	209,953	219,010
Fuel	-	606	578
Contracted services	112,113	140,356	397,739
Insurance	234,387	80,304	30,021
Bank charges	4,188	-	-
Dues and training	91,512	3,087	8,878
Sales and promotion	249,016	412	4,537
Repairs and maintenance	54,501	67,948	229,535
Claims	-	-	-
Equipment rental	6,724	35,138	28,925
Depreciation	696,501	299,395	487,871
Supplies	23,777	114,152	210,082
Bad debt	7,902	1,479	2,589
Other	9,312	19,295	43,102
Total operating expenses	<u>12,953,865</u>	<u>1,780,334</u>	<u>2,414,128</u>
Operating income (loss)	<u>817,987</u>	<u>822,163</u>	<u>2,124,928</u>
Nonoperating revenues (expenses)			
Gain on sale of capital assets	14,119	-	-
Intergovernmental	-	-	50,366
Investment earnings (loss)	65,347	(28,467)	32,097
Interest expense	-	(105,757)	(202,680)
Total nonoperating revenues (expenses)	<u>79,466</u>	<u>(134,224)</u>	<u>(120,217)</u>
Income (loss) before transfers	897,453	687,939	2,004,711
Transfers in	-	-	-
Transfers out	(765,790)	-	-
Change in net position	<u>131,663</u>	<u>687,939</u>	<u>2,004,711</u>
Net position, beginning of year	<u>18,387,111</u>	<u>7,180,438</u>	<u>9,479,055</u>
Net position, end of year	<u>\$ 18,518,774</u>	<u>\$ 7,868,377</u>	<u>\$ 11,483,766</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
\$ 203,647	\$ 20,981,540	\$ 1,167,562
-	-	376,078
163	135,675	194,803
<u>203,810</u>	<u>21,117,215</u>	<u>1,738,443</u>
-	9,585,704	-
68,622	2,575,966	378,877
-	1,359,317	64,569
57,602	58,786	100,588
17,357	667,565	128,361
1,642	346,354	234,251
-	4,188	-
-	103,477	1,742
-	253,965	1,283
2,988	354,972	306,790
-	-	34,054
4,714	75,501	4,377
69,939	1,553,706	407,040
2,391	350,402	67,530
-	11,970	-
3,887	75,596	19,901
<u>229,142</u>	<u>17,377,469</u>	<u>1,749,363</u>
(25,332)	3,739,746	(10,920)
-	14,119	-
-	50,366	-
3,547	72,524	47,101
(6,053)	(314,490)	(15,317)
<u>(2,506)</u>	<u>(177,481)</u>	<u>31,784</u>
(27,838)	3,562,265	20,864
-	-	149,000
-	(765,790)	(39,200)
(27,838)	2,796,475	130,664
<u>1,493,422</u>	<u>36,540,026</u>	<u>6,204,816</u>
<u>\$ 1,465,584</u>	<u>\$ 39,336,501</u>	<u>\$ 6,335,480</u>

CITY OF ESCANABA, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Electric Utility Fund	Waste Water Utility Fund	Water Utility Fund
Cash flows from operating activities			
Cash received from customers	\$ 13,646,877	\$ 3,705,810	\$ 4,369,510
Cash received from interfund services	-	-	-
Cash payments to employees	(1,013,066)	(897,822)	(764,364)
Cash payments to suppliers	(11,272,554)	(547,508)	(1,021,249)
Net cash provided by (used in) operating activities	<u>1,361,257</u>	<u>2,260,480</u>	<u>2,583,897</u>
Cash flows from noncapital financing activities			
Intergovernmental receipts	-	-	50,366
Repayment on advance from other funds	-	-	-
Receipt on advance to other funds	132,570	-	-
Transfers in	-	-	-
Transfers out	(765,790)	-	-
Net cash provided by (used in) noncapital financing activities	<u>(633,220)</u>	<u>-</u>	<u>50,366</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	17,947	-	-
Purchase of capital assets	(391,648)	(9,289,062)	(202,414)
Proceeds from issuance of long-term debt	-	6,021,079	-
Proceeds from issuance of long-term debt - refunding bonds	-	-	1,710,000
Premium on issuance of long-term debt	-	-	185,607
Payment to refunding bond escrow agent	-	-	(1,831,548)
Principal payments	-	-	(470,000)
Interest payments	-	(35,757)	(220,407)
Net cash used in capital and related financing activities	<u>(373,701)</u>	<u>(3,303,740)</u>	<u>(828,762)</u>
Cash flows from investing activities			
Interest received on investments	75,140	-	34,630
Net change in cash and cash equivalents and investments	<u>429,476</u>	<u>(1,043,260)</u>	<u>1,840,131</u>
Cash and cash equivalents and investments, beginning of year	<u>9,393,562</u>	<u>1,043,260</u>	<u>2,010,259</u>
Cash and cash equivalents and investments, end of year	<u>\$ 9,823,038</u>	<u>\$ -</u>	<u>\$ 3,850,390</u>

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Marina Fund	Total	Internal Service Funds
\$ 218,902	\$ 21,941,099	\$ -
-	-	1,800,134
-	(2,675,252)	(377,413)
<u>(159,416)</u>	<u>(13,000,727)</u>	<u>(1,504,939)</u>
59,486	6,265,120	(82,218)
-	50,366	-
(15,753)	(15,753)	(141,907)
-	132,570	-
-	-	149,000
-	(765,790)	(39,200)
<u>(15,753)</u>	<u>(598,607)</u>	<u>(32,107)</u>
-	17,947	-
-	(9,883,124)	(258,540)
-	6,021,079	-
-	1,710,000	-
-	185,607	-
-	(1,831,548)	-
-	(470,000)	-
<u>(6,053)</u>	<u>(262,217)</u>	<u>(15,317)</u>
<u>(6,053)</u>	<u>(4,512,256)</u>	<u>(273,857)</u>
3,716	113,486	48,725
41,396	1,267,743	(339,457)
<u>129,810</u>	<u>12,576,891</u>	<u>1,822,673</u>
<u>\$ 171,206</u>	<u>\$ 13,844,634</u>	<u>\$ 1,483,216</u>

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CITY OF ESCANABA, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2021

	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)	\$ 817,987	\$ 822,163	\$ 2,124,928
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	696,501	299,395	487,871
Changes in operating assets and liabilities that provided (used) cash:			
Receivables, net	(124,047)	(129,755)	(119,211)
Due from other governments	(928)	542,450	(50,366)
Due from other funds	-	-	-
Prepaid items	(1)	(1)	(866)
Inventory	(52,866)	1,674	10,812
Negative equity in pooled cash and investments	-	690,618	-
Accounts payable and accrued liabilities	(12,939)	6,570	106,631
Due to other funds	-	-	-
Compensated absences	(13,871)	8,781	5,482
Unearned revenue	-	-	31
Due to other funds	-	-	-
Net pension liability	(129,845)	(94,681)	(94,681)
Deferred outflows of resources related to the net pension liability	(7,481)	(3,713)	(3,713)
Deferred inflows of resources related to the net pension liability	188,747	116,979	116,979
Net cash provided by (used in) operating activities	<u>\$ 1,361,257</u>	<u>\$ 2,260,480</u>	<u>\$ 2,583,897</u>
Noncash capital and related financing activities			
Change in due from other governments related to change in long-term debt	\$ -	\$ 2,989,470	\$ -
Change in accounts payable related to capital asset additions	-	(1,423,074)	-
Net noncash capital and related financing activities	<u>\$ -</u>	<u>\$ 1,566,396</u>	<u>\$ -</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
\$ (25,332)	\$ 3,739,746	\$ (10,920)
69,939	1,553,706	407,040
12,092	(360,921)	1,068
-	491,156	-
-	-	6,249
-	(868)	15,264
(4,673)	(45,053)	-
-	690,618	54,374
8,371	108,633	(342,895)
(4,344)	(4,344)	-
-	392	1,464
3,000	3,031	-
-	-	(213,862)
(826)	(320,033)	-
(58)	(14,965)	-
1,317	424,022	-
<u>\$ 59,486</u>	<u>\$ 6,265,120</u>	<u>\$ (82,218)</u>
\$ -	\$ 2,989,470	\$ -
-	(1,423,074)	-
<u>\$ -</u>	<u>\$ 1,566,396</u>	<u>\$ -</u>

concluded

CITY OF ESCANABA, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	Pension Trust Fund	Tax Collection Custodial Fund
Assets		
Cash and investments (mutual funds)	\$ 38,284,839	\$ 7,989
Liabilities		
Undistributed receipts	-	7,989
Net position		
Restricted for retiree pension benefits	<u>\$ 38,284,839</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, 2021

	Pension Trust Fund	Tax Collection Custodial Fund
Additions		
Investment earnings:		
Net appreciation in fair value of investments	\$ 7,496,297	\$ -
Dividends	1,521,012	-
Interest	1,649	-
Total investment earnings	<u>9,018,958</u>	<u>-</u>
Contributions:		
Employer	726,596	-
Plan members	76,756	-
Total contributions	<u>803,352</u>	<u>-</u>
Property tax collections for other governments	<u>-</u>	<u>10,010,288</u>
Total additions	<u>9,822,310</u>	<u>10,010,288</u>
Deductions		
Benefit payments	2,132,166	-
General and administrative expense	16,428	-
Property tax distributions to other governments	<u>-</u>	<u>10,010,288</u>
Total deductions	<u>2,148,594</u>	<u>10,010,288</u>
Change in net position	7,673,716	-
Net position, beginning of year	<u>30,611,123</u>	<u>-</u>
Net position, end of year	<u>\$ 38,284,839</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.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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.

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, 2020 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.

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 *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.

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).

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

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, 2021, the electric utility fund is shown net of an estimated allowance for uncollectible accounts of \$47,147. 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."

Inventories

Inventories are valued using the weighted average method. Inventories of governmental funds are recorded as an 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. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

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 position 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 position 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.

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 asset/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, 2021, 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			
Public safety:			
Community Preservation	\$ 80,367	\$ 82,545	\$ 2,178
Crossing Guards	42,200	42,572	372
Highway, streets & public works:			
Sidewalks	11,325	13,412	2,087

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 \$29,557,671 and deficit in unrestricted net position of \$2,326,992 at June 30, 2021. The Waste water enterprise fund reported total net position of \$7,868,377, and a deficit unrestricted fund net position of \$1,033,319. The nonmajor Marina enterprise fund reported total net position of \$1,465,584, and a deficit unrestricted fund net position of \$33,030. The Escanaba Building Authority and Motor Vehicle internal service funds reported a total net position of \$3,238,413 and \$1,125,540, respectively, and deficit unrestricted net position of \$181,955 and \$141,772, respectively.

5. CASH AND INVESTMENTS

Following is a reconciliation of deposit and investment balances as of June 30, 2021:

	Primary Government	Component Unit	Total
Statement of Net Position			
Cash and cash equivalents and investments	\$ 30,092,214	\$ 984,165	\$ 31,076,379
Statement of Fiduciary Net Position			
Cash and investments (mutual funds)	38,292,828	-	38,292,828
Total	<u>\$ 68,385,042</u>	<u>\$ 984,165</u>	<u>\$ 69,369,207</u>
Deposits and Investments			
Bank deposits:			
Checking / savings accounts			\$ 3,187,592
Certificates of deposit:			
Due in one to five years			6,808,199
Investment in securities and mutual funds:			
Pooled investments			59,368,781
Cash on hand			4,635
Total			<u>\$ 69,369,207</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$8,067,865 of the City's bank balance of \$9,071,100, excluding amounts in the discretely presented component unit, was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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, 2021, the City's pooled investments consisted entirely of United States Government backed securities and equity/mutual funds totaling \$20,675,428 and \$38,693,353, 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	\$ 38,693,353
S&P AA+	<u>20,675,428</u>
Total	<u><u>\$ 59,368,781</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	\$ 38,693,353
Due within 1 year	999,370
Due within 1-5 years	9,698,848
Due within 6-10 years	6,997,781
Due within 10+ years	<u>2,979,429</u>
Total	<u><u>\$ 59,368,781</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, 2021:

	Governmental Activities	Business-type Activities	Component Unit
Accounts receivable	\$ 177,558	\$ 2,874,401	\$ 8,028
Loans receivable	55,012	-	-
Accrued interest receivable	18,507	23,797	-
Other receivables	35,255	-	-
Due from other governmental units	954,501	3,042,083	-
Allowance for uncollectable	-	(47,147)	-
	<u>\$ 1,240,833</u>	<u>\$ 5,893,134</u>	<u>\$ 8,028</u>

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, 2021, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 1,332,769	\$ -	\$ -	\$ -	\$ 1,332,769
Capital assets being depreciated:					
Land improvements	6,205,471	106,756	-	-	6,312,227
Infrastructure	24,401,458	766,658	-	-	25,168,116
Buildings and improvements	11,161,501	126,514	-	-	11,288,015
Vehicles and equipment	9,175,528	225,475	-	-	9,401,003
Parking lots	439,709	-	-	-	439,709
	<u>51,383,667</u>	<u>1,225,403</u>	<u>-</u>	<u>-</u>	<u>52,609,070</u>
Less accumulated depreciation for:					
Land improvements	(3,172,551)	(181,386)	-	-	(3,353,937)
Infrastructure	(11,641,073)	(810,137)	-	-	(12,451,210)
Buildings and improvements	(5,985,394)	(258,212)	-	-	(6,243,606)
Vehicles and equipment	(7,128,159)	(328,055)	-	-	(7,456,214)
Parking lots	(290,363)	(12,571)	-	-	(302,934)
	<u>(28,217,540)</u>	<u>(1,590,361)</u>	<u>-</u>	<u>-</u>	<u>(29,807,901)</u>
Total capital assets being depreciated, net	<u>23,166,127</u>	<u>(364,958)</u>	<u>-</u>	<u>-</u>	<u>22,801,169</u>
Governmental activities capital assets, net	<u>\$ 24,498,896</u>	<u>\$ (364,958)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,133,938</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	1,765,494	10,247,958	-	(9,958)	12,003,494
	<u>1,822,447</u>	<u>10,247,958</u>	<u>-</u>	<u>(9,958)</u>	<u>12,060,447</u>
Capital assets being depreciated:					
Land improvements	2,196,146	-	-	-	2,196,146
Buildings and improvements	23,370,922	85,166	-	-	23,456,088
Electricity generating equipment	1,682,060	14,121	(3,828)	-	1,692,353
Transmission and distribution systems	31,663,459	785,972	(41,687)	9,958	32,417,702
Other machinery and equipment	2,397,823	172,981	-	-	2,570,804
	<u>61,310,410</u>	<u>1,058,240</u>	<u>(45,515)</u>	<u>9,958</u>	<u>62,333,093</u>
Less accumulated depreciation for:					
Land improvements	(1,204,227)	(47,831)	-	-	(1,252,058)
Buildings and improvements	(12,234,346)	(521,717)	-	-	(12,756,063)
Electric Generating equipment	(111,559)	(68,591)	-	-	(180,150)
Transmission and distribution systems	(16,220,562)	(827,728)	41,687	-	(17,006,603)
Other machinery and equipment	(1,485,225)	(87,839)	-	-	(1,573,064)
	<u>(31,255,919)</u>	<u>(1,553,706)</u>	<u>41,687</u>	<u>-</u>	<u>(32,767,938)</u>
Total capital assets being depreciated, net	<u>30,054,491</u>	<u>(495,466)</u>	<u>(3,828)</u>	<u>9,958</u>	<u>29,565,155</u>
Business-type activities capital assets, net	<u>\$ 31,876,938</u>	<u>\$ 9,752,492</u>	<u>\$ (3,828)</u>	<u>\$ -</u>	<u>\$ 41,625,602</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Depreciation expense for the year ended June 30, 2021 was charged to functions/programs of the primary government as follows:

	Amount
Depreciation of governmental activities by function	
General government	\$ 530
Public safety	83,766
Highway, streets & public works	830,786
Recreation and culture	201,190
Community and economic development	67,049
Capital assets held by the governmental activity internal service funds are charged to the various functions based on their usage of the assets	<u>407,040</u>
	<u>\$ 1,590,361</u>
	Amount
Depreciation of business-type activities by function	
Electric utility	\$ 696,501
Waste water utility	299,395
Water utility	487,871
Marina	<u>69,939</u>
	<u>\$ 1,553,706</u>

At June 30, 2021, the City has approximately \$2,595,000 in commitments related to the construction in progress 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, 2020, 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	-	-	1,633
	<u>380,172</u>	<u>1,633</u>	<u>-</u>	<u>-</u>	<u>381,805</u>
Capital assets being depreciated:					
Buildings and improvements	8,255,683	33,583	-	-	8,289,266
Machinery and equipment	314,739	7,370	-	-	322,109
	<u>8,570,422</u>	<u>40,953</u>	<u>-</u>	<u>-</u>	<u>8,611,375</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,375,933)	(199,630)	-	-	(7,575,563)
Machinery and equipment	(290,123)	(10,335)	-	-	(300,458)
	<u>(7,666,056)</u>	<u>(209,965)</u>	<u>-</u>	<u>-</u>	<u>(7,876,021)</u>
Total capital assets being depreciated, net	<u>904,366</u>	<u>(169,012)</u>	<u>-</u>	<u>-</u>	<u>735,354</u>
Component unit capital assets, net	<u>\$ 1,284,538</u>	<u>\$ (167,379)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,159</u>

Depreciation expense for the component unit, included in the statement of activities, was \$209,965 for the year ended September 30, 2020.

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, 2021:

	Governmental Activities	Business-type Activities	Component Unit
Accounts payable and accrued liabilities	\$ 1,119,551	\$ 3,424,675	\$ 114,002
Due to other governmental units	58,903	-	-
Accrued interest	-	86,120	-
	<u>\$ 1,178,454</u>	<u>\$ 3,510,795</u>	<u>\$ 114,002</u>

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, was as follows:

Advances to and from other funds

	Advance to Other Funds	Advance From Other Funds
General fund	\$ 111,720	\$ 101,098
Nonmajor governmental funds	457,494	271,488
Electric utility fund	476,098	-
Nonmajor enterprise fund	-	186,006
Internal service funds	-	486,720
	<u>\$ 1,045,312</u>	<u>\$ 1,045,312</u>

For the year ended June 30, 2021, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General fund	\$ 1,180,665	\$ 565,688
Nonmajor governmental funds	632,688	591,675
Electric utility fund	-	765,790
Internal service funds	149,000	39,200
	<u>\$ 1,962,353</u>	<u>\$ 1,962,353</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. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Primary Government					
Governmental activities:					
Compensated absences	\$ 880,013	\$ 512,930	\$ (457,827)	\$ 935,116	\$ 171,394
Business-type activities:					
Revenue and refunding bonds (direct placement)	4,512,450	10,720,549	(2,285,000)	12,947,999	475,000
Unamortized bond premium	-	185,607	(3,093)	182,514	18,561
Compensated absences	262,449	137,281	(136,889)	262,841	41,942
Total business-type activities	4,774,899	10,857,830	(2,421,889)	13,393,354	535,503
Total primary government	\$ 5,654,912	\$ 11,370,760	\$ (2,879,716)	\$ 14,328,470	\$ 706,897

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, 2021 are as follows:

Purpose	Matures	Interest Rates	Amount
Business-type activities			
2002 Water utility - revenue bonds	October 2023	2.25%	\$ 505,000
2009 Water utility - revenue bonds	October 2027	2.13%	1,180,000
2020 Waste water utility - revenue bonds	April 2042	2.00%	9,552,999
2021 Water refunding bonds	May 2031	2.00%-3.00%	1,710,000
			<u>\$ 12,947,999</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Refunding. During 2021, the City issued \$1,710,000 of 2021 Refunding Bonds to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for payment of \$1,815,000 of the 2010 Capital Improvement Bonds. As a result of the refunding, the bonds are considered defeased and the liability has been removed from the statement of net position. The refunding resulted in a savings of \$202,363 and an economic gain of \$193,270. As the bonds were called on June 25, 2021, no refunded bonds remain outstanding at June 30, 2021.

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2022	\$ 475,000	\$ 357,348
2023	1,060,000	350,000
2024	1,085,000	327,697
2025	935,000	307,013
2026	950,000	286,450
2027-2031	4,520,000	1,126,597
2032-2036	3,585,000	696,400
2037-2041	3,950,000	323,500
2042	835,000	16,700
Less: amounts not drawn	(4,447,001)	-
	<u>\$ 12,947,999</u>	<u>\$ 3,791,705</u>

11. 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.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

12. PROPERTY TAXES

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

The City is permitted by charter and state law to levy taxes up to \$20.00 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2021 was \$17.00 per \$1,000 of taxable value.

13. 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, 2020 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	120
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>26</u>
Total membership	<u><u>161</u></u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2021:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - Teamsters	\$44,137/month	0.00%	Closed
10 - General Elct	\$27,242/month	0.00%	Closed
11 - Non Union	\$58,443/month	0.00%	Closed
12 - Dispatchers	25.57%	0.00%	Open
13 - Part Time	\$295/month	0.00%	Closed
14 - Water/Wastewater Teamsters	\$26,839/month	0.00%	Closed

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

Actuarial Assumptions. The total pension liability in the December 31, 2020 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	7.35%, 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, 2020 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%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	<u>20.0%</u>	7.25%	1.45%
	<u><u>100.00%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2020 was 7.6%. 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, 2019	\$ 37,790,433	\$ 23,642,564	\$ 14,147,869
Changes for the year:			
Service cost	139,731	-	139,731
Interest	2,771,699	-	2,771,699
Differences between expected and actual experience	312,082	-	312,082
Changes in assumptions	1,149,101	-	1,149,101
Employer contributions	-	1,857,585	(1,857,585)
Net investment income	-	3,251,094	(3,251,094)
Benefit payments, including refunds of employee contributions	(2,781,148)	(2,781,148)	-
Administrative expense	-	(46,960)	46,960
Net changes	<u>1,591,465</u>	<u>2,280,571</u>	<u>(689,106)</u>
Balances at December 31, 2020	<u>\$ 39,381,898</u>	<u>\$ 25,923,135</u>	<u>\$ 13,458,763</u>

Changes in assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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 7.6%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
Net pension liability	\$ 17,561,290	\$ 13,458,763	\$ 9,979,175

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, 2021, the City recognized pension expense of \$2,302,625. 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	\$ -	\$ 1,097,365	\$ (1,097,365)
Contributions subsequent to the measurement date	967,382	-	967,382
Total	<u>\$ 967,382</u>	<u>\$ 1,097,365</u>	<u>\$ (129,983)</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, 2022. 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
2022	\$ (231,258)
2023	(27,577)
2024	(540,303)
2025	<u>(298,227)</u>
Total	<u>\$ (1,097,365)</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Payable to the Pension Plan. At June 30, 2021, the City reported a payable of \$161,638 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, 2020 valuation date, Plan membership consisted of the following:

Retiree and beneficiaries	
currently receiving benefits	55
Terminated vested members	3
Active plan members	<u>16</u>
Total membership	<u>74</u>

Contributions. Covered employees are required to contribute 5.0% of their compensation to the Plan if the City's contribution rate is below 6.83%. If the City's contribution rate rises above 6.83%, then members are required to contribute 6.0% to the Plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. City contributions are actuarially determined and based on the individual entry-age method. During the fiscal year ended June 30, 2021, the City contributed \$726,596 or 71.4% 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	14.00%	8.55%	1.20%
US Mid Cap	17.00%	9.94%	1.69%
US Small Cap	12.00%	8.75%	1.05%
Global Equity-US Stock Market	8.00%	3.19%	0.26%
Total US Bond Market	8.00%	3.03%	0.24%
Short-Term Investment Grade	12.00%	2.10%	0.25%
High Yield Corporate Bonds	9.00%	4.43%	0.40%
Intermediate Term Treasury	5.00%	3.12%	0.16%
Short-Term Treasury	4.00%	1.43%	0.06%
Emerging Markets	3.00%	4.51%	0.14%
REIT	<u>8.00%</u>	8.11%	0.65%
	100.00%		
Inflation			3.00%
Risk adjustments			<u>-1.83%</u>
Investment rate of return			<u>7.25%</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Rate of Return. For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 30.0%. 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 Asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021.

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	14 years
Asset valuation method	Five years smoothed market
Inflation	3.0%
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	2.19%
Measurement date	2.13%
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, 2021, are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 36,002,332	\$ 30,611,123	\$ 5,391,209
Changes for the year:			
Service cost	363,464	-	363,464
Interest	2,621,664	-	2,621,664
Differences between expected and actual experience	(708,818)	-	(708,818)
Changes in assumptions	722,028	-	722,028
Employer contributions	-	726,596	(726,596)
Plan member contributions	-	76,756	(76,756)
Net investment income	-	9,018,958	(9,018,958)
Benefit payments, including refunds of Plan member contributions	(2,132,166)	(2,132,166)	-
Administrative expenses	-	(16,428)	16,428
Net changes	<u>866,172</u>	<u>7,673,716</u>	<u>(6,807,544)</u>
Balances at June 30, 2021	<u><u>\$ 36,868,504</u></u>	<u><u>\$ 38,284,839</u></u>	<u><u>\$ (1,416,335)</u></u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

Changes in assumptions. As of the June 30, 2021 measurement date, 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.

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 (Asset) to Changes in the Discount Rate. The following presents the City's net pension liability (asset), calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) 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 (asset)	\$ 3,097,765	\$ (1,416,335)	\$ (5,138,684)

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

For the year ended June 30, 2021, the City recognized pension expense of \$(801,361). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 163,573	\$ (163,573)
Net difference between projected and actual earnings on pension plan investments	-	4,182,599	(4,182,599)
Changes in assumptions	166,622	-	166,622
Total	<u>\$ 166,622</u>	<u>\$ 4,346,172</u>	<u>\$ (4,179,550)</u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

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

Year Ended June 30,	Amount
2022	\$ (939,788)
2023	(918,231)
2024	(966,546)
2025	<u>(1,354,985)</u>
Total	<u><u>\$ (4,179,550)</u></u>

Payable to the Pension Plan. At June 30, 2021, the City did not report amounts payable for contributions to the pension plan.

14. 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 \$264,366 to the plan and the employees contributed \$110,693.

15. 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 \$195,873 and employees contributed \$147,186 to the Section 457 plan.

16. 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

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2021, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets:			
Capital assets, not being depreciated	\$ 1,332,769	\$ 12,060,447	\$ 381,805
Capital assets being depreciated, net	22,801,169	29,565,155	735,354
	<u>24,133,938</u>	<u>41,625,602</u>	<u>1,117,159</u>
Related debt:			
Total bonds payable	-	12,947,999	-
Unamortized bond premium	-	182,514	-
Deferred charge on bond refunding	-	(16,272)	-
	<u>-</u>	<u>13,114,241</u>	<u>-</u>
Net investment in capital assets	<u><u>\$ 24,133,938</u></u>	<u><u>\$ 28,511,361</u></u>	<u><u>\$ 1,117,159</u></u>

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

18. 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	208,377	891	209,268
Inventory	98,396	-	98,396
Advance to other funds	111,720	-	111,720
Total nonspendable	<u>418,493</u>	<u>1,095,526</u>	<u>1,514,019</u>
Restricted:			
Economic development	-	3,311,748	3,311,748
UPSET expenditures/building	-	41,364	41,364
Brownfield	-	35,518	35,518
Capital improvements	-	160,288	160,288
Highways, streets, and public works	-	3,107,172	3,107,172
Total restricted	<u>-</u>	<u>6,656,090</u>	<u>6,656,090</u>
Committed:			
Highways, streets and public works	-	91	91
Recreation and culture	-	43,281	43,281
Economic development	-	2,016,120	2,016,120
Total committed	<u>-</u>	<u>2,059,492</u>	<u>2,059,492</u>
Unassigned	<u>5,746,362</u>	<u>-</u>	<u>5,746,362</u>
Total fund balances, governmental funds	<u>\$ 6,164,855</u>	<u>\$ 9,811,108</u>	<u>\$ 15,975,963</u>

19. 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 2021 amounted to \$109,594.

CITY OF ESCANABA, MICHIGAN

Notes to the Financial Statements

20. RESTATEMENT

The City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning net position of governmental activities and the beginning fund balance of the Bezold trust special revenue fund were increased by \$278,481.

21. 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 \$465,000 during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES 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.



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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,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 139,731	\$ 150,963	\$ 169,705	\$ 192,629
Interest	2,771,699	2,805,883	2,802,937	2,774,891
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	312,082	342	(300,217)	(98,457)
Changes of assumptions	1,149,101	1,176,961	-	-
Benefit payments, including refunds of employee contributions	(2,781,148)	(2,683,532)	(2,568,963)	(2,445,052)
Other	-	-	-	-
Net change in total pension liability	<u>1,591,465</u>	<u>1,450,617</u>	<u>103,462</u>	<u>424,011</u>
Total pension liability, beginning of year	<u>37,790,433</u>	<u>36,339,816</u>	<u>36,236,354</u>	<u>35,812,343</u>
Total pension liability, end of year	<u>39,381,898</u>	<u>37,790,433</u>	<u>36,339,816</u>	<u>36,236,354</u>
Plan fiduciary net position				
Employer contributions	1,857,585	1,699,472	4,049,579	1,399,555
Net investment income (loss)	3,251,094	2,910,314	(814,734)	2,549,195
Benefit payments, including refunds of employee contributions	(2,781,148)	(2,683,532)	(2,568,963)	(2,445,052)
Administrative expense	(46,960)	(50,117)	(40,466)	(40,443)
Net change in plan fiduciary net position	<u>2,280,571</u>	<u>1,876,137</u>	<u>625,416</u>	<u>1,463,255</u>
Plan fiduciary net position, beginning of year	<u>23,642,564</u>	<u>21,766,427</u>	<u>21,141,011</u>	<u>19,677,756</u>
Plan fiduciary net position, end of year	<u>25,923,135</u>	<u>23,642,564</u>	<u>21,766,427</u>	<u>21,141,011</u>
City's net pension liability	<u>\$ 13,458,763</u>	<u>\$ 14,147,869</u>	<u>\$ 14,573,389</u>	<u>\$ 15,095,343</u>
Plan fiduciary net position as a percentage of total pension liability	65.8%	62.6%	59.9%	58.3%
Covered payroll	<u>\$ 1,407,770</u>	<u>\$ 1,495,551</u>	<u>\$ 1,647,886</u>	<u>\$ 1,882,609</u>
City's net pension liability as a percentage of covered payroll	956.0%	946.0%	884.4%	801.8%

See notes to required supplementary information.



Year Ended June 30,		
2017	2016	2015
\$ 208,945	\$ 233,003	\$ 256,475
2,718,466	2,604,321	2,543,881
136,249	-	-
(5,233)	(100,016)	-
-	1,862,283	-
(2,244,879)	(2,103,652)	(2,008,357)
-	-	(1)
<u>813,548</u>	<u>2,495,939</u>	<u>791,998</u>
<u>34,998,795</u>	<u>32,502,856</u>	<u>31,710,858</u>
<u>35,812,343</u>	<u>34,998,795</u>	<u>32,502,856</u>
1,328,965	1,293,868	1,194,312
2,075,153	(288,545)	1,208,114
(2,244,879)	(2,103,652)	(2,008,357)
(40,989)	(42,547)	(44,231)
<u>1,118,250</u>	<u>(1,140,876)</u>	<u>349,838</u>
<u>18,559,506</u>	<u>19,700,382</u>	<u>19,350,544</u>
<u>19,677,756</u>	<u>18,559,506</u>	<u>19,700,382</u>
<u>\$ 16,134,587</u>	<u>\$ 16,439,289</u>	<u>\$ 12,802,474</u>
54.9%	53.0%	60.6%
<u>\$ 2,074,943</u>	<u>\$ 2,342,307</u>	<u>\$ 2,580,370</u>
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
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,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 363,464	\$ 430,494	\$ 471,995	\$ 489,653
Interest	2,621,664	2,630,085	2,547,352	2,539,579
Differences between expected and actual experience	(708,818)	(1,136,991)	21,181	(583,628)
Changes of assumptions	722,028	-	-	-
Other changes	-	-	(501)	-
Benefit payments, including refunds of Plan member contributions	(2,132,166)	(1,944,538)	(1,928,509)	(1,810,470)
Net change in total pension liability	<u>866,172</u>	<u>(20,950)</u>	<u>1,111,518</u>	<u>635,134</u>
Total pension liability, beginning of year	<u>36,002,332</u>	<u>36,023,282</u>	<u>34,911,764</u>	<u>34,276,630</u>
Total pension liability, end of year	<u>36,868,504</u>	<u>36,002,332</u>	<u>36,023,282</u>	<u>34,911,764</u>
Plan fiduciary net position				
Employer contributions	726,596	897,598	985,218	1,068,469
Plan member contributions	76,756	84,390	87,313	99,809
Net investment income	9,018,958	288,818	1,989,548	2,243,477
Benefit payments, including refunds of Plan member contributions	(2,132,166)	(1,944,538)	(1,928,509)	(1,810,470)
Administrative expenses	(16,428)	(5,568)	(23,570)	(29,035)
Net change in plan fiduciary net position	<u>7,673,716</u>	<u>(679,300)</u>	<u>1,110,000</u>	<u>1,572,250</u>
Plan fiduciary net position, beginning of year	<u>30,611,123</u>	<u>31,290,423</u>	<u>30,180,423</u>	<u>28,608,173</u>
Plan fiduciary net position, end of year	<u>38,284,839</u>	<u>30,611,123</u>	<u>31,290,423</u>	<u>30,180,423</u>
City's net pension liability (asset)	<u>\$ (1,416,335)</u>	<u>\$ 5,391,209</u>	<u>\$ 4,732,859</u>	<u>\$ 4,731,341</u>
Plan fiduciary net position as a percentage of total pension liability	103.8%	85.0%	86.9%	86.4%
Covered payroll	<u>\$ 1,017,373</u>	<u>\$ 1,118,256</u>	<u>\$ 1,481,131</u>	<u>\$ 1,608,361</u>
City's net pension liability (asset) as a percentage of covered payroll	-139.2%	482.1%	319.5%	294.2%

See notes to required supplementary information.



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

CITY OF ESCANABA, MICHIGAN

Required Supplementary Information

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

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
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⁾
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.

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 (2021, based on the 12/31/2018 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	8-19 years, depending on division
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, 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	14 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	3.45% to 7.25%, including inflation
Investment rate of return	7.50%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2018 valuation.
Mortality	RP-2014 Healthy Annuitant Table rolled back to 2006 and projected with scale MP-2015.

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, 2021

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
Assets					
Cash and cash equivalents and investments	\$ 2,229,723	\$ 798,677	\$ 91	\$ 390,622	\$ 35,518
Accounts receivable	-	-	-	-	-
Loans receivable	-	-	-	-	-
Accrued interest receivable	3,413	1,557	-	-	-
Other receivables	-	4,077	-	-	-
Due from other governments	205,183	77,782	-	61,965	-
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Total assets	<u>\$ 2,438,319</u>	<u>\$ 882,093</u>	<u>\$ 91</u>	<u>\$ 452,587</u>	<u>\$ 35,518</u>
Liabilities					
Negative equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	89,910	151,042	-	4,465	-
Unearned revenue	-	4,077	-	82	-
Advance from other funds	-	-	-	271,488	-
Total liabilities	<u>89,910</u>	<u>155,119</u>	<u>-</u>	<u>276,035</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted:					
Economic development	-	-	-	176,552	-
UPSET expenditures/building	-	-	-	-	-
Brownfield	-	-	-	-	35,518
Capital improvements	-	-	-	-	-
Highways, streets, and public works	2,348,409	726,974	-	-	-
Committed:					
Highways, streets, and public works	-	-	91	-	-
Recreation and culture	-	-	-	-	-
Economic development	-	-	-	-	-
Total fund balances	<u>2,348,409</u>	<u>726,974</u>	<u>91</u>	<u>176,552</u>	<u>35,518</u>
Total liabilities and fund balances	<u>\$ 2,438,319</u>	<u>\$ 882,093</u>	<u>\$ 91</u>	<u>\$ 452,587</u>	<u>\$ 35,518</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
\$ 40,663	\$ -	\$ -	\$ 318,482	\$ 137,287	\$ 2,397,320	\$ 518,339	\$ 5,119
-	-	-	-	-	-	-	-
-	-	-	-	-	55,012	-	-
54	101	306	305	-	1,573	191	-
-	-	-	-	-	-	-	-
-	74,643	104,957	-	44,340	-	-	-
-	-	891	-	-	-	-	-
-	-	-	-	-	271,488	-	-
<u>\$ 40,717</u>	<u>\$ 74,744</u>	<u>\$ 106,154</u>	<u>\$ 318,787</u>	<u>\$ 181,627</u>	<u>\$ 2,725,393</u>	<u>\$ 518,530</u>	<u>\$ 5,119</u>
\$ -	\$ 73,067	\$ 43,675	\$ -	\$ -	\$ -	\$ -	\$ -
-	225	13,101	30	22,101	-	-	-
-	805	5,206	-	20,889	-	-	-
-	-	-	-	-	-	-	-
-	74,097	61,982	30	42,990	-	-	-
-	-	891	-	-	-	-	-
-	-	-	-	138,637	2,725,393	-	-
40,717	647	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	43,281	-	-	-	-	-
-	-	-	318,757	-	-	518,530	5,119
<u>40,717</u>	<u>647</u>	<u>44,172</u>	<u>318,757</u>	<u>138,637</u>	<u>2,725,393</u>	<u>518,530</u>	<u>5,119</u>
<u>\$ 40,717</u>	<u>\$ 74,744</u>	<u>\$ 106,154</u>	<u>\$ 318,787</u>	<u>\$ 181,627</u>	<u>\$ 2,725,393</u>	<u>\$ 518,530</u>	<u>\$ 5,119</u>

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CITY OF ESCANABA, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	M.S.C. Revolving Loan	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
Assets						
Cash and cash equivalents and investments	\$ -	\$ 937,045	\$ 271,175	\$ -	\$ 1,253,110	\$ 9,333,171
Accounts receivable	-	-	-	37,691	-	37,691
Loans receivable	-	-	-	-	-	55,012
Accrued interest receivable	-	2,312	293	218	1,813	12,136
Other receivables	-	-	-	-	-	4,077
Due from other governments	-	48,909	-	-	-	617,779
Prepaid items	-	-	-	-	-	891
Advance to other funds	-	186,006	-	-	-	457,494
Total assets	<u>\$ -</u>	<u>\$ 1,174,272</u>	<u>\$ 271,468</u>	<u>\$ 37,909</u>	<u>\$ 1,254,923</u>	<u>\$ 10,518,251</u>
Liabilities						
Negative equity in pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	116,742
Accounts payable	-	137	302	6,120	-	287,433
Unearned revenue	-	421	-	-	-	31,480
Advance from other funds	-	-	-	-	-	271,488
Total liabilities	<u>-</u>	<u>558</u>	<u>302</u>	<u>6,120</u>	<u>-</u>	<u>707,143</u>
Fund balances						
Nonspendable	-	-	-	-	1,094,635	1,095,526
Restricted:						
Economic development	-	-	271,166	-	-	3,311,748
UPSET expenditures/building	-	-	-	-	-	41,364
Brownfield	-	-	-	-	-	35,518
Capital improvements	-	-	-	-	160,288	160,288
Highways, streets, and public works	-	-	-	31,789	-	3,107,172
Committed:						
Highways, streets, and public works	-	-	-	-	-	91
Recreation and culture	-	-	-	-	-	43,281
Economic development	-	1,173,714	-	-	-	2,016,120
Total fund balances	<u>-</u>	<u>1,173,714</u>	<u>271,166</u>	<u>31,789</u>	<u>1,254,923</u>	<u>9,811,108</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 1,174,272</u>	<u>\$ 271,468</u>	<u>\$ 37,909</u>	<u>\$ 1,254,923</u>	<u>\$ 10,518,251</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, 2021

	Special Revenue Funds				
	Major Streets	Local Streets	Parking Maintenance	Downtown Development Authority	Brownfield
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 286,154	\$ 45,617
Intergovernmental	1,413,492	475,034	-	61,965	-
Charges for services	-	-	14,694	-	-
Fines and fees	-	-	-	-	-
Investment earnings (loss)	41,523	(15,691)	6	3,246	140
Other revenues	-	1,704	-	14,679	-
Total revenues	<u>1,455,015</u>	<u>461,047</u>	<u>14,700</u>	<u>366,044</u>	<u>45,757</u>
Expenditures					
Current:					
Public safety	-	-	-	-	-
Highway, streets & public works	588,491	1,009,154	31,384	-	-
Sanitation	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Community and economic development	-	-	-	276,208	45,432
Total expenditures	<u>588,491</u>	<u>1,009,154</u>	<u>31,384</u>	<u>276,208</u>	<u>45,432</u>
Revenues over (under) expenditures	<u>866,524</u>	<u>(548,107)</u>	<u>(16,684)</u>	<u>89,836</u>	<u>325</u>
Other financing sources (uses)					
Transfers in	-	200,000	16,688	-	-
Transfers out	(200,000)	-	-	(2,000)	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>200,000</u>	<u>16,688</u>	<u>(2,000)</u>	<u>-</u>
Net change in fund balances	<u>666,524</u>	<u>(348,107)</u>	<u>4</u>	<u>87,836</u>	<u>325</u>
Fund balances, beginning of year, as restated	<u>1,681,885</u>	<u>1,075,081</u>	<u>87</u>	<u>88,716</u>	<u>35,193</u>
Fund balances, end of year	<u>\$ 2,348,409</u>	<u>\$ 726,974</u>	<u>\$ 91</u>	<u>\$ 176,552</u>	<u>\$ 35,518</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	643	26,607	-	61,540	-	-	-
-	834,187	-	-	-	-	-	-
3,417	-	98,111	-	-	-	-	-
340	(594)	(2,770)	2,279	10,485	22,755	1,332	8
-	-	4,049	21,294	-	-	-	-
<u>3,757</u>	<u>834,236</u>	<u>125,997</u>	<u>23,573</u>	<u>72,025</u>	<u>22,755</u>	<u>1,332</u>	<u>8</u>
-	833,594	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	575,832	-	-	-	-	-
-	-	-	565	77,573	1,855	3,731	109
<u>-</u>	<u>833,594</u>	<u>575,832</u>	<u>565</u>	<u>77,573</u>	<u>1,855</u>	<u>3,731</u>	<u>109</u>
<u>3,757</u>	<u>642</u>	<u>(449,835)</u>	<u>23,008</u>	<u>(5,548)</u>	<u>20,900</u>	<u>(2,399)</u>	<u>(101)</u>
-	-	400,000	-	16,000	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,757</u>	<u>642</u>	<u>(49,835)</u>	<u>23,008</u>	<u>10,452</u>	<u>20,900</u>	<u>(2,399)</u>	<u>(101)</u>
<u>36,960</u>	<u>5</u>	<u>94,007</u>	<u>295,749</u>	<u>128,185</u>	<u>2,704,493</u>	<u>520,929</u>	<u>5,220</u>
<u>\$ 40,717</u>	<u>\$ 647</u>	<u>\$ 44,172</u>	<u>\$ 318,757</u>	<u>\$ 138,637</u>	<u>\$ 2,725,393</u>	<u>\$ 518,530</u>	<u>\$ 5,119</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, 2021

	Special Revenue Funds				Permanent Fund	Total
	M.S.C. Revolving Loan	Land Development	Bezold Trust	Sanitary Landfill	Gas Retirement	
Revenues						
Taxes	\$ -	\$ 1,965	\$ -	\$ -	\$ -	\$ 333,736
Intergovernmental	-	-	-	-	-	2,039,281
Charges for services	-	-	-	228,463	-	1,077,344
Fines and fees	-	-	-	-	-	101,528
Investment earnings (loss)	(277)	3,141	354	(575)	1,361	67,063
Other revenues	-	77,816	-	-	-	119,542
Total revenues	(277)	82,922	354	227,888	1,361	3,738,494
Expenditures						
Current:						
Public safety	-	-	-	-	-	833,594
Highway, streets & public works	-	-	-	-	-	1,629,029
Sanitation	-	-	-	3,763	-	3,763
Recreation and culture	-	-	-	-	-	575,832
Community and economic development	65,428	42,262	7,669	-	-	520,832
Total expenditures	65,428	42,262	7,669	3,763	-	3,563,050
Revenues over (under) expenditures	(65,705)	40,660	(7,315)	224,125	1,361	175,444
Other financing sources (uses)						
Transfers in	-	-	-	-	-	632,688
Transfers out	-	(138,675)	-	(235,000)	(16,000)	(591,675)
Total other financing sources (uses)	-	(138,675)	-	(235,000)	(16,000)	41,013
Net change in fund balances	(65,705)	(98,015)	(7,315)	(10,875)	(14,639)	216,457
Fund balances, beginning of year, as restated	65,705	1,271,729	278,481	42,664	1,269,562	9,594,651
Fund balances, end of year	\$ -	\$ 1,173,714	\$ 271,166	\$ 31,789	\$ 1,254,923	\$ 9,811,108

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CITY OF ESCANABA, MICHIGAN

Combining Statement of Net Position

Internal Service Funds

June 30, 2021

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Assets				
Current assets:				
Cash and cash equivalents and investments	\$ 199,111	\$ 19,667	\$ 447,740	\$ -
Accrued interest receivable	-	476	484	369
Receivables	125	-	47,625	-
Prepaid items	-	1,927	3,768	636,207
Total current assets	<u>199,236</u>	<u>22,070</u>	<u>499,617</u>	<u>636,576</u>
Noncurrent assets:				
Capital assets not being depreciated	625,731	-	-	-
Capital assets being depreciated, net	2,794,637	1,267,312	205,882	-
Total noncurrent assets	<u>3,420,368</u>	<u>1,267,312</u>	<u>205,882</u>	<u>-</u>
Total assets	<u>3,619,604</u>	<u>1,289,382</u>	<u>705,499</u>	<u>636,576</u>
Liabilities				
Current liabilities:				
Negative equity in pooled cash and investments	-	-	-	54,374
Accounts payable and accrued liabilities	6,191	7,934	17,824	948
Unearned revenue	-	1,950	-	-
Current portion of compensated absences	-	10,940	-	-
Total current liabilities	<u>6,191</u>	<u>20,824</u>	<u>17,824</u>	<u>55,322</u>
Noncurrent liabilities:				
Advances from other funds	375,000	111,720	-	-
Compensated absences, net of current portion	-	31,298	-	-
Total noncurrent liabilities	<u>375,000</u>	<u>143,018</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>381,191</u>	<u>163,842</u>	<u>17,824</u>	<u>55,322</u>
Net position				
Investment in capital assets	3,420,368	1,267,312	205,882	-
Unrestricted (deficit)	(181,955)	(141,772)	481,793	581,254
Total net position	<u>\$ 3,238,413</u>	<u>\$ 1,125,540</u>	<u>\$ 687,675</u>	<u>\$ 581,254</u>



Workers Compensation	Unemployment Compensation	Total
\$ 480,305	\$ 336,393	\$ 1,483,216
441	507	2,277
-	-	47,750
-	-	641,902
<u>480,746</u>	<u>336,900</u>	<u>2,175,145</u>
-	-	625,731
-	-	4,267,831
-	-	4,893,562
<u>480,746</u>	<u>336,900</u>	<u>7,068,707</u>
-	-	54,374
115,048	-	147,945
-	-	1,950
-	-	10,940
<u>115,048</u>	<u>-</u>	<u>215,209</u>
-	-	486,720
-	-	31,298
-	-	518,018
<u>115,048</u>	<u>-</u>	<u>733,227</u>
-	-	4,893,562
<u>365,698</u>	<u>336,900</u>	<u>1,441,918</u>
<u>\$ 365,698</u>	<u>\$ 336,900</u>	<u>\$ 6,335,480</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, 2021

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Operating revenues				
Charges for services	\$ 133,248	\$ 994,702	\$ 39,612	\$ -
Provision for self insurance	-	-	-	173,542
Other revenue	-	1,078	193,725	-
Total operating revenues	<u>133,248</u>	<u>995,780</u>	<u>233,337</u>	<u>173,542</u>
Operating expenses				
Personnel services	39,009	325,478	-	-
Overhead	64,569	-	-	-
Fuel	-	100,588	-	-
Contracted services	705	30,121	66,913	476
Insurance	8,551	69,097	-	105,653
Dues and training	-	763	979	-
Sales and promotion	-	1,283	-	-
Repairs and maintenance	35,237	246,409	25,144	-
Claims	-	-	-	34,054
Equipment rental	-	4,377	-	-
Depreciation	152,175	216,325	38,540	-
Supplies	7,914	14,689	-	-
Other	14,717	5,184	-	-
Total operating expenses	<u>322,877</u>	<u>1,014,314</u>	<u>131,576</u>	<u>140,183</u>
Operating income (loss)	<u>(189,629)</u>	<u>(18,534)</u>	<u>101,761</u>	<u>33,359</u>
Nonoperating revenues (expenses)				
Investment earnings	23,678	996	4,014	15,955
Interest expense	(11,458)	(3,859)	-	-
Total nonoperating revenues (expenses)	<u>12,220</u>	<u>(2,863)</u>	<u>4,014</u>	<u>15,955</u>
Income (loss) before transfers	<u>(177,409)</u>	<u>(21,397)</u>	<u>105,775</u>	<u>49,314</u>
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
Change in net position	<u>(28,409)</u>	<u>(21,397)</u>	<u>66,575</u>	<u>49,314</u>
Net position, beginning of year	<u>3,266,822</u>	<u>1,146,937</u>	<u>621,100</u>	<u>531,940</u>
Net position, end of year	<u>\$ 3,238,413</u>	<u>\$ 1,125,540</u>	<u>\$ 687,675</u>	<u>\$ 581,254</u>



Workers Compensation	Unemployment Compensation	Total
\$ -	\$ -	\$ 1,167,562
202,536	-	376,078
-	-	194,803
<u>202,536</u>	<u>-</u>	<u>1,738,443</u>
14,390	-	378,877
-	-	64,569
-	-	100,588
29,885	261	128,361
50,950	-	234,251
-	-	1,742
-	-	1,283
-	-	306,790
-	-	34,054
-	-	4,377
-	-	407,040
44,927	-	67,530
-	-	19,901
<u>140,152</u>	<u>261</u>	<u>1,749,363</u>
<u>62,384</u>	<u>(261)</u>	<u>(10,920)</u>
1,457	1,001	47,101
-	-	(15,317)
<u>1,457</u>	<u>1,001</u>	<u>31,784</u>
63,841	740	20,864
-	-	149,000
-	-	(39,200)
63,841	740	130,664
<u>301,857</u>	<u>336,160</u>	<u>6,204,816</u>
<u>\$ 365,698</u>	<u>\$ 336,900</u>	<u>\$ 6,335,480</u>

CITY OF ESCANABA, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2021

	Escanaba Building Authority	Motor Vehicle	Office Equipment	Risk Retention
Cash flows from operating activities				
Cash received from interfund services	\$ 133,123	\$ 995,780	\$ 234,530	\$ 227,916
Cash payments to employees	(39,009)	(324,014)	-	-
Cash payments to suppliers	(128,286)	(854,589)	(83,593)	(243,871)
Net cash provided by (used in) operating activities	<u>(34,172)</u>	<u>(182,823)</u>	<u>150,937</u>	<u>(15,955)</u>
Cash flows from noncapital financing activities				
Repayment on advance from other funds	(125,000)	(16,907)	-	-
Transfers in	149,000	-	-	-
Transfers out	-	-	(39,200)	-
Net cash provided by (used in) noncapital financing activities	<u>24,000</u>	<u>(16,907)</u>	<u>(39,200)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(33,065)	(105,768)	(119,707)	-
Interest payments	(11,458)	(3,859)	-	-
Net cash used in capital and related financing activities	<u>(44,523)</u>	<u>(109,627)</u>	<u>(119,707)</u>	<u>-</u>
Cash flows from investing activities				
Interest received on investments	<u>23,678</u>	<u>1,325</u>	<u>4,507</u>	<u>15,955</u>
Net change in cash and cash equivalents and investments	<u>(31,017)</u>	<u>(308,032)</u>	<u>(3,463)</u>	<u>-</u>
Cash and cash equivalents and investments, beginning of year	<u>230,128</u>	<u>327,699</u>	<u>451,203</u>	<u>-</u>
Cash and cash equivalents and investments, end of year	<u>\$ 199,111</u>	<u>\$ 19,667</u>	<u>\$ 447,740</u>	<u>\$ -</u>



Workers Compensation	Unemployment Compensation	Total
\$ 202,536	\$ 6,249	\$ 1,800,134
(14,390)	-	(377,413)
<u>(188,090)</u>	<u>(6,510)</u>	<u>(1,504,939)</u>
56	(261)	(82,218)
-	-	(141,907)
-	-	149,000
<u>-</u>	<u>-</u>	<u>(39,200)</u>
-	-	(32,107)
-	-	(258,540)
<u>-</u>	<u>-</u>	<u>(15,317)</u>
-	-	(273,857)
<u>1,937</u>	<u>1,323</u>	<u>48,725</u>
1,993	1,062	(339,457)
<u>478,312</u>	<u>335,331</u>	<u>1,822,673</u>
<u>\$ 480,305</u>	<u>\$ 336,393</u>	<u>\$ 1,483,216</u>

continued...

CITY OF ESCANABA, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2021

	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)	\$ (189,629)	\$ (18,534)	\$ 101,761	\$ 33,359
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	152,175	216,325	38,540	-
Change in operating assets and liabilities that provided (used) cash:				
Receivables	(125)	-	1,193	-
Due from other funds	-	-	-	-
Prepaid items	-	(1,927)	(3,768)	20,959
Negative equity in pooled cash and investments	-	-	-	54,374
Accounts payable and accrued liabilities	3,407	(191,634)	13,211	(99,302)
Compensated absences	-	1,464	-	-
Due to other funds	-	(188,517)	-	(25,345)
Net cash provided by (used in) operating activities	<u>\$ (34,172)</u>	<u>\$ (182,823)</u>	<u>\$ 150,937</u>	<u>\$ (15,955)</u>



Workers Compensation	Unemployment Compensation	Total
\$ 62,384	\$ (261)	\$ (10,920)
-	-	407,040
-	-	1,068
-	6,249	6,249
-	-	15,264
-	-	54,374
(62,328)	(6,249)	(342,895)
-	-	1,464
-	-	(213,862)
<u>\$ 56</u>	<u>\$ (261)</u>	<u>\$ (82,218)</u>

concluded

City of Escanaba,
Michigan



Year Ended
June 30, 2021

Single Audit Act
Compliance

Rehmann

CITY OF ESCANABA, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

December 14, 2021

City Council
City of Escanaba, Michigan

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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CITY OF ESCANABA, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Forest Service Schools and Roads Cluster:				
School and Roads - Basic Grants to States	10.665	MSP	N/A	\$ 192
U.S. Department of Justice				
Public Safety Partnership and Community Policing Grant:				
Upper Peninsula Safe Trails Task Force	16.710	MSP	N/A	14,745
Edward Byrne Memorial Justice Assistance Grant Program:				
2021 Grant Year	16.738	MSP	N/A	28,438
Total U.S. Department of Justice				<u>43,183</u>
U.S. Department of Treasury				
COVID-19 - Coronavirus Relief Fund:				
Coronavirus Relief Local Government Grant	21.019	MDT	N/A	93,100
First Responder Hazard Pay Premiums Program	21.019	MDT	N/A	40,573
Public Safety/Public Health Payroll Reimbursement	21.019	MDT	N/A	331,687
Total U.S. Department of Treasury				<u>465,360</u>
U.S. National Endowment for the Humanities				
Promotion of the Humanities - Federal/State Partnership:				
Institute of Museum and Library Services	45.129	MDE	N/A	3,455
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	MDEGLE	5683-01	4,417,366
Total Expenditures of Federal Awards				<u>\$ 4,929,556</u>

See notes to schedule of expenditures of federal awards.

CITY OF ESCANABA, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Escanaba, Michigan (the "City") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

The City's reporting entity is defined in Note 1 of the City's financial statements. The City's financial statements include the operations of the Escanaba Housing Commission discretely presented component unit, which received federal awards that are not included in the Schedule for the year ended June 30, 2021, as the entity was separately audited.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the City has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. CLEAN WATER STATE REVOLVING LOAN

The outstanding balance on the Clean Water State Revolving Loan was \$9,552,999 as of June 30, 2021.

4. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MDEGLE	Michigan Department of Environmental, Great Lakes and Energy
MDT	Michigan Department of Treasury
MSP	Michigan State Police



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

December 14, 2021

City Council
City of Escanaba, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Escanaba, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2021. Our report includes a reference to other auditors who audited the financial statements of the Escanaba Housing Commission discretely presented component unit as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Escanaba, Michigan's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

December 14, 2021

City Council
City of Escanaba, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the **City of Escanaba, Michigan** (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2021. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Escanaba Housing Commission discretely presented component unit, which received federal awards which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2021. Our audit, described below, did not include the operations of the Escanaba Housing Commission because the entity engaged other auditors to perform their financial statement audit and did not meet the threshold for a single audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

CITY OF ESCANABA, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditors' report issued on compliance for each major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes no

Identification of the major program:

Assistance Listing Number

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes X no

CITY OF ESCANABA, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. All governmental units are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls.

Cause. This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Effect. As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation. The City's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the City accepts responsibility for the financial statements and that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

CITY OF ESCANABA, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

2021-002 - Material Audit Adjustments (Repeat Finding)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed a material adjustment (which was approved and posted by management) to adjust the City's accounting records.

Cause. The amounts reported for pension expense and related deferred inflows and outflows and net pension liability were not recorded in the electric, water, waste water and marina fund trial balances by the City.

Effect. As a result of this condition, the City's pension expense was initially misstated by amounts that were considered material. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we recommend that the City ensure that accounts are reconciled and reviewed.

View of Responsible Officials. The City reviews all accounts on a monthly basis for accuracy. Every attempt is made to ensure all transactions are reported properly. The City will continue to review all accounts to the best of their ability to ensure that all accounts are reconciled at year end.

CITY OF ESCANABA, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-003 – Written Policies and Procedures Required by the Uniform Grant Guidance

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Allowable Costs/Cost Principles and Cash Management).

Program. Capitalization Grants For Clean Water State Revolving Funds; ALN Number 66.458; Award Number 5683-01.

Criteria. The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to various areas, including: 1) Payments (draws of federal funds and how to minimize the time elapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302 (6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318); 3) Allowability of costs charged to federal programs (§200.302 (7)); 4) Compensation (personnel and benefits policy) (§200.430 and §200.431); and 5) Travel costs (including mileage and per diem) (§200.474).

Condition. Although the City has formal written policies pertaining to procurement, compensation, and travel costs, the City does not have formal written policies covering payments or the allowability of costs charged to federal programs as required by the Uniform Guidance.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the City did not fully comply with the Uniform Guidance applicable to the above noted grant.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as our testing did not reveal any unallowed costs or excess cash draws.

Recommendation. We recommend that the City draft the required policies as soon as practical, but no later than the end of fiscal year 2022.

View of Responsible Officials. The City is in the process of compiling policies and procedures for payments and the allowability of costs. The remaining required policies and procedures will be approved and in effect before the fiscal year end 2022.



CITY OF ESCANABA, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2021

2020-001 – Preparation of Financial Statements in Accordance with GAAP

As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls. This finding was repeated as item 2021-001.

2020-002 - Material Audit Adjustments

During our audit, the auditors identified and proposed a material adjustment (which was approved and posted by management) to adjust the City's accounting records. This finding was repeated as item 2021-002.



Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the City of Escanaba's Single Audit report for the year ended June 30, 2021, and corrective actions to be completed.

2021-001 – Preparation of Financial Statements in Accordance with GAAP

Auditor Description of Condition and Effect. As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal controls. As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Auditor Recommendation. The City's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the City accepts responsibility for the financial statements and that it is disclosed as part of the report on internal control and compliance in accordance with Government Auditing Standards. Therefore, no specific corrective action is required at this time.

Corrective Action. The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Responsible Person. Melissa Becotte, Controller

Anticipated Completion Date: N/A

2021-002 - Material Audit Adjustments

Auditor Description of Condition and Effect. During our audit, we identified and proposed a material adjustment (which was approved and posted by management) to adjust the City's accounting records. As a result of this condition, the City's pension expense was initially misstated by amounts that were considered material. Correcting entries were subsequently posted by management to the City's records and the appropriate balances are presented in the audited financial statements.

Auditor Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries. However, we recommend that the City ensure that accounts are reconciled and reviewed.

Corrective Action. The City reviews all accounts on a monthly basis for accuracy. Every attempt is made to ensure all transactions are reported properly. The City will continue to review all accounts to the best of their ability to ensure that all accounts are reconciled at year end.

Responsible Person. Melissa Becotte, Controller

Anticipated Completion Date: June 30, 2022

Mission Statement:



Enhancing the enjoyment and livability of our community by providing quality municipal services to our citizens.
The City of Escanaba is an equal opportunity employer and provider.

2021-003 – Written Policies and Procedures Required by the Uniform Grant Guidance

Auditor Description of Condition and Effect. Although the City has formal written policies pertaining to procurement, compensation, and travel costs, the City does not have formal written policies covering payments or the allowability of costs charged to federal programs as required by the Uniform Guidance. As a result of this condition, the City did not fully comply with the Uniform Guidance applicable to the grant.

Auditor Recommendation. We recommend that the City draft the required policies as soon as practical, but no later than the end of fiscal year 2022.

Corrective Action. The City is in the process of compiling policies and procedures and has drafted policies for payments and the allowability of costs. The remaining required policies and procedures will be approved and in effect before the fiscal year end 2022.

Responsible Person. Melissa Becotte, Controller

Anticipated Completion Date: June 30, 2022

INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 14, 2021

City Council
City of Escanaba, Michigan

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, 2021, and have issued our report thereon dated December 14, 2021. We did not audit the financial statements of the Escanaba Housing Commission (the "Commission") discretely presented component unit. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements and this report, insofar as they relate to the Commission, are based solely on the report of other auditors. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 15, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

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We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated December 14, 2021.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 11, 2021.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

As described in Note 20 to the financial statements, the City changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- The assumptions used in the actuarial valuations of the Public Safety Officer Retirement System Defined Benefit Plan are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

In addition, the financial statements include net pension and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards, but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in the Schedule of Findings and Questioned Costs issued in connection with the Single Audit.

The schedule of adjustments passed is included with management's written representations in Attachment B to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment B to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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

Very truly yours,

A handwritten signature in black ink that reads "Lehman Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF ESCANABA, MICHIGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the City.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is more likely than not that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the City.

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the City.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the City.

CITY OF ESCANABA, MICHIGAN

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the City.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.



CITY OF ESCANABA, MICHIGAN

Attachment B – Management Representations

For the June 30, 2021 Audit

The following pages contain the written representations that we requested from management.

December 14, 2021

Rehmann Robson
902 South Huron St
Cheboygan, MI 49721

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Escanaba, Michigan** (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 14, 2021.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2021, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and



- e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility 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.
6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position and fund balance classifications have been properly reported.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.

20. Deposit and investment risks have been properly and fully disclosed.
21. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
22. All required supplementary information is measured and presented within the prescribed guidelines.
23. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
24. We are responsible for the fair presentation of the City's net pension liability as calculated by the Municipal Employees' Retirement System of Michigan (MERS) and related amounts. We provided MERS with complete and accurate information regarding the City's participation in the plan, and have reviewed the information provided by MERS for inclusion in the City's financial statements
25. 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 \$465,000 during 2021 from various funding sources to be used to respond to the impacts of the COVID-19 pandemic through the CARES 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.

Information Provided

26. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
27. All transactions have been recorded in the accounting records and are reflected in the financial statements.
28. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
29. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
30. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

31. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
32. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
33. We have a process to track the status of audit findings and recommendations.
34. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
35. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
36. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
37. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
38. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
39. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
40. We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
41. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
42. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
43. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
44. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
45. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

46. With respect to the supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

47. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Uniform Guidance (2 CFR 200)

48. With respect to federal awards, we represent the following to you:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance.
 - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
 - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - d. The methods of measurement or presentation have not changed from those used in the prior period.
 - e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.

- g. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- h. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- i. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- j. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
- k. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- l. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- m. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- p. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance.
- q. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- v. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a correction action plan for each audit finding.
- w. The reporting package does not contain personally identifiable information.
- x. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- y. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- z. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.



Patrick Jordan, City Manager



Melissa Becotte, City Controller

CITY OF ESCANABA, MICHIGAN

Schedule of Adjustments Passed (SOAP)

For the June 30, 2021 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Governmental Activities					
General fund					
Prior year unreconciled variance in cash	\$ -	\$ -	\$ 36,350	\$ -	\$ 36,350
Internal service funds					
Effect of not recording FICA liability as part of accrued compensated absences	-	(2,394)	3,119	-	725
Total governmental activities	<u>\$ -</u>	<u>\$ (2,394)</u>	<u>\$ 39,469</u>	<u>\$ -</u>	<u>\$ 37,075</u>
Misstatement as a percentage of total assets & deferred outflows - governmental activities	<u>0.00%</u>	<u>-0.01%</u>	<u>0.09%</u>	<u>0.00%</u>	<u>0.08%</u>
Business-type Activities					
Electric fund					
Effect of not recording FICA liability as part of accrued compensated absences	\$ -	\$ (7,104)	\$ 9,442	\$ -	\$ 2,338
Water utility fund					
Effect of not recording FICA liability as part of accrued compensated absences	-	(5,435)	6,141	-	706
Waste water utility fund					
Effect of not recording FICA liability as part of accrued compensated absences	-	(4,360)	4,495	-	135
Total business-type activities	<u>\$ -</u>	<u>\$ (16,899)</u>	<u>\$ 4,495</u>	<u>\$ -</u>	<u>\$ 3,179</u>
Misstatement as a percentage of total assets and deferred outflows - business-type activities	<u>0.00%</u>	<u>-0.03%</u>	<u>0.01%</u>	<u>0.00%</u>	<u>0.01%</u>