

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

**CITY OF IRONWOOD  
GOGEBIC COUNTY, MICHIGAN**

**June 30, 2024**

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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, 2024, 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, 2024, 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, 2024, and the respective changes in financial position 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 18 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, as identified in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, including the Schedule of Expenditures of Federal Awards 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 9, 2024 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 9, 2024

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

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#### **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, 2024. 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, 2024.

#### **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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **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. Of the proprietary funds; the Water Utility, Sewer Utility, and Internal Service Funds, are reported as major proprietary funds. The Civic Center Fund is reported as a nonmajor fund. 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 the 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)

	<b>June 30, 2024</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 7,336,458	\$ 2,263,850	\$ 9,600,308
Receivables	625,275	982,758	1,608,033
Other current assets	156,540	340,013	496,553
Notes receivable, noncurrent	183,434		183,434
Other noncurrent assets		3,454	3,454
Capital assets, net of accumulated depreciation	13,226,957	42,904,549	56,131,506
Investment in Gogebic-Iron Wastewater Authority		2,629,516	2,629,516
Restricted cash		939,211	939,211
Net other postemployment benefit asset		231,166	231,166
<b>Total Assets</b>	<b>\$ 21,528,664</b>	<b>\$ 50,294,517</b>	<b>\$ 71,823,181</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	\$ 1,299,217	\$ 248,022	\$ 1,547,239
Related to other postemployment benefits	332,289	6,578	338,867
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,631,506</b>	<b>\$ 254,600</b>	<b>\$ 1,886,106</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Statement of Net Position (Continued)

	<b>June 30, 2024</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 410,668	\$ 1,185,225	\$ 1,595,893
Customer deposits		75,866	75,866
Other current liabilities	538,013	102,639	640,652
Current portion of long-term liabilities	244,405	444,000	688,405
Compensated absences	198,155	155,915	354,070
Bonds and note payable		17,379,000	17,379,000
Net pension liability	8,401,550	1,603,867	10,005,417
Net other postemployment benefit liability	<u>246,644</u>	<u></u>	<u>246,644</u>
Total Liabilities	<u>\$ 10,039,435</u>	<u>\$ 20,946,512</u>	<u>\$ 30,985,947</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable revenue - leases	\$ 46,810		\$ 46,810
Related to other postemployment benefits	<u>76,978</u>	<u>\$ 52,822</u>	<u>129,800</u>
Total Deferred Inflows of Resources	<u>\$ 123,788</u>	<u>\$ 52,822</u>	<u>\$ 176,610</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 13,054,957	\$ 24,039,428	\$ 37,094,385
Restricted	1,413,941	1,170,377	2,584,318
Unrestricted	<u>(1,471,951)</u>	<u>4,339,918</u>	<u>2,867,967</u>
Total Net Position	<u>\$ 12,996,947</u>	<u>\$ 29,549,723</u>	<u>\$ 42,546,670</u>

The City's net position is \$42,546,670 at June 30, 2024. Net investment in capital assets is \$37,094,385 at June 30, 2024. Net investment in capital assets 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 \$2,867,967 at June 30, 2024. 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, 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		134,782	134,782
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)

	<b>June 30, 2023</b>		
	Primary Government		
	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	
<b>LIABILITIES</b>			
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>281,671</u>
Total Liabilities	<u>\$ 11,233,931</u>	<u>\$ 15,965,688</u>	<u>\$ 27,199,619</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Related to pensions	\$ 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>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 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. Net investment in capital assets is \$35,300,718 at June 30, 2023. Restricted net position is restricted for debt service, by donors and by grant spending requirements. The unrestricted net position is \$1,555,233 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 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.

	<b><u>Year ended June 30, 2024</u></b>		
	<b><u>Primary Government</u></b>		
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>	
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
Revenues:			
Program Revenues:			
Charges for services	\$ 530,166	\$ 5,218,843	\$ 5,749,009
Operating grants	1,566,765	772,230	2,338,995
Capital grants	761,429	1,449,954	2,211,383
General Revenues:			
State grants	1,446,089		1,446,089
Federal grants	2,496		2,496
Property taxes	2,520,618	107,080	2,627,698
Other	<u>1,051,276</u>	<u>88,342</u>	<u>1,139,618</u>
Total Revenues	\$ 7,878,839	\$ 7,636,449	\$ 15,515,288
Program expenses:			
Governmental activities	\$ 5,965,138		\$ 5,965,138
Business-type activities	<u>                    </u>	<u>\$ 6,125,230</u>	<u>6,125,230</u>
Total Program Expenses	<u>\$ 5,965,138</u>	<u>\$ 6,125,230</u>	<u>\$ 12,090,368</u>
Change in Net Position	<u>\$ 1,913,701</u>	<u>\$ 1,511,219</u>	<u>\$ 3,424,920</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Statement of Activities (Continued)

<b>Year ended June 30, 2023</b>			
<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>
Change in Net Position	<u>\$ 596,471</u>	<u>\$ 611,639</u>	<u>\$ 1,208,110</u>

The City had an overall increase in net position of \$3,424,920 and \$1,208,110 for the years ended June 30, 2024 and 2023, respectively.

The City's revenues totaled \$15,515,288 and \$11,880,179 for the years ended June 30, 2024 and 2023, respectively.

The City's total cost to fund all governmental activities was \$5,965,138 and \$5,993,722, and business-type activities was \$6,125,230 and \$4,678,347, for the years ended June 30, 2024 and 2023, 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:

Fund	Fund Balance/ Net Position at July 1, 2023	Revenues and Other Financing Sources	Expenditures/ Expenses and Other Financing Uses	Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	Fund Balance/ Net Position at June 30, 2024
General	\$ 3,993,574	\$ 4,893,138	\$ 4,368,992	\$ 524,146	\$ 4,517,720
Major Street	1,145,333	2,018,854	2,568,262	(549,408)	595,925
Local Street	69,514	470,149	470,149	0	69,514
Water Utility	10,445,006	4,502,431	3,419,211	1,083,220	11,528,226
Sewer Utility	12,620,398	2,838,066	2,350,413	487,653	13,108,051
Civic Center	4,973,100	295,952	355,606	(59,654)	4,913,446
Internal Service	<u>1,951,480</u>	<u>732,133</u>	<u>772,838</u>	<u>(40,705)</u>	<u>1,910,775</u>
	<u>\$ 35,198,405</u>	<u>\$ 15,750,723</u>	<u>\$ 14,305,471</u>	<u>\$ 1,445,252</u>	<u>\$ 36,643,657</u>

### Capital Assets

At June 30, 2024, the City had \$56,131,506 invested in capital assets, net of depreciation. The City's net capital assets increased during the past fiscal year by \$6,970,215. Additions totaling \$9,058,953 were offset by depreciation charges of \$2,029,053 and disposals of \$59,685. The City's governmental and proprietary activities reported \$178,064 and \$5,338,218 of construction costs during the year ended June 30, 2024, 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, 2024. 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 \$18,421,475 of long-term liabilities at June 30, 2024. This amount consists of revenue bonds payable, general obligation bonds and accrued compensated absences payable to employees. Of this amount, \$688,405 will be payable within one year.

### **Future Considerations**

The City is currently wrapping up construction of Phase 1 of the water plant project with USDA Rural Development loan/grant funding. Phase 1 will include construction of a new pumping facility to replace the existing antiquated pumping facility. This will be completed approximately in January 2025. C.D. Smith started construction in the summer of 2023. 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 is also will include adding water treatment to remove iron and manganese from the municipal water. It will also include fluoridating the community water supply, which has not been previously done. Approximately \$11,000,000 of funding has been obtained from the State of Michigan for Phase 2 in the form of a 100% grant. That project will be constructed in 2025 and 2026. There will be a 2-to-3-year process of removing iron and manganese from the existing piping system after Phase 2 of the water treatment system is completed and online.

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 also received \$4,900,000 (\$3,300,000 grant and \$1,500,000 loan) from USDA Rural Development to fund sewer system improvements in the same Phase 5 area. Phase 5A was a water only project on five blocks which was designed, bid and constructed in the summer of 2024. Phase 5B is currently under design and will be bid in the winter of 2025 and constructed in 2025 and 2026. Phase 5A was water only and Phase 5B will be water and sewer with dual funding from EGLE (for water) and USDA RD (for sewer). The City of Ironwood is currently discussing how to fund costs not covered by the above-mentioned agencies for sidewalks, some curb work and the 2<sup>nd</sup> half of road paving. This funding is projected to be several hundred thousand dollars out of the City's funds.

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 ARPA funds toward the upcoming \$875,000 new fire truck purchase. The City has also been awarded a federal Congressional Discretionary Spending grant of \$481,000 to help fund the new fire truck as well. The City Commission elected to use the remaining \$167,782 of APRA funds for electrical 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 with \$1,100,000 spent to date and another \$1,900,000 to complete. The project will remove approximately 400 lead service lines from our current inventory. The project is expected to be completed in the fall of 2026.

The City received a \$598,000 Community, Technical, Managerial and Financial Support (TMF) lead service line replacement grant (ARP funded through EGLE). This is to identify material types of water services on approximately 500 unknown water services by hydro-vacuuming down at the curb stop. The project is currently under way and expected to be completed by mid-summer of 2025.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Future Considerations (continued)**

The City expects to receive Michigan Department of Transportation Small Urban grant funding in the amount of \$385,000 to assist with funding the rebuild of a portion of Superior Street in 2025. The City will self-fund water infrastructure replacement prior to completing the road replacement. Design for this work is complete and has been submitted to MDOT for review. Construction will take place in 2025.

The Copperwood Mine project in Wakefield, Michigan has begun to move forward with construction of stream and wetland impact work beginning 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 Kinterra Copper USA. The mine is working with investors to secure funding to complete the \$400,000,000 project. The State of Michigan is in the middle of the funding and legislation process for funding \$50,000,000 in grant funding by the Michigan Strategic Fund. This project is proposed to infuse a significant investment in our region by adding residents, 375 to 800 new jobs, and supporting businesses in our area.

The Copper Peak Ski Flying Hill project in Ironwood Township is scheduled to begin construction in May 2025. 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 signed an agreement with a Minnesota based contractor to build the landing hill portion of the project starting in May 2025. They are currently seeking another \$15,000,000 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 1980s. 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 plus years. C.D. Smith has been awarded the project and has slowly started construction with many long-lead time items not coming until 2025 and 2026.

The City of Ironwood is currently wrapping up renovations to the City owned Curry Park campground. This 44-site campground is getting new electrical run to approximately 33 of the sites which had inadequate power supply. In addition to electrical upgrades, the City is investing in improvements to the campsite gravel pads, new picnic tables, trash cans, signage, landscaping and updating the showers in the existing shower house building. The improvements will allow the City to use all the sites to their full potential, bringing in additional revenue.

The City of Ironwood is beginning the funding application process for water system improvements to the Newport Heights neighborhood. The existing watermain is an undersized and has outdated 2-inch galvanized line which runs underneath the front porches of many homes. The new line will be constructed in the road right-of-way and will need to be cut into shallow bedrock. Funding applications will likely be sought with EGLE and USDA Rural Development in 2025 with hopeful construction in either 2026 or 2027.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Future Considerations (continued)**

In 2022, the City of Ironwood acquired property at 205 W. Aurora Street in downtown Ironwood from the County tax foreclosure sale process. The building is in disrepair due to lack of upkeep and maintenance from 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 rental housing development project. In 2023, they applied for Low Income Housing Tax Credits which are Federal IRS tax credits allocated through the State of Michigan by MSHDA. That application was not successful, and the team is currently working on plans for another funding application in 2025.

With a shortage of housing in the area due to positive trends in the area's economy, the City of Ironwood is working with a consultant on a Comprehensive Housing Plan. The Housing Plan will lay out future housing needs, opportunities and spell out streamlined processes for developers to work on housing additions within the City of Ironwood.

The City of Ironwood is also currently working with a consultant on our 10-year Comprehensive Plan update. The 2014 plan has reached the end of its life and it is time for the community to define its goals and ambitions for the next decade. The new Comprehensive Plan is expected to be completed in mid-2025.

### **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, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,284,727	\$ 1,192,259	\$ 3,476,986	\$ 928,624
Investments	5,051,731	1,071,591	6,123,322	
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	526,464	378,837	905,301	13,715
Grants		603,921	603,921	
Taxes	52,001		52,001	
Leases	46,810		46,810	
Notes, noncurrent	183,434		183,434	
Inventories	83,607	324,127	407,734	2,890
Internal balances	577		577	
Prepaid expenses	72,356	15,886	88,242	10,538
Capital assets, net of accumulated depreciation	13,226,957	42,904,549	56,131,506	2,654,293
Investment in Gogebic-Iron Wastewater Authority		2,629,516	2,629,516	
Bond discount, net of amortization		3,454	3,454	
Restricted cash		939,211	939,211	
Net other postemployment benefit asset		231,166	231,166	
TOTAL ASSETS	<u>\$ 21,528,664</u>	<u>\$ 50,294,517</u>	<u>\$ 71,823,181</u>	<u>\$ 3,610,060</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	\$ 1,299,217	\$ 248,022	\$ 1,547,239	\$ 121,892
Related to other postemployment benefits	<u>332,289</u>	<u>6,578</u>	<u>338,867</u>	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,631,506</u>	<u>\$ 254,600</u>	<u>\$ 1,886,106</u>	<u>\$ 121,892</u>

STATEMENT OF NET POSITION (CONTINUED)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
LIABILITIES				
Accounts payable	\$ 410,668	\$ 1,185,225	\$ 1,595,893	\$ 151,866
Interest payable		102,639	102,639	
Customer deposits		75,866	75,866	
Unearned revenue	538,013		538,013	
Long-term liabilities:				
Compensated absences:				
Due within one year	72,405		72,405	1,394
Due beyond one year	198,155	155,915	354,070	26,486
Bonds and note payable:				
Due within one year	172,000	444,000	616,000	
Due beyond one year		17,379,000	17,379,000	
Net pension liability	8,401,550	1,603,867	10,005,417	249,757
Net other postemployment benefit liability	<u>246,644</u>	<u></u>	<u>246,644</u>	<u></u>
TOTAL LIABILITIES	<u>\$ 10,039,435</u>	<u>\$ 20,946,512</u>	<u>\$ 30,985,947</u>	<u>\$ 429,503</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - leases	\$ 46,810		\$ 46,810	
Related to other postemployment benefits	<u>76,978</u>	<u>\$ 52,882</u>	<u>129,860</u>	<u></u>
TOTAL DEFERRED INFLOW OF RESOURCES	<u>\$ 123,788</u>	<u>\$ 52,882</u>	<u>\$ 176,670</u>	<u>\$ 0</u>
NET POSITION				
Net position:				
Net investment in capital assets	\$ 13,054,957	\$ 24,039,428	\$ 37,094,385	\$ 2,654,293
Restricted	1,413,941	1,170,377	2,584,318	
Unrestricted	<u>(1,471,951)</u>	<u>4,339,918</u>	<u>2,867,967</u>	<u>648,156</u>
TOTAL NET POSITION	<u>\$ 12,996,947</u>	<u>\$ 29,549,723</u>	<u>\$ 42,546,670</u>	<u>\$ 3,302,449</u>

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

STATEMENT OF ACTIVITIES  
CITY OF IRONWOOD, MICHIGAN

June 30, 2024

					Net (Expense) Revenue and Changes in Net Position				Component Unit
					Primary Government				
Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total			
Primary government									
Governmental activities:									
Legislative	\$ 32,868				\$ (32,868)		\$ (32,868)		
General government	933,547	\$ 199,126			(734,421)		(734,421)		
Public safety	1,147,035	88,567	\$ 50,660		(1,007,808)		(1,007,808)		
Public works	1,599,125	167,581	1,490,718	\$ 642,030	701,204		701,204		
Recreation and culture	393,592	74,892	25,387	119,399	(173,914)		(173,914)		
Health and welfare	394,330				(394,330)		(394,330)		
Other functions	435,543				(435,543)		(435,543)		
Interest on long-term debt	9,753				(9,753)		(9,753)		
Depreciation (unallocated)	1,019,345				(1,019,345)		(1,019,345)		
Total Governmental Activities	\$ 5,965,138	\$ 530,166	\$ 1,566,765	\$ 761,429	\$ (3,106,778)	\$ 0	\$ (3,106,778)		
Business-type activities:									
Water Utility	\$ 3,419,211	\$ 2,630,137	\$ 386,115	\$ 1,444,621		\$ 1,041,662	\$ 1,041,662		
Sewer Utility	2,350,413	2,408,691	386,115			444,393	444,393		
Civic Center	355,606	180,015		5,333		(170,258)	(170,258)		
Total Business-Type Activities	\$ 6,125,230	\$ 5,218,843	\$ 772,230	\$ 1,449,954		\$ 1,315,797	\$ 1,315,797		
Total Primary Government	\$ 12,090,368	\$ 5,749,009	\$ 2,338,995	\$ 2,211,383	\$ (3,106,778)	\$ 1,315,797	\$ (1,790,981)		
Component Unit	\$ 1,096,130	\$ 606,746	\$ 371,186	\$ 518,214				\$ 400,016	
General revenues:									
Taxes					\$ 2,520,618	\$ 107,080	\$ 2,627,698		
Licenses and permits					87,801		87,801		
State grants					1,446,089		1,446,089		
Federal grants					2,496		2,496		
Contributions from local units					1,500		1,500		
Fines and forfeits					15,893		15,893		
Interest and rents					651,928	84,842	736,770	\$ 6,527	
Gain on disposal of assets					80,640		80,640		
Other revenues					213,514	3,500	217,014	29,573	
Total General Revenues					\$ 5,020,479	\$ 195,422	\$ 5,215,901	\$ 36,100	
Change in Net Position					\$ 1,913,701	\$ 1,511,219	\$ 3,424,920	\$ 436,116	
Net position at July 1, 2023					11,083,246	28,038,504	39,121,750	2,866,333	
Net position at June 30, 2024					\$ 12,996,947	\$ 29,549,723	\$ 42,546,670	\$ 3,302,449	

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

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	General	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 990,693	\$ 503,004	\$ 19,498	\$ 624,912	\$ 2,138,107
Investments	3,789,337			722,333	4,511,670
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	327,306	130,712	48,301	20,145	526,464
Taxes	30,234			21,767	52,001
Leases	46,810				46,810
Notes				183,434	183,434
Due from other funds	577				577
Inventories	83,607				83,607
Prepaid expenses	<u>49,597</u>	<u>5,320</u>	<u>7,273</u>	<u>2,426</u>	<u>64,616</u>
	<u>\$ 5,318,161</u>	<u>\$ 639,036</u>	<u>\$ 75,072</u>	<u>\$ 1,575,017</u>	<u>\$ 7,607,286</u>
LIABILITIES AND MUNICIPAL EQUITY					
Liabilities:					
Accounts payable	\$ 222,304	\$ 43,111	\$ 5,558	\$ 29,023	\$ 299,996
Unearned revenue	<u>531,327</u>			<u>6,686</u>	<u>538,013</u>
	\$ 753,631	\$ 43,111	\$ 5,558	\$ 35,709	\$ 838,009
Deferred inflows of resources - Unavailable revenue - leases	46,810				46,810
Municipal equity:					
Fund balance:					
Nonspendable	\$ 133,204	\$ 5,320	\$ 7,273	\$ 2,426	\$ 148,223
Restricted	28,618			1,385,323	1,413,941
Committed	690,000				690,000
Assigned	2,840,000	590,605	62,241	151,559	3,644,405
Unassigned	<u>825,898</u>				<u>825,898</u>
	<u>\$ 4,517,720</u>	<u>\$ 595,925</u>	<u>\$ 69,514</u>	<u>\$ 1,539,308</u>	<u>\$ 6,722,467</u>
	<u>\$ 5,318,161</u>	<u>\$ 639,036</u>	<u>\$ 75,072</u>	<u>\$ 1,575,017</u>	<u>\$ 7,607,286</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, 2024

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Fund balances - total governmental funds		\$ 6,722,467
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	\$ 27,534,667	
Less accumulated depreciation	<u>(16,058,377)</u>	11,476,290
Deferred outflow of resources:		
Related to pensions	\$ 1,222,010	
Related to other postemployment benefits	<u>332,289</u>	1,554,299
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Accumulated absences	\$ (268,982)	
Bonds and notes payable	<u>(172,000)</u>	(440,982)
Deferred inflow of resources -		
Related to other postemployment benefits		(76,978)
Net pension liability		(7,902,280)
Net other postemployment liability		(246,644)
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>1,910,775</u>
Net position of governmental activities		<u>\$ 12,996,947</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, 2024

	General	Major Street	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,185,155			\$ 335,463	\$ 2,520,618
Licenses and permits	87,801				87,801
State sources	1,555,644	\$ 1,033,719	\$ 431,999	55,387	3,076,749
Federal sources	24,412	642,030		8,588	675,030
Contributions from local units				1,500	1,500
Fines and forfeits				15,893	15,893
Charges for services	304,065			58,520	362,585
Interest and rents	555,891			47,574	603,465
Other revenues	<u>152,655</u>	<u>652</u>	<u></u>	<u>60,205</u>	<u>213,512</u>
Total Revenues	\$ 4,865,623	\$ 1,676,401	\$ 431,999	\$ 583,130	\$ 7,557,153
Expenditures:					
Current:					
Legislative	\$ 37,868				\$ 37,868
General government	940,756			\$ 137,651	1,078,407
Public safety	1,158,125			149	1,158,274
Public works	202,866	\$ 834,067	\$ 470,149		1,507,082
Recreation and culture	260,504			192,371	452,875
Health and welfare	380,700			73,612	454,312
Other functions	435,140			403	435,543
Capital outlay	497,623	1,734,195		44,242	2,276,060
Debt Service	<u></u>	<u></u>	<u></u>	<u>176,753</u>	<u>176,753</u>
Total Expenditures	\$ <u>3,913,582</u>	\$ <u>2,568,262</u>	\$ <u>470,149</u>	\$ <u>625,181</u>	\$ <u>7,577,174</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	\$ 952,041	\$ (891,861)	\$ (38,150)	\$ (42,051)	\$ (20,021)
Other financing sources (uses) -					
Proceeds from sale of land	\$ 27,515				\$ 27,515
Operating transfers in (out)	<u>(455,410)</u>	<u>\$ 342,453</u>	<u>\$ 38,150</u>	<u>\$ 74,807</u>	<u></u>
Total other financing sources (uses)	<u>\$ (427,895)</u>	<u>\$ 342,453</u>	<u>\$ 38,150</u>	<u>\$ 74,807</u>	<u>\$ 27,515</u>
Excess (Deficiency) of Revenues and other Financing Sources Over Expenditures and Other Financing Uses	\$ 524,146	\$ (549,408)	\$ 0	\$ 32,756	\$ 7,494
Fund balance at July 1, 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>
FUND BALANCE AT JUNE 30, 2024	<u>\$ 4,517,720</u>	<u>\$ 595,925</u>	<u>\$ 69,514</u>	<u>\$ 1,539,308</u>	<u>\$ 6,722,467</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, 2024

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Net change in fund balance - total governmental funds	\$	7,494
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	\$ 2,276,060	
Less current year depreciation	<u>(1,019,345)</u>	1,256,715
Proceeds from the sale of assets is recorded as other financing sources in the governmental funds. In the statement of activities, the difference between the sales proceeds and the net asset book value is recorded as a gain or loss:		
Proceeds from sale of land		(27,515)
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.		167,000
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.		66,787
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 more than the amount earned.		483,925
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>(40,705)</u>
Change in net position of governmental funds	<u>\$</u>	<u>1,913,701</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, 2024

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Major Funds		Nonmajor Fund	Total Enterprise Funds	
	Water Utility	Sewer Utility	Pat O'Donnell		
			Civic Center		
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 530,172	\$ 504,306	\$ 157,781	\$ 1,192,259	\$ 146,620
Investments	521,226	550,365		1,071,591	540,061
Accounts receivable, less \$14,403 allowance for uncollectibles	184,129	192,627	2,081	378,837	
Federal grants receivable	603,921			603,921	
Prepaid expenses	11,287	3,622	977	15,886	7,740
Inventories	<u>226,039</u>	<u>98,088</u>		<u>324,127</u>	
Total Current Assets	\$ 2,076,774	\$ 1,349,008	\$ 160,839	\$ 3,586,621	\$ 694,421
Capital Assets:					
Capital assets	\$ 25,584,206	\$ 18,765,122	\$ 5,249,402	\$ 49,598,730	\$ 4,886,383
Less allowances for depreciation	<u>(8,348,943)</u>	<u>(3,936,193)</u>	<u>(482,074)</u>	<u>(12,767,210)</u>	<u>(3,135,716)</u>
	\$ 17,235,263	\$ 14,828,929	\$ 4,767,328	\$ 36,831,520	\$ 1,750,667
Construction in progress	<u>6,057,207</u>	<u>15,822</u>		<u>6,073,029</u>	
Total Capital Assets	\$ 23,292,470	\$ 14,844,751	\$ 4,767,328	\$ 42,904,549	\$ 1,750,667
Other Assets:					
Investment in Gogebic-Iron Wastewater Authority		\$ 2,629,516		\$ 2,629,516	
Bond discount, net of amortization	\$ 3,454			3,454	
Restricted cash:					
Bond reserve accounts	394,383	277,039		671,422	
Bond redemption accounts	224,100	43,689		267,789	
Net other postemployment benefits asset	<u>115,583</u>	<u>115,583</u>		<u>231,166</u>	
Total Other Assets	\$ 737,520	\$ 3,065,827		\$ 3,803,347	
Total Assets	<u>\$ 26,106,764</u>	<u>\$ 19,259,586</u>	<u>\$ 4,928,167</u>	<u>\$ 50,294,517</u>	<u>\$ 2,445,088</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	\$ 179,789	\$ 66,686	\$ 1,547	\$ 248,022	\$ 77,207
Related to other postemployment benefits	<u>3,289</u>	<u>3,289</u>		<u>6,578</u>	
Total Deferred Outflows of Resources	<u>\$ 183,078</u>	<u>\$ 69,975</u>	<u>\$ 1,547</u>	<u>\$ 254,600</u>	<u>\$ 77,207</u>

COMBINED STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Major Funds		Nonmajor Fund	Total Enterprise Funds	
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center		
LIABILITIES					
Current Liabilities:					
Accounts payable:					
Trade	\$ 128,530	\$ 8,311	\$ 6,263	\$ 143,104	\$ 5,869
Construction	1,042,121			1,042,121	
Equipment					104,803
Accrued interest	75,753	26,886		102,639	
Customer deposits	75,866			75,866	
Current maturities on long-term debt	<u>304,000</u>	<u>140,000</u>		<u>444,000</u>	
Total Current Liabilities	\$ 1,626,270	\$ 175,197	\$ 6,263	\$ 1,807,730	\$ 110,672
Long-term debt:					
Compensated absences	\$ 87,276	\$ 68,639		\$ 155,915	\$ 1,578
Revenue bonds	12,163,000	5,660,000		17,823,000	
Less portion included in current liabilities	(304,000)	(140,000)		(444,000)	
Net pension liability	<u>1,162,629</u>	<u>431,233</u>	<u>\$ 10,005</u>	<u>1,603,867</u>	<u>499,270</u>
Total Noncurrent Liabilities	<u>\$ 13,108,905</u>	<u>\$ 6,019,872</u>	<u>\$ 10,005</u>	<u>\$ 19,138,782</u>	<u>\$ 500,848</u>
Total Liabilities	<u>\$ 14,735,175</u>	<u>\$ 6,195,069</u>	<u>\$ 16,268</u>	<u>\$ 20,946,512</u>	<u>\$ 611,520</u>
DEFERRED INFLOWS OF RESOURCES					
Related to other postemployment benefits	<u>\$ 26,441</u>	<u>\$ 26,441</u>		<u>\$ 52,882</u>	<u>\$ 0</u>
NET POSITION					
Net Position:					
Net investment in capital assets	\$ 10,087,349	\$ 9,184,751	\$ 4,767,328	\$ 24,039,428	\$ 1,645,864
Restricted	734,066	436,311		1,170,377	
Unrestricted	<u>706,811</u>	<u>3,486,989</u>	<u>146,118</u>	<u>4,339,918</u>	<u>264,911</u>
Total Net Position	<u>\$ 11,528,226</u>	<u>\$ 13,108,051</u>	<u>\$ 4,913,446</u>	<u>\$ 29,549,723</u>	<u>\$ 1,910,775</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, 2024

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund	Total	Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center	Enterprise Funds	
Operating revenues:					
Charges for services	\$ 2,622,956	\$ 2,408,691	\$ 177,804	\$ 5,209,451	\$ 573,620
Other	<u>7,181</u>		<u>2,211</u>	<u>9,392</u>	<u>29,410</u>
	\$ 2,630,137	\$ 2,408,691	\$ 180,015	\$ 5,218,843	\$ 603,030
Operating expenses:					
Personnel services	\$ 1,858,055	\$ 688,686	\$ 102,945	\$ 2,649,686	\$ 169,390
Purchases of services	792,183	1,239,180	89,573	2,120,936	159,251
Materials and supplies	174,339	34,557	52,463	261,359	222,185
Provision for depreciation and amortization	<u>407,066</u>	<u>271,625</u>	<u>110,589</u>	<u>789,280</u>	<u>222,012</u>
	<u>\$ 3,231,643</u>	<u>\$ 2,234,048</u>	<u>\$ 355,570</u>	<u>\$ 5,821,261</u>	<u>\$ 772,838</u>
Operating Income (Loss)	\$ (601,506)	\$ 174,643	\$ (175,555)	\$ (602,418)	\$ (169,808)
Nonoperating revenues (expenses):					
Interest earned	\$ 41,558	\$ 43,260	\$ 24	\$ 84,842	\$ 48,463
Property taxes			107,080	107,080	
Debt service interest	(187,568)	(116,365)	(36)	(303,969)	
Federal grants	1,444,621			1,444,621	
State grants	386,115	386,115		772,230	
Donations			5,333	5,333	
Gain on sale of assets					80,640
Insurance proceeds			<u>3,500</u>	<u>3,500</u>	
	<u>\$ 1,684,726</u>	<u>\$ 313,010</u>	<u>\$ 115,901</u>	<u>\$ 2,113,637</u>	<u>\$ 129,103</u>
Change in Net Position	\$ 1,083,220	\$ 487,653	\$ (59,654)	\$ 1,511,219	\$ (40,705)
Net position at July 1, 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>
NET POSITION AT JUNE 30, 2024	<u>\$ 11,528,226</u>	<u>\$ 13,108,051</u>	<u>\$ 4,913,446</u>	<u>\$ 29,549,723</u>	<u>\$ 1,910,775</u>

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

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Business-Type Activities Enterprise Funds				Governmental Activities
	Major Funds		Nonmajor Fund	Total Enterprise Funds	Internal Service Fund
	Water Utility	Sewer Utility	Pat O'Donnell Civic Center		
Cash flows from operating activities:					
Cash received from customers	\$ 2,622,335	\$ 2,400,920	\$ 179,970	\$ 5,203,225	\$ 603,030
Cash paid to employees and suppliers for goods and services	<u>(2,917,629)</u>	<u>(2,029,676)</u>	<u>(244,073)</u>	<u>(5,191,378)</u>	<u>(573,186)</u>
Net Cash Provided by (Used in) Operating Activities	\$ (295,294)	\$ 371,244	\$ (64,103)	\$ 11,847	\$ 29,844
Cash flows from noncapital and related financing activities:					
Cash received from property tax levies			\$ 107,080	\$ 107,080	
State grants received	<u>\$ 386,115</u>	<u>\$ 386,115</u>		<u>772,230</u>	
Net Cash Provided by Noncapital and Related Financing Activities	\$ 386,115	\$ 386,115	\$ 107,080	\$ 879,310	\$ 0
Cash flows from capital and related financing activities:					
Acquisition and construction of property and equipment	\$ (4,520,344)	\$ (745,937)		\$ (5,266,281)	\$ (690,560)
Principal paid on long-term debt	(190,000)	(136,000)	\$ (7,651)	(333,651)	
Interest paid on long-term debt	(157,092)	(115,551)	(36)	(272,679)	
Proceeds from borrowing	4,697,000			4,697,000	
Insurance proceeds received			3,500	3,500	
Proceeds from the sale of assets					112,810
Donations received			5,333	5,333	
Federal grants received	<u>840,700</u>			<u>840,700</u>	
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ 670,264	\$ (997,488)	\$ 1,146	\$ (326,078)	\$ (577,750)
Cash flows from investing activities:					
Interest earned	\$ 41,558	\$ 43,260	\$ 24	\$ 84,842	\$ 48,463
Net change in investments	<u>(520,240)</u>	<u>(29,205)</u>		<u>(549,445)</u>	<u>501,537</u>
Net Cash Provided by (Used in) Investing Activities	\$ (478,682)	\$ 14,055	\$ 24	\$ (464,603)	\$ 550,000
Net Increase (Decrease) in Cash	\$ 282,403	\$ (226,074)	\$ 44,147	\$ 100,476	\$ 2,094
Cash and cash equivalents at July 1, 2023	<u>866,252</u>	<u>1,051,108</u>	<u>113,634</u>	<u>2,030,994</u>	<u>144,526</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2024	<u>\$ 1,148,655</u>	<u>\$ 825,034</u>	<u>\$ 157,781</u>	<u>\$ 2,131,470</u>	<u>\$ 146,620</u>

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Business-Type Activities Enterprise Funds					Governmental Activities
	Major Funds		Nonmajor Fund		Total Enterprise Funds	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)	\$ (601,506)	\$ 174,643	\$ (175,555)	\$ (602,418)	\$ (169,808)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	\$ 407,066	\$ 271,625	\$ 110,589	\$ 789,280	\$ 222,012	
Related to pensions and other postemployment benefits	(126,846)	(63,708)	(788)	(191,342)	201	
(Increase) decrease in current assets:						
Accounts receivable	(8,815)	(7,771)	(45)	(16,631)		
Prepaid expense	(3,461)	699	(149)	(2,911)	(2,715)	
Inventories	(19,810)	(7,496)		(27,306)		
Increase (decrease) in liabilities:						
Trade accounts payable	66,905	1,663	1,923	70,491	(5,825)	
Salaries payable	(599)	(1,064)	(78)	(1,741)	37	
Customer deposits	1,013			1,013		
Compensated absences	(9,241)	2,653		(6,588)	(14,058)	
Total adjustments	\$ 306,212	\$ 196,601	\$ 111,452	\$ 614,265	\$ 199,652	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (295,294)	\$ 371,244	\$ (64,103)	\$ 11,847	\$ 29,844	
Supplemental schedule of noncash financing activities:						
Construction in progress financed with accounts payable	\$ 1,042,121					
Equipment financed with accounts payable						\$ 104,803

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, 2024

	Pension Trust Funds	Retiree Healthcare Fund	Agency Fund	Total
ASSETS				
Cash	\$ 261,652	\$ 10,826	\$ 577	\$ 273,055
Investments		1,771,205		1,771,205
Delinquent property taxes receivable	11,107	2,431		13,538
Prepaid expenses	<u>          </u>	<u>7,286</u>	<u>          </u>	<u>7,286</u>
Total Assets	<u>\$ 272,759</u>	<u>\$ 1,791,748</u>	<u>\$ 577</u>	<u>\$ 2,065,084</u>
LIABILITIES				
Liabilities - Due to General Fund			<u>\$ 577</u>	<u>\$ 577</u>
NET POSITION				
Net position held in trust for:				
Pension benefits	\$ 272,759			\$ 272,759
Post-employment health care benefits	<u>          </u>	<u>\$ 1,791,748</u>	<u>          </u>	<u>1,791,748</u>
Total Net Position	<u>\$ 272,759</u>	<u>\$ 1,791,748</u>	<u>\$ 0</u>	<u>\$ 2,064,507</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, 2024

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Additions:

Property taxes	\$ 705,267
Contributions	<u>631,769</u>

Total Additions \$ 1,337,036

Deductions:

Transfer to Municipal Employees' Retirement System	<u>1,263,266</u>
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Net Increase \$ 73,770

Net position held in trust at July 1, 2023	<u>198,989</u>
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NET POSITION HELD IN TRUST AT JUNE 30, 2024 \$ 272,759

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

June 30, 2024

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Additions:

## Contributions -

Employee contributions

\$ 19,487

## Investment income -

Net increase in fair value of investments

171,671

Total Additions \$ 191,158

## Deductions:

Administrative expense

\$ 12,499

Post-retirement healthcare benefits

164,836177,335

Net Increase \$ 13,823

Net position held in trust for post-employment healthcare  
benefits at July 1, 20231,777,925NET POSITION HELD IN TRUST FOR  
POST-EMPLOYMENT HEALTHCAREBENEFITS AT JUNE 30, 2024 \$ 1,791,748The accompanying notes are an integral part of the  
financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - AGENCY FUND

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

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Additions:		
Taxes collected for other governments	\$	6,443,426
Deductions:		
Payment of taxes collected for other governments		<u>6,443,426</u>
	\$	0
Net position at July 1, 2023		<u>0</u>
	NET POSITION AT JUNE 30, 2024	<u>\$ 0</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, 2024

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#### 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)

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### 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.

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)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Presentation (Continued)

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

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

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)

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### 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 unmatured 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)

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### 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)

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### 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 funds are valued the lower of cost or net realizable value.

#### 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)

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### 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 these 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, 2024.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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.

#### Net Investment in Capital Assets

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)

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### 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)

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### 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 December 9, 2024, 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, 2024.

The Governmental activities reported an unrestricted deficit in net position of \$1,471,951 at June 30, 2024.

#### 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, 2024, the City monitored and amended its budget and was in substantial compliance with the Act with the exception of labor relations, in other functions, which was over expended by \$388,140 due to a State grant for pension funding that was submitted directly to MERS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Compliance with Bond Covenants

Revenue bond ordinances issued by the Water Utility and Sewer Utility 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, 2024:

	<u>June 30, 2024</u>	
	<u>Required</u>	<u>Reserve</u>
	<u>Reserve</u>	<u>Balance</u>
2010 Water Supply System Revenue Bonds:		
Bond Redemption Account	35,210	48,753
Bond Reserve Account	50,500	69,916
2010 Sewage Disposal System Revenue Bonds:		
Bond Redemption Account	27,657	32,650
Bond Reserve Account	39,000	53,939
2014 Water Supply System Revenue Bonds:		
Bond Reserve Account	211,600	211,600
Repair, Replacements and Improvement Account	0	30,100
2014 Sewage Disposal System Revenue Bonds:		
Bond Reserve Account	204,600	204,600
Repair, Replacements and Improvements Account	0	8,000
2017 Water Supply System Revenue Bonds:		
Bond Redemption Account	72,484	72,484
Bond Reserve Account	65,100	65,100
2017 Sewage Disposal System Revenue Bonds:		
Bond Redemption Account	11,039	11,039
Bond Reserve Account	10,500	10,500
2023 Water Supply System Revenue Bonds:		
Bond Redemption Account	102,863	102,863
Bond Reserve Account	14,062	14,062
Repair, Replacements and Improvement Account	0	3,605
	<u>\$ 844,615</u>	<u>\$ 939,211</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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, 2024, totaled \$4,889,788 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, 2024, 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, 2024, 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	\$6,123,322	\$6,123,322	AAAm	N/A	30
Fiduciary Funds:					
Retiree Healthcare Fund - MERS Total Market Portfolio	<u>1,771,205</u>	<u>1,771,205</u>	N/A	N/A	N/A
Total Investments	<u>\$7,894,527</u>	<u>\$7,894,527</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 receivables were comprised of the following at June 30, 2024:

PRIMARY GOVERNMENT

General:

Delinquent taxes	\$	40,016	
State of Michigan		149,344	
Other		<u>177,962</u>	
	\$	367,322	
Less allowances for uncollectibles		<u>(9,782)</u>	\$ 357,540

Major Street -			
State of Michigan			130,712

Local Street -			
State of Michigan			48,301

Nonmajor Governmental Funds:

Customer accounts and local units of government	\$	20,145	
Delinquent taxes		<u>21,767</u>	41,912

Enterprise:

Customer accounts	\$	390,469	
Federal government		603,921	
Other		2,771	
Less allowances for uncollectibles		<u>(14,403)</u>	982,758

Fiduciary -

Delinquent taxes		<u>13,538</u>	
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Total Primary Government \$ 1,574,761

COMPONENT UNIT - Customer accounts 13,715

Total \$ 1,588,476

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE E – NOTES RECEIVABLE

#### Special Revenue Funds

Notes receivable included in assets of the Special Revenue Fund consisted of the following at June 30, 2024:

##### 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>2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2024</u>
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Land (not depreciated)	\$ 390,681		\$ 27,515	\$ 363,166
Buildings and improvements	12,141,295	\$ 857,200		12,998,495
Machinery and equipment	546,563	154,498		701,061
Office equipment and furniture	374,186			374,186
Vehicles	874,662			874,662
Library books	331,601	12,095	12,277	331,419
Infrastructure	<u>9,827,533</u>	<u>1,886,081</u>		<u>11,713,614</u>
	\$ 24,486,521	\$ 2,909,874	\$ 39,792	\$ 27,356,603
Less accumulated depreciation	(15,051,310)	(1,019,345)	(12,278)	(16,058,377)
Construction in progress	<u>811,878</u>	<u>178,064</u>	<u>811,878</u>	<u>178,064</u>
Net	\$ 10,247,089	\$ 2,068,593	\$ 839,392	\$ 11,476,290
<u>Internal Service Fund</u>				
Rental equipment	\$ 4,509,783	\$ 795,363	\$ 418,763	\$ 4,886,383
Less accumulated depreciation	<u>(3,300,297)</u>	<u>(222,012)</u>	<u>(386,593)</u>	<u>(3,135,716)</u>
Net	\$ 1,209,486	\$ 573,351	\$ 32,170	\$ 1,750,667
Total Governmental Activities	\$ 11,456,575	\$ 2,641,944	\$ 871,562	\$ 13,226,957

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS (CONTINUED)

	Balance at July 1, <u>2023</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2024</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>24,958,281</u>	<u>\$ 587,224</u>		<u>25,545,505</u>
	\$ 24,996,982	\$ 587,224	\$ 0	\$ 25,584,206
Less accumulated depreciation	(7,943,461)	(405,482)		(8,348,943)
Construction in progress	<u>1,143,888</u>	<u>5,327,291</u>	<u>413,972</u>	<u>6,057,207</u>
Net	\$ 18,197,409	\$ 5,509,033	\$ 413,972	\$ 23,292,470
Sewer Utility Fund:				
Land and land rights (not depreciated)	\$ 7,600			\$ 7,600
Sewage transmission	<u>17,311,686</u>	<u>\$ 1,445,836</u>		<u>18,757,522</u>
	\$ 17,319,286	\$ 1,445,836	\$ 0	\$ 18,765,122
Less accumulated depreciation	(3,664,568)	(271,625)		(3,936,193)
Construction in progress	<u>974,672</u>	<u>10,927</u>	<u>969,777</u>	<u>15,822</u>
Net	\$ 14,629,390	\$ 1,185,138	\$ 969,777	\$ 14,844,751
Pat O'Donnell Civic Center Operations Fund:				
Civic Center building and equipment	\$ 5,249,401			\$ 5,249,401
Less accumulated depreciation	<u>(371,484)</u>	<u>\$ (110,589)</u>		<u>(482,073)</u>
Net	\$ 4,877,917	<u>(110,589)</u>		\$ 4,767,328
Total Proprietary Funds Activities	<u>\$ 37,704,716</u>	<u>\$ 6,583,582</u>	<u>\$ 1,383,749</u>	<u>\$ 42,904,549</u>
Total Primary Government	\$ 49,161,291	\$ 9,225,526	\$ 2,255,311	\$ 56,131,506
<u>COMPONENT UNIT</u>				
Housing Commission:				
Land	\$ 422,048			\$ 422,048
Building and improvements	9,747,239	\$ 640,010		10,387,249
Equipment	<u>265,134</u>	<u>5,736</u>	<u>\$ 36,649</u>	<u>234,221</u>
	\$ 10,434,421	\$ 645,746	\$ 36,649	\$ 11,043,518
Less accumulated depreciation	(8,223,068)	(224,901)	(36,649)	(8,411,320)
Construction in progress	<u></u>	<u>22,095</u>	<u></u>	<u>22,095</u>
Total Component Unit	<u>\$ 2,211,353</u>	<u>\$ 442,940</u>	<u>\$ 0</u>	<u>\$ 2,654,293</u>
	<u>\$ 51,372,644</u>	<u>\$ 9,668,466</u>	<u>\$ 2,255,311</u>	<u>\$ 58,785,799</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)

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### 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, 2024:

- The Water Utility Fund continued construction of a new water pump station, incurring costs of \$5,624,857 through June 30, 2024. 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 continued construction of a new water treatment facility, incurring engineering costs of \$240,790 through June 30, 2024. 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 continued a shared water/sewer main reconstruction project that incurred \$191,561 of water and \$4,895 of sewer engineering costs as of June 30, 2024. A grant of \$11,021,000 was awarded to fund 100% of the water portion. The City has been awarded funding from USDA Rural Development to fund the Sewer portion, which will consist of a grant for \$3,348,000 and a loan for \$1,540,000. This project will be completed in year ending June 30, 2026.
- The City continued work on the Beltline Phase 1 Trail Acquisition Project, incurring costs of \$14,592 through June 30, 2024. Completion of the project is expected in the year ending June 30, 2025, with total project costs expected to be \$73,000.
- The City incurred costs of \$20,026 for electrical upgrades at the Curry Park Campground. The estimated cost of the project is \$130,000. The project is expected to be completed in the year ending June 30, 2025. Funding for the project is a combination of federal ARPA funds, DNR Grant, and local funds.
- The City incurred costs of \$5,179 for a water service line project at Riverside Cemetery. The estimated cost of this locally funded project is \$30,000. The project is expected to be completed in the year ending June 30, 2025.
- The City began a street reconstruction project on Superior Street, incurring engineering costs of \$26,428 through June 30, 2024. The total cost of the project is estimated to be \$575,000, to be funded by a \$384,000 federal grant, with the remainder to be funded by the City. The project is expected to be completed in the year ending June 30, 2025.
- The City began a street rehabilitation project on Clemens Street, incurring costs of \$103,252 through June 30, 2024. This project is 100% City funded and is expected to be completed in the year ending June 30, 2025.
- The City's Ironwood Carnegie Library began a building addition project, incurring engineering/design costs of \$8,588 through June 30, 2024. The project is being funded by a \$750,000 Michigan Community Center Grant, along with \$17,000 in local funds. The project is expected to be completed in the year ending June 30, 2026.
- The Sewer Utility Fund incurred \$10,927 of engineering/design costs for a new backup generator for the Bonnie Lift Station. The cost of the generator will be \$50,000, which is expected to be installed during fiscal year ending June 30, 2025.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Balance at July 1, <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	Balance at June 30, <u>2024</u>	Amount Due Within <u>One Year</u>
<b>PRIMARY GOVERNMENT</b>					
<u>Governmental Activities</u>					
Direct borrowing and direct placements -					
Capital Improvement Bonds	\$ 339,000		\$ 167,000	\$ 172,000	\$ 172,000
Compensated absences	<u>335,769</u>		<u>66,787</u>	<u>268,982</u>	<u>72,405</u>
Total Governmental Activities	\$ 674,769		\$ 233,787	\$ 440,982	\$ 244,405
<u>Proprietary Activities</u>					
Direct borrowing and direct placements:					
Revenue and Refunding Bonds	\$ 13,452,000	\$ 4,697,000	\$ 326,000	\$ 17,823,000	\$ 444,000
Capital Improvement Bonds	<u>7,651</u>		<u>7,651</u>	<u>                    </u>	<u>                    </u>
Total direct borrowing and direct placements	\$ 13,459,651	\$ 4,697,000	\$ 333,651	\$ 17,823,000	\$ 444,000
Compensated absences	<u>162,503</u>		<u>6,588</u>	<u>155,915</u>	<u>                    </u>
Total Proprietary Activities	\$ 13,622,154	\$ 4,697,000	\$ 340,239	\$ 17,978,915	\$ 444,000
<u>Internal Service Fund</u>					
Compensated absences	<u>\$ 15,636</u>		<u>\$ 14,058</u>	<u>\$ 1,578</u>	<u>                    </u>
Total Internal Service Fund	<u>\$ 15,636</u>		<u>\$ 14,058</u>	<u>\$ 1,578</u>	<u>                    </u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 14,312,559</b>	<b>\$ 4,697,000</b>	<b>\$ 588,084</b>	<b>\$ 18,421,475</b>	<b>\$ 688,405</b>
<b>COMPONENT UNIT -</b>					
Compensated absences	<u>23,477</u>	<u>4,403</u>		<u>27,880</u>	<u>1,394</u>
	<u><b>\$ 14,336,036</b></u>	<u><b>\$ 4,701,403</b></u>	<u><b>\$ 588,084</b></u>	<u><b>\$ 18,449,355</b></u>	<u><b>\$ 689,799</b></u>

The Capital Improvement Street Bonds 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, 2029, 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
2025	\$ 172,000	\$ 5,160	\$ 177,160	\$ 444,000	\$ 332,736	\$ 776,736
2026				452,000	324,796	776,796
2027				460,000	316,596	776,596
2028				469,000	308,249	777,249
2029				478,000	299,744	777,744
2030-2034				2,522,000	1,365,509	3,887,509
2035-2039				2,765,000	1,126,619	3,891,619
2040-2044				3,034,000	863,638	3,897,638
2045-2049				3,265,000	573,938	3,838,938
2050-2054				2,884,000	287,279	3,171,279
2055-2059				1,251,000	100,441	1,351,441
2060-2064				902,000	30,058	932,058
	<u>\$ 172,000</u>	<u>\$ 5,160</u>	<u>\$ 177,160</u>	<u>\$ 18,926,000</u>	<u>\$ 5,929,603</u>	<u>\$ 24,855,603</u>

A variance of \$1,103,000 exists in the debt maturities of the business-type activities due to draws on the 2023 Water Bonds after June 30, 2024.

Compensated Absences

The City has reported a \$268,982, \$155,915 and \$1,578 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, 2024. The City has reported a \$27,880 liability for compensated absences in its Component Unit at June 30, 2024.

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)

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### 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, 2024 totals \$172,000, maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

#### 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, 2024 totals \$944,000, with \$24,000 maturing during the year ending June 30, 2025. 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, 2024 totals \$1,155,000, with \$28,000 maturing during the year ending June 30, 2025. 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, 2024 totals \$1,141,000, with \$28,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

#### 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, 2024 totals \$1,828,000, with \$59,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

#### 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, 2024 totals \$2,398,000, with \$53,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

#### Water Supply System Revenue Bond, Series 2023A

On August 3, 2023, the City issued \$5,439,000 of Water Supply System Revenue Bonds, Series 2023A 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 February 1 and August 1 of each year at a rate of 1.25%. Principal payments are due each August 1 through the year ending June 30, 2064. The outstanding amount payable on the bonds at June 30, 2024 totals \$4,336,000, with \$106,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

#### Water Supply System Revenue Bond, Series 2023B

On August 3, 2023, the City issued \$361,000 of Water Supply System Revenue Bonds, Series 2023B 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 February 1 and August 1 of each year at a rate of 2.125%. Principal payments are due each August 1 through the year ending June 30, 2064. The outstanding amount payable on the bonds at June 30, 2024 totals \$361,000, with \$6,000 maturing during the year ending June 30, 2025. 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, 2024 totals \$729,000, with \$19,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

#### 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, 2024 totals \$1,402,000, with \$35,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

#### 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, 2024 totals \$1,382,000, with \$34,000 maturing during the year ending June 30, 2025. 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, 2024 totals \$1,773,000, with \$44,000 maturing during the year ending June 30, 2025. 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, 2024 totals \$374,000, with \$8,000 maturing during the year ending June 30, 2025. Annual principal and interest maturities are included in Note G.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE H – BONDS AND NOTES PAYABLE (CONTINUED)

#### Proprietary Activities Revenue and Refunding Bonds

The City has issued several revenue and refunding bonds in both the Water Utility and Sewer Utility funds. All are funded from the United States of America Department of Agriculture Rural Development and payable solely from revenues generated by the Water Utility and Sewer Utility funds. 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 2064. Annual principal and interest maturities are included in Note G. Information relative to the bond issues are as follows:

	Outstanding Balance at <u>June 30, 2024</u>	Maturing Within <u>One Year</u>	Interest <u>Rate</u>
Water Supply System Revenue and Refunding Bonds:			
Series 2010C	\$ 944,000	\$ 24,000	2.375%
Series 2014A	1,155,000	28,000	2.00%
Series 2014B	1,141,000	28,000	2.00%
Series 2014C	1,828,000	59,000	2.00%
Series 2017	2,398,000	53,000	1.625%
Series 2023A	4,336,000	106,000	1.250%
Series 2023B	<u>361,000</u>	<u>6,000</u>	2.125%
	\$ 12,163,000	\$ 304,000	
Sewage Disposal System Revenue and Refunding Bonds:			
Series 2010C	\$ 729,000	\$ 19,000	2.375%
Series 2014A	1,402,000	35,000	2.00%
Series 2014B	1,382,000	34,000	2.00%
Series 2014C	1,773,000	44,000	2.00%
Series 2017	<u>374,000</u>	<u>8,000</u>	1.625%
	<u>\$ 5,660,000</u>	<u>\$ 140,000</u>	
	<u>\$ 17,823,000</u>	<u>\$ 444,000</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 bond was paid in full during the year ended June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE I – 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, 2024, costs incurred totaled \$109,203 and revenues from charging the administrative fee were \$90,370. Cumulative costs since inception of the subsidiary ledger have exceeded cumulative fees.

### NOTE J – 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).

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 \$577 reported in assets of the primary governmental activities at June 30, 2024 consist of balances due to the General Fund from the Agency Fund.

### NOTE K – 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, 2024, were made from the General Fund to the Cemetery Trust Fund in the amount of \$71,416, the Major Street Fund in the amount of \$342,453, the Local Street Fund in the amount of \$38,150, the Downtown Ironwood Development Authority in the amount of \$2,359, and the Neighborhood Enhancement Program Fund in the amount of \$1,032.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Following is a summary of restricted net position for individual funds at June 30, 2024:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Restriction</u>
Primary Government		
Governmental Activities:		
General Fund	By donors and grants	\$ 28,618
Library Fund	By donors and grants	191,635
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	5,145
2015 Debt Service Fund	Debt service	<u>185,109</u>
		\$ 1,413,941
Business-type Activities:		
Water Utility	Bond reserve, redemption and construction	\$ 618,483
Water Utility	Net other postemployment benefits	115,583
Sewer Utility	Bond reserve, redemption and construction	320,728
Sewer Utility	Net other postemployment benefits	<u>115,583</u>
		<u>\$ 1,170,377</u>
		<u>\$ 2,584,318</u>



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE L – 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	\$ 133,204
	Restricted by donors	28,618
	Committed for future project and budgeting purposes	690,000
	Assigned by management for projects	<u>2,840,000</u>
		\$ 3,691,822
Major Street Fund	Nonspendable for prepaid expenses	\$ 5,320
	Assigned	590,605
Local Street Fund	Nonspendable for prepaid expenses	7,273
	Assigned	<u>62,241</u>
		\$ 665,439
Nonmajor Funds:	Restricted:	
Library Fund	By donors and grants	\$ 191,635
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	5,145
2015 Debt Service Fund	Debt service	<u>185,109</u>
		\$ 1,385,323
Library Fund	Nonspendable for prepaid expenses	1,515
	Assigned	66,651
Downtown Ironwood Development Authority	Nonspendable for prepaid expenses	12
	Assigned	37,220
Cemetery Trust Fund	Nonspendable for prepaid expenses	899
	Assigned	44,614
Volunteer Fire Department Fund	Assigned	<u>3,074</u>
		\$ 1,539,308
	Total	<u>\$ 5,896,569</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE M – 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, 2025, was as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Pat O'Donnell Civic Center Operations</u>
Property tax revenues	\$ 0	\$ 0	\$ 107,080
Current capital contributions	0	0	0
Land, buildings and equipment:			
Additions	5,500,543	486,986	0
Disposals, net of accumulated depreciation	0	0	0

### NOTE N – 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, 2024, 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	<u>648,347</u>
	<u><u>\$2,629,516</u></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.

During the year ended June 30, 2024 the City paid \$1,104,266 to the Authority for wastewater treatment services.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – 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, 2024, 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>	Totals (Memorandum Only)
Total assets	<u>\$ 8,030,305</u>	<u>\$ 267,072</u>	<u>\$ 8,297,377</u>
Deferred outflows of resources	<u>\$ 239,175</u>		<u>\$ 239,175</u>
Total liabilities	<u>\$ 2,688,427</u>	<u>\$ 267,072</u>	<u>\$ 2,955,499</u>
Deferred inflow of resources	<u>\$ 66,340</u>		<u>\$ 66,340</u>
Net position	<u>\$ 5,514,713</u>	<u>\$ 0</u>	<u>\$ 5,514,713</u>
Operating revenues	\$ 1,741,933	\$ 1,082,045	\$ 2,823,978
Operating expenses	<u>1,828,097</u>	<u>1,082,135</u>	<u>2,910,232</u>
	\$ (86,164)	\$ (90)	\$ (86,254)
Nonoperating revenues and expenses	<u>972,904</u>	<u>90</u>	<u>972,994</u>
Change in Net Position	\$ 886,740	\$ 0	\$ 886,740
Net Position at July 1, 2023	<u>4,627,973</u>	<u>0</u>	<u>4,627,973</u>
NET POSITION AT JUNE 30, 2024	<u>\$ 5,514,713</u>	<u>\$ 0</u>	<u>\$ 5,514,713</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE O – SUMMARY OF 2023 TAX LEVY

Details of the City's 2023 property tax levy (excluding industrial facilities tax) are as follows:

City:	
General Fund	\$ 2,082,925
Civic Center	107,806
Library Fund	104,106
Public Safety Retirement System Fund	705,146
Debt Service Fund	215,631
Downtown Ironwood Development Authority	<u>13,000</u>
	Total City Taxes \$ 3,228,614
School	1,393,833
County	1,707,752
State Education Tax	<u>646,479</u>
	Total Levy \$ <u>6,976,678</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	<u>1.9878</u>
	<u>29.6415</u>

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

### NOTE P – 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](http://www.mersofmich.com).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE P – DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Benefits Provided

Benefits provided include plans with multipliers ranging from 2.25% 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 15 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 5.00%.

#### Employees Covered by Benefit Terms

At the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>42</u>
	<u>138</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 December 31, 2023, were \$1,123,892, based on annual payroll. The State of Michigan contributed \$1,158,344 for the year ended December 31, 2023 to the plan.

#### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2023, 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)

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### NOTE P – DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### Actuarial Assumptions

The total pension liability in the December 31, 2023 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: 6.93%, net of investment expense including inflation

Mortality rates used were based fully on generational mortality including a variation of PubG-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 P – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. 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 (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2023	\$ 22,562,253	\$ 11,389,865	\$ 11,172,388
Changes for the year:			
Service Cost	\$ 290,449		\$ 290,449
Interest on Total Pension Liability	1,588,514		1,588,514
Changes in Benefits	0		0
Difference between expected and actual experience	437,673		437,673
Changes in assumptions	217,129		217,129
Employer Contributions		\$ 1,123,892	(1,123,892)
Employee Contributions		122,809	(122,809)
State Contributions		1,158,344	(1,158,344)
Net Investment Income		1,306,568	(1,306,568)
Benefit payments, including employee refunds	(1,593,868)	(1,593,868)	0
Administrative expense		(27,208)	27,208
Other changes	(30,853)	(14,522)	(16,331)
	<u>\$ 909,044</u>	<u>\$ 2,076,015</u>	<u>\$ (1,166,971)</u>
Balances at December 31, 2023	<u>\$ 23,471,297</u>	<u>\$ 13,465,880</u>	<u>\$ 10,005,417</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE P – 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 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total Pension Liability (a)	\$ 26,096,917	\$ 23,471,297	\$ 21,252,303
Fiduciary Net Position (b)	<u>13,465,880</u>	<u>13,465,880</u>	<u>13,465,880</u>
Net Pension Liability (a) - (b)	<u>\$ 12,631,037</u>	<u>\$ 10,005,417</u>	<u>\$ 7,786,423</u>

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

For the year ended June 30, 2024 the employer recognized pension expense of \$1,507,396. 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	\$ 380,696	\$ 0
Differences in assumptions	144,753	0
Excess Investment Returns	563,970	0
Contributions subsequent to the measurement date*	<u>457,820</u>	<u>0</u>
Primary Government Total	<u>\$ 1,547,239</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, 2025.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE P – 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>	
2025	\$ 407,320
2026	424,879
2027	353,587
2028	<u>(96,367)</u>
	<u>\$ 1,089,419</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, 2024 audited financial statements.

### NOTE Q – 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 P, 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 Q – 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, 2024, RHCP membership consisted of the following:

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

#### 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, 2024, 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, 2023. Plan members are required to contribute to the plan at varying rates based on date of retirement.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE Q – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

#### Net OPEB Liability of the City

The City's Net OPEB Liability (Asset) was measured as of June 30, 2024, 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, 2024, 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 2023, decreasing 0.25% per year to an ultimate rate of 11.5%

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, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 to June 30, 2024.

#### 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)

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### NOTE Q – 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, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 10.09%. 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 Q – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

Calculating Net OPEB Liability - Primary Government

Changes in Net OPEB Liability (Asset)	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at July 1, 2023	\$ 1,924,811	\$ 1,777,922	\$ 146,889
Changes for the year:			
Service Cost	\$ 12,363		\$ 12,363
Interest on Total OPEB Liability	130,083		130,083
Changes in Benefits	0		0
Difference between expected and actual experience	(126,889)		(126,889)
Changes in assumptions	12,206		12,206
Employer Contributions		\$ 0	0
Employee Contributions		0	0
Net Investment Income		171,671	(171,671)
Benefit payments, including employee refunds	(145,350)	(145,350)	0
Administrative expense	<u>0</u>	<u>(12,497)</u>	<u>12,497</u>
Net changes	<u>\$ (117,587)</u>	<u>\$ 13,824</u>	<u>\$ (131,411)</u>
Balances at June 30, 2024	<u>\$ 1,807,224</u>	<u>\$ 1,791,746</u>	<u>\$ 15,478</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE Q – 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 (asset) 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>118,238</u>	\$ <u>15,478</u>	\$ <u>(79,484)</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 (asset) would be if it were calculated using healthcare cost trend rates that are one percentage point lower (13.75% decreasing to 10.5%) or one percentage point higher (15.75% decreasing to 12.5%) than the current healthcare cost trend rates:

	1% Decrease (13.75% decreasing to 10.5%)	Healthcare Cost Trend Rates (14.75% decreasing to 11.5%)	1% Increase (15.75% decreasing to 12.5%)
Net OPEB liability (asset)	\$ <u>(35,842)</u>	\$ <u>15,478</u>	\$ <u>71,245</u>

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

For the year ended June 30, 2024 the City recognized other postemployment benefits expense of \$257,763. The City reported deferred outflows and inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 285,719	\$ (123,410)
Differences in assumptions	42,939	(6,450)
Excess Investment Returns	<u>10,209</u>	<u>0</u>
Primary Government Total	\$ <u>338,867</u>	\$ <u>(129,860)</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE Q – POST-EMPLOYMENT HEALTH BENEFITS (CONTINUED)

#### OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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>	
2025	\$ 60,178
2026	143,048
2027	29,970
2028	(24,189)
2029	<u>0</u>
	<u>\$ 209,007</u>

### NOTE R – 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 S – 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE S – RISK MANAGEMENT (CONTINUED)

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.

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 T – LEASE RECEIVABLE

The City is a lessor of a building and building space to third parties. The lease terms remaining range from 0.3 to 1.3 years. The City recognized approximately \$51,915 in lease revenue during the current fiscal year related to these leases. As of June 30, 2024, the City's receivable for lease payments was \$46,810. 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, 2024, the balance of the deferred inflow of resources was \$46,810.

### NOTE U – 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, 2024, are as follows:



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE U – TAX ABATEMENTS (CONTINUED)

<u>Type</u>	<u>Taxes Abated</u>
Industrial Facilities Tax	\$ 24,545
Brownfield Redevelopment Agreements	17,475
PILOT	<u>130,960</u>
	<u>\$ 172,980</u>

### NOTE V – UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to the financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1) Overview of the Financial Statements,
    - 2) Financial Summary,
    - 3) Detailed Analyses,
    - 4) Significant Capital Asset and Long-Term Financing Activity,
    - 5) Currently Known Facts, Decisions, or Conditions;

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE V – UPCOMING ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

### NOTE W – SUBSEQUENT EVENTS

The City has been awarded a \$375,000 grant from the U.S. Department of Environmental Protection Agency through the Michigan Department of Natural Resources, Land and Water Conservation with a \$375,000 match required from the City for the construction of an ice plant (ice making system) for the Civic Center. The grant is expected to become available in June 2025 with construction completed in the 2025-2026 fiscal year.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

BUDGETARY COMPARISON SCHEDULE - MAJOR GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	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	\$ 2,150,000	\$ 2,185,000	\$ 2,185,155						
Licenses and permits	81,000	88,000	87,801						
State sources	1,165,000	1,178,000	1,555,644	\$ 1,016,000	\$ 1,019,000	\$ 1,033,719	\$ 341,000	\$ 418,000	\$ 431,999
Federal sources	1,080,000	24,000	24,412	750,000	750,000	642,030			
Charges for services	212,000	262,000	304,065						
Interest and rents	277,000	537,000	555,891						
Other revenues	8,000	53,000	152,655			652			
Total Revenues	\$ 4,973,000	\$ 4,327,000	\$ 4,865,623	\$ 1,766,000	\$ 1,769,000	\$ 1,676,401	\$ 341,000	\$ 418,000	\$ 431,999
Expenditures:									
Current expenditures:									
Legislative	\$ 45,000	\$ 45,000	\$ 37,868						
General government	1,119,000	1,061,000	940,756						
Public safety	1,147,000	1,207,000	1,158,125						
Public works	202,000	211,000	202,866	\$ 966,000	\$ 799,000	\$ 834,067	\$ 905,000	\$ 554,000	\$ 470,149
Recreation and culture	267,000	293,000	260,504						
Health and welfare	647,000	507,000	380,700						
Other functions	44,000	47,000	435,140						
Capital outlay	1,808,000	520,000	497,623	2,242,000	2,242,000	1,734,195			
Total Expenditures	\$ 5,279,000	\$ 3,891,000	\$ 3,913,582	\$ 3,208,000	\$ 3,041,000	\$ 2,568,262	\$ 905,000	\$ 554,000	\$ 470,149
Excess (Deficiency) of Revenues Over Expenditures	\$ (306,000)	\$ 436,000	\$ 952,041	\$ (1,442,000)	\$ (1,272,000)	\$ (891,861)	\$ (564,000)	\$ (136,000)	\$ (38,150)
Other financing sources (uses) -									
Proceeds from sale of land			\$ 27,515						
Operating transfers in (out)	\$ 306,000	\$ (739,800)	(455,410)	\$ 658,000	\$ 488,000	\$ 342,453	\$ 564,000	\$ 136,000	\$ 38,150
Total other financing sources (uses)	\$ 306,000	\$ (739,800)	\$ (427,895)	\$ 658,000	\$ 488,000	\$ 342,453	\$ 564,000	\$ 136,000	\$ 38,150
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 0	\$ (303,800)	\$ 524,146	\$ (784,000)	\$ (784,000)	\$ (549,408)	\$ 0	\$ 0	\$ 0
Fund balance at July 1, 2023	3,993,574	3,993,574	3,993,574	1,145,333	1,145,333	1,145,333	69,514	69,514	69,514
FUND BALANCE AT JUNE 30, 2024	\$ 3,993,574	\$ 3,689,774	\$ 4,517,720	\$ 361,333	\$ 361,333	\$ 595,925	\$ 69,514	\$ 69,514	\$ 69,514

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

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Year ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service Cost	\$ 290,449	\$ 298,755	\$ 271,277	\$ 251,826	\$ 225,308	\$ 220,744	\$ 223,619	\$ 226,536	\$ 223,802	\$ 228,696
Interest	1,588,514	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	0
Difference between expected and actual experience	437,673	266,741	9,985	217,188	(39,902)	(304,183)	(191,347)	215,801	(154,152)	0
Changes of assumptions	217,129	0	723,349	795,388	572,710	0	0	0	735,924	0
Benefit payments including employee refunds	(1,593,868)	(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	(30,853)	(7,496)	102,065	(31,069)	0	(23,425)	(13,011)	(55,814)	0	0
Net Change in Total Pension Liability	\$ 909,044	\$ 628,888	\$ 1,255,247	\$ 1,321,011	\$ 867,541	\$ (39,456)	\$ 59,962	\$ 483,186	\$ 895,953	\$ 288,178
Total Pension Liability, beginning	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	16,801,743
Total Pension Liability, ending	\$ 23,471,297	\$ 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	\$ 1,123,892	\$ 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	122,809	218,947	116,405	104,258	135,287	92,776	93,313	96,511	122,989	90,683
Contributions - other	1,158,344									
Net Investment income	1,306,568	(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	(1,593,868)	(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	(27,208)	(23,516)	(18,172)	(20,365)	(20,872)	(18,709)	(18,375)	(18,580)	(18,972)	(20,229)
Other	(14,522)	(4,089)	51,610	(15,135)	0	(11,398)	(4,716)	(25,193)	0	0
Net Change in Plan Fiduciary Net Position	\$ 2,076,015	\$ (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	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	8,980,704
Plan Fiduciary Net Position, ending	\$ 13,465,880	\$ 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	\$ 10,005,417	\$ 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	57%	50%	58%	54%	52%	49%	53%	48%	46%	52%
Covered Employee Payroll (from GASB 68 actuarial page)	\$ 2,390,314	\$ 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	419%	458%	390%	434%	443%	493%	454%	519%	530%	450%

Notes to Schedule:

Benefit Change: There were no changes in benefit terms.

Changes in assumptions: The assumed rate of investment return decreased to 6.93% from 7.00%

SCHEDULE OF EMPLOYER REQUIRED PENSION CONTRIBUTIONS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Year ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 923,892	\$ 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>1,123,892</u>	<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>\$ (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>\$ 2,390,314</u>	<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>39%</u>	<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	15 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	6.93%
Retirement age	60
Mortality	A version of PubG-2010

Notes to Schedule:

Benefit Change: There were no changes in benefit terms.

Changes in assumptions: The assumed rate of investment return decreased to 6.93% from 7.00%

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

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

	Year ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:								
Service cost	\$ 12,363	\$ 14,345	\$ 12,875	\$ 15,349	\$ 17,813	\$ 25,767	\$ 24,835	\$ 37,557
Interest	130,083	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	0
Differences between expected and actual experience	(126,889)	503,393	6,496	2,965	0	(174,278)	0	(312,335)
Changes of assumptions	12,206	13,696	29,187	(5,190)	(16,195)	82,546	0	0
Benefit payments	(145,350)	(127,296)	(143,972)	(92,175)	(134,411)	(168,419)	(197,141)	(171,439)
Net Change in Total OPEB Liability	\$ (117,587)	\$ 499,927	\$ 4,189	\$ 21,002	\$ (36,351)	\$ (129,799)	\$ (65,044)	\$ (318,041)
Total OPEB Liability, beginning	<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>	<u>1,948,928</u>
Total OPEB Liability, ending	<u>\$ 1,807,224</u>	<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	\$ 19,487			\$ 3,696	\$ 114,743	\$ 169,886	\$ 158,994	\$ 167,355
Contributions - employee					7,769	8,790		
Net investment income	171,671	\$ 123,217	\$ (160,781)	473,273	37,029	45,715	119,332	133,661
Benefit payments	(164,837)	(127,296)	(143,972)	(92,175)	(142,180)	(177,209)	(197,141)	(171,439)
Administrative expenses	(12,497)	(7,147)	(11,837)	(11,714)	(2,047)	(6,279)	(8,088)	(4,723)
Net Change in Plan Fiduciary Net Position	\$ 13,824	\$ (11,226)	\$ (316,590)	\$ 373,080	\$ 15,314	\$ 40,903	\$ 73,097	\$ 124,854
Plan Fiduciary Net Position, beginning	<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>	<u>1,478,490</u>
Plan Fiduciary Net Position, ending	<u>\$ 1,791,746</u>	<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>\$ 15,478</u>	<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>99.14%</u>	<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>\$ 532,535</u>	<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>2.91%</u>	<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: Trend rates and hard caps were updated.

SCHEDULE OF EMPLOYER REQUIRED OTHER POST-EMPLOYMENT  
BENEFITS CONTRIBUTIONS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

	Year ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 49,548	\$ 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>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>\$ 49,548</u>	<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>\$ 532,535</u>	<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>0.00%</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, 2024.

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 11.5%
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 Mortality 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: Trend rates and hard caps were updated.



SUPPLEMENTARY  
INFORMATION

# BALANCE SHEET - GENERAL FUND

## CITY OF IRONWOOD, MICHIGAN

June 30, 2024

### ASSETS

Cash		\$	990,693
Investments			3,789,337
Receivables:			
Delinquent taxes	\$	40,016	
State of Michigan		149,344	
Other		177,962	
Leases		<u>46,810</u>	
	\$	414,132	
Less allowances for uncollectible accounts		<u>(9,782)</u>	404,350
Due from other funds			577
Inventory			83,607
Prepaid expenses			<u>49,597</u>
			<u>\$ 5,318,161</u>

### LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable		\$	222,304
Unearned revenue			<u>531,327</u>
	Total Liabilities	\$	753,631
Deferred inflows of resources -			
Unavailable revenue - leases			46,810
Fund balance:			
Nonspendable	\$	133,204	
Restricted		28,618	
Committed		690,000	
Assigned		2,840,000	
Unassigned		<u>825,898</u>	<u>4,517,720</u>
			<u>\$ 5,318,161</u>

## STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

## CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes		\$ 2,068,919	
Property tax administrative fees		90,370	
Property tax interest and penalties		17,044	
Payment in lieu of taxes		<u>8,822</u>	
	\$ 2,185,000	\$ 2,185,155	\$ 155
City licenses and permits	88,000	87,801	(199)
State sources:			
Sales tax		\$ 911,802	
Excise tax		118,173	
Other grants		<u>525,669</u>	
	1,178,000	\$ 1,555,644	377,644
Federal sources	24,000	24,412	412
Charges for services - departmental fees and services:			
Public safety		\$ 88,567	
Tourist park		74,307	
Administration services		121,559	
Sale of supplies and services		<u>19,632</u>	
	262,000	\$ 304,065	42,065
Interest and rents:			
Interest earned		\$ 391,421	
Rentals and leases:			
Memorial building rentals		78,184	
Garage rentals		81,600	
Other		<u>4,686</u>	
	537,000	\$ 555,891	18,891

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

June 30, 2024

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Other revenues:			
Refunds and rebates		\$ 55,179	
Donations		44,956	
Miscellaneous		<u>52,520</u>	
	<u>53,000</u>	<u>\$ 152,655</u>	<u>99,655</u>
TOTAL REVENUES	\$ 4,327,000	\$ 4,865,623	\$ 538,623
Other financing sources :			
Proceeds from sale of land		\$ 27,515	
Operating transfers in -			
Downtown Ironwood Development Authority	<u>\$ 1,200</u>	<u>1,200</u>	
	<u>\$ 1,200</u>	<u>\$ 28,715</u>	<u>\$ 27,515</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 4,328,200</u>	<u>\$ 4,894,338</u>	<u>\$ 566,138</u>

## STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

## CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Legislative - City commission	\$ 45,000	\$ 37,868	\$ 7,132
General government:			
City manager		\$ 95,308	
Elections		25,654	
Financial administration		240,929	
City treasurer		48,475	
City assessor		59,283	
Computer department		100,616	
City clerk		177,713	
Board of review		1,445	
Building Inspection		20,314	
City hall and grounds		<u>171,019</u>	
	1,061,000	\$ 940,756	120,244
Public safety:			
Public safety department		\$ 1,133,903	
Volunteer fire department		<u>24,222</u>	
	1,207,000	\$ 1,158,125	48,875
Public works:			
Street lighting		\$ 96,342	
Other		75,870	
Sanitation		<u>30,654</u>	
	211,000	\$ 202,866	8,134
Recreation and culture -			
Parks and recreation	293,000	260,504	32,496
Health and welfare:			
Community development		\$ 289,052	
Code enforcement and blight		<u>91,648</u>	
	507,000	\$ 380,700	126,300

# STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

June 30, 2024

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other functions:			
Insurance and bonds		\$ 36,524	
Labor relations		389,366	
Programs		<u>9,250</u>	
	47,000	\$ 435,140	(388,140)
Capital outlay:			
General government		\$ 110,922	
Public safety		148,342	
Recreation and culture		<u>238,359</u>	
	<u>520,000</u>	\$ <u>497,623</u>	<u>22,377</u>
Total Expenditures	\$ 3,891,000	\$ 3,913,582	\$ (22,582)
Other financing uses - operating transfers out:			
Local Street Fund		\$ 38,150	
Major Street Fund		342,453	
Downtown Ironwood Development Authority		3,559	
Neighborhood Enhancement Program Fund		1,032	
Cemetery Fund		<u>71,416</u>	
Total Other Financing Uses	<u>741,000</u>	\$ <u>456,610</u>	<u>284,390</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,632,000</u>	<u>\$ 4,370,192</u>	<u>\$ 261,808</u>

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Special Revenue Funds							Debt Service Funds		
	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	Totals
ASSETS										
Cash and cash equivalents	\$ 72,827	\$ 37,693		\$ 320,000	\$ 5,186		\$ 3,074	\$ 3,980	\$ 182,152	\$ 624,912
Investments	172,310					\$ 550,023				722,333
Receivables:										
Accounts	8,588					11,557				20,145
Delinquent property taxes	17,390	255						1,165	2,957	21,767
Prepaid expenses	1,515	12				899				2,426
Notes receivable			\$ 183,434							183,434
	<u>\$ 272,630</u>	<u>\$ 37,960</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 5,186</u>	<u>\$ 562,479</u>	<u>\$ 3,074</u>	<u>\$ 5,145</u>	<u>\$ 185,109</u>	<u>\$1,575,017</u>
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 11,329	\$ 728				\$ 16,966				\$ 29,023
Unearned revenue	1,500				\$ 5,186					6,686
	<u>\$ 12,829</u>	<u>\$ 728</u>			<u>\$ 5,186</u>	<u>\$ 16,966</u>				<u>\$ 35,709</u>
Fund balance:										
Nonspendable	\$ 1,515	\$ 12				\$ 899				\$ 2,426
Restricted	191,635		\$ 183,434	\$ 320,000		500,000		\$ 5,145	\$ 185,109	1,385,323
Assigned	66,651	37,220				44,614	\$ 3,074			151,559
	<u>\$ 259,801</u>	<u>\$ 37,232</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 0</u>	<u>\$ 545,513</u>	<u>\$ 3,074</u>	<u>\$ 5,145</u>	<u>\$ 185,109</u>	<u>\$1,539,308</u>
	<u>\$ 272,630</u>	<u>\$ 37,960</u>	<u>\$ 183,434</u>	<u>\$ 320,000</u>	<u>\$ 5,186</u>	<u>\$ 562,479</u>	<u>\$ 3,074</u>	<u>\$ 5,145</u>	<u>\$ 185,109</u>	<u>\$1,575,017</u>

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

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

	Special Revenue Funds							Debt Service Funds		
	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	Totals
Revenues:										
Taxes	\$ 103,847	\$ 12,992							\$ 218,624	\$ 335,463
State sources	25,387				\$ 30,000					55,387
Federal sources	8,588									8,588
Contributions from local units	1,500									1,500
Fines and forfeits	15,893									15,893
Charges for services	4,894					\$ 53,626				58,520
Interest and investment earnings	9,456					29,187		\$ 158	8,773	47,574
Other revenues	<u>33,810</u>	<u>9,575</u>			<u>16,820</u>					<u>60,205</u>
Total Revenues	\$ 203,375	\$ 22,567	\$ 0	\$ 0	\$ 46,820	\$ 82,813	\$ 0	\$ 158	\$ 227,397	\$ 583,130
Expenditures:										
Current:										
General government						\$ 137,651				\$ 137,651
Public safety							\$ 149			149
Recreation and culture	\$ 192,371									192,371
Health and welfare		\$ 25,792			\$ 47,820					73,612
Other - Administrative and general					32			\$ 21	\$ 350	403
	<u>\$ 192,371</u>	<u>\$ 25,792</u>			<u>\$ 47,852</u>	<u>\$ 137,651</u>	<u>\$ 149</u>	<u>\$ 21</u>	<u>\$ 350</u>	<u>\$ 404,186</u>
Capital outlay	39,063					5,179				44,242
Debt service:										
Principal									167,000	167,000
Interest and fees									<u>9,753</u>	<u>9,753</u>
Total Expenditures	<u>\$ 231,434</u>	<u>\$ 25,792</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,852</u>	<u>\$ 142,830</u>	<u>\$ 149</u>	<u>\$ 21</u>	<u>\$ 177,103</u>	<u>\$ 625,181</u>



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

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

	Special Revenue Funds							Debt Service Funds		
	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	Totals
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,059)	\$ (3,225)	\$ 0	\$ 0	\$ (1,032)	\$ (60,017)	\$ (149)	\$ 137	\$ 50,294	\$ (42,051)
Other financing sources - Operating transfers in		2,359			1,032	71,416				74,807
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ (28,059)	\$ (866)	\$ 0	\$ 0	\$ 0	\$ 11,399	\$ (149)	\$ 137	\$ 50,294	\$ 32,756
Fund balance at July 1, 2023	<u>287,860</u>	<u>38,098</u>	<u>183,434</u>	<u>320,000</u>		<u>534,114</u>	<u>3,223</u>	<u>5,008</u>	<u>134,815</u>	<u>1,506,552</u>
FUND BALANCE AT JUNE 30, 2024	<u><u>\$259,801</u></u>	<u><u>\$ 37,232</u></u>	<u><u>\$ 183,434</u></u>	<u><u>\$ 320,000</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 545,513</u></u>	<u><u>\$ 3,074</u></u>	<u><u>\$ 5,145</u></u>	<u><u>\$185,109</u></u>	<u><u>\$1,539,308</u></u>

COMBINING STATEMENT OF PLAN NET POSITION - PENSION TRUST FUNDS

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Retirement System Fund	Public Safety Retirement System Fund	Totals
ASSETS			
Cash		\$ 261,652	\$ 261,652
Delinquent property taxes receivable		11,107	11,107
	<u>\$ 0</u>	<u>\$ 272,759</u>	<u>\$ 272,759</u>
NET POSITION			
Net position held in trust for pension benefits	<u>\$ 0</u>	<u>\$ 272,759</u>	<u>\$ 272,759</u>

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

CITY OF IRONWOOD, MICHIGAN

June 30, 2024

	Retirement System Fund	Public Safety Retirement System Fund	Totals
Additions:			
Contributions:			
Property taxes		\$ 705,267	\$ 705,267
Employer contributions	\$ 631,769		631,769
Total Contributions	\$ 631,769	\$ 705,267	\$ 1,337,036
Deductions:			
Transfer to Municipal Employee's Retirement System	\$ 631,769	\$ 631,497	1,263,266
Total Deductions	\$ 631,769	\$ 631,497	\$ 1,263,266
Net Increase	\$ 0	\$ 73,770	\$ 73,770
Net position held in trust at July 1, 2023		198,989	198,989
NET POSITION HELD IN TRUST AT JUNE 30, 2024	\$ 0	\$ 272,759	\$ 272,759

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
<b>PRIMARY GOVERNMENT</b>		
<u>U.S. Department of Agriculture</u>		
Rural Utilities Service:		
Water and Waste Disposal Systems for Rural Communities 2023A	10.760	\$ 5,313,000
Water and Waste Disposal Systems for Rural Communities 2023B	10.760	<u>361,000</u>
Total U.S. Department of Agriculture		\$ 5,674,000
<u>U.S. Department of Justice</u>		
Community Oriented Policing Service -		
Public Safety Partnership and Community Policing Grant	16.710	\$ 21,050
Office of Justice Programs -		
Bulletproof Vest Partnership Program	16.607	<u>866</u>
Total U.S. Department of Justice		\$ 21,916
<u>U.S. Department of Treasury</u>		
Passed through the Michigan Department of Environment, Great Lakes, and Energy:		
Coronavirus State and Local Fiscal Recovery Funds DW-7523A	21.027	\$ 1,012,276
Coronavirus State and Local Fiscal Recovery Funds AD7756-01	21.027	196,455
Passed through the Michigan Department of Labor and Economic Opportunity -		
Coronavirus State and Local Fiscal Recovery Funds E20240049	21.027	<u>8,588</u>
Total U.S. Department of Treasury		\$ 1,217,319
<u>U.S. Environmental Protection Agency</u>		
Passed through the Michigan Department of Environment, Great Lakes, and Energy -		
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant	66.442	\$ 235,890
<u>U.S. Forest Service</u>		
Passed through the Michigan Department of Natural Resources -		
Urban and Community Forestry Program	10.675	<u>2,496</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 7,151,621</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

1. Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Ironwood, Michigan under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Ironwood, Michigan, it is not intended to and does not present the financial position or changes in net position of City of Ironwood, Michigan.
2. Expenditures reported in the Schedule are presented on the modified accrual basis of accounting for the Governmental Funds and the accrual basis of accounting for the Proprietary Funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. City of Ironwood, Michigan has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
4. City of Ironwood, Michigan, had twelve loans outstanding with U.S. Department of Agriculture at June 30, 2024, for a total of \$17,823,000.
5. Of the federal expenditures presented in the schedule, City of Ironwood, Michigan, provided no federal awards to subrecipients.
6. The major federal assistance program is listed in the Schedule of Findings and Questioned Costs. City of Ironwood, Michigan does not qualify as a low-risk auditee in accordance with the Uniform Guidance. Major programs, which must exceed 40% of the total federal awards expended, were selected using a risk-based approach based on auditors' risk assessments. All other federal programs are considered non-major programs.
7. Expenditures in this schedule are in agreement with the amounts reported in the financial statements. Following is a schedule reconciling the expenditures per the schedule of expenditures to the financial statements:

Federal expenditures	\$ 7,151,621
Michigan Department of Transportation activity (See Note 8)	642,030
Current year construction in progress financed with loan funds and construction accounts payable	<u>(5,674,000)</u>

Federal grant revenue per financial statements	<u><u>\$ 2,119,651</u></u>
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Recap of Federal grant revenue per financial statements:

General Fund	\$ 24,412
Major Street Fund	642,030
Library Fund	8,588
Water Utility Fund	<u>1,444,621</u>
	<u><u>\$ 2,119,651</u></u>

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

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8. Contracted Projects – The Michigan Department of Transportation (MDOT) requires that municipalities report all Federal and State grants pertaining to their entity. During the fiscal year ended June 30, 2024, the Federal aid expended by the City was \$642,030 for a contracted project under U.S Department of Transportation A.L.N. #20.205. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by municipalities, as they are included in MDOT's Single Audit.

SUPPLEMENTAL  
REPORTS

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

**K. T. AHONEN, C.P.A.**  
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**MEMBERS**

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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, 2024, and the related notes to the financial statements, which collectively comprise the City of Ironwood, Michigan's basic financial statements and have issued our report thereon dated December 9, 2024. 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 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, Pollack & Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 9, 2024

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

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

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

We have audited City of Ironwood, Michigan's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Ironwood, Michigan's major federal programs for the year ended June 30, 2024. City of Ironwood, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements also include the operations of the Ironwood Housing Commission, which received \$889,400 in federal awards and which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2024. Our audit, described below, did not include the operations of the Housing Commission because the entity arranged for separate audit in accordance with the Uniform Guidance.

In our opinion, City of Ironwood, Michigan compiled, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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

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

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

### ***Responsibilities of Management for Compliance***

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

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

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

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

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

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

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

*Makela, Pollack & Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 9, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF IRONWOOD, MICHIGAN

Year ended June 30, 2024

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A. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major federal programs:

*Unmodified*

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

☐ Yes ☒ No

Identification of major federal programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems fo Rural Communities
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

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### B. FINANCIAL STATEMENT FINDINGS

There were no significant deficiencies disclosed during the financial statement audit.

### C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs related to the major federal award programs.