

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
SUPPLEMENTARY INFORMATION
AND SUPPLEMENTAL REPORT**

**CITY OF IRONWOOD
GOGEBIC COUNTY, MICHIGAN**

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the Commission
City of Ironwood, Michigan
Ironwood, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ironwood, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Ironwood, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ironwood, Michigan, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Ironwood Housing Commission, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ironwood Housing Commission, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 7 through 17 and 84 through 88 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ironwood, Michigan's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2023 on our consideration of City of Ironwood, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Ironwood, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ironwood, Michigan's internal control over financial reporting and compliance.

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
December 20, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

Management’s Discussion and Analysis

This section of the City of Ironwood, Michigan’s (City) annual financial report presents our discussion and analysis of the City’s financial performance during the year ended June 30, 2023. It is to be read in conjunction with the City’s financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ended June 30, 2023.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the City as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the City’s assets, liabilities, deferred outflows and inflows of resources except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the City that include all services performed by the City.

The statement of net position shows the City’s assets and liabilities. The corresponding balance between the assets and liabilities equals the net position of the City. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the City; the greater the net position figure, generally the healthier the financial position of the City. It helps management determine if the City will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the City. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net position available to fund future needs of the City.

Fund Financial Statements

The City's fund financial statements show detail of funds that are determined to be significant, called major funds. The governmental funds that are separately stated as major funds are the General Fund, Major Street Fund, and Local Street Fund. All of the proprietary funds; the Water Utility, Sewer Utility, Pat O'Donnell Civic Center and Internal Service Funds, are reported as major proprietary funds. All other governmental funds are considered nonmajor and are reported as one column.

Governmental funds are reported in the fund financial statements and contain the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide financial statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds include the same functions reported as business-type activities in government-wide financial statements. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. Because the City's internal service fund primarily serves other City functions, it is included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Fiduciary funds, such as the employee pension plans, are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Position

The following tables show the condensed statements of net position with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

	<u>June 30, 2023</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and investments	\$ 7,778,712	\$ 1,862,337	\$ 9,641,049
Receivables	698,426	362,206	1,060,632
Other current assets	220,166	309,796	529,962
Notes receivable, noncurrent	183,434		183,434
Other noncurrent assets		5,038	5,038
Capital assets, net of accumulated depreciation	11,456,575	37,704,716	49,161,291
Investment in Gogebic-Iron Wastewater Authority		2,629,516	2,629,516
Restricted cash		690,803	690,803
Net other postemployment benefit asset		<u>134,782</u>	<u>134,782</u>
Total Assets	<u>\$ 20,337,313</u>	<u>\$ 43,699,194</u>	<u>\$ 64,036,507</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	\$ 1,616,008	\$ 310,724	\$ 1,926,732
Related to other postemployment benefits	<u>497,214</u>	<u>14,670</u>	<u>511,884</u>
Total Deferred Outflows of Resources	<u>\$ 2,113,222</u>	<u>\$ 325,394</u>	<u>\$ 2,438,616</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

	<u>June 30, 2023</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
LIABILITIES			
Accounts payable	\$ 329,530	\$ 395,227	\$ 724,757
Customer deposits		74,853	74,853
Other current liabilities	562,042	71,349	633,391
Current portion of long-term liabilities	270,797	346,856	617,653
Compensated absences	247,608	149,298	396,906
Bonds and note payable	172,000	13,126,000	13,298,000
Net pension liability	9,370,283	1,802,105	11,172,388
Net other postemployment benefit liability	<u>281,671</u>	<u> </u>	<u>281,671</u>
Total Liabilities	<u>\$ 11,233,931</u>	<u>\$ 15,965,688</u>	<u>\$ 27,199,619</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue - leases	\$ 94,701		\$ 94,701
Related to other postemployment benefits	<u>38,657</u>	<u>\$ 20,396</u>	<u>\$ 59,053</u>
Total Deferred Inflows of Resources	<u>\$ 133,358</u>	<u>\$ 20,396</u>	<u>\$ 153,754</u>
NET POSITION			
Investment in capital assets, net of related debt	\$ 11,117,575	\$ 24,183,143	\$ 35,300,718
Restricted	1,440,214	825,585	2,265,799
Unrestricted	<u>(1,474,543)</u>	<u>3,029,776</u>	<u>1,555,233</u>
Total Net Position	<u>\$ 11,083,246</u>	<u>\$ 28,038,504</u>	<u>\$ 39,121,750</u>

The City's net position is \$39,121,750 at June 30, 2023. Capital assets, net of related debt, is \$35,300,718 at June 30, 2023. Capital assets, net of related debt, is derived by taking the original costs of the City's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Restricted net position is restricted for debt service, by donors and by grant spending requirements. The unrestricted net position is \$1,555,503 at June 30, 2023. This is the net accumulated results of the current and past years' operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

	<u>June 30, 2022</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and investments	\$ 7,861,920	\$ 2,118,304	\$ 9,980,224
Receivables	498,749	402,864	901,613
Other current assets	118,675	268,102	386,777
Notes receivable, noncurrent	183,434		183,434
Other noncurrent assets		6,622	6,622
Capital assets, net of accumulated depreciation	10,966,531	36,675,358	47,641,889
Investment in Gogebic-Iron Wastewater Authority		2,629,516	2,629,516
Restricted cash		1,049,122	1,049,122
Net other postemployment benefit asset	<u>248,258</u>	<u>116,006</u>	<u>364,264</u>
Total Assets	<u>\$ 19,877,567</u>	<u>\$ 43,265,894</u>	<u>\$ 63,143,461</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	\$ 773,792	\$ 149,367	\$ 923,159
Related to other postemployment benefits	<u>219,289</u>	<u>23,090</u>	<u>242,379</u>
Total Deferred Outflows of Resources	<u>\$ 993,081</u>	<u>\$ 172,457</u>	<u>\$ 1,165,538</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

	<u>June 30, 2022</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
LIABILITIES			
Accounts payable	\$ 379,685	\$ 222,837	\$ 602,522
Customer deposits		74,953	74,953
Other current liabilities	521,636	73,393	595,029
Current portion of long-term liabilities	181,921	350,075	531,996
Compensated absences	474,039	154,198	628,237
Bonds and note payable	339,000	13,459,651	13,798,651
Net pension liability	<u>7,634,586</u>	<u>1,473,724</u>	<u>9,108,310</u>
Total Liabilities	<u>\$ 9,530,867</u>	<u>\$ 15,808,831</u>	<u>\$ 25,339,698</u>
DEFERRED INFLOW OF RESOURCES			
Related to pensions	\$ 736,116	\$ 142,095	\$ 878,211
Related to other postemployment benefits	<u>116,890</u>	<u>60,560</u>	<u>177,450</u>
Total Deferred Inflows of Resources	<u>\$ 853,006</u>	<u>\$ 202,655</u>	<u>\$ 1,055,661</u>
NET POSITION			
Investment in capital assets, net of related debt	\$ 10,445,610	\$ 22,737,838	\$ 33,183,448
Restricted	1,662,253	1,165,128	2,827,381
Unrestricted	<u>(1,621,088)</u>	<u>3,523,899</u>	<u>1,902,811</u>
Total Net Position	<u>\$ 10,486,775</u>	<u>\$ 27,426,865</u>	<u>\$ 37,913,640</u>

The City's net position is \$37,913,640 at June 30, 2022. Capital assets, net of related debt, is \$33,183,448 at June 30, 2022. Restricted net position is restricted for debt service, by donors and by grant spending requirements. The unrestricted net position is \$1,902,811 at June 30, 2022. This is the net accumulated results of the current and past years' operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities

The results of operations for the City as a whole are reported in the statement of activities. This statement reports the changes in net position for the fiscal year.

	<u>Year ended June 30, 2023</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 510,438	\$ 5,031,999	\$ 5,542,437
Operating grants	1,781,156	114,627	1,895,783
Capital grants	66,781	1,850	68,631
General Revenues:			
State grants	1,052,292		1,052,292
Property taxes	2,382,053	99,318	2,481,371
Other	<u>797,473</u>	<u>42,192</u>	<u>839,665</u>
Total Revenues	\$ 6,590,193	\$ 5,289,986	\$ 11,880,179
Program expenses:			
Governmental activities	\$ 5,993,722		\$ 5,993,722
Business-type activities	<u> </u>	<u>\$ 4,678,347</u>	<u>4,678,347</u>
Total Program Expenses	<u>\$ 5,993,722</u>	<u>\$ 4,678,347</u>	<u>\$ 10,672,069</u>
Increase in Net Position	<u>\$ 596,471</u>	<u>\$ 611,639</u>	<u>\$ 1,208,110</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	<u>Year ended June 30, 2022</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 529,188	\$ 4,574,445	\$ 5,103,633
Operating grants	1,442,684	94,520	1,537,204
Capital grants	660	1,440	2,100
General Revenues:			
State grants	942,645		942,645
Property taxes	2,355,929	100,150	2,456,079
Other	<u>422,096</u>	<u>35,993</u>	<u>458,089</u>
Total Revenues	\$ 5,693,202	\$ 4,806,548	\$ 10,499,750
Program expenses:			
Governmental activities	\$ 5,540,273		\$ 5,540,273
Business-type activities	<u> </u>	<u>\$ 4,276,099</u>	<u>4,276,099</u>
Total Program Expenses	<u>\$ 5,540,273</u>	<u>\$ 4,276,099</u>	<u>\$ 9,816,372</u>
Increase in Net Position	<u>\$ 152,929</u>	<u>\$ 530,449</u>	<u>\$ 683,378</u>

The City had an overall increase in net position of \$1,208,110 and \$683,378 for the years ended June 30, 2023 and 2022, respectively.

The City's revenues totaled \$11,880,179 and \$10,499,750 for the years ended June 30, 2023 and 2022, respectively.

The City's total cost to fund all governmental activities was \$5,993,722 and \$5,540,273, and business-type activities was \$4,678,347 and \$4,276,099, for the years ended June 30, 2023 and 2022, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Major Individual Funds

An analysis of balances and transactions of major individual funds, including changes in fund balances or net positions follows:

<u>Fund</u>	Fund Balance/ Net Position at July 1, <u>2022</u>	Revenues and Other Financing <u>Sources</u>	Expenditures/ Expenses and Other Financing <u>Uses</u>	Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing <u>Uses</u>	Fund Balance/ Net Position at <u>June 30, 2023</u>
General	\$ 3,642,114	\$ 4,238,588	\$ 3,887,128	\$ 351,460	\$ 3,993,574
Major Street	930,396	1,362,535	1,147,598	214,937	1,145,333
Local Street	69,514	616,065	616,065	0	69,514
Water Utility	10,124,759	2,692,021	2,371,774	320,247	10,445,006
Sewer Utility	12,231,141	2,332,506	1,943,249	389,257	12,620,398
Civic Center	5,070,965	265,459	363,324	(97,865)	4,973,100
Internal Service	<u>1,669,678</u>	<u>1,049,276</u>	<u>767,474</u>	<u>281,802</u>	<u>1,951,480</u>
	<u>\$ 33,738,567</u>	<u>\$ 12,556,450</u>	<u>\$ 11,096,612</u>	<u>\$ 1,459,838</u>	<u>\$ 35,198,405</u>

Capital Assets

At June 30, 2023, the City had \$49,161,291 invested in capital assets, net of depreciation. The City's net capital assets increased during the past fiscal year by \$1,519,402. Additions totaling \$3,438,142 were offset by depreciation charges of \$1,918,740. The City's governmental and proprietary activities reported \$597,312 and \$1,783,548 of construction costs during the year ended June 30, 2023, respectively.

Governmental Fund Budgetary Items

During the year, the City revised its original budget to account for the changing environment of funding sources and spending needs. The City had no significant areas where it overspent its budget during the year ended June 30, 2023. A schedule showing the City's original budget, final budget and the actual results for major funds is included as required supplemental information in the financial section of the audit report.

Debt

The City had \$14,312,559 of long-term liabilities at June 30, 2023. This amount consists of revenue bonds payable, general obligation bonds and accrued compensated absences payable to employees, \$617,653 will be payable within one year.

Future Considerations

The City has applied for and received preliminary approval of USDA Rural Development loan/grant funding for Phase 1 of the construction of a new water pumping and treatment facility. Phase 1 will include construction of a new pumping facility to replace the existing antiquated pumping facility. CD Smith started construction in the summer of 2023 with anticipated completion in June 2025. The total cost of Phase 1 is approximately \$11,600,000 to be financed with \$5,800,000 of loans and \$5,800,000 of grant funding. Phase 2 will include adding water treatment to remove iron and manganese from the municipal water. It will also likely include fluoridating the community water supply, which has not been previously done. Approximately \$11,000,000 of additional funding has been obtained from the State of Michigan for Phase 2 in the form of 100% grant. That project is currently expected to be designed and bid out in 2024 and constructed in 2025 and 2026.

The City has received \$11,000,000 of 100% grant funding from the State of Michigan EGLE Drinking Water State Revolving Fund to fund water system improvements for the Phase 5 infrastructure project. The City is currently applying for approximately \$6,000,000 from USDA Rural Development to fund sewer system improvements in the same Phase 5 area. Design is anticipated to occur in early 2024 and bidding and construction to follow design.

The City received \$511,782 in American Rescue Plan Act funding from the federal government for COVID response and public investment. The Ironwood City Commission decided to use \$344,000 of the funding for the upcoming \$875,000 fire truck purchase and the remaining \$167,782 for electrical upgrades/improvements at the Curry Park Campground.

The City received \$3,000,000 of EGLE Drinking Water Revolving Fund grant funding for a lead service line replacement project. The City is required by a State of Michigan mandate to replace all galvanized service lines that are considered "lead" services within the next 20 years. This grant will greatly assist the City in complying with the State mandate. Construction is currently in progress and expected to remove over 250 lead service lines from our current inventory.

The City expects to receive Michigan Department of Transportation Small Urban grant funding in the amount of \$385,000 to assist in funding the rebuild of a portion of Superior Street in 2025. The City will likely self-fund water and sewer infrastructure replacement prior to completing the road replacement. Design for this work is anticipated in mid-2024 with construction occurring in 2025.

The Copperwood Mine project in Wakefield, Michigan has begun to move forward with construction of stream and wetland impact work during the fall of 2023. This work was funded by the \$30,000,000 sale of a portion of their interest in the White Pine mining facility to a larger mining company. The mine is working with investors to secure funding for the complete \$400,000,000 project. This project is proposed to infuse a significant investment in our region and add residents, 375 to 800 jobs and support businesses to our area.

Future Considerations (Continued)

The Copper Peak Ski Flying Hill project in Ironwood Township is hoping to start construction in 2024. They currently have obtained \$20,000,000 from the State of Michigan to renovate the 1969 ski flying hill to meet current FIS regulations for summer ski jumping. They are currently seeking another \$15 to 20,000,000 to complete the entire project now that prices have significantly increased in the post Covid bidding culture. Once complete, the facility will bring significant tourism and publicity to the area during a series of 3 to 5 events throughout the summer and fall season.

The City is one of three members of the Gogebic-Iron Wastewater Authority (GIWA). GIWA has received \$32,000,000 of State funding (including a \$20,000,000 ARPA grant) to modernize the wastewater treatment plant that was built in the early 1980's. The project will be able to replace most of the different controls and mechanics within the operation of the plant to extend the life of the facility another 40+ years. The contract for the project has been awarded with plans to begin construction in the spring of 2024.

In 2022, the City of Ironwood acquired property at 205 W. Aurora Street in downtown Ironwood through the County tax foreclosure sale process. The building is in disrepair due to lack of proper upkeep by the previous owner. The City recently executed an Option to Purchase for this property with a property development company from downstate Michigan. The company is proposing to develop a 3 story, 43 unit, \$12,600,000 low-income housing development project. They applied for Low-Income Housing Tax Credits which are Federal IRS tax credits which are allocated through the State of Michigan by MSHDA. A bank or investor would then buy those tax credits which would provide the company with the funding to build this project. The project moving forward is completely contingent upon the company getting those tax credits. The team is expecting to hear back from MSHDA in April 2024. If funding is successful, then the City will execute the Option to sell the property to the company and the company would be 100% responsible for the project from that point forward.

With a shortage of housing in the area due to positive trends in the area's economy, the City of Ironwood is also discussing the development of a residential rental housing project on the City's undeveloped 17-acre parcel on the east side of town just north of the Miners Memorial Heritage Park. The City is in preliminary conversations with a developer who is proposing development of possibly 100 to 200 residential units of rental housing on this Ironwood property, as well as possible developments in Bessemer and Wakefield. These units would be at least three years out if things move forward.

Component Unit

Separate financial statements for the Ironwood Housing Commission may be obtained at its administrative offices at 515 East Vaughn Street, Ironwood, Michigan.

Contacting the City

If you have any questions about this report or need additional information, contact the City offices at City of Ironwood, 213 South Marquette Street, Ironwood, MI 49938; telephone number (906) 932-5050.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET POSITION
CITY OF IRONWOOD, MICHIGAN

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,452,613	\$ 1,340,191	\$ 4,792,804	\$ 1,003,684
Investments	4,326,099	522,146	4,848,245	
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	549,824	362,206	912,030	8,977
Taxes	53,901		53,901	
Leases	94,701		94,701	
Notes, noncurrent	183,434		183,434	
Inventories	69,660	296,821	366,481	2,334
Internal balances	2,765		2,765	
Prepaid expenses	147,741	12,975	160,716	10,009
Capital assets, net of accumulated depreciation	11,456,575	37,704,716	49,161,291	2,211,353
Investment in Gogebic-Iron Wastewater Authority		2,629,516	2,629,516	
Bond discount, net of amortization		5,038	5,038	
Restricted cash		690,803	690,803	
Net other postemployment benefit asset		134,782	134,782	
TOTAL ASSETS	<u>\$ 20,337,313</u>	<u>\$ 43,699,194</u>	<u>\$ 64,036,507</u>	<u>\$ 3,236,357</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 1,616,008	\$ 310,724	\$ 1,926,732	\$ 159,573
Related to other postemployment benefits	497,214	14,670	511,884	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,113,222</u>	<u>\$ 325,394</u>	<u>\$ 2,438,616</u>	<u>\$ 159,573</u>

STATEMENT OF NET POSITION (CONTINUED)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	\$ 329,530	\$ 395,227	\$ 724,757	\$ 158,768
Interest payable		71,349	71,349	
Customer deposits		74,853	74,853	
Unearned revenue	562,042		562,042	
Long-term liabilities:				
Compensated absences:				
Due within one year	103,797	13,205	117,002	1,174
Due beyond one year	247,608	149,298	396,906	22,303
Bonds and note payable:				
Due within one year	167,000	333,651	500,651	
Due beyond one year	172,000	13,126,000	13,298,000	
Net pension liability	9,370,283	1,802,105	11,172,388	331,073
Net other postemployment benefit liability	<u>281,671</u>	<u> </u>	<u>281,671</u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 11,233,931</u>	<u>\$ 15,965,688</u>	<u>\$ 27,199,619</u>	<u>\$ 513,318</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - leases	\$ 94,701		\$ 94,701	
Related to pensions				\$ 16,279
Related to other postemployment benefits	<u>38,657</u>	<u>\$ 20,396</u>	<u>59,053</u>	<u> </u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>\$ 133,358</u>	<u>\$ 20,396</u>	<u>\$ 153,754</u>	<u>\$ 16,279</u>
NET POSITION				
Net position:				
Investment in capital assets, net of related debt	\$ 11,117,575	\$ 24,183,143	\$ 35,300,718	\$ 2,211,353
Restricted	1,440,214	825,585	2,265,799	34,373
Unrestricted	<u>(1,474,543)</u>	<u>3,029,776</u>	<u>1,555,233</u>	<u>620,607</u>
TOTAL NET POSITION	<u>\$ 11,083,246</u>	<u>\$ 28,038,504</u>	<u>\$ 39,121,750</u>	<u>\$ 2,866,333</u>

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

STATEMENT OF ACTIVITIES

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Legislative	\$ 39,174				\$ (39,174)	\$ (39,174)	
General government	1,066,712	\$ 217,891		\$ 66,781	(782,040)	(782,040)	
Public safety	1,321,456	49,958			(1,271,498)	(1,271,498)	
Public works	1,715,080	190,387	\$ 1,773,868		249,175	249,175	
Recreation and culture	356,821	52,202	7,288		(297,331)	(297,331)	
Health and welfare	453,236				(453,236)	(453,236)	
Other functions	40,955				(40,955)	(40,955)	
Interest on long-term debt	14,396				(14,396)	(14,396)	
Depreciation (unallocated)	985,892				(985,892)	(985,892)	
Total Governmental Activities	\$ 5,993,722	\$ 510,438	\$ 1,781,156	\$ 66,781	\$ (3,635,347)	\$ 0	\$ (3,635,347)
Business-type activities:							
Water Utility	\$ 2,371,774	\$ 2,564,927	\$ 114,627			\$ 307,780	\$ 307,780
Sewer Utility	1,943,249	2,303,253				360,004	360,004
Civic Center	363,324	163,819		\$ 1,850		(197,655)	(197,655)
Total Business-Type Activities	\$ 4,678,347	\$ 5,031,999	\$ 114,627	\$ 1,850		\$ 470,129	\$ 470,129
Total Primary Government	\$ 10,672,069	\$ 5,542,437	\$ 1,895,783	\$ 68,631	\$ (3,635,347)	\$ 470,129	\$ (3,165,218)
Component Unit	\$ 1,061,512	\$ 575,971	\$ 324,758	\$ 99,715			\$ (61,068)
General revenues:							
Taxes					\$ 2,382,053	\$ 99,318	\$ 2,481,371
Licenses and permits					77,951		77,951
State grants					1,052,292		1,052,292
Contributions from local units					1,200		1,200
Fines and forfeits					18,543		18,543
Interest and rents					495,522	42,097	537,619
Gain on disposal of assets					6,080		6,080
Other revenues					198,177	95	198,272
Total General Revenues					\$ 4,231,818	\$ 141,510	\$ 4,373,328
Change in Net Position					\$ 596,471	\$ 611,639	\$ 1,208,110
Net position at July 1, 2022					10,486,775	27,426,865	37,913,640
Net position at June 30, 2023					\$ 11,083,246	\$ 28,038,504	\$ 39,121,750

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

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

	General	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,539,077	\$ 1,101,760	\$ 22,909	\$ 644,341	\$ 3,308,087
Investments	2,603,094			681,407	3,284,501
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	352,415	133,715	49,879	13,815	549,824
Taxes	29,344			24,557	53,901
Leases	94,701				94,701
Notes				183,434	183,434
Due from other funds	2,765			823	3,588
Inventories	69,660				69,660
Prepaid expenses	127,407	5,545	7,738	2,026	142,716
	<u>\$ 4,818,463</u>	<u>\$ 1,241,020</u>	<u>\$ 80,526</u>	<u>\$ 1,550,403</u>	<u>\$ 7,690,412</u>
LIABILITIES AND MUNICIPAL EQUITY					
Liabilities:					
Accounts payable	\$ 204,143	\$ 95,687	\$ 11,012	\$ 7,031	\$ 317,873
Unearned revenue	525,222			36,820	562,042
Due other funds	823				823
	<u>\$ 730,188</u>	<u>\$ 95,687</u>	<u>\$ 11,012</u>	<u>\$ 43,851</u>	<u>\$ 880,738</u>
Deferred inflows of resources - Unavailable revenue - leases	94,701				94,701
Municipal equity:					
Fund balance:					
Nonspendable	\$ 197,067	\$ 5,545	\$ 7,738	\$ 2,026	\$ 212,376
Restricted	94,760			1,345,454	1,440,214
Committed	1,882,000				1,882,000
Assigned	1,225,000	1,139,788	61,776	159,072	2,585,636
Unassigned	594,747				594,747
	<u>\$ 3,993,574</u>	<u>\$ 1,145,333</u>	<u>\$ 69,514</u>	<u>\$ 1,506,552</u>	<u>\$ 6,714,973</u>
	<u>\$ 4,818,463</u>	<u>\$ 1,241,020</u>	<u>\$ 80,526</u>	<u>\$ 1,550,403</u>	<u>\$ 7,690,412</u>

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

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

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

Fund balances - total governmental funds		\$ 6,714,973
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 25,298,399	
Less accumulated depreciation	<u>(15,051,310)</u>	10,247,089
Deferred outflow of resources:		
Related to pensions	\$ 1,527,588	
Related to other postemployment benefits	<u>496,926</u>	2,024,514
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Accumulated absences	\$ (335,769)	
Bonds and notes payable	<u>(339,000)</u>	(674,769)
Deferred inflow of resources -		
Related to other postemployment benefits		(38,256)
Net pension liability		(8,857,470)
Net other postemployment liability		(284,315)
Internal Service Fund net assets are presented in the Statement of Net Position as a governmental activity, but are not included in the Combined Balance Sheet for Governmental Funds.		
		<u>1,951,480</u>
Net position of governmental activities		<u>\$ 11,083,246</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	General	Major Street	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,067,121			\$ 314,932	\$ 2,382,053
Licenses and permits	77,951				77,951
State sources	1,242,150	\$ 1,153,839	\$ 377,878	40,968	2,814,835
Federal sources	16,628	66,781		1,985	85,394
Contributions from local units				1,200	1,200
Fines and forfeits				18,543	18,543
Charges for services	252,084			67,967	320,051
Interest and rents	424,490			30,950	455,440
Other revenues	<u>158,164</u>	<u>4</u>		<u>40,009</u>	<u>198,177</u>
Total Revenues	\$ 4,238,588	\$ 1,220,624	\$ 377,878	\$ 516,554	\$ 6,353,644
Expenditures:					
Current:					
Legislative	\$ 37,351				\$ 37,351
General government	914,871			\$ 105,443	1,020,314
Public safety	1,183,994			70	1,184,064
Public works	211,276	\$ 853,426	\$ 616,065		1,680,767
Recreation and culture	201,416			140,781	342,197
Health and welfare	363,593			68,551	432,144
Other functions	40,050			905	40,955
Capital outlay	498,329	274,683		13,206	786,218
Debt service		<u>19,489</u>		<u>176,828</u>	<u>196,317</u>
Total Expenditures	<u>\$ 3,450,880</u>	<u>\$ 1,147,598</u>	<u>\$ 616,065</u>	<u>\$ 505,784</u>	<u>\$ 5,720,327</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)

	General	Major Street	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	\$ 787,708	\$ 73,026	\$ (238,187)	\$ 10,770	\$ 633,317
Other financing sources (uses) - Operating transfers in (out)	<u>(436,248)</u>	<u>141,911</u>	<u>238,187</u>	<u>56,150</u>	<u> </u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 351,460	\$ 214,937	\$ 0	\$ 66,920	\$ 633,317
Fund balance at July 1, 2022	<u>3,642,114</u>	<u>930,396</u>	<u>69,514</u>	<u>1,439,632</u>	<u>6,081,656</u>
FUND BALANCE AT JUNE 30, 2023	<u>\$ 3,993,574</u>	<u>\$ 1,145,333</u>	<u>\$ 69,514</u>	<u>\$ 1,506,552</u>	<u>\$ 6,714,973</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

Net change in fund balance - total governmental funds	\$	633,317
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 depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 786,218	
Less current year depreciation	<u>(985,892)</u>	(199,674)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
		181,921
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year. The net change from beginning to end of year does not affect the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.		
		34,631
In the Statement of Activities, operating expenses for pension and postemployment related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for pension and postemployment related items was less than the amount earned.		
		(335,526)
Change in Net Position of the Internal Service Fund is reported in the Statement of Activities, but is not included in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.		
		<u>281,802</u>
Change in net position of governmental funds	\$	<u>596,471</u>

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

COMBINED STATEMENT OF NET POSITION - PROPRIETARY FUNDS
CITY OF IRONWOOD, MICHIGAN
June 30, 2023

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center	Total Enterprise Funds	Internal Service Fund
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 454,359	\$ 775,209	\$ 110,623	\$ 1,340,191	\$ 144,526
Investments	986	521,160		522,146	1,041,598
Accounts receivable, less \$14,403 allowance for uncollectibles	175,314	184,856	2,036	362,206	
Prepaid expenses	7,826	4,321	828	12,975	5,025
Inventories	<u>206,229</u>	<u>90,592</u>		<u>296,821</u>	
Total Current Assets	\$ 844,714	\$ 1,576,138	\$ 113,487	\$ 2,534,339	\$ 1,191,149
Capital Assets:					
Capital assets	\$ 24,996,982	\$ 17,319,286	\$ 5,249,401	\$ 47,565,669	\$ 4,509,783
Less allowances for depreciation	<u>(7,943,461)</u>	<u>(3,664,568)</u>	<u>(371,484)</u>	<u>(11,979,513)</u>	<u>(3,300,297)</u>
	\$ 17,053,521	\$ 13,654,718	\$ 4,877,917	\$ 35,586,156	\$ 1,209,486
Construction in progress	<u>1,143,888</u>	<u>974,672</u>		<u>2,118,560</u>	
Total Capital Assets	\$ 18,197,409	\$ 14,629,390	\$ 4,877,917	\$ 37,704,716	\$ 1,209,486
Other Assets:					
Investment in Gogebic-Iron Wastewater Authority		\$ 2,629,516		\$ 2,629,516	
Bond discount, net of amortization	\$ 5,038			5,038	
Restricted cash:					
Bond reserve accounts	302,618	236,744		539,362	
Bond redemption accounts	109,275	39,155	\$ 3,011	151,441	
Net other postemployment benefits asset	<u>67,391</u>	<u>67,391</u>		<u>134,782</u>	\$ 2,644
Total Other Assets	\$ 484,322	\$ 2,972,806	\$ 3,011	\$ 3,460,139	\$ 2,644
Total Assets	<u>\$ 19,526,445</u>	<u>\$ 19,178,334</u>	<u>\$ 4,994,415</u>	<u>\$ 43,699,194</u>	<u>\$ 2,403,279</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	\$ 225,386	\$ 83,412	\$ 1,926	\$ 310,724	\$ 88,420
Related to other postemployment benefits	<u>7,335</u>	<u>7,335</u>		<u>14,670</u>	<u>288</u>
Total Deferred Outflows of Resources	<u>\$ 232,721</u>	<u>\$ 90,747</u>	<u>\$ 1,926</u>	<u>\$ 325,394</u>	<u>\$ 88,708</u>

COMBINED STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center		
LIABILITIES					
Current Liabilities:					
Accounts payable:					
Trade	\$ 62,224	\$ 266,663	\$ 4,418	\$ 333,305	\$ 11,657
Construction	61,922			61,922	
Accrued interest	45,277	26,072		71,349	
Customer deposits	74,853			74,853	
Current maturities on long-term debt	<u>190,000</u>	<u>136,000</u>	<u>7,651</u>	<u>333,651</u>	
Total Current Liabilities	\$ 434,276	\$ 428,735	\$ 12,069	\$ 875,080	\$ 11,657
Long-term debt:					
Compensated absences	\$ 96,517	\$ 65,986		\$ 162,503	\$ 15,636
Revenue bonds	7,656,000	5,796,000	\$ 7,651	13,459,651	
Less portion included in current liabilities	(190,000)	(136,000)	(7,651)	(333,651)	
Net pension liability	<u>1,307,169</u>	<u>483,764</u>	<u>11,172</u>	<u>1,802,105</u>	<u>512,813</u>
Total Noncurrent Liabilities	\$ 8,869,686	\$ 6,209,750	\$ 11,172	\$ 15,090,608	\$ 528,449
Total Liabilities	<u>\$ 9,303,962</u>	<u>\$ 6,638,485</u>	<u>\$ 23,241</u>	<u>\$ 15,965,688</u>	<u>\$ 540,106</u>
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	<u>\$ 10,198</u>	<u>\$ 10,198</u>	<u>\$ 0</u>	<u>\$ 20,396</u>	<u>\$ 401</u>
NET POSITION					
Net Position:					
Invested in capital assets, net of related debt	\$ 10,479,487	\$ 8,833,390	\$ 4,870,266	\$ 24,183,143	\$ 1,209,486
Restricted	479,284	343,290	3,011	825,585	
Unrestricted	<u>(513,765)</u>	<u>3,443,718</u>	<u>99,823</u>	<u>3,029,776</u>	<u>741,994</u>
Total Net Position	<u>\$ 10,445,006</u>	<u>\$ 12,620,398</u>	<u>\$ 4,973,100</u>	<u>\$ 28,038,504</u>	<u>\$ 1,951,480</u>

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

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center	Total Enterprise Funds	
Operating revenues:					
Charges for services	\$ 2,544,606	\$ 2,303,253	\$ 160,242	\$ 5,008,101	\$ 999,314
Other	<u>20,321</u>		<u>3,577</u>	<u>23,898</u>	<u>3,800</u>
	\$ 2,564,927	\$ 2,303,253	\$ 163,819	\$ 5,031,999	\$ 1,003,114
Operating expenses:					
Personnel services	\$ 877,660	\$ 316,564	\$ 107,208	\$ 1,301,432	\$ 187,448
Purchases of services	762,598	1,183,211	100,035	2,045,844	171,091
Materials and supplies	189,635	72,016	44,822	306,473	230,277
Provision for depreciation and amortization	<u>392,723</u>	<u>252,462</u>	<u>110,589</u>	<u>755,774</u>	<u>178,658</u>
	\$ 2,222,616	\$ 1,824,253	\$ 362,654	\$ 4,409,523	\$ 767,474
Operating Income (Loss)	\$ 342,311	\$ 479,000	\$ (198,835)	\$ 622,476	\$ 235,640
Nonoperating revenues (expenses):					
Interest earned	\$ 12,467	\$ 29,253	\$ 377	\$ 42,097	\$ 40,082
Property taxes			99,318	99,318	
Debt service interest	(149,158)	(118,996)	(670)	(268,824)	
State grants	114,627			114,627	
Donations			1,850	1,850	
Gain on sale of assets					6,080
Insurance proceeds			<u>95</u>	<u>95</u>	
	\$ (22,064)	\$ (89,743)	\$ 100,970	\$ (10,837)	\$ 46,162
Change in Net Position	\$ 320,247	\$ 389,257	\$ (97,865)	\$ 611,639	\$ 281,802
Net position at July 1, 2022	<u>10,124,759</u>	<u>12,231,141</u>	<u>5,070,965</u>	<u>27,426,865</u>	<u>1,669,678</u>
NET POSITION AT JUNE 30, 2023	<u>\$ 10,445,006</u>	<u>\$ 12,620,398</u>	<u>\$ 4,973,100</u>	<u>\$ 28,038,504</u>	<u>\$ 1,951,480</u>

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

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Business-Type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center		
Cash flows from operating activities:					
Cash received from customers	\$ 2,622,767	\$ 2,286,132	\$ 163,658	\$ 5,072,557	\$ 1,003,114
Cash paid to employees and suppliers for goods and services	<u>(1,856,865)</u>	<u>(1,623,039)</u>	<u>(253,514)</u>	<u>(3,733,418)</u>	<u>(705,802)</u>
Net Cash Provided by (Used in) Operating Activities	\$ 765,902	\$ 663,093	\$ (89,856)	\$ 1,339,139	\$ 297,312
Cash flows from noncapital and related financing activities -					
Cash received from property tax levies			99,318	99,318	
Cash flows from capital and related financing activities:					
Acquisition and construction of property and equipment	\$ (901,495)	\$ (688,974)		\$ (1,590,469)	\$ (868,376)
Principal paid on long-term debt	(186,000)	(134,000)	\$ (30,075)	(350,075)	
Interest paid on long-term debt	(150,471)	(119,727)	(670)	(270,868)	
Insurance proceeds received			95	95	
Proceeds from the sale of assets					6,080
Donations received			1,850	1,850	
Grants received	<u>114,627</u>	<u></u>	<u></u>	<u>114,627</u>	<u></u>
Net Cash (Used in) Capital and Related Financing Activities	\$ (1,123,339)	\$ (942,701)	\$ (28,800)	\$ (2,094,840)	\$ (862,296)
Cash flows from investing activities:					
Interest earned	\$ 12,467	\$ 29,253	\$ 377	\$ 42,097	\$ 40,082
Net change in investments	<u>(38)</u>	<u>(20,055)</u>	<u></u>	<u>(20,093)</u>	<u>(40,082)</u>
Net Cash Provided by Investing Activities	\$ 12,429	\$ 9,198	\$ 377	\$ 22,004	\$ 0
Net (Decrease) in Cash	\$ (345,008)	\$ (270,410)	\$ (18,961)	\$ (634,379)	\$ (564,984)
Cash and cash equivalents at July 1, 2022	<u>1,211,260</u>	<u>1,321,518</u>	<u>132,595</u>	<u>2,665,373</u>	<u>709,510</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2023	<u>\$ 866,252</u>	<u>\$ 1,051,108</u>	<u>\$ 113,634</u>	<u>\$ 2,030,994</u>	<u>\$ 144,526</u>

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 342,311	\$ 479,000	\$ (198,835)	\$ 622,476	\$ 235,640
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	\$ 392,723	\$ 252,462	\$ 110,589	\$ 755,774	\$ 178,658
Related to pensions and other postemployment benefits	(13,860)	(11,007)	(724)	(25,591)	(4,390)
(Increase) decrease in current assets:					
Accounts receivable	57,940	(17,121)	(161)	40,658	
Due from other funds					
Prepaid expense	1,676	(524)	(314)	838	(1,594)
Inventories	(12,681)	(29,851)		(42,532)	
Increase (decrease) in liabilities:					
Trade accounts payable	7,155	(1,402)	(632)	5,121	(16,314)
Salaries payable	(14,590)	(11,441)	221	(25,810)	(6,685)
Customer deposits	(100)			(100)	
Compensated absences	5,328	2,977		8,305	(88,003)
Total adjustments	\$ 423,591	\$ 184,093	\$ 108,979	\$ 716,663	\$ 61,672
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 765,902	\$ 663,093	\$ (89,856)	\$ 1,339,139	\$ 297,312
Supplemental schedule of noncash financing activities:					
Construction in progress financed with accounts payable	\$ 61,922				

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

COMBINED STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

	Pension Trust Funds	Retiree Healthcare Fund	Agency Fund	Total
ASSETS				
Cash	\$ 188,411	\$ 6,433	\$ 2,765	\$ 197,609
Investments		1,753,213		1,753,213
Accounts receivable		881		881
Delinquent property taxes receivable	10,578	2,658		13,236
Prepaid expenses		14,740		14,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 198,989</u>	<u>\$ 1,777,925</u>	<u>\$ 2,765</u>	<u>\$ 1,979,679</u>
LIABILITIES				
Liabilities -				
Due to General Fund			<u>\$ 2,765</u>	<u>\$ 2,765</u>
NET POSITION				
Net position held in trust for:				
Pension benefits	\$ 198,989			\$ 198,989
Post-employment health care benefits	<u> </u>	<u>\$ 1,777,925</u>	<u> </u>	<u>1,777,925</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net Position	<u>\$ 198,989</u>	<u>\$ 1,777,925</u>	<u>\$ 0</u>	<u>\$ 1,976,914</u>

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

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
PENSION TRUST FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

Additions:			
Property taxes		\$	658,986
Contributions			<u>609,663</u>
	Total Additions	\$	1,268,649
Deductions:			
Administrative expense		\$	34
Transfer to Municipal Employees' Retirement System			<u>1,266,359</u>
			<u>1,266,393</u>
	Net Increase	\$	2,256
Net position held in trust at July 1, 2022			<u>196,733</u>
	NET POSITION HELD IN TRUST AT JUNE 30, 2023	\$	<u><u>198,989</u></u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - RETIREE HEALTHCARE FUND

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

Additions:

Contributions:

Employee contributions	\$	24,236
Employer contributions		<u> </u>

Total Contributions	\$	24,236
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Investment income -

Net increase in fair value of investments		<u>123,217</u>
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Total Additions	\$	147,453
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Deductions:

Administrative expense	\$	7,146
Post-retirement healthcare benefits		<u>151,532</u> <u>158,678</u>

Net (Decrease)	\$	(11,225)
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Net position held in trust for post-employment healthcare
benefits at July 1, 2022

<u>1,789,150</u>

NET POSITION HELD IN TRUST FOR
POST-EMPLOYMENT HEALTHCARE
BENEFITS AT JUNE 30, 2023

<u>\$ 1,777,925</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - AGENCY FUND

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

Additions:		
Taxes collected for other governments	\$	6,201,890
Deductions:		
Payment of taxes collected for other governments		<u>6,201,890</u>
	Net Increase	\$ 0
Net position at July 1, 2022		<u>0</u>
	NET POSITION AT JUNE 30, 2023	<u><u>0</u></u>

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

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ironwood operates under an elected City Commission. The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the City's accounting policies are described below.

Financial Reporting Entity

The financial statements of the reporting entity include those of City of Ironwood (primary government) and its component unit as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component unit discussed below is included in the City's reporting entity as a discretely presented component unit because of the significance of its operational or financial relationships with the City. This component unit is reported in a separate column to emphasize that it is legally separate from the City.

Ironwood Housing Commission - The Commission is located within the City's boundaries and provides housing to elderly individuals. The members of the governing board of the Ironwood Housing Commission are all appointed by the City Manager and confirmed by the City Commission, the Housing Commission is required to make annual payments in lieu of taxes in amounts established by the City Commission, and employees of the Housing Commission are considered to be employees of the City of Ironwood. Separate financial statements for the Ironwood Housing Commission may be obtained at its administrative offices at 515 East Vaughn Street, Ironwood, Michigan.

A wastewater system constructed in part within the City's boundaries is provided to citizens through a regional wastewater authority. The financial statements of the City do not include the wastewater authority, which operates autonomously under an intergovernmental service agreement; however, the City's investment in the wastewater authority is accounted for in the Sewer Utility Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the City except for the fiduciary activities. All of the City's activities are considered to be governmental activities or business-type activities. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided for on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type activities, as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The City reports the following major funds:

General Fund – the general operating fund of the City. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Major Street Fund – used to account for the financial transactions of the City's major street system.

Local Street Fund – used to account for the financial transactions of the City's local street system.

Water Utility Fund – used to account for the financial transactions of the water utility system.

Sewer Utility Fund – used to account for the financial transactions of the sewer utility system.

Pat O'Donnell Civic Center Fund - is used to account for operations of the civic center.

Internal Service Fund – used to account for the financial transactions of the City's equipment provided to other departments and funds on a cost-reimbursement basis.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

All other funds are considered to be nonmajor. They include:

Special Revenue Funds - are used by the City to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses and gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the City's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the City provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes and state and federal grant revenues that are not program revenues are reported as general revenues. Internal Service Fund charges to other funds and expenses paid are eliminated from the Statement of Activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Property tax revenues are recognized as revenue when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Other tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmaturing interest on general long-term debt is recorded when due.

Proprietary, Internal Service and Fiduciary Fund Financial Statements

Proprietary fund types, Internal Service and Fiduciary Funds use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises. Revenues are recorded when earned and expenses are recorded when incurred.

Operating revenues of proprietary and Internal Service funds include charges for services. Nonoperating revenues include property taxes, interest earned and federal and state grant revenues.

Granting of Credit

The governmental fund types grant credit to the State of Michigan and various local units of government and individuals in the western Upper Peninsula of Michigan. The City also extends credit to its Enterprise Fund customers on a routine basis. In addition, the City has loaned monies to various individuals, partnerships and corporations explained in Note E below.

Cash and Cash Equivalents

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. For purposes of the Statement of Cash Flows, cash includes all cash equivalents with an original maturity of three months or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

City funds are invested by the City Treasurer in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, with the objectives of safety of principal, diversification, liquidity and return on investment. State statutes and the City Charter authorize the City to invest in bonds, securities and other obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States and in commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in repurchase agreements that shall be negotiated only with dealers or financial institutions with whom the City has negotiated a Master Repurchase Agreement, bankers' acceptances of U.S. banks, mutual funds registered under the Investment Company Act of 1940 that maintain a \$1 per share net asset value and investment pools organized under the surplus funds investment pool act or local government investment pool act. Investments are stated at fair market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. In the Statement of Net Position, interfund receivables and payables between funds classified as governmental activities and funds classified as business-type activities have been eliminated.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City recognizes deferred outflows for pension and other postemployment related items which are expensed in the plan year in which it applies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has future resources yet to be recognized in relation to the pension and other postemployment actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. In addition, the City reports unavailable revenue from leases. These amounts are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Pension and Other Postemployment Benefit Plans

For purposes of measuring the Net Pension and Other Postemployment Benefit Liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and the City of Ironwood Retiree Health Care Plan and additions to/deductions from each plan's 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.

The provision for pension cost is recorded on the accrual basis, and the City's policy is to fund pension costs according to actuarial valuations.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories for all governmental funds and proprietary funds are valued at cost (first-in, first-out).

Other Assets

Other assets held are recorded and accounted for at cost.

Restricted Cash and Investments

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of restricted resources (consisting of cash and temporary investments) that can be used only to service outstanding debt.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles, library books and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the Government-wide financial statements. Capital assets are defined by the City as assets with an acquisition cost of generally more than \$5,000 or betterments totaling \$50,000 with an estimated useful life of five or more years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. Interest on debt obligations for construction projects over one year is capitalized as part of the cost of the project. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense.

The expense is recorded in the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the asset's sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function. It is the City's policy to not charge depreciation expense for governmental activities to any function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	5-10 years
Library books	5 years
Roads	5-30 years
Other infrastructure	12-80 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the City for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Long-Term Debt

The City reports long-term debt and other long-term obligations in the Government-wide Statement of Net Position. Amounts are recorded at face value along with any accrued interest to June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Allowances are made for estimated uncollectible delinquent accounts.

Property taxes attach as an enforceable lien on property as of December 31. City and School taxes are levied on the ensuing July 1, and County taxes are levied on July 1 and December 1. The City bills and collects its own property taxes and also collects current rolls for the County, State, School District and Intermediate School District.

Delinquent real property taxes of the City are purchased annually by the County of Gogebic.

Vacation, Sick Leave and Other Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Investment in Capital Assets, Net of Related Debt

This is the portion of net position of the City that consists of capital assets, net of accumulated depreciation and reduced by liabilities attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Position

Net position not meeting either category above is considered unrestricted.

Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The City's Unassigned General Fund Balance will be maintained to provide the City with sufficient working capital and a margin of safety to address local emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the City Commission. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund Balances of the City may be committed for a specific purpose by formal action of the Commission. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Commission. Committed Fund Balance does not lapse at year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies (Continued)

The Commission delegates authority to assign fund balance for a specific purpose to the Finance Director and/or City Manager. Assigned Fund Balance does not lapse at year end.

Restricted Fund Balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balances include amounts that are not in a spendable form. The City reports inventories and prepaid expenses as Nonspendable Fund Balances.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance and lastly, Unassigned Fund Balance.

Budget

Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the General, Special Revenue, and Debt Service Funds. Thus, the budgetary financial statements included in this report do not include proprietary funds or fiduciary funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

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

1. Prior to July 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayers' comments.
3. Prior to July 1, the budget is legally enacted at the regular monthly meeting by City Commission adoption of a resolution authorizing a General Appropriation Act for the fiscal year.
4. Any revisions to the budgeted amounts are approved by the City Commission.
5. Budgeted amounts are as originally adopted, plus amendments made on or before June 30, by the City Commission.
6. The budget expires on June 30 of the budget year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The City is a lessor for noncancelable leases of building space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement date of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payment received. The deferred inflow of resources is initially measured at the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The City did not have any funds with a fund balance deficit at June 30, 2023.

The Governmental activities and the Water Utilities Fund reported unrestricted deficits in net position of \$1,474,273 and \$513,765, respectively, at June 30, 2023.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the City's actual expenditures and appropriations have been shown on a functional basis. The approved budgets for the City for these budgetary funds were also adopted on the functional level.

During the year ended June 30, 2023, the City monitored and amended its budget and was in substantial compliance with the Act.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance with Bond Covenants

Revenue bond ordinances issued by the Water Utility, Sewer Utility and Pat O’Donnell Civic Center Funds require the City to segregate receipts to establish several reserve accounts. Following is a summary of required reserves and funding levels at June 30, 2023:

	June 30, 2023	
	Required Reserve	Reserve Balance
2013 Capital Improvement Bonds - Bond Redemption Account	\$ 0	\$ 3,011
2010 Water Supply System Revenue Bonds:		
Bond Redemption Account	34,483	36,361
Bond Reserve Account	50,500	56,378
2010 Sewage Disposal System Revenue Bonds:		
Bond Redemption Account	26,871	28,051
Bond Reserve Account	39,000	43,604
2014 Water Supply System Revenue Bonds:		
Bond Reserve Account	190,440	190,440
2014 Sewage Disposal System Revenue Bonds:		
Bond Reserve Account	184,140	184,140
2017 Water Supply System Revenue Bonds:		
Bond Redemption Account	72,914	72,914
Bond Reserve Account	55,800	55,800
2017 Sewage Disposal System Revenue Bonds:		
Bond Redemption Account	11,104	11,104
Bond Reserve Account	9,000	9,000
	\$ 674,252	\$ 690,803

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CASH AND INVESTMENT INFORMATION

Cash and Cash Equivalents

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately presented on the balance sheet as “Cash and cash equivalents” and “Restricted cash”. Total deposits in financial institutions of the primary government at June 30, 2023, totaled \$5,773,679 all of which was covered by depository insurance. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City places its deposits with, what it believes to be, high quality financial institutions and in the opinion of the City, are subject to minimal risk.

All deposits at June 30, 2023, were made in accordance with State of Michigan statutes and under authorization of the City Commission.

Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City’s investing activities are managed under the custody of the City Treasurer. All investments were made in accordance with State of Michigan statutes and under authorization of the City Commission. Investments are stated at fair market value.

For investments, custodial 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 in the possession of an outside party. All of the City’s investments are insured or registered or for which the securities are held by the City or its agent in the City’s name.

Concentration of credit risk is the risk that an issuer or other counter party will not fulfill its obligations and the City will not recover the value of the investments. The City believes the Michigan CLASS and MERS Total Market Portfolio are subject to minimal concentration of credit risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CASH AND INVESTMENT INFORMATION (CONTINUED)

At June 30, 2023, the City’s reporting entity had the following investments:

<u>Type of Investment</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality Rating (1)</u>	<u>Effective Duration (2)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary Government - Michigan CLASS	\$ 4,848,245	\$ 4,848,245	AAAm	N/A	45
Fiduciary Funds:					
Retiree Healthcare Fund - MERS Total Market Portfolio	<u>1,753,213</u>	<u>1,753,213</u>	N/A	N/A	N/A
Total Investments	<u>\$ 6,601,458</u>	<u>\$ 6,601,458</u>			

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average months to maturity depending on the respective policy. Amounts are shown in months except as otherwise noted. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable were comprised of the following at June 30, 2023:

PRIMARY GOVERNMENT

General:

Delinquent taxes	\$ 39,127	
State of Michigan	207,629	
Other	<u>144,785</u>	
	\$ 391,541	
Less allowances for uncollectibles	<u>(9,782)</u>	\$ 381,759

Major Street -

State of Michigan		133,715
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Local Street -

State of Michigan		49,879
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Nonmajor Governmental Funds:

Customer accounts and local units of government	\$ 13,815	
Delinquent taxes	<u>24,557</u>	38,372

Enterprise:

Customer accounts	\$ 373,753	
Other	2,856	
Less allowances for uncollectibles	<u>(14,403)</u>	362,206

Fiduciary -

Delinquent taxes	\$ 13,236	
Other	<u>881</u>	<u>14,117</u>

Total Primary Government \$ 980,048

COMPONENT UNIT - Customer accounts 8,977

Total \$ 989,025

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – NOTES RECEIVABLE

Special Revenue Funds

Notes receivable included in assets of the Special Revenue Fund consisted of the following at June 30, 2023:

Economic Development Fund -

Six notes receivable from individuals, corporations and limited liability companies, at varying interest rates from 5% to 7%, and collateralized by security interests in real and personal property and by personal guarantees.

\$183,434

Principal and interest collected on the notes receivable included in the Economic Development Fund is restricted for economic development purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS

Changes in primary governmental and component unit capital assets are summarized below:

	Balance at July 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2023</u>
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Land (not depreciated)	\$ 278,062	\$ 112,619		\$ 390,681
Buildings and improvements	12,083,746	57,549		12,141,295
Machinery and equipment	541,031	5,532		546,563
Office equipment and furniture	374,186			374,186
Vehicles	874,662			874,662
Library books	337,375	13,206	\$ 18,980	331,601
Infrastructure	<u>9,115,585</u>	<u>711,948</u>	<u> </u>	<u>9,827,533</u>
	\$ 23,604,647	\$ 900,854	\$ 18,980	\$ 24,486,521
Less accumulated depreciation	(14,084,398)	(985,892)	(18,980)	(15,051,310)
Construction in progress	<u>926,514</u>	<u>529,500</u>	<u>644,136</u>	<u>811,878</u>
Net	\$ 10,446,763	\$ 444,462	\$ 644,136	\$ 10,247,089
<u>Internal Service Fund</u>				
Rental equipment	\$ 3,769,907	\$ 868,376	\$ 128,500	\$ 4,509,783
Less accumulated depreciation	<u>(3,250,139)</u>	<u>(178,658)</u>	<u>(128,500)</u>	<u>(3,300,297)</u>
Net	<u>\$ 519,768</u>	<u>\$ 689,718</u>	<u>\$ 0</u>	<u>\$ 1,209,486</u>
Total Governmental Activities	\$ 10,966,531	\$ 1,134,180	\$ 644,136	\$ 11,456,575

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, <u>2022</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2023</u>
<u>Proprietary Activities</u>				
<u>Major Funds</u>				
Water Utility Fund:				
Land and land rights (not depreciated)	\$ 38,701			\$ 38,701
Water production and distribution plant	<u>23,922,407</u>	<u>\$ 1,035,874</u>		<u>24,958,281</u>
	\$ 23,961,108	\$ 1,035,874	\$ 0	\$ 24,996,982
Less accumulated depreciation	(7,552,322)	(391,139)		(7,943,461)
Construction in progress	<u>1,338,905</u>	<u>553,925</u>	<u>748,942</u>	<u>1,143,888</u>
Net	\$ 17,747,691	\$ 1,198,660	\$ 748,942	\$ 18,197,409
Sewer Utility Fund:				
Land and land rights (not depreciated)	\$ 7,600			\$ 7,600
Sewage transmission	<u>16,378,006</u>	<u>\$ 933,680</u>		<u>17,311,686</u>
	\$ 16,385,606	\$ 933,680	\$ 0	\$ 17,319,286
Less accumulated depreciation	(3,412,106)	(252,462)		(3,664,568)
Construction in progress	<u>965,661</u>	<u>939,386</u>	<u>930,375</u>	<u>974,672</u>
Net	\$ 13,939,161	\$ 1,620,604	\$ 930,375	\$ 14,629,390
Pat O'Donnell Civic Center Operations Fund:				
Civic Center building and equipment	\$ 5,249,401			\$ 5,249,401
Less accumulated depreciation	<u>(260,895)</u>	<u>\$ (110,589)</u>		<u>(371,484)</u>
Net	\$ 4,988,506	\$ (110,589)		\$ 4,877,917
Total Proprietary Funds Activities	<u>\$ 36,675,358</u>	<u>\$ 2,708,675</u>	<u>\$ 1,679,317</u>	<u>\$ 37,704,716</u>
Total Primary Government	\$ 47,641,889	\$ 3,842,855	\$ 2,323,453	\$ 49,161,291
<u>COMPONENT UNIT</u>				
Housing Commission:				
Land	\$ 422,048			\$ 422,048
Building and improvements	9,573,002	\$ 174,237		9,747,239
Equipment	<u>195,920</u>	<u>69,214</u>		<u>265,134</u>
	\$ 10,190,970	\$ 243,451	\$ 0	\$ 10,434,421
Less accumulated depreciation	<u>(7,980,926)</u>	<u>(242,142)</u>		<u>(8,223,068)</u>
Total Component Unit	<u>\$ 2,210,044</u>	<u>\$ 1,309</u>	<u>\$ 0</u>	<u>\$ 2,211,353</u>
	<u>\$ 49,851,933</u>	<u>\$ 3,844,164</u>	<u>\$ 2,323,453</u>	<u>\$ 51,372,644</u>

Land and construction in progress are the only capital assets that are not depreciated. The City's capital asset records do not separate accumulated depreciation by capital asset type.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS (CONTINUED)

Construction in Progress

The City had construction in progress activity on the following projects during the year ended June 30, 2023:

- The City continued work on the Miners Memorial Heritage Park Mountain Bike Trail Project, incurring costs of \$353,868 through June 30, 2023. Completion of the project is expected in the year ending June 30, 2024, with total project costs expected to be \$415,000.
- The City continued the street reconstruction project on Hemlock Street incurring costs of \$209,709 through June 30, 2023. In addition, the City's water and sewer mains are also being replaced. Total water and sewer main construction costs as of June 30, 2023 were \$67,507 and \$111,885, respectively. The total cost of the project is estimated to be \$979,000, to be funded by a \$350,000 federal grant, with the remainder to be funded by the City.
- The Water and Sewer Utility Funds continued a shared water/sewer main reconstruction project that incurred \$346,465 of water and \$685,913 of sewer construction costs through June 30, 2023. The project is expected to be completed in the spring of 2024 at an estimated cost of \$1,099,000.
- The Water Utility Fund incurred engineering costs of \$725,121 through June 30, 2023, in relation to the construction of a new water pump station. The total cost is estimated to be \$11,572,000 to be financed with \$5,800,000 of loans and \$5,772,000 of grant funding. Construction is expected to be completed in the year ending June 30, 2025.
- The Water Utility Fund incurred engineering costs of \$4,900 through June 30, 2023 in relation to the construction of a new water treatment facility. The total cost is estimated to be \$11,400,000 to be financed with 100% grant funding. Construction is expected to be completed in the year ending June 30, 2026.
- The Water and Sewer Utility Funds began a shared water/sewer main reconstruction project incurring costs of \$4,895 each as of June 30, 2023. A grant of \$11,021,000 was awarded to fund 100% of the water portion. The City has submitted a funding request to the USDA Rural Development to fund the Sewer portion, which is estimated to be \$6,000,000. This project will be completed in year ending June 30, 2026.
- The Sewer Utility Fund continued a sewer main relining project which incurred costs of \$171,979 through June 30, 2023. The project was completed in July 2023 with a total cost of \$485,099.
- The City incurred engineering costs of \$26,918 for the street reconstruction of Van Buskirk Road. The total cost of the project is estimated to be \$437,000 to be funded by a \$375,000 federal grant. Completion is expected in the year ending June 30, 2024.
- The City incurred costs of \$44,939 for a culvert replacement on Margaret Street. This project is 100% City funded and is expected to be completed in the year ending June 30, 2024.
- The City incurred costs of \$164,447 and \$11,997 for a boiler replacement and a fire alarm system, respectively, at the Memorial Building. Estimated costs for these projects are \$229,838 and \$53,968, respectively. The projects are expected to be complete in the year ending June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Balance at July 1, <u>2022</u>	<u>Increase</u>	<u>Decrease</u>	Balance at June 30, <u>2023</u>	Amount Due Within <u>One Year</u>
PRIMARY GOVERNMENT					
<u>Governmental Activities</u>					
Direct borrowing and direct placements:					
Capital Improvement Bonds	\$ 502,000		163,000	\$ 339,000	\$ 167,000
Department of Transportation Loan	<u>18,921</u>		<u>18,921</u>	<u> </u>	<u> </u>
Total direct borrowing and direct placements	\$ 520,921		\$ 181,921	\$ 339,000	\$ 167,000
Compensated absences	<u>370,400</u>		<u>34,631</u>	<u>335,769</u>	<u>90,037</u>
Total Governmental Activities	\$ 891,321		\$ 216,552	\$ 674,769	\$ 257,037
<u>Proprietary Activities</u>					
Direct borrowing and direct placements:					
Revenue and Refunding Bonds	\$ 13,772,000		\$ 320,000	\$ 13,452,000	\$ 326,000
Capital Improvement Bonds	<u>37,726</u>		<u>30,075</u>	<u>7,651</u>	<u>7,651</u>
Total direct borrowing and direct placements	\$ 13,809,726		\$ 350,075	\$ 13,459,651	\$ 333,651
Compensated absences	<u>154,198</u>	\$ 8,305	<u> </u>	<u>162,503</u>	<u>13,205</u>
Total Proprietary Activities	\$ 13,963,924	\$ 8,305	\$ 350,075	\$ 13,622,154	\$ 346,856
<u>Internal Service Fund</u>					
Compensated absences	<u>103,639</u>		<u>88,003</u>	<u>15,636</u>	<u>13,760</u>
Total Internal Service Fund	<u>103,639</u>		<u>88,003</u>	<u>15,636</u>	<u>13,760</u>
TOTAL PRIMARY GOVERNMENT	\$ 14,958,884	\$ 8,305	\$ 654,630	\$ 14,312,559	\$ 617,653
COMPONENT UNIT -					
Compensated absences	<u>21,200</u>	<u>2,277</u>	<u> </u>	<u>23,477</u>	<u>1,174</u>
	<u>\$ 14,980,084</u>	<u>\$ 10,582</u>	<u>\$ 654,630</u>	<u>\$ 14,336,036</u>	<u>\$ 618,827</u>

The Capital Improvement Street Bonds and Department of Transportation Loan are being paid through the Major and Local Street Funds with monies transferred from the General Fund. The Capital Improvement Bonds recorded in the governmental activities are paid by the Debt Service Fund with funds coming from a property tax levy. The revenue and refunding bonds and Capital Improvement Bonds recorded in the proprietary activities are paid by users of the Water, Sewer and Pat O'Donnell Civic Center Funds according to various bond ordinances. Compensated absences are paid by various funds as described in the compensated absences footnote below.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM DEBT (CONTINUED)

The aggregate amounts of long-term debt principal and interest maturities (excluding accumulated compensated absences) for the five years ending June 30, 2028, and in five-year increments thereafter until maturity are:

	Direct Borrowing and Direct Placements					
	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 167,000	\$ 9,753	\$ 176,753	\$ 333,651	\$ 264,384	\$ 598,035
2025	172,000	5,160	177,160	332,000	257,803	589,803
2026				339,000	251,322	590,322
2027				346,000	244,594	590,594
2028				353,000	237,737	590,737
2029-2033				1,873,000	1,081,025	2,954,025
2034-2038				2,073,000	887,088	2,960,088
2039-2043				2,295,000	672,314	2,967,314
2044-2048				2,541,000	434,259	2,975,259
2049-2053				2,166,000	189,437	2,355,437
2054-2058				808,000	26,811	834,811
	<u>\$ 339,000</u>	<u>\$ 14,913</u>	<u>\$ 353,913</u>	<u>\$ 13,459,651</u>	<u>\$ 4,546,774</u>	<u>\$ 18,006,425</u>

Compensated Absences

The City has reported a \$335,769, \$162,503 and \$15,636 liability for accumulated unpaid vacation, sick pay and personal leave and related fringe benefits in its governmental, proprietary and internal service activities, respectively at June 30, 2023. The City has reported a \$23,477 liability for compensated absences in its Component Unit at June 30, 2023.

The City reports the compensated absence liability for governmental fund employees in the governmental activities and proprietary fund employees as a liability in the business-type activities in the government-wide financial statements. Amounts expected to be paid to employees within sixty days of year-end are recorded as a liability in the financial statements of the fund which will pay for the compensated absences in the fund-based financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM DEBT (CONTINUED)

Compensated Absences (Continued)

Following is a summary of employment policies related to compensated absences:

General City Operations - For employees hired on or before July 1, 1994, sick leave is earned at 4 hours per pay period, with 2,080 hours maximum accumulation. Upon death or retirement, employees receive all unused sick leave and are paid at their current rate of pay. Upon termination other than death or retirement, employees receive 50 percent of unused sick leave.

For employees hired after July 1, 1994, sick leave is earned at 4 hours per pay period, with 2,080 hours maximum accumulation. Employees receive 50 percent of unused sick leave up to 800 hours upon termination, including death or retirement.

Public Safety Officers - Sick leave is earned at 4 hours per pay period, with no limitation maximum accumulation. Employees receive 50 percent of unused sick leave up to 800 hours upon termination, including death or retirement.

For several management employees, sick leave is earned at 4 hours per pay period with maximum accumulation as specified in individual employment agreements. Upon termination, these employees receive no accumulated sick leave benefits.

Vacation leave is earned at varying rates, depending upon length of service. At termination, employees receive all unused vacation leave and are paid at their current rate of pay.

Other Fringe Benefits - Included in compensated absences liability are the related social security and retirement costs.

NOTE H – BONDS AND NOTES PAYABLE

2015 Capital Improvement Bonds

On May 14, 2015, the City issued \$1,557,000 of 2015 Capital Improvement Bonds, to finance capital projects. The bonds are limited tax general obligation bonds issued under provisions of Act 34, Public Acts of Michigan, 2001, as amended. The City has pledged its limited tax full faith and credit for the prompt payment of the bonds. Each year the City shall budget the amount of the debt service coming due in the next fiscal year on the principal of and interest on the bonds and shall advance as a first budget obligation from its general funds available therefor, or, if necessary, levy taxes upon all taxable property in the City subject to applicable constitutional, statutory and charter tax rate limitations, such sums as may be necessary to pay such debt service in said fiscal year. Interest on the bonds is payable on January 1 and July 1 of each year at rates varying from .75% to 3%. Principal payments are due each November 1 through the year ending June 30, 2025. All of the bonds were purchased by Gogebic Range Bank, Bessemer, Michigan, with the Bank acting as the paying agent. The outstanding amount payable on the bonds at June 30, 2023 totals \$339,000, with \$167,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

2014 Michigan Department of Transportation Loan

On July 2, 2014, the City received a loan from the Michigan Department of Transportation (MDOT) in the amount of \$136,750 to finance upgrades to light poles, banner hangers, overhead power lines and sidewalks. Interest on the loan is payable on July 2 of each year at a rate of 3%. Principal payments are due each July 2 through the year ending June 30, 2023. If the City is in default of payments, MDOT will withhold Michigan Transportation Funds due the City to cover unpaid loan payments. The loan was paid in full during the year ended June 30, 2023.

Water Supply System Revenue Bond, Series 2010C

On August 17, 2010, the City issued \$1,203,000 of Water Supply System Revenue Bonds, Series 2010C to finance improvements to its water supply system in the Jessieville area of the City. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Water Utility Fund. Interest on the bonds is payable on July 1 and January 1 of each year at a rate of 2.375%. Principal payments are due each January 1 through the year ending June 30, 2051. The outstanding amount payable on the bonds at June 30, 2023 totals \$967,000, with \$23,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Water Supply System Revenue Bond, Series 2014A

On May 15, 2014, the City issued \$1,410,000 of Water Supply System Revenue Bonds, Series 2014A to finance improvements to its water supply system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in the Water Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at a rate of 2%. Principal payments are due each November 1 through the year ending June 30, 2054. The outstanding amount payable on the bonds at June 30, 2023 totals \$1,183,000, with \$28,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Water Supply System Revenue Refunding Bond, Series 2014B

On May 15, 2014, the City issued \$1,396,000 of Water Supply System Revenue Bonds, Series 2014B. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Water Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at rate of 2%. Principal payments are due each November 1 through the year ending June 30, 2054. The outstanding amount payable on the bonds at June 30, 2023 totals \$1,169,000, with \$28,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

Water Supply System Revenue Bond, Series 2014C

On May 15, 2014, the City issued \$2,932,000 of Water Supply System Revenue Bonds, Series 2014C to finance improvements to its water supply system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Water Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at a rate of 2%. Principal payments are due each November 1 through the year ending June 30, 2049. The outstanding amount on the bonds at June 30, 2023 totals \$1,886,000, with \$58,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Water Supply System Revenue Bond, Series 2017

On July 11, 2017, the City issued \$2,701,000 of Water Supply System Revenue Bonds, Series 2017 to finance improvements to its water supply system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Water Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at a rate of 1.625%. Principal payments are due each November 1 through the year ending June 30, 2058. The outstanding amount payable on the bonds at June 30, 2023 totals \$2,451,000, with \$53,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Sewage Disposal System Revenue Bond, Series 2010C

On August 17, 2010, the City issued \$930,000 of Sewage Disposal System Revenue Bonds, Series 2010C to finance improvements to its sewage disposal system in the Jessieville area of the City. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Sewer Utility Fund. Interest on the bonds is payable on July 1 and January 1 of each year at a rate of 2.375%. Principal payments are due each January 1 through the year ending June 30, 2051. The outstanding amount payable on the bonds at June 30, 2023 totals \$747,000, with \$18,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Sewage Disposal System Revenue Bond, Series 2014A

On May 15, 2014, the City issued \$1,712,000 of Sewage Disposal System Revenue Bonds, Series 2014A to finance improvements to its sewage disposal system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Sewer Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at a rate of 2% and principal is due on November 1 of each year. Principal payments are due through the year ending June 30, 2054. The outstanding amount payable on the bonds at June 30, 2023 totals \$1,436,000, with \$34,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

Sewage Disposal System Revenue Refunding Bond, Series 2014B

On May 15, 2014, the City issued \$1,687,000 of Sewage Disposal System Revenue Bonds, Series 2014A. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Sewer Utility Fund. Interest on the bonds is payable on November 1 and May 1 of each year at rate of 2%. Principal payments are due each November 1 through the year ending June 30, 2054. The outstanding amount payable on the bonds at June 30, 2023 totals \$1,415,000, with \$33,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Sewage Disposal System Revenue Bond, Series 2014C

On May 15, 2014, the City issued \$2,166,000 of Sewage Disposal System Revenue Bonds, Series 2014C to finance improvements to its sewage disposal system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Sewer Utility Fund. Interest on the bonds is payable on November 1 and May 1 at a rate of 2% and principal payments are due November 1 through the year ending June 30, 2054. The outstanding amount payable on the bonds at June 30, 2023 totals \$1,816,000, with \$43,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Sewage Disposal System Revenue Bond, Series 2017

On July 11, 2017, the City issued \$422,000 of Sewage Disposal System Revenue Bonds, Series 2017 to finance improvements to its sewage disposal system. Funding for the bonds is from United States of America Department of Agriculture Rural Development. The City accounts for these bonds in its Sewer Utility Fund. Interest on the bonds is payable on November 1 and May 1 at a rate of 1.625% and principal payments are due November 1 through the year ending June 30, 2058. The outstanding amount payable on the bonds at June 30, 2023 totals \$382,000, with \$8,000 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

Proprietary Activities Revenue and Refunding Bonds

The City has issued several revenue and refunding bonds in both the Water Supply System and Sewage Disposal System funds. All are funded from the United States of America Department of Agriculture Rural Development and payable solely from revenues generated by the Water Supply and Sewage Disposal Systems. If the City is in default the United States of America Department of Agriculture Rural Development has legal recourse to appoint a receiver to administer the System on its behalf. Interest on the bonds is due each six months and principal payments are due annually. The final bond payment is due in the year 2058. Annual principal and interest maturities are included in Note G. Information relative to the bond issues are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

Proprietary Activities Revenue and Refunding Bonds (Continued)

	<u>Outstanding Balance at June 30, 2023</u>	<u>Maturing Within One Year</u>	<u>Interest Rate</u>
Water Supply System Revenue and Refunding Bonds:			
Series 2010C	\$ 967,000	\$ 23,000	2.375%
Series 2014A	1,183,000	28,000	2.00%
Series 2014B	1,169,000	28,000	2.00%
Series 2014C	1,886,000	58,000	2.00%
Series 2017	<u>2,451,000</u>	<u>53,000</u>	1.625%
	<u>\$ 7,656,000</u>	<u>\$ 190,000</u>	
Sewage Disposal System Revenue and Refunding Bonds:			
Series 2010C	\$ 747,000	\$ 18,000	2.375%
Series 2014A	1,436,000	34,000	2.00%
Series 2014B	1,415,000	33,000	2.00%
Series 2014C	1,816,000	43,000	2.00%
Series 2017	<u>382,000</u>	<u>8,000</u>	1.625%
	<u>\$ 5,796,000</u>	<u>\$ 136,000</u>	
	<u>\$ 13,452,000</u>	<u>\$ 326,000</u>	

2013 Capital Improvement Bonds

On September 9, 2013 the City issued \$275,000 of 2013 Capital Improvement Bonds, to finance improvements to the Pat O'Donnell Civic Center. The bonds are limited tax general obligation bonds issued under provisions of Act 34, Public Acts of Michigan, 2001, as amended. The City has pledged its limited tax full faith and credit for the prompt payment of the bonds. Principal and interest payments are payable in monthly installments including interest at 2.79% through the year ending June 30, 2024. All of the bonds were purchased by Gogebic Range Bank, Bessemer, Michigan, with the Bank acting as the paying agent. The outstanding amount payable on the bonds at June 30, 2023 totals \$7,651, with \$7,651 maturing during the year ending June 30, 2024. Annual principal and interest maturities are included in Note G.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the City implemented the following new pronouncement: Governmental Accounting Standards Board (GASB) Statement No. No. 96, *Subscription-based Information Technology Arrangements*.

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the City's financial statement after the adoption of GASB Statement 96.

NOTE J – PROPERTY TAX ADMINISTRATION FEE

In accordance with Public Act 503 of 1982, the City has established a subsidiary ledger to separately account for costs incurred in the collection, assessment and review of property tax levies. For the year ended June 30, 2023, costs incurred totaled \$106,640 and revenues from charging the administrative fee were \$86,933. Cumulative costs since inception of the subsidiary ledger have exceeded cumulative fees.

NOTE K – INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Any residual balances outstanding between the governmental activities and proprietary activities are reported in the government-wide financial statements as “internal balances”. Interfund balances of \$2,765 reported in assets of the primary governmental activities at June 30, 2023 consist of balances due to the General Fund from the Agency Fund.

The amounts of interfund receivables and payables at June 30, 2023, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General	\$ 2,765	Agency	\$ 2,765
2015 Debt Service	<u>823</u>	General	<u>823</u>
	<u>\$ 3,588</u>		<u>\$ 3,588</u>

NOTE L – INTERFUND TRANSFERS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

Interfund transfers for the year ended June 30, 2023, were made from the General Fund to the Cemetery Trust Fund in the amount of \$43,409, the Major Street Fund in the amount of \$141,911, the Local Street Fund in the amount of \$238,187, the Downtown Ironwood Development Authority in the amount of \$10,241, and the Neighborhood Enhancement Program Fund in the amount of \$2,500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – RESTRICTION OF NET POSITION AND SUMMARY OF FUND BALANCES

Following is a summary of restricted net position for individual funds at June 30, 2023:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Restriction</u>
Primary Government		
Governmental Activities:		
General Fund	By donors and grants	\$ 94,760
Library Fund	By donors and grants	202,197
Economic Development Fund	Economic development	183,434
Housing Development Fund	Housing development	320,000
Cemetery Trust Fund	Perpetual care	500,000
1995 Debt Service Fund	Debt service	5,008
2015 Debt Service Fund	Debt service	<u>134,815</u>
		\$ 1,440,214
Business-type Activities:		
Water Utility	Bond reserve, redemption and construction	\$ 411,893
Sewer Utility	Bond reserve, redemption and construction	275,899
Civic Center	Bond redemption	3,011
Water Utility	Net other postemployment benefits	67,391
Sewer Utility	Net other postemployment benefits	<u>67,391</u>
		<u>\$ 825,585</u>
		<u>\$ 2,265,799</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – RESTRICTION OF NET POSITION AND SUMMARY OF FUND BALANCES
(CONTINUED)

Following is a summary of nonspendable, restricted, committed and assigned fund balances for individual governmental funds for purposes of the Combined Balance Sheet:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
Primary Government		
Major Funds:		
General Fund	Nonspendable for inventory and prepaid expenses	\$ 197,067
	Restricted by donors	94,760
	Committed for future project and budgeting purposes	1,882,000
	Assigned by management for projects	<u>1,225,000</u>
		\$ 3,398,827
Major Street Fund	Nonspendable for prepaid expenses	\$ 5,545
	Assigned	1,139,788
Local Street Fund	Nonspendable for prepaid expenses	7,738
	Assigned	<u>61,776</u>
		\$ 1,214,847
Nonmajor Funds:		
	Restricted:	
Library Fund	By donors and grants	\$ 202,197
Economic Development Fund	Long-term portion of notes receivable	183,434
Housing Development Fund	By grants	320,000
Cemetery Trust Fund	Future care	500,000
1995 Debt Service Fund	Debt service	5,008
2015 Debt Service Fund	Debt service	<u>134,815</u>
		\$ 1,345,454
Library Fund	Nonspendable for prepaid expenses	1,383
	Assigned	84,280
Downtown Ironwood Development Authority	Nonspendable for prepaid expenses	11
	Assigned	38,087
Cemetery Trust Fund	Nonspendable for prepaid expenses	632
	Assigned	33,482
Volunteer Fire Department Fund	Assigned	<u>3,223</u>
		<u>\$ 1,506,552</u>
	Total	<u>\$ 6,120,226</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES

The City maintains three Enterprise Funds. Services provided include water, sewer, garbage/recycling and civic center operations. Segment information not presented in the basic financial statements for the year ended June 30, 2023, was as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Pat O'Donnell Civic Center Operations</u>
Property tax revenues	\$ 0	\$ 0	\$ 99,318
Current capital contributions	0	0	0
Land, buildings and equipment:			
Additions	840,857	942,691	0
Disposals, net of accumulated depreciation	0	0	0

NOTE O – INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY

Gogebic-Iron Wastewater Authority (the Authority) was organized in 1983 to finance and construct a regional wastewater treatment plant and sewer system (the Project). Members of the Authority are the City of Ironwood and one local township. Construction of the Project was financed principally by federal and state grants and loans to the Authority. The participating local units of government provided financing in the forms of pass-through of federal and state grants and loans and direct investment. At June 30, 2023, the City's investment in the Authority consisted of the following:

Pass-through of state grants to Authority	\$ 427,303
Share of costs not eligible for funding by federal and state grants and organizational expenses paid to Authority	1,553,866
Cumulative share of net income of Authority	648,347
	<u>\$ 2,629,516</u>

The City is accounting for its investment in the Authority by the equity method in the Sewer Utility Fund. The cumulative share of net income of the Authority includes the City's share of net income through June 30, 2003. Upon the adoption of GASB Statement No. 34 by the Authority during the year ended June 30, 2004, the City determined the change in the Authority's net position does not reflect a realistic method of increasing or decreasing its investment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INVESTMENT IN GOGEBIC-IRON WASTEWATER AUTHORITY (CONTINUED)

The Authority owns the Project; however, the Project is being operated and managed by an autonomous Gogebic-Iron Wastewater Board (the Board) which is comprised of members of the Authority and City of Hurley, Wisconsin. Upon payment in full of revenue bonds issued by the Authority, title to the wastewater treatment plant will pass from the Authority to the Board. Each member of the Board will then own, in common, an undivided interest therein. Title to the collection sewer system lying within the boundaries of each local governmental unit will pass to that unit.

Condensed financial information as of and for the year ended June 30, 2023, from the Authority's most recently audited financial statements, which are available at the Authority's administrative office at 700 West Cloverland Drive, Ironwood, Michigan, follows:

	<u>Gogebic-Iron Wastewater Authority</u>	<u>Board</u>	<u>Totals (Memorandum Only)</u>
Total assets	\$ 8,880,052	\$ 198,154	\$ 9,078,206
Deferred outflows of resources	\$ 408,338		\$ 408,338
Total liabilities	\$ 4,594,235	\$ 198,154	\$ 4,792,389
Deferred inflow of resources	\$ 66,182		\$ 66,182
Net position	\$ 4,627,973	\$ 0	\$ 4,627,973
Operating revenues	\$ 1,589,099	\$ 1,126,320	\$ 2,715,419
Operating expenses	<u>1,897,606</u>	<u>1,126,401</u>	<u>3,024,007</u>
	\$ (308,507)	\$ (81)	\$ (308,588)
Nonoperating revenues and expenses	<u>1,514,064</u>	<u>81</u>	<u>1,514,145</u>
Change in Net Position	\$ 1,205,557	\$ 0	\$ 1,205,557
Net Position at July 1, 2022	<u>3,422,416</u>	<u>0</u>	<u>3,422,416</u>
NET POSITION AT JUNE 30, 2023	<u>\$ 4,627,973</u>	<u>\$ 0</u>	<u>\$ 4,627,973</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – SUMMARY OF 2022 TAX LEVY

Details of the City’s 2022 property tax levy (excluding industrial facilities tax) are as follows:

City:	
General Fund	\$ 1,929,877
Civic Center	99,883
Library Fund	96,456
Public Safety Retirement System Fund	653,332
Debt Service Fund	199,786
Downtown Ironwood Development Authority	12,813
	Total City Taxes \$ 2,992,147
School	1,438,112
County	1,568,046
State Education Tax	601,023
	Total Levy <u>\$ 6,599,328</u>

TAXABLE VALUATION

Tax rate per \$1,000 valuation:	
General Fund	19.2000
Civic Center	0.9939
Library Fund	0.9598
Public Safety Retirement System Fund	6.5000
Debt Service Fund	1.9878
	29.6415

The Downtown Ironwood Development Authority levies 1.9414 mills on parcels within the downtown district.

NOTE Q – DEFINED BENEFIT PENSION PLAN

Plan Description

The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees’ Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 2.50%. The vesting period is 10 years. The normal retirement age is 60 with early retirement ranging from 50 to 55 years of age with 20 to 25 years of service. Final average compensation is calculated based on the highest compensation in 3 to 5 years of consecutive service. Member contributions range from 4.77% to 6.00%.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	82
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>43</u>
	<u>134</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions for the year ended June 30, 2023, were \$1,173,896, based on annual payroll.

Net Pension Liability

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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

Inflation: 2.5%

Salary Increases: 3.00% in the long-term

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

Mortality rates used were based fully on generational mortality including PubG-2010 and PubNS-2010 mortality tables.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study covering the period from 2014 through 2018 and were first used in the December 31, 2020 actuarial valuations.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	2.70%
Global Fixed Income	20.00%	0.40%
Private Investments	20.00%	1.40%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Calculating Net Pension Liability - Primary Government

Changes in Net Pension Liability	Total Pension Liability <u>(a)</u>	Increase (Decrease) Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at January 1, 2022	\$ 21,933,365	\$ 12,825,055	\$ 9,108,310
Changes for the year:			
Service Cost	\$ 298,755		\$ 298,755
Interest on Total Pension Liability	1,547,473		1,547,473
Changes in Benefits	0		0
Difference between expected and actual experience	266,741		266,741
Changes in assumptions	0		0
Employer Contributions		\$ 1,173,896	(1,173,896)
Employee Contributions		218,947	(218,947)
Net Investment Income		(1,323,843)	1,323,843
Benefit payments, including employee refunds	(1,476,585)	(1,476,585)	0
Administrative expense		(23,516)	23,516
Other changes	<u>(7,496)</u>	<u>(4,089)</u>	<u>(3,407)</u>
	<u>\$ 628,888</u>	<u>\$ (1,435,190)</u>	<u>\$ 2,064,078</u>
Balances at December 31, 2022	<u>\$ 22,562,253</u>	<u>\$ 11,389,865</u>	<u>\$ 11,172,388</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total Pension Liability (a)	\$ 25,083,857	\$ 22,562,253	\$ 20,040,649
Fiduciary Net Position (b)	<u>11,389,865</u>	<u>11,389,865</u>	<u>11,389,865</u>
Net Pension Liability (a) - (b)	<u>\$ 13,693,992</u>	<u>\$ 11,172,388</u>	<u>\$ 8,650,784</u>

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

For the year ended June 30, 2023 the employer recognized pension expense of \$1,135,316. The employer reported deferred outflows and inflows of resources related to pension from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 181,156	\$ 0
Differences in assumptions	241,116	0
Excess Investment Returns	1,046,618	0
Contributions subsequent to the measurement date*	<u>457,842</u>	<u>0</u>
Primary Government Total	<u>\$ 1,926,732</u>	<u>\$ 0</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

<u>Year ended June 30,</u>	
2024	\$ 430,536
2025	285,421
2026	302,979
2027	<u>449,954</u>
	<u>\$ 1,468,890</u>

Component Unit

The Ironwood Housing Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan along with the City. The above information is the City's primary government portion only. The Commission's portion is presented in the Commission's June 30, 2023 audited financial statements.

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS

Plan Administration

The City Commission administers the City of Ironwood Retiree Health Care Plan (RHCP), an employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible permanent full-time general and public safety employees of the City.

RHCP funds are invested entirely with MERS and invested in the Total Market Portfolio.

Benefits Provided

Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. The City Code grants authority to establish and amend the benefit terms to the City Commission.

In addition to the pension benefits described in Note Q, the City provides post-employment health care benefits through the RHCP in accordance with a resolution adopted by the City Commission, to all eligible employees who retire from the City, up to age 65.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Benefits Provided (Continued)

- Non-union and AFSCME Union – benefits in accordance with a resolution adopted by the City Commission and collective bargaining agreement, respectively. Employees hired prior to March 1, 2004, who retire on or after attaining age 55, but before age 60 shall be eligible for retiree only coverage and employees who retire on or after attaining age 60 shall be eligible for retiree coverage and coverage of a spouse to whom the retiree is married on the date of his or her retirement from the City. All retiree health insurance coverage shall cease upon the employee reaching the age of sixty-five (65). Employees hired on or after March 1, 2004, will not be eligible for post-employment health care benefits.

- Public Safety Union - benefits in accordance with the collective bargaining agreement. Employees hired prior to November 1, 2014, who retire on or after attaining age 50 shall be eligible for healthcare coverage (including spouse and eligible children). Such coverage shall cease upon the employee reaching the age of sixty-five (65). Employees hired on or after November 1, 2014, will not be eligible for post-employment health care benefits.

Plan Membership

At June 30, 2023, RHCP membership consisted of the following:

	<u>General Employee System</u>	<u>Public Safety Employee System</u>
Inactive plan members or beneficiaries currently receiving benefit payments	5	5
Inactive plan members entitled to but not yet receiving benefit payments	0	0
Active plan members	3	9
	8	14

Contributions

The City Code grants the authority to establish and amend the contribution requirements of the City and plan members to the City Commission. The Commission establishes rates based on an actuarially determined rate. For the year ended June 30, 2023, the City’s average contribution rate was 0.00% of covered-employee payroll as no contributions were required due to the plan having excess funding as of June 30, 2022. Plan members are required to contribute to the plan at varying rates based on date of retirement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Net OPEB Liability of the City

The City's Net OPEB Liability (Asset) was measured as of June 30, 2023, and the total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense including inflation
Healthcare cost trend rates	14.75% for 2022, decreasing 0.25% per year to an ultimate rate of 12.0%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables Report issued by the Society of Actuaries most recently published for Healthy and Disabled Participants, as appropriate.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022 to June 30, 2023.

Investment Policy

There is currently no formal investment policy in place with respect to assets set aside for the (RHCP) referenced above. Assets are held in the MERS Retirement Health Funding Vehicle and invested in the MERS Total Market Portfolio. In general, the investment objective is to provide current income and capital appreciation while minimizing volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

The long term expected real rate of return is typically chosen by the plan sponsor with guidance from their investment managers and reflects their view of the long-term rate of return on assets expected to be earned based on current trust allocations. The expected returns have been selected to coincide with the GASB Notes provided by MERS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Investment Policy (Continued)

<u>MERS Total Market Portfolio Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Return</u>	<u>Real Rate of Return</u>
Global Equity	60.00%	7.00%	4.20%
Global Fixed Income	20.00%	4.50%	0.90%
Private Investments	<u>20.00%</u>	9.50%	<u>1.90%</u>
	<u>100.00%</u>		<u>7.00%</u>

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 7.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Calculating Net OPEB Liability - Primary Government

Changes in Net OPEB Liability (Asset)	Total OPEB Liability <u>(a)</u>	Increase (Decrease) Plan Fiduciary Net Position <u>(b)</u>	Net OPEB (Asset) Liability <u>(a) - (b)</u>
Balances at July 1, 2022	\$ 1,424,884	\$ 1,789,148	\$ (364,264)
Changes for the year:			
Service Cost	\$ 14,345		\$ 14,345
Interest on Total OPEB Liability	95,789		95,789
Changes in Benefits	0		0
Difference between expected and actual experience	503,393		503,393
Changes in assumptions	13,696		13,696
Employer Contributions		\$ 0	0
Employee Contributions		0	0
Net Investment Income		123,217	(123,217)
Benefit payments, including employee refunds	(127,296)	(127,296)	0
Administrative expense	<u>0</u>	<u>(7,147)</u>	<u>7,147</u>
Net changes	<u>\$ 499,927</u>	<u>\$ (11,226)</u>	<u>\$ 511,153</u>
Balances at June 30, 2023	<u>\$ 1,924,811</u>	<u>\$ 1,777,922</u>	<u>\$ 146,889</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 %) or one percentage point higher (8.00 %) than the current discount rate

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability (asset)	<u>\$ 261,920</u>	<u>\$ 146,889</u>	<u>\$ 40,422</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (13.75% decreasing to 11%) or one percentage point higher (15.75% decreasing to 13%) than the current healthcare cost trend rates:

	1% Decrease (13.75% decreasing to 11.0%)	Healthcare Cost Trend Rates (14.75% decreasing to 12.0%)	1% Increase (15.75% decreasing to 13.0%)
Net OPEB liability (asset)	<u>\$ 91,357</u>	<u>\$ 146,889</u>	<u>\$ 207,186</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

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

For the year ended June 30, 2023 the City recognized other postemployment benefits expense of \$197,958. The City reported deferred outflows and inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 398,220	\$ (49,438)
Differences in assumptions	53,270	(9,615)
Excess Investment Returns	<u>60,394</u>	<u>0</u>
Primary Government Total	<u>\$ 511,884</u>	<u>\$ (59,053)</u>

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

<u>Year ended June 30,</u>	
2024	\$ 112,211
2025	95,988
2026	178,858
2027	65,774
2028	<u>0</u>
	<u>\$ 452,831</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – DEFERRED COMPENSATION PLANS

The City offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plans are available to substantially all full-time employees and permit employees to defer a portion of their salary until future years. Participation in the Plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid or made available to the employee or other beneficiary, to be held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of the investment option is made by the participants. Plan trustees include Nationwide Retirement Solutions, MERS, Edward Jones, MetLife and ICMA Retirement Corporation.

Because the City does not have an established trust agreement with the Plan trustees, does not provide investment advice and does not administer the Plan, the City has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the City.

NOTE T – RISK MANAGEMENT

Risks of Loss

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims and workers' compensation claims and participates as a member in the Michigan Municipal Risk Management Authority (MMRMA) for claims relating to general liability, excess liability, auto liability, trunk line liability, errors and omissions and physical damage to equipment, buildings and contents.

The MMRMA operates as a public entity risk-sharing pool for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The City is sharing risk with the other members of the MMRMA. The deductible is \$250 per occurrence for auto, and \$1,000 for property and crime losses. There is no deductible for sewage system overflow. MMRMA provides, after the deductible, reinsurance up to \$5,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Share of Losses

The City's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The City estimates that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE T – RISK MANAGEMENT (CONTINUED)

The City carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE U – LEASE RECEIVABLE

The City is a lessor of a building and building space to third parties. The leases range from 1.2 to 2.3 years. The City recognized approximately \$50,460 in lease revenue during the current fiscal year related to these leases. As of June 30, 2023, the City's receivable for lease payments was \$94,701. Also, the City has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$94,701.

NOTE V – TAX ABATEMENTS

The City is required to disclose significant tax abatements as required by GASB Statement No. 77. The City receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Brownfield Redevelopment Agreements, and Payments in Lieu of Taxes (PILOT) granted by the City. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly. The property taxes abated for all funds by the City under these programs for the year ended June 30, 2023, are as follows:

<u>Type</u>	<u>Taxes Abated</u>
Industrial Facilities Tax	\$ 24,662
Brownfield Redevelopment Agreements	17,536
PILOT	<u>129,719</u>
	<u>\$ 171,917</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE W – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	General Fund			Major Street Fund			Local Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Taxes	\$ 2,018,000	\$ 2,058,000	\$ 2,067,121						
Licenses and permits	121,000	81,000	77,951						
State sources	1,090,000	1,195,000	1,242,150	\$ 1,089,000	\$ 1,149,000	\$ 1,153,839	\$ 341,000	\$ 371,000	\$ 377,878
Federal sources	18,000	16,000	16,628	85,000	340,000	66,781			
Charges for services	237,000	212,000	252,084						
Interest and rents	175,000	420,000	424,490						
Other revenues	7,000	55,800	158,164			4			
Total Revenues	\$ 3,666,000	\$ 4,037,800	\$ 4,238,588	\$ 1,174,000	\$ 1,489,000	\$ 1,220,624	\$ 341,000	\$ 371,000	\$ 377,878
Expenditures:									
Current expenditures:									
Legislative	\$ 45,000	\$ 45,000	\$ 37,351						
General government	1,193,000	969,000	914,871						
Public safety	1,127,000	1,237,000	1,183,994						
Public works	211,000	209,000	211,276	\$ 893,400	\$ 1,002,400	\$ 853,426	\$ 1,391,000	\$ 821,000	\$ 616,065
Recreation and culture	260,000	248,000	201,416						
Health and welfare	432,000	429,000	363,593						
Other functions	54,000	41,000	40,050						
Capital outlay	540,000	695,000	498,329	710,000	850,000	274,683			
Debt service				19,600	19,600	19,489			
Total Expenditures	\$ 3,862,000	\$ 3,873,000	\$ 3,450,880	\$ 1,623,000	\$ 1,872,000	\$ 1,147,598	\$ 1,391,000	\$ 821,000	\$ 616,065
Excess (Deficiency) of Revenues Over Expenditures	\$ (196,000)	\$ 164,800	\$ 787,708	\$ (449,000)	\$ (383,000)	\$ 73,026	\$ (1,050,000)	\$ (450,000)	\$ (238,187)
Other financing sources (uses) -									
Operating transfers in (out)	(1,583,000)	(832,800)	(436,248)	449,000	289,000	141,911	1,050,000	450,000	238,187
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (1,779,000)	\$ (668,000)	\$ 351,460	\$ 0	\$ (94,000)	\$ 214,937	\$ 0	\$ 0	\$ 0
Fund balance at July 1, 2022	3,642,114	3,642,114	3,642,114	930,396	930,396	930,396	69,514	69,514	69,514
FUND BALANCE AT JUNE 30, 2023	\$ 1,863,114	\$ 2,974,114	\$ 3,993,574	\$ 930,396	\$ 836,396	\$ 1,145,333	\$ 69,514	\$ 69,514	\$ 69,514

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

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Year ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Total Pension Liability:										
Service Cost	\$ 298,755	\$ 271,277	\$ 251,826	\$ 225,308	\$ 220,744	\$ 223,619	\$ 226,536	\$ 223,802	\$ 228,696	
Interest	1,547,473	1,529,375	1,429,712	1,435,148	1,436,392	1,430,107	1,392,433	1,366,510	1,342,647	
Changes of Benefit Terms	0	0	0	0	0	0	0	0	0	
Difference between expected and actual experience	266,741	9,985	217,188	(39,902)	(304,183)	(191,347)	215,801	(154,152)	0	
Changes of assumptions	0	723,349	795,388	572,710	0	0	0	735,924	0	
Benefit payments including employee refunds	(1,476,585)	(1,380,804)	(1,342,034)	(1,325,723)	(1,368,984)	(1,389,406)	(1,295,770)	(1,276,131)	(1,283,165)	
Other	(7,496)	102,065	(31,069)	0	(23,425)	(13,011)	(55,814)	0	0	
Net Change in Total Pension Liability	\$ 628,888	\$ 1,255,247	\$ 1,321,011	\$ 867,541	\$ (39,456)	\$ 59,962	\$ 483,186	\$ 895,953	\$ 288,178	
Total Pension Liability, beginning	21,933,365	20,678,118	19,357,107	18,489,566	18,529,022	18,469,060	17,985,874	17,089,921	16,801,743	
Total Pension Liability, ending	\$ 22,562,253	\$ 21,933,365	\$ 20,678,118	\$ 19,357,107	\$ 18,489,566	\$ 18,529,022	\$ 18,469,060	\$ 17,985,874	\$ 17,089,921	
Plan Fiduciary Net Position:										
Contributions-employer	\$ 1,173,896	\$ 1,220,102	\$ 1,077,269	\$ 1,143,097	\$ 945,371	\$ 1,017,678	\$ 980,646	\$ 592,282	\$ 582,606	
Contributions-employee	218,947	116,405	104,258	135,287	92,776	93,313	96,511	122,989	90,683	
Net Investment income	(1,323,843)	1,587,387	1,296,722	1,214,072	(373,857)	1,161,288	941,559	(127,762)	554,792	
Benefit payments including employee refunds	(1,476,585)	(1,380,804)	(1,342,034)	(1,325,723)	(1,368,984)	(1,389,406)	(1,295,770)	(1,276,131)	(1,283,165)	
Administrative expense	(23,516)	(18,172)	(20,365)	(20,872)	(18,709)	(18,375)	(18,580)	(18,972)	(20,229)	
Other	(4,089)	51,610	(15,135)	0	(11,398)	(4,716)	(25,193)	0	0	
Net Change in Plan Fiduciary Net Position	\$ (1,435,190)	\$ 1,576,528	\$ 1,100,715	\$ 1,145,861	\$ (734,801)	\$ 859,782	\$ 679,173	\$ (707,594)	\$ (75,313)	
Plan Fiduciary Net Position, beginning	12,825,055	11,248,527	10,147,812	9,001,951	9,736,752	8,876,970	8,197,797	8,905,391	8,980,704	
Plan Fiduciary Net Position, ending	\$ 11,389,865	\$ 12,825,055	\$ 11,248,527	\$ 10,147,812	\$ 9,001,951	\$ 9,736,752	\$ 8,876,970	\$ 8,197,797	\$ 8,905,391	
Employer Net Pension Liability	\$ 11,172,388	\$ 9,108,310	\$ 9,429,591	\$ 9,209,295	\$ 9,487,615	\$ 8,792,270	\$ 9,592,090	\$ 9,788,077	\$ 8,184,530	
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	50%	58%	54%	52%	49%	53%	48%	46%	52%	
Covered Employee Payroll (from GASB 68 actuarial page)	\$ 2,439,250	\$ 2,337,846	\$ 2,170,384	\$ 2,080,062	\$ 1,923,368	\$ 1,937,933	\$ 1,846,860	\$ 1,847,807	\$ 1,818,251	
Employer's Net Pension Liability as a percentage of covered employee payroll	458%	390%	434%	443%	493%	454%	519%	530%	450%	

Notes to Schedule:

This schedule is presented to illustrate the City's pension liability in the Municipal Employees' Retirement System for the last 10 fiscal years (amounts were determined as of December 31 of each fiscal year). However, until a full 10 year trend is compiled, the City presents information for those years for which information is available.

Benefit Change: There were no changes in benefit terms.

Changes in assumptions: There were no changes in assumptions.

SCHEDULE OF EMPLOYER REQUIRED PENSION CONTRIBUTIONS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Year ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarial Determined Contributions	\$ 973,896	\$ 920,102	\$ 1,077,269	\$ 793,097	\$ 945,371	\$ 869,610	\$ 702,114	\$ 592,282	\$ 582,606	
Contributions in relation to the actuarially determined contribution	<u>1,173,896</u>	<u>1,220,102</u>	<u>1,077,269</u>	<u>1,143,097</u>	<u>945,371</u>	<u>1,017,678</u>	<u>980,646</u>	<u>942,282</u>	<u>582,606</u>	
Contribution deficiency (excess)	<u>\$ (200,000)</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>	<u>\$ (350,000)</u>	<u>\$ 0</u>	<u>\$ (148,068)</u>	<u>\$ (278,532)</u>	<u>\$ (350,000)</u>	<u>\$ 0</u>	
Covered Employee Payroll	<u>\$ 2,439,250</u>	<u>\$ 2,337,846</u>	<u>\$ 2,170,384</u>	<u>\$ 2,080,062</u>	<u>\$ 1,923,368</u>	<u>\$ 1,937,933</u>	<u>\$ 1,846,860</u>	<u>\$ 1,847,807</u>	<u>\$ 1,818,251</u>	
Contributions as a percentage of covered employee payroll	<u>40%</u>	<u>39%</u>	<u>50%</u>	<u>38%</u>	<u>49%</u>	<u>45%</u>	<u>38%</u>	<u>32%</u>	<u>32%</u>	

Notes to Schedule:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	60
Mortality	A version of Pub-2010 Fully Generational MP-2019

Notes to Schedule:

This schedule is presented to illustrate the City's required pension contributions in the Municipal Employees' Retirement System for the last 10 fiscal years (amounts were determined as of December 31 of each fiscal year). However, until a full 10 year trend is compiled, the City presents information for those years for which information is available.

Benefit Change: There were no changes in benefit terms.

Changes in assumptions: There were no changes in assumptions.

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OTHER POST-EMPLOYMENT
BENEFITS LIABILITY AND RELATED RATIOS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Year ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service cost	\$ 14,345	\$ 12,875	\$ 15,349	\$ 17,813	\$ 25,767	\$ 24,835	\$ 37,557
Interest	95,789	99,603	100,053	96,442	104,585	107,262	128,176
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	503,393	6,496	2,965	0	(174,278)	0	(312,335)
Changes of assumptions	13,696	29,187	(5,190)	(16,195)	82,546	0	0
Benefit payments	<u>(127,296)</u>	<u>(143,972)</u>	<u>(92,175)</u>	<u>(134,411)</u>	<u>(168,419)</u>	<u>(197,141)</u>	<u>(171,439)</u>
Net Change in Total OPEB Liability	\$ 499,927	\$ 4,189	\$ 21,002	\$ (36,351)	\$ (129,799)	\$ (65,044)	\$ (318,041)
Total OPEB Liability, beginning	<u>1,424,884</u>	<u>1,420,695</u>	<u>1,399,693</u>	<u>1,436,044</u>	<u>1,565,843</u>	<u>1,630,887</u>	<u>1,948,928</u>
Total OPEB Liability, ending	<u>\$ 1,924,811</u>	<u>\$ 1,424,884</u>	<u>\$ 1,420,695</u>	<u>\$ 1,399,693</u>	<u>\$ 1,436,044</u>	<u>\$ 1,565,843</u>	<u>\$ 1,630,887</u>
Plan Fiduciary Net Position:							
Contributions - employer			\$ 3,696	\$ 114,743	\$ 169,886	\$ 158,994	\$ 167,355
Contributions - employee				7,769	8,790		
Net investment income	\$ 123,217	\$ (160,781)	473,273	37,029	45,715	119,332	133,661
Benefit payments	(127,296)	(143,972)	(92,175)	(142,180)	(177,209)	(197,141)	(171,439)
Administrative expenses	<u>(7,147)</u>	<u>(11,837)</u>	<u>(11,714)</u>	<u>(2,047)</u>	<u>(6,279)</u>	<u>(8,088)</u>	<u>(4,723)</u>
Net Change in Plan Fiduciary Net Position	\$ (11,226)	\$ (316,590)	\$ 373,080	\$ 15,314	\$ 40,903	\$ 73,097	\$ 124,854
Plan Fiduciary Net Position, beginning	<u>1,789,148</u>	<u>2,105,738</u>	<u>1,732,658</u>	<u>1,717,344</u>	<u>1,676,441</u>	<u>1,603,344</u>	<u>1,478,490</u>
Plan Fiduciary Net Position, ending	<u>\$ 1,777,922</u>	<u>\$ 1,789,148</u>	<u>\$ 2,105,738</u>	<u>\$ 1,732,658</u>	<u>\$ 1,717,344</u>	<u>\$ 1,676,441</u>	<u>\$ 1,603,344</u>
City's Net OPEB (asset) liability	<u>\$ 146,889</u>	<u>\$ (364,264)</u>	<u>\$ (685,043)</u>	<u>\$ (332,965)</u>	<u>\$ (281,300)</u>	<u>\$ (110,598)</u>	<u>\$ 27,543</u>
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	<u>92.37%</u>	<u>125.56%</u>	<u>148.22%</u>	<u>123.79%</u>	<u>119.59%</u>	<u>107.06%</u>	<u>98.31%</u>
Covered employee payroll	<u>\$ 609,402</u>	<u>\$ 647,504</u>	<u>\$ 803,386</u>	<u>\$ 896,432</u>	<u>\$ 909,425</u>	<u>\$ 827,965</u>	<u>\$ 844,023</u>
City's net OPEB (asset) liability as a percentage of covered employee payroll	<u>24.10%</u>	<u>(56.26%)</u>	<u>(85.27%)</u>	<u>(37.14%)</u>	<u>(30.93%)</u>	<u>(13.36%)</u>	<u>3.26%</u>

Notes to Schedule:

This schedule is presented to illustrate the City's OPEB liability for the last 10 fiscal years.

However, until a full 10-year trend is compiled the City presents information for those years for which information is available.

Benefit Changes: There were no changes of benefit terms.

Changes in assumptions: There were no changes assumptions.

SCHEDULE OF EMPLOYER REQUIRED OTHER POST-EMPLOYMENT
BENEFITS CONTRIBUTIONS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Year ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 0	\$ 0	\$ 1,547	\$ 1,186	\$ 68,889	\$ 66,399	\$ 68,898
Contributions in relation to the actuarially determined contribution	<u>0</u>	<u>0</u>	<u>3,696</u>	<u>114,743</u>	<u>169,886</u>	<u>126,902</u>	<u>167,355</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,149)</u>	<u>\$ (113,557)</u>	<u>\$ (100,997)</u>	<u>\$ (60,503)</u>	<u>\$ (98,457)</u>
Covered employee payroll	<u>\$ 609,402</u>	<u>\$ 647,504</u>	<u>\$ 803,386</u>	<u>\$ 896,432</u>	<u>\$ 909,425</u>	<u>\$ 827,965</u>	<u>\$ 844,023</u>
Contributions as a percentage of covered employee payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.46%</u>	<u>12.80%</u>	<u>18.68%</u>	<u>15.33%</u>	<u>19.83%</u>

Actuarially determined contribution rates are calculated as of June 30, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Amortization period	25 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Healthcare cost trend rates	14.75% initial, decreasing 0.25% per year to an ultimate rate of 12.0%
Salary increases	3.00% average, including inflation
Investment rate of return	7.00% net of OPEB plan investment expense, including inflation
Mortality	In the actuarial valuation, assumed life expectancies are based on the Pub-2010 Public Retirement Plans Morality Tables most recently published by the Society of Actuaries for Healthy and Disabled Participants, as appropriate.

This schedule is presented to illustrate the City's required OPEB contributions for the last 10 fiscal years.

(Amounts were determined as of June 30 of each fiscal year.) However, until a 10 full year trend is compiled, the City presents information for those years for which information is available.

Benefit Changes: There were no changes of benefit terms.

Changes in assumptions: There were no changes assumptions.

SUPPLEMENTARY
INFORMATION

BALANCE SHEET - GENERAL FUND

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

ASSETS

Cash		\$	1,539,077
Investments			2,603,094
Receivables:			
Delinquent taxes	\$	39,126	
State of Michigan		207,629	
Other		144,786	
Leases		<u>94,701</u>	
	\$	486,242	
Less allowances for uncollectible accounts		<u>(9,782)</u>	476,460
Due from other funds			2,765
Inventory			69,660
Prepaid expenses			<u>127,407</u>
			<u>\$ 4,818,463</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable		\$	204,143
Unearned revenue			525,222
Due other funds			<u>823</u>
	Total Liabilities	\$	730,188
Deferred inflows of resources -			
Unavailable revenue - leases			94,701
Fund balance:			
Nonspendable	\$	197,067	
Restricted		94,760	
Committed		1,882,000	
Assigned		1,225,000	
Unassigned		<u>594,747</u>	<u>3,993,574</u>
			<u>\$ 4,818,463</u>

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes		\$ 1,918,957	
Property tax administrative fees		86,933	
Property tax interest and penalties		53,279	
Payment in lieu of taxes		<u>7,952</u>	
	\$ 2,058,000	\$ 2,067,121	\$ 9,121
City licenses and permits	81,000	77,951	(3,049)
State sources:			
Liquor licenses		\$ 6,535	
Sales tax		906,410	
Excise tax		103,682	
Other grants		<u>225,523</u>	
	1,195,000	\$ 1,242,150	47,150
Federal sources	16,000	16,628	628
Charges for services - departmental fees and services:			
Public safety		\$ 49,958	
Tourist park		49,830	
Administration services		141,982	
Sale of supplies and services		<u>10,314</u>	
	212,000	\$ 252,084	40,084
Interest and rents:			
Interest earned		\$ 255,618	
Rentals and leases:			
Memorial building rentals		76,422	
Garage rentals		81,450	
Other		<u>11,000</u>	
	420,000	\$ 424,490	4,490

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND (CONTINUED)

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Other revenues:			
Refunds and rebates		\$ 74,343	
Donations		56,002	
Miscellaneous		<u>27,819</u>	
	<u>55,800</u>	\$ <u>158,164</u>	<u>102,364</u>
TOTAL REVENUES	\$ 4,037,800	\$ 4,238,588	\$ 200,788
Other financing sources - operating transfer in - Downtown Ironwood Development Authority	<u>1,200</u>	<u>1,200</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,039,000</u>	<u>\$ 4,239,788</u>	<u>\$ 200,788</u>

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Legislative - City commission	\$ 45,000	\$ 37,351	\$ 7,649
General government:			
City manager		\$ 97,488	
Elections		18,042	
Financial administration		213,292	
City treasurer		48,119	
City assessor		57,149	
Computer department		120,379	
City clerk		171,898	
Board of review		1,372	
Building Inspection		23,055	
City hall and grounds		<u>164,077</u>	
	969,000	\$ 914,871	54,129
Public safety:			
Public safety department		\$ 1,182,323	
Volunteer fire department		<u>1,671</u>	
	1,237,000	\$ 1,183,994	53,006
Public works:			
Street lighting		\$ 101,688	
Other		84,588	
Sanitation		<u>25,000</u>	
	209,000	\$ 211,276	(2,276)
Recreation and culture -			
Parks and recreation	248,000	201,416	46,584
Health and welfare:			
Community development		\$ 279,029	
Code enforcement and blight		<u>84,564</u>	
	429,000	\$ 363,593	65,407

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other functions:			
Insurance and bonds		\$ 30,875	
Labor relations		94	
Programs		<u>9,081</u>	
	41,000	\$ 40,050	950
Capital outlay:			
General government		\$ 195,962	
Public safety		5,532	
Recreation and culture		196,876	
Health and welfare		<u>99,959</u>	
	<u>695,000</u>	\$ <u>498,329</u>	<u>196,671</u>
Total Expenditures	\$ 3,873,000	\$ 3,450,880	\$ 422,120
Other financing uses - operating transfers out:			
Local Street Fund		\$ 238,187	
Major Street Fund		141,911	
Downtown Ironwood Development Authority		11,441	
Neighborhood Enhancement Program Fund		2,500	
Cemetery Fund		<u>43,409</u>	
Total Other Financing Uses	<u>834,000</u>	\$ <u>437,448</u>	<u>396,552</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,707,000</u>	<u>\$ 3,888,328</u>	<u>\$ 818,672</u>

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

	Special Revenue Funds						Debt Service Funds		Totals	
	Library Fund	Downtown Ironwood Development Authority	Economic Development Fund	Housing Development Fund	Neighborhood Enhancement Program Fund	Cemetery Trust Fund	Volunteer Fire Department Fund	1995 Debt Service Fund		2015 Debt Service Fund
ASSETS										
Cash and cash equivalents	\$ 128,799	\$ 37,627		\$ 320,000	\$ 16,820	\$ 2,901	\$ 3,223	\$ 3,822	\$ 131,149	\$ 644,341
Investments	160,570					520,837				681,407
Receivables:										
Accounts Delinquent property taxes		500				13,315				13,815
Due from other funds	20,274	254						1,186	2,843	24,557
Prepaid expenses	1,383	11				632			823	823
Notes receivable			\$ 183,434							183,434
	<u>\$ 311,026</u>	<u>\$ 38,392</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 16,820</u>	<u>\$ 537,685</u>	<u>\$ 3,223</u>	<u>\$ 5,008</u>	<u>\$ 134,815</u>	<u>\$ 1,550,403</u>
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 3,166	\$ 294				\$ 3,571				\$ 7,031
Unearned revenue	20,000				\$ 16,820					36,820
	<u>\$ 23,166</u>	<u>\$ 294</u>			<u>\$ 16,820</u>	<u>\$ 3,571</u>				<u>\$ 43,851</u>
Fund balance:										
Nonspendable	\$ 1,383	\$ 11				\$ 632				\$ 2,026
Restricted	202,197		\$ 183,434	\$ 320,000		500,000		\$ 5,008	\$ 134,815	1,345,454
Assigned	84,280	38,087				33,482	\$ 3,223			159,072
	<u>\$ 287,860</u>	<u>\$ 38,098</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 0</u>	<u>\$ 534,114</u>	<u>\$ 3,223</u>	<u>\$ 5,008</u>	<u>\$ 134,815</u>	<u>\$ 1,506,552</u>
	<u>\$ 311,026</u>	<u>\$ 38,392</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 16,820</u>	<u>\$ 537,685</u>	<u>\$ 3,223</u>	<u>\$ 5,008</u>	<u>\$ 134,815</u>	<u>\$ 1,550,403</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

CITY OF IRNONWOOD, MICHIGAN

Year ended June 30, 2023

	Special Revenue Funds							Debt Service Funds		Totals
	Library Fund	Downtown Ironwood Development Authority	Economic Development Fund	Housing Development Fund	Neighborhood Enhancement Program Fund	Cemetery Trust Fund	Volunteer Fire Department Fund	1995 Debt Service Fund	2015 Debt Service Fund	
Revenues:										
Taxes	\$ 96,308	\$ 12,815							\$ 205,809	\$ 314,932
State sources	5,303				\$ 35,665					40,968
Federal sources	1,985									1,985
Contributions from local units	1,200									1,200
Fines and forfeits	18,543									18,543
Charges for services	1,822					\$ 66,145				67,967
Interest and investment earnings	6,179					20,043		\$ 111	4,617	30,950
Other revenues	<u>29,469</u>	<u>10,540</u>								<u>40,009</u>
Total Revenues	\$ 160,809	\$ 23,355	\$ 0	\$ 0	\$ 35,665	\$ 86,188	\$ 0	\$ 111	\$ 210,426	\$ 516,554
Expenditures:										
Current:										
General government						\$ 105,443				\$ 105,443
Public safety							\$ 70			70
Recreation and culture	\$ 140,781									140,781
Health and welfare		\$ 29,856			\$ 38,695					68,551
Other - Administrative and general					294			\$ 300	\$ 311	905
	<u>\$ 140,781</u>	<u>\$ 29,856</u>			<u>\$ 38,989</u>	<u>\$ 105,443</u>	<u>\$ 70</u>	<u>\$ 300</u>	<u>\$ 311</u>	<u>\$ 315,750</u>
Capital outlay	13,206									13,206
Debt service:										
Principal									163,000	163,000
Interest and fees									13,828	13,828
Total Expenditures	\$ 153,987	\$ 29,856	\$ 0	\$ 0	\$ 38,989	\$ 105,443	\$ 70	\$ 300	\$ 177,139	\$ 505,784

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CITY OF IRNONWOOD, MICHIGAN

Year ended June 30, 2023

	Special Revenue Funds						Debt Service Funds		Totals	
	Library Fund	Downtown Ironwood Development Authority	Economic Development Fund	Housing Development Fund	Neighborhood Enhancement Program Fund	Cemetery Trust Fund	Volunteer Fire Department Fund	1995 Debt Service Fund		2015 Debt Service Fund
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,822	\$ (6,501)	\$ 0	\$ 0	\$ (3,324)	\$ (19,255)	\$ (70)	\$ (189)	\$ 33,287	\$ 10,770
Other financing sources - Operating transfers in	<u> </u>	<u>10,241</u>	<u> </u>	<u> </u>	<u>2,500</u>	<u>43,409</u>	<u> </u>	<u> </u>	<u> </u>	<u>56,150</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ 6,822	\$ 3,740	\$ 0	\$ 0	\$ (824)	\$ 24,154	\$ (70)	\$ (189)	\$ 33,287	\$ 66,920
Fund balance at July 1, 2022	<u>281,038</u>	<u>34,358</u>	<u>183,434</u>	<u>320,000</u>	<u>824</u>	<u>509,960</u>	<u>3,293</u>	<u>5,197</u>	<u>101,528</u>	<u>1,439,632</u>
FUND BALANCE AT JUNE 30, 2023	<u><u>\$287,860</u></u>	<u><u>\$ 38,098</u></u>	<u><u>\$ 183,434</u></u>	<u><u>\$ 320,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 534,114</u></u>	<u><u>\$ 3,223</u></u>	<u><u>\$ 5,008</u></u>	<u><u>\$134,815</u></u>	<u><u>\$1,506,552</u></u>

COMBINING STATEMENT OF PLAN NET POSITION - PENSION TRUST FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2023

	Retirement System Fund	Public Safety Retirement System Fund	Totals
ASSETS			
Cash		\$ 188,411	\$ 188,411
Delinquent property taxes receivable		10,578	10,578
	<u>\$ 0</u>	<u>\$ 198,989</u>	<u>\$ 198,989</u>
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 0</u>	<u>\$ 198,989</u>	<u>\$ 198,989</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUNDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2023

	Retirement System Fund	Public Safety Retirement System Fund	Totals
Additions:			
Contributions:			
Property taxes		\$ 658,986	\$ 658,986
Employer contributions	\$ 609,663		609,663
Total Contributions	\$ 609,663	\$ 658,986	\$ 1,268,649
Deductions:			
Administrative expense		\$ 34	\$ 34
Transfer to Municipal Employee's Retirement System	\$ 609,663	656,696	1,266,359
Total Deductions	\$ 609,663	\$ 656,730	\$ 1,266,393
Net Increase	\$ 0	\$ 2,256	\$ 2,256
Net position held in trust at July 1, 2022		196,733	196,733
NET POSITION HELD IN TRUST AT JUNE 30, 2023	<u>\$ 0</u>	<u>\$ 198,989</u>	<u>\$ 198,989</u>

SUPPLEMENTAL
REPORTS

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Members of the Commission
City of Ironwood, Michigan
Ironwood, 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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ironwood, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Ironwood, Michigan's basic financial statements and have issued our report thereon dated December 20, 2023. Our report includes a reference to other auditors who audited the financial statements of the Ironwood Housing Commission as described in our report on the City of Ironwood, Michigan'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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ironwood, Michigan'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ironwood, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ironwood, Michigan's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ironwood, Michigan's basic financial statements are free of 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*.

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 entity'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 City of Ironwood, Michigan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Makela, Pollock & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
December 20, 2023

MAKELA, POLLACK & AHONEN, P.L.L.C.
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December 20, 2023

To the Mayor and Members of the Commission
City of Ironwood, Michigan
Ironwood, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Ironwood, Michigan, for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*; as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Ironwood, Michigan, are described in Note A to the financial statements. As described in Note I to the financial statements, the City of Ironwood, Michigan, changed accounting policies related to subscription-based information technology by adopting Statement of Governmental Accounting Standards (GAS Statement) No. 96, *Subscription-based Information Technology Arrangements*, in the year ended June 30, 2023. There is no material impact on the City of Ironwood, Michigan's financial statements. We noted no transactions entered into by the City of Ironwood, Michigan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities and business-type activities financial statements were:

Management's estimate of the useful lives, salvage values and depreciation rates of capital assets is based on historical past practice and experience. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for pension related items is based on information and actuarial calculations provided by the plan administrator.

MAKELA, POLLACK & AHONEN, P.L.L.C.

To the Mayor and Members of the Commission

December 20, 2023

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Management's estimate for postemployment benefits other than pension plans is based on information provided by the plan administrator and actuarial calculations performed by the actuary.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of compensated absences information in Note G to the financial statements is based on information accumulated by the City of Ironwood, Michigan accounting staff.

The disclosure of long-term debt principal and interest requirements to maturity are based on scheduled payments as per bond agreements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Ironwood, Michigan's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

MAKELA, POLLACK & AHONEN, P.L.L.C.

To the Mayor and Members of the Commission

December 20, 2023

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Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Ironwood, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

We were engaged to report on Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Mayor and Members of the Commission and management of City of Ironwood, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants