

CITY OF CARSON CITY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021



Vredeveld Haefner LLC
CPAs and Consultants

CITY OF CARSON CITY

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INDEPENDENT AUDITORS' REPORT

December 16, 2021

Honorable Mayor and Members of the City Council
City of Carson City, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carson City, Michigan, as of June 30, 2021, and the respective changes in financial position, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and required information on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson City, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021 on our consideration of the City of Carson City, 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 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 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 Carson City, Michigan's internal control over financial reporting and compliance.

Urodevelo Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Carson City, we offer readers of the City of Carson City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Purchased facilities for a new city hall and fire department facilities
- Completed several street repair projects
- Replaced several pieces of equipment in the motor pool

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Carson City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance and culture and recreation. The business-type activities of the City include sewer and water services.

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, library and capital projects funds, which are considered to be major funds of the City.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein for major funds to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the City.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis as well as major fund budget and actual schedules and schedules related to the City's pension plan.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Carson City, assets exceeded liabilities by \$16,820,426 at the close of the most recent fiscal year.

A portion of the City's net position reflects unrestricted net position which are available for future operation while a significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current and other assets	\$4,542,114	\$5,698,516	\$3,905,125	\$4,194,553	\$ 8,447,239	\$ 9,893,069
Capital assets	2,420,296	3,075,240	6,104,440	6,011,041	8,524,736	9,086,281
Total assets	6,962,410	8,773,756	10,009,565	10,205,594	16,971,975	18,979,350
Deferred outflows	13,609	93,966	14,402	-	28,011	93,966
Long-term liabilities	86,227	108,740	2,044,645	1,854,328	2,130,872	1,963,068
Other liabilities	22,797	88,503	127,568	133,875	150,365	222,378
Total liabilities	109,024	197,243	2,172,213	1,988,203	2,281,237	2,185,446
Deferred inflows	10,013	67,444	15,202	-	25,215	67,444
Net position						
Net investment in						
Capital assets	2,420,296	3,075,240	4,042,440	4,064,041	6,462,736	7,139,281
Restricted	950,330	1,091,826	161,162	181,178	1,111,492	1,273,004
Unrestricted	3,486,356	4,435,969	3,632,950	3,972,172	7,119,306	8,408,141
Total net position	\$6,856,982	\$8,603,035	\$7,836,552	\$8,217,391	\$14,693,534	\$16,820,426

Net position of the City increased by \$2,126,892. The business-type activities increase in net position of \$380,839 was primarily the result of sewer and water rates adequate to cover expenses. The governmental activities increased net position by \$1,746,053 primarily due to renaissance tax abatement expiration and consistent millage rates.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Revenue						
Program revenue						
Charges for Services	\$ 151,116	\$ 126,403	\$1,074,219	\$1,117,489	\$ 1,225,335	\$ 1,243,892
Operating grants and Contributions	246,004	275,982	-	-	246,004	275,982
Capital grants and Contributions	65,250	135,014	-	-	65,250	135,014
	462,370	537,399	1,074,219	1,117,489	1,536,589	1,654,888
General revenue						
Property taxes	1,882,973	2,083,120	-	-	1,882,973	2,083,120
Other governmental sources	133,664	135,411	-	-	133,664	135,411
Other	42,994	46,724	25,663	70	68,657	46,794
Total revenues	2,522,001	2,802,654	1,099,882	1,117,559	3,621,883	3,920,213
Expenses						
Legislative	44,305	52,621	-	-	44,305	52,621
General government	193,494	215,314	-	-	193,494	215,314
Public safety	239,670	250,161	-	-	239,670	250,161
Public works	199,626	189,764	-	-	199,626	189,764
Culture and recreation	304,416	348,741	-	-	304,416	348,741
Sewer	-	-	372,980	314,364	372,980	314,364
Water	-	-	398,220	422,356	398,220	422,356
Total expenses	981,511	1,056,601	771,200	736,720	1,752,711	1,793,321
Increase (decrease) in net Position						
	1,540,490	1,746,053	328,682	380,839	1,869,172	2,126,892
Net position, beginning of year	5,316,492	6,856,982	7,507,870	7,836,552	12,824,362	14,693,534
Net position, end of year	\$6,856,982	\$8,603,035	\$7,836,552	\$8,217,391	\$14,693,534	\$16,820,426

Governmental Activities. During the year the City invested \$348,741 or 35% of governmental activities expenses in culture and recreation, which includes operations and maintenance of the parks and the library. Public safety, which includes police and fire operations, was \$250,161 or 24% of governmental activities expenses while remaining functions made up the remaining 41% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net position by \$380,839. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$328,682.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,166,775, an increase of \$1,019,918 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,563,750. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 252% of total general fund expenditures.

The fund balance of the City's general fund increased \$833,422 during the current fiscal year after considering transfers to the capital projects fund of \$45,000 for future projects.

The library fund has a total fund balance of \$346,685, which increased by \$83,484 during the year. The balance of this fund is restricted for library operations.

The capital projects fund has a total fund balance of \$464,361, which increased by \$45,000 during the year due to the investment in the splash pad projects.

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

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$1,727,620 and \$2,336,421 respectively. The sewer and water funds had an increase in net position for the year of \$44,654 and \$336,185 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

Conservative budgeting resulted in only one budget overage within the general fund department of public works for the purchase on the new city hall and fire facility. Contributions received of \$135,014 were unbudgeted.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2021, amounted to \$9,086,281 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of the City hall and fire facility and internal service fund equipment replacements.

The City's Capital Assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$ 188,856	\$ 64,814	\$ 253,670
Construction in progress	536,255	192,884	729,139
Buildings, equipment and Infrastructure	2,350,129	5,753,343	8,103,472
Total	\$3,075,240	\$6,011,041	\$9,086,281

Additional information on the City of Carson City capital assets can be found in Note 5 of these financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding as follows:

Debt			
	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 36,945	\$ 27,328	\$ 64,273
Net pension liability	71,795	-	71,795
Bonds payable	-	1,947,000	1,947,000
Total	\$108,740	\$1,974,328	\$2,083,068

The City made payments of \$115,000 during the year on outstanding bonds.

Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2020-21 fiscal year:

- Increase in property tax revenue resulting from added taxable values
- Inflationary expense increases
- Completion of the new facilities upgrades
- Following asset management plan for sewer and water funds

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 123 East Main St., Carson City, Michigan, 48811.

BASIC FINANCIAL STATEMENTS

CITY OF CARSON CITY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,622,090	\$ 3,886,759	\$ 9,508,849
Accounts receivable	3,356	107,308	110,664
Due from other governments	51,399	-	51,399
Prepaid items	15,778	19,308	35,086
Land contract receivable	5,893	-	5,893
Restricted cash	-	181,178	181,178
Capital assets, net			
Land	188,856	64,814	253,670
Construction in progress	536,255	192,884	729,139
Buildings, equipment and infrastructure	<u>2,350,129</u>	<u>5,753,343</u>	<u>8,103,472</u>
Total assets	<u>8,773,756</u>	<u>10,205,594</u>	<u>18,979,350</u>
Deferred outflow			
Pension related	<u>93,966</u>	<u>-</u>	<u>93,966</u>
Liabilities			
Accounts payable and accrued expenses	88,503	11,677	100,180
Customer deposits	-	2,198	2,198
Due within one year	-	120,000	120,000
Noncurrent liabilities			
Compensated absences	36,945	27,328	64,273
Net pension liability	71,795	-	71,795
Due in more than one year	<u>-</u>	<u>1,827,000</u>	<u>1,827,000</u>
Total liabilities	<u>197,243</u>	<u>1,988,203</u>	<u>2,185,446</u>
Deferred inflow			
Pension related	<u>67,444</u>	<u>-</u>	<u>67,444</u>
Net Position			
Net investment in capital assets	3,075,240	4,064,041	7,139,281
Restricted for			
Library	346,685	-	346,685
Major streets	487,153	-	487,153
Local streets	253,046	-	253,046
Parks	4,942	-	4,942
Debt service	-	181,178	181,178
Unrestricted	<u>4,435,969</u>	<u>3,972,172</u>	<u>8,408,141</u>
Total net position	<u>\$ 8,603,035</u>	<u>\$ 8,217,391</u>	<u>\$ 16,820,426</u>

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

CITY OF CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Legislative	\$ 52,621	\$ -	\$ -	\$ (52,621)
General government	215,314	56,328	2,931	(156,055)
Public safety	250,161	54,460	12,607	(183,094)
Public works	189,764	936	187,006	(1,822)
Culture and recreation	348,741	14,679	73,438	(125,610)
Total governmental activities	<u>1,056,601</u>	<u>126,403</u>	<u>275,982</u>	<u>(519,202)</u>
Business-type activities				
Sewer	314,364	370,617	-	56,253
Water	422,356	746,872	-	324,516
Total business-type activities	<u>736,720</u>	<u>1,117,489</u>	<u>-</u>	<u>380,769</u>
Total primary government	<u>\$ 1,793,321</u>	<u>\$ 1,243,892</u>	<u>\$ 275,982</u>	<u>\$ (138,433)</u>

(Continued)

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

CITY OF CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (519,202)	\$ 380,769	\$ (138,433)
General revenues			
Property taxes			
General operating	1,848,067	-	1,848,067
Library	235,053	-	235,053
State revenues unrestricted	135,411	-	135,411
Interest earnings	45,942	70	46,012
Gain on sale of capital assets	782	-	782
Total general revenues	2,265,255	70	2,265,325
Change in net position	1,746,053	380,839	2,126,892
Net position, beginning of year	6,856,982	7,836,552	14,693,534
Net position, end of year	\$ 8,603,035	\$ 8,217,391	\$ 16,820,426

(Concluded)

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

CITY OF CARSON CITY
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	<u>General</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,647,088	\$ 357,014	\$ 464,361	\$ 715,428	\$ 5,183,891
Accounts receivable	3,356	-	-	-	3,356
Due from other governments	22,885	-	-	28,514	51,399
Land contract receivable	5,893	-	-	-	5,893
Prepaid expenditures	15,778	-	-	-	15,778
Total assets	<u>\$ 3,695,000</u>	<u>\$ 357,014</u>	<u>\$ 464,361</u>	<u>\$ 743,942</u>	<u>\$ 5,260,317</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 73,577	\$ 10,329	\$ -	\$ 3,743	\$ 87,649
Total liabilities	<u>73,577</u>	<u>10,329</u>	<u>-</u>	<u>3,743</u>	<u>87,649</u>
Deferred inflows of resources					
Unavailable revenue - long-term receivables	5,893	-	-	-	5,893
Fund balances					
Nonspendable					
Prepaid	15,778	-	-	-	15,778
Restricted for					
Streets	-	-	-	740,199	740,199
Parks	4,942	-	-	-	4,942
Library	-	346,685	-	-	346,685
Committed					
Compensated absences	31,060	-	-	-	31,060
Parks	-	-	64,407	-	64,407
Fire equipment	-	-	204,770	-	204,770
Building improvements	-	-	21,500	-	21,500
Police equipment	-	-	24,443	-	24,443
Master plan	-	-	19,393	-	19,393
Future matching	-	-	40,000	-	40,000
Storm sewer repair and maintenance	-	-	30,000	-	30,000
Set aside	-	-	45,000	-	45,000
Downtown development	-	-	14,848	-	14,848
Assigned	-	-	-	-	-
Unassigned	3,563,750	-	-	-	3,563,750
Total fund balances	<u>3,615,530</u>	<u>346,685</u>	<u>464,361</u>	<u>740,199</u>	<u>5,166,775</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,695,000</u>	<u>\$ 357,014</u>	<u>\$ 464,361</u>	<u>\$ 743,942</u>	<u>\$ 5,260,317</u>

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

CITY OF CARSON CITY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2021

Fund balances - total governmental funds	\$ 5,166,775
Amounts reported for <i>governmental activities</i> in the statement of net position	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	2,876,920
Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - land contract deferred inflows	5,893
An internal service fund is used by management to charge the costs of centralized services to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	635,665
Certain balances are not due and payable in the in the current period or will be amortized to expense infuture periods and therefore are not reported in the funds.	
Deduct - compensated absences payable	(36,945)
Add - deferred outflows related to pensions	93,966
Deduct - deferred inflows related to pensions	(67,444)
Deduct - net pension liability	<u>(71,795)</u>
Net position of governmental activities	<u>\$ 8,603,035</u>

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

CITY OF CARSON CITY

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 1,848,067	\$ 235,053	\$ -	\$ -	\$ 2,083,120
Intergovernmental revenues	141,926	56,431	-	187,942	386,299
Fees and service charges	104,478	3,416	-	-	107,894
Interest	45,941	463	-	-	46,404
Contributions	135,014	13,591	-	-	148,605
Miscellaneous	15,943	14,216	-	-	30,159
Total revenues	<u>2,291,369</u>	<u>323,170</u>	<u>-</u>	<u>187,942</u>	<u>2,802,481</u>
Expenditures					
Current					
Legislative	52,621	-	-	-	52,621
General government	200,449	-	-	-	200,449
Public safety	308,562	-	-	-	308,562
Public works	698,991	-	-	130,712	829,703
Recreation and culture	152,324	239,686	-	-	392,010
Total expenditures	<u>1,412,947</u>	<u>239,686</u>	<u>-</u>	<u>130,712</u>	<u>1,783,345</u>
Revenues over (under) expenditures	<u>878,422</u>	<u>83,484</u>	<u>-</u>	<u>57,230</u>	<u>1,019,136</u>
Other financing sources (uses)					
Sale of capital assets	-	-	-	782	782
Transfers in	-	-	45,000	-	45,000
Transfers out	(45,000)	-	-	-	(45,000)
Total other financing sources (uses)	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>	<u>782</u>	<u>782</u>
Net changes in fund balances	833,422	83,484	45,000	58,012	1,019,918
Fund balances, beginning of year	<u>2,782,108</u>	<u>263,201</u>	<u>419,361</u>	<u>682,187</u>	<u>4,146,857</u>
Fund balances, end of year	<u>\$ 3,615,530</u>	<u>\$ 346,685</u>	<u>\$ 464,361</u>	<u>\$ 740,199</u>	<u>\$ 5,166,775</u>

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

CITY OF CARSON CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds	\$ 1,019,918
Amounts reported for <i>governmental activities</i> in the statement of activities	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	735,743
Deduct - depreciation expense	(145,093)
The land contract receivable is long-term in nature and is collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Deduct - land contract receipts	(610)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	9,372
Add - increase in deferred outflows related to pensions	81,329
Deduct - increase in deferred inflows related to pensions	(58,457)
Deduct - increase in net pension liability	(34,122)
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net position of this fund is reported with governmental activities.	
Add - income from governmental activities in the internal service fund	<u>137,973</u>
Change in net position of governmental activities	<u>\$ 1,746,053</u>

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

CITY OF CARSON CITY
PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-Type Activities		Enterprise Fund Total	Governmental Activities
	Sewer	Water		Internal Service Fund
Assets				
Current assets				
Cash and pooled investments	\$ 1,795,099	\$ 2,091,660	\$ 3,886,759	\$ 438,199
Prepaid items	9,654	9,654	19,308	-
Accounts receivable	38,556	68,752	107,308	-
Restricted cash and pooled investments	-	181,178	181,178	-
Total current assets	1,843,309	2,351,244	4,194,553	438,199
Capital assets				
Land	64,814	-	64,814	3,996
Buildings	-	80,576	80,576	67,975
Plant, mains and equipment	3,014,765	6,305,137	9,319,902	632,691
Construction in progress	148,739	44,145	192,884	-
Accumulated depreciation	(1,500,698)	(2,146,437)	(3,647,135)	(506,342)
Net capital assets	1,727,620	4,283,421	6,011,041	198,320
Total assets	3,570,929	6,634,665	10,205,594	636,519
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	6,137	5,540	11,677	854
Current portion of long-term debt	-	120,000	120,000	-
Total current liabilities	6,137	125,540	131,677	854
Long-term liabilities				
Compensated absences	13,662	13,666	27,328	-
Long-term debt	-	1,827,000	1,827,000	-
Customer deposits	1,000	1,198	2,198	-
Total long-term liabilities	14,662	1,841,864	1,856,526	-
Total liabilities	20,799	1,967,404	1,988,203	854
Deferred inflow				
Pension related	-	-	-	-
Net position				
Net investments in capital assets	1,727,620	2,336,421	4,064,041	198,320
Restricted for debt service	-	181,178	181,178	-
Unrestricted	1,822,510	2,149,662	3,972,172	437,345
Total net position	\$ 3,550,130	\$ 4,667,261	\$ 8,217,391	\$ 635,665

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

CITY OF CARSON CITY

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

FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities		Fund Total	Governmental Activities
				Internal
	Sewer	Water		Service Fund
Operating revenue				
Charges for services	\$ 370,617	\$ 744,685	\$ 1,115,302	\$ 186,384
Other	-	2,187	2,187	-
Total operating revenue	<u>370,617</u>	<u>746,872</u>	<u>1,117,489</u>	<u>186,384</u>
Operating expense				
Salaries and wages	126,807	133,669	260,476	8,758
Supplies	15,578	10,799	26,377	14,207
Professional services	20,693	18,288	38,981	-
Insurance and bonds	7,217	7,067	14,284	-
Utilities	23,933	29,462	53,395	-
Equipment rentals	70,541	14,955	85,496	1,814
Repair and maintenance	3,608	7,417	11,025	12,250
Depreciation	53,184	127,542	180,726	48,193
Miscellaneous	4,404	6,649	11,053	-
Total operating expense	<u>325,965</u>	<u>355,848</u>	<u>681,813</u>	<u>85,222</u>
Operating income (loss)	<u>44,652</u>	<u>391,024</u>	<u>435,676</u>	<u>101,162</u>
Non-operating revenue (expense)				
Interest income	2	68	70	1
Gain on sale of capital asset	-	-	-	36,810
Interest expense	-	(54,907)	(54,907)	-
Total non-operating revenue (expense)	<u>2</u>	<u>(54,839)</u>	<u>(54,837)</u>	<u>36,811</u>
Changes in net position	44,654	336,185	380,839	137,973
Net position, beginning of year	<u>3,505,476</u>	<u>4,331,076</u>	<u>7,836,552</u>	<u>497,692</u>
Net position, end of year	<u>\$ 3,550,130</u>	<u>\$ 4,667,261</u>	<u>\$ 8,217,391</u>	<u>\$ 635,665</u>

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

CITY OF CARSON CITY

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Business-Type Activities</u>		<u>Enterprise Fund Total</u>	<u>Governmental Activities</u>
				<u>Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>		
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 186,384
Receipts from customers and users	370,790	748,009	1,118,799	-
Payments to employees	(177,456)	(154,137)	(331,593)	(11,049)
Payments to suppliers	(147,264)	(97,314)	(244,578)	(27,624)
Net cash provided by (used in) operating activities	<u>46,070</u>	<u>496,558</u>	<u>542,628</u>	<u>147,711</u>
Cash flows from capital and related financing activities				
Payments on loans	-	(115,000)	(115,000)	-
Interest expense	-	(54,907)	(54,907)	-
Proceeds from sale of capital assets	-	-	-	40,410
Acquisitions of capital assets	(40,785)	(46,542)	(87,327)	(116,087)
Net cash provided by (used in) capital and related financing activities	<u>(40,785)</u>	<u>(216,449)</u>	<u>(257,234)</u>	<u>(75,677)</u>
Cash flows from investing activities				
Interest income	<u>2</u>	<u>68</u>	<u>70</u>	<u>1</u>
Net increase (decrease) in cash and cash equivalents	5,287	280,177	285,464	72,035
Cash and cash equivalents, beginning of year	<u>1,789,812</u>	<u>1,992,661</u>	<u>3,782,473</u>	<u>366,164</u>
Cash and cash equivalents, end of year	<u>\$ 1,795,099</u>	<u>\$ 2,272,838</u>	<u>\$ 4,067,937</u>	<u>\$ 438,199</u>
Cash flows from operating activities				
Operating income (loss)	\$ 44,652	\$ 391,024	\$ 435,676	\$ 101,162
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	53,184	127,542	180,726	48,193
Net pension liability	(26,149)	(6,967)	(33,116)	(2,237)
Deferred inflows for pensions	(7,926)	(7,276)	(15,202)	(1,026)
Deferred outflows for pensions	9,147	5,255	14,402	972
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	123	1,087	1,210	-
Accounts payable and accrued liabilities	1,297	(90)	1,207	647
Prepaid items	(2,587)	(2,587)	(5,174)	-
Compensated absences	(25,721)	(11,480)	(37,201)	-
Customer deposits	50	50	100	-
Net cash provided by (used in) operating activities	<u>\$ 46,070</u>	<u>\$ 496,558</u>	<u>\$ 542,628</u>	<u>\$ 147,711</u>

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

CITY OF CARSON CITY
FIDUCIARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Employees Retirement <u>System</u>	Tax Custodial <u>Fund</u>
Assets		
Cash and pooled investments	\$ 776	\$ -
Accounts receivable	813	-
Investments		
Equity mutual funds	267,344	-
US government securities mutual funds	<u>7,455</u>	<u>-</u>
Total assets	<u>276,388</u>	<u>-</u>
Liabilities		
Accounts payable	<u>3,570</u>	<u>-</u>
Total liabilities	<u>3,570</u>	<u>-</u>
Net position		
Held in trust for pension benefits	<u>\$ 272,818</u>	<u>\$ -</u>

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

CITY OF CARSON CITY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Employees Retirement System	Tax Custodial Fund
Additions		
Employer	\$ 24,497	\$ -
Employee	4,954	-
Taxes collected for others	-	2,319,611
Investment income (loss)	96,147	-
Total additions	125,598	2,319,611
Deductions		
Distributions and benefit payments	328,431	-
Taxes to other entities	-	2,319,611
Administrative	24	-
Total deductions	328,455	2,319,611
Net increase (decrease)	(202,857)	-
Net position, beginning of year	475,675	-
Net position, end of year	\$ 272,818	\$ -

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

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Carson City, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Carson City. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the City.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

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

The *Library Fund* accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and penal fines.

The *Capital Projects Fund* accounts for the accumulation and use of resources for capital projects.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Internal Service Fund* is used to account for the financing of goods or services by the City which are provided to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund for motor pool operations.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The *Fiduciary funds* are used to account for assets held in a trustee or custodial capacity on behalf of outside parties, including other governments. These include a pension trust and a custodial fund.

Government 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.

Budgets and Budgetary Accounting

Budget are adopted for the general and special revenue funds. Budgetary and actual schedules are presented for the general and major special revenue funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except trust and agency funds.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did not amend its budget for the current year. Any revisions that alter the total expenditures of any activity must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted, or as amended, by the City Council.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the City considers cash and cash equivalents to include all cash as well as pooled investments because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City pension assets are also allowed to be invested in corporate equity and debt securities

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their fair value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and systems	5-65
Machinery and equipment	3-15
Vehicles	5
Infrastructure	50

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes. Real property taxes not collected as of March 1 are turned over to Montcalm County for collection, which advances the City 100% for the delinquent real taxes. Collection of delinquent personal property taxes remains the responsibility of the City Comptroller.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

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

Compensated Absences

Under contracts and employee policy, employee groups and individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the City personnel policy. Accumulated vacation time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2021, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has items that qualify for reporting in this category related to the net pension liability these items are discussed in Note 6.

In addition to liabilities, the statement of financial position 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resources in the governmental fund balance sheet for unavailable revenue related to long-term land contracts receivable. The City also has items that qualify for reporting in this category related to the net pension liability these items are discussed in Note 6.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

The City Council has not delegated the authority to assign fund balance. Only the City Council can assign or commit fund balance

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the general and library funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level. During the current year, the general public works activity amended budget of \$304,950 was over expended by \$394,041 as a result of the purchase of the city hall and fire facility.

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and investments are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and pooled investments	\$5,622,090	\$3,886,759	\$ 776	\$9,509,625
Restricted Cash and pooled investments	-	181,178	-	181,178
Investments	-	-	274,799	274,799
Total	<u>\$5,622,090</u>	<u>\$4,067,937</u>	<u>\$275,575</u>	<u>\$9,965,602</u>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located almost exclusively in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

Custodial Credit Risk - Deposits. The City had deposits of \$9,432,226 at year end. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$9,110,590 of the City's bank balance of \$9,451,177 is exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Pension fund investments				
American Funds (mutual funds)				
US Government Securities Fund	N/A	\$ 7,455	3	Morning Star
Capital World Growth and Income	N/A	51,295	N/A	
AMCAP Fund	N/A	87,757	N/A	
Income Fund of America	N/A	56,276	N/A	
Washington Mutual Investors Fund	N/A	72,016	N/A	
Pooled investments				
Money market funds	N/A	6,780	N/A	
US Treasury Note 2%	11/2021	<u>251,797</u>	N/A	
Total investments		<u>\$533,376</u>		

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- US Treasury Notes are valued using quoted market prices (Level 1 inputs).
- Pension fund investments and money market accounts are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not has any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments with a specific maturity.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment, where applicable, is identified above for investments held at year end.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above investments, \$281,579 is invested in mutual funds. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

4. INTERFUND TRANSACTIONS

The general fund transferred \$45,000 to the capital projects fund during the year ended June 30, 2021.

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 188,856	\$ -	\$ -	\$ 188,856
Construction in progress	456,668	79,587	-	536,255
Total capital assets, not being depreciated	645,524	79,587	-	725,111
Capital assets, being depreciated				
Building and improvements	1,518,748	524,257	-	2,043,005
Furniture and equipment	698,580	-	-	698,580
Motor pool equipment	640,654	116,087	124,050	632,691
Motor vehicles	586,448	-	-	586,448
Infrastructure	1,473,154	131,899	-	1,605,053
Total capital assets, being depreciated	4,917,584	772,243	124,050	5,565,777
Less accumulated depreciation for:				
Building and improvements	883,727	40,050	-	923,777
Furniture and equipment	652,222	13,847	-	666,069
Motor pool equipment	510,624	48,193	120,450	438,367
Motor vehicles	533,505	12,144	-	545,649
Infrastructure	562,734	79,052	-	641,786
Total accumulated depreciation	3,142,812	193,286	120,450	3,215,648
Net capital assets, being depreciated	1,774,772	578,957	3,600	2,350,129
Governmental Activities capital assets, net	\$2,420,296	\$658,544	\$ 3,600	\$3,075,240
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 64,814	\$ -	\$ -	\$ 64,814
Construction in progress	192,884	-	-	192,884
Total capital assets, not being depreciated	257,698	-	-	257,698
Capital assets being depreciated				
Buildings and improvements	80,576	-	-	80,576
Mains and equipment	9,232,575	87,327	-	9,319,902
Total capital assets, being depreciated	9,313,151	87,327	-	9,400,478
Less accumulated depreciation for:				
Buildings and improvements	44,690	1,946	-	46,636
Mains and equipment	3,421,719	178,780	-	3,600,499
Total accumulated depreciation	3,466,409	180,726	-	3,647,135
Net capital assets, being depreciated	5,846,742	(93,399)	-	5,753,343
Business-type Activities capital assets, net	\$6,104,440	(93,399)	\$ -	\$6,011,041

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 16,796
Public safety	22,274
Public works	67,514
Culture and recreation	38,509
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>48,193</u>
Total depreciation expense - governmental activities	<u>\$193,286</u>
Business-type Activities	
Sewer	\$ 53,184
Water	<u>127,542</u>
Total depreciation expense – business- type activities	<u>\$180,726</u>

6. PENSION PLANS

The City provides the following pension plans to employees meeting specific requirements based on positions, status, and hire date:

- City of Carson City defined benefit pension plan (single employer defined benefit plan)
- City of Carson City defined contribution pension plan (single employer defined contribution plan)

City of Carson City Defined Benefit Pension Plan

Plan Description

The City and employees contribute to the City of Carson City Pension Plan (the plan), a single employer defined benefit pension plan. All full-time employees over the age of 21 with one year of service before July 1, 2011 are eligible to participate in the Plan. The Plan does not issue separately audited financial statements.

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value.

Benefits Provided

Employees who retire at age 65 (normal retirement) with 3 or more years of service are entitled to retirement benefits payable monthly. Normal retirement benefits are equal to 1.2% per year of service times the highest 5 year average salary over the 10 years prior to retirement. Benefits vest 20% per year after two years (100% after six years). The accrued retirement benefit is actuarially reduced for each year by which early retirement precedes normal retirement. The Plan also provides for death benefits.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (June 30, 2021):

Active plan members	2
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	1
	<hr/>
Total	3

This plan is closed to additional participants

Contributions

The City has responsibility for making actuarially determined contributions to the Plan. Employees are required to contribute 3% of covered wages to the Plan effective April 1, 2012. The funding objective of the Plan is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens. The contribution rate for normal cost is determined using the "unit credit" funding method and, further, follows the "level contribution method". The actuarial assumptions are the same as used to compute the standardized measure of the Net Pension Obligation. The plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate; the current rate is 9.03% of annual covered payroll.

Net Pension Liability

The employer's net pension liability was calculated based on an actuarial valuation as of June 30, 2020 that was rolled forward to June 30, 2021.

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 0%

Salary Increases: 3.0% in the long-term

Investment rate of return: 5.49%, net of investment expense, including inflation

Mortality rates used were based on the Public 2010 General Employee MP-2019 no pre-retirement mortality.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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>
Domestic equity	60.0%	6.60%
International equity	20.0%	6.90%
Fixed Income	15.0%	1.00%
Other	2.0%	0.00%
Cash	3.0%	0.00%

Discount rate. The discount rate used to measure the total pension liability is 5.49%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at July 1, 2020	\$548,702	\$475,675	\$73,027
Changes for the year:			
Service cost	16,409	-	16,409
Interest	25,577	-	25,577
Change in benefits	-	-	-
Differences between expected and actual experience	46,377	-	46,377
Change in assumptions	35,979	-	35,979
Contributions: employer	-	24,497	(24,497)
Contributions: employee	-	4,954	(4,954)
Net investment income	-	96,147	(96,147)
Benefit payments, including refunds	(328,431)	(328,431)	-
Administrative expense	-	(24)	24
Other changes	-	-	-
Net changes	<u>(204,089)</u>	<u>(202,857)</u>	<u>(1,232)</u>
Balance at June 30, 2021	<u>\$344,613</u>	<u>\$272,818</u>	<u>\$71,795</u>

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

Sensitivity of the Net Pension Liability to changes in the discount rate.

The following presents the net pension liability of the employer, calculated using the discount rate of 5.49%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (4.49%) or 1% higher (6.49%) than the current rate.

	1% Decrease	Current Discount rate	1% increase
Total Pension Liability	\$363,984	\$344,613	\$326,005
Fiduciary Net Position	272,818	272,818	272,818
Net Pension Liability	\$ 91,166	\$ 71,795	\$ 53,187

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

For the year ended June 30, 2021 the employer recognized pension expense of \$9,193. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution after measurement date	\$ -	\$ -
Differences in experience	62,484	488
Differences in assumptions	31,482	10,527
Excess (Deficit) Investment Returns	-	56,429
Total	\$93,966	\$67,444

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

2022	\$(2,246)
2023	812
2024	985
2025	(3,658)
2026	10,037
Thereafter	20,592
Total	\$26,522

City of Carson City Defined Contribution Pension Plan

The City provides a defined contribution pension plan (externally managed IRS Section 457 plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. The City contributes 6% of participant coverage wages plus an additional match of employee contributions up to 3%. Participants contribute from 0% to 3% of covered wages which is matched by the City. Employees can contribute additional amounts that are not matched. City contributions were \$7,307 and participant contributions were \$23,881 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by the City Council.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2021.

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
Accrued employee benefits	\$ 46,317	\$ -	\$ 9,372	\$ 36,945	\$ -
Business-type Activities					
Drinking Water Revolving Fund Loan. Payments due in annual installments of \$65,000 to \$95,000 through 2027; interest at 2.125%	640,000	-	85,000	555,000	90,000
2010 USDA Water Supply Revenue Bonds. Payments due in annual installments of \$24,000 to \$66,000 through 2051; interest at 3.00%	1,422,000	-	30,000	1,392,000	30,000
Accrued employee benefits	64,529	-	37,201	27,328	-
Total Business-type Activities	2,126,529	-	152,201	1,974,328	120,000
Total	\$2,172,846	\$ -	\$161,573	\$2,011,273	\$120,000

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2021 are as follows:

<u>Year Ended June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 120,000	\$ 52,148
2023	122,000	49,305
2024	123,000	46,417
2025	128,000	43,462
2026	129,000	40,438
2027-2031	281,000	171,829
2032-2036	212,000	140,970
2037-2041	240,000	107,220
2042-2046	277,000	68,415
2047-2051	315,000	24,105
Total	\$1,947,000	\$744,309

All outstanding debt of the City is direct placement debt. The debt documents contain various provisions that in the event of default, the City shall be required to use money from its general fund or levy an ad valorem tax sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

8. ECONOMIC DEPENDENCY

State of Michigan correctional facilities are a major customer of the City's sewer and water funds. During the year ended June 30, 2021, revenue attributable to charges for these services was approximately 80% of total charges for service revenue in these funds.

9. CONTINGENCIES

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARSON CITY

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,783,000	\$ 1,783,000	\$ 1,848,067	\$ 65,067
Intergovernmental	121,700	121,700	141,926	20,226
Fees and service charges	102,883	102,883	104,478	1,595
Interest	18,600	18,600	45,941	27,341
Contributions	-	-	135,014	135,014
Miscellaneous	2,200	2,200	15,943	13,743
Total revenues	<u>2,028,383</u>	<u>2,028,383</u>	<u>2,291,369</u>	<u>262,986</u>
Expenditures				
Current				
Legislative	91,870	91,870	52,621	39,249
General government	281,650	281,650	200,449	81,201
Public safety	347,590	347,590	308,562	39,028
Public works	304,950	304,950	698,991	(394,041)
Recreation and culture	267,550	267,550	152,324	115,226
Capital Outlay	10,000	10,000	-	10,000
Total expenditures	<u>1,303,610</u>	<u>1,303,610</u>	<u>1,412,947</u>	<u>(109,337)</u>
Revenues over (under) expenditures	724,773	724,773	878,422	153,649
Other financing sources (uses)				
Transfers out	(45,000)	(45,000)	(45,000)	-
Net changes in fund balance	679,773	679,773	833,422	153,649
Fund balance, beginning of year	<u>2,782,108</u>	<u>2,782,108</u>	<u>2,782,108</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,461,881</u>	<u>\$ 3,461,881</u>	<u>\$ 3,615,530</u>	<u>\$ 153,649</u>

CITY OF CARSON CITY

**LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 119,000	\$ 119,000	\$ 235,053	\$ 116,053
Intergovernmental				
State shared	8,500	8,500	9,051	551
Penal fines	64,000	64,000	47,380	(16,620)
Fees and service charges	15,000	15,000	3,416	(11,584)
Interest	1,500	1,500	463	(1,037)
Contributions	5,000	5,000	13,591	8,591
	<u>-</u>	<u>-</u>	<u>14,216</u>	<u>14,216</u>
Total Revenues	213,000	213,000	323,170	110,170
Expenditures				
Current				
Recreation and culture	<u>248,000</u>	<u>248,000</u>	<u>239,686</u>	<u>8,314</u>
Net changes in fund balance	(35,000)	(35,000)	83,484	118,484
Fund balance, beginning of year	<u>263,201</u>	<u>263,201</u>	<u>263,201</u>	<u>-</u>
Fund balance, end of year	<u>\$ 228,201</u>	<u>\$ 228,201</u>	<u>\$ 346,685</u>	<u>\$ 118,484</u>

CITY OF CARSON CITY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION
LIABILITY AND RELATED RATIOS**

FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Total pension liability							
Service cost	\$ 16,944	\$ 16,944	\$ 16,409	\$ 16,409	\$ 16,409	\$ 16,409	\$ 16,409
Interest	16,412	16,412	20,889	25,651	28,646	32,416	25,577
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	33,853	-	25,096	-	(839)	35,642	46,377
Changes in assumptions	-	-	(12,801)	-	(8,574)	-	35,979
Benefit payments including employee refunds	(43,517)	-	-	-	-	-	(328,431)
Other	-	-	-	-	-	-	-
Net change in total pension liability	<u>23,692</u>	<u>33,356</u>	<u>49,593</u>	<u>42,060</u>	<u>35,642</u>	<u>84,467</u>	<u>(204,089)</u>
Total pension liability, beginning of year	<u>315,534</u>	<u>339,226</u>	<u>372,582</u>	<u>422,175</u>	<u>464,235</u>	<u>464,235</u>	<u>548,702</u>
Total pension liability, end of year	<u>\$ 339,226</u>	<u>\$ 372,582</u>	<u>\$ 422,175</u>	<u>\$ 464,235</u>	<u>\$ 499,877</u>	<u>\$ 548,702</u>	<u>\$ 344,613</u>
Plan Fiduciary Net Position							
Contributions-employer	\$ 11,721	\$ 67,858	27,743	31,600	31,669	32,097	24,497
Contributions-employee	3,909	5,682	5,938	6,369	6,566	6,419	4,954
Net investment income	2,016	2,449	31,473	33,739	23,437	15,738	96,147
Benefit payments including employee refunds	(43,517)	-	-	-	-	-	(328,431)
Administrative expense	(4,338)	-	-	(5,153)	-	-	(24)
Net change in plan fiduciary net position	<u>(30,209)</u>	<u>75,989</u>	<u>65,154</u>	<u>66,555</u>	<u>61,672</u>	<u>54,254</u>	<u>(202,857)</u>
Plan fiduciary net position, beginning of year	<u>182,260</u>	<u>152,051</u>	<u>228,040</u>	<u>293,194</u>	<u>359,749</u>	<u>421,421</u>	<u>475,675</u>
Plan fiduciary net position, end of year	<u>\$ 152,051</u>	<u>\$ 228,040</u>	<u>\$ 293,194</u>	<u>\$ 359,749</u>	<u>\$ 421,421</u>	<u>\$ 475,675</u>	<u>\$ 272,818</u>
Employer net pension liability	<u>\$ 187,175</u>	<u>\$ 144,542</u>	<u>\$ 128,981</u>	<u>\$ 104,486</u>	<u>\$ 78,456</u>	<u>\$ 73,027</u>	<u>\$ 71,795</u>
Plan fiduciary net position as a percentage of the total pension liability	45%	61%	69%	77%	84%	87%	79%
Covered employee payroll	\$ 130,051	\$ 189,400	\$ 197,920	\$ 212,204	\$ 210,765	\$ 215,367	\$ 114,187
Employer's net pension liability as a percentage of covered employee payroll	144%	76%	65%	49%	37%	34%	63%

Notes to schedule:

Above dates are based on a June 30 measurement date.

Pension schedules are being accumulated prospectively until ten years of data is presented.

CITY OF CARSON CITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Actuarial determined contributions	\$ 30,769	\$ 37,880	\$ 27,743	\$ 31,600	\$ 30,663	\$ 27,491	\$ 24,497
Contributions in relation to the actuarially	27,412	67,858	27,743	31,600	31,669	32,097	24,497
Contribution excess (deficiency)	\$ (3,357)	\$ 29,978	\$ -	\$ -	\$ 1,006	\$ 4,606	\$ -
Covered employee payroll	\$ 130,051	\$ 189,400	\$ 197,920	\$ 197,920	\$ 210,765	\$ 213,980	\$ 114,187
Contributions as a percentage of covered employee payroll	21%	36%	14%	16%	15%	15%	21%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	8 years
Asset valuation method	fair market value
Inflation	Included in investment rate of return
Salary increases	3% (2021) 2% (2015-2018); 3.5% (2019)
Investment rate of return	5.37% (2015-2018); 6.38% (2019)
Retirement age	65
Mortality	Public 2010 General Employee, MP-2019 no pre-retirement mortality

Note to schedule:

Pension schedules are being accumulated prospectively until ten years of data is presented.

CITY OF CARSON CITY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2021

	2015	2016	2017	2018	2019	2020	2021
Annual money-weighted rate of return net of investment expense	-1%	1%	8%	10%	4%	4%	29%

Note to schedule:
Pension schedules are being accumulated prospectively until ten years of data is presented.

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF CARSON CITY

**GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Property taxes	\$ 1,783,000	\$ 1,783,000	\$ 1,848,067	\$ 65,067
Intergovernmental revenues				
Federal grants	-	-	5,931	5,931
State shared revenues	121,700	121,700	135,995	14,295
Total intergovernmental revenues	121,700	121,700	141,926	20,226
Fees and service charges				
Fire contracts	31,473	31,473	35,191	3,718
Rent	39,760	39,760	42,760	3,000
Licenses and permits	150	150	190	40
Hospital services	30,000	30,000	24,675	(5,325)
Court costs	1,500	1,500	1,662	162
Total fees and service charges	102,883	102,883	104,478	1,595
Interest	18,600	18,600	45,941	27,341
Contributions	-	-	135,014	135,014
Miscellaneous	2,200	2,200	15,943	13,743
Total revenues	\$ 2,028,383	\$ 2,028,383	\$ 2,291,369	\$ 262,986

CITY OF CARSON CITY
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Current				
Legislative				
City Council	\$ 91,870	\$ 91,870	\$ 52,621	\$ 39,249
General government				
City Administrator	118,100	118,100	69,940	48,160
Election Commission	9,800	9,800	4,541	5,259
Assessor	16,300	16,300	10,571	5,729
Comptroller	137,450	137,450	115,397	22,053
Total general government	281,650	281,650	200,449	81,201
Public Safety				
Police Department	188,500	188,500	166,625	21,875
Fire Department	159,090	159,090	141,937	17,153
Total public safety	347,590	347,590	308,562	39,028
Public Works				
Department of Public Works	304,950	304,950	698,991	(394,041)
Recreation and culture				
Parks	267,550	267,550	152,324	115,226
Capital outlay	10,000	10,000	-	10,000
Total expenditures	\$ 1,303,610	\$ 1,303,610	\$ 1,412,947	\$ (109,337)

CITY OF CARSON CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2021

	<u>Special Revenue</u>		<u>Total</u>
	<u>Major Street</u>	<u>Local Street</u>	
Assets			
Cash and pooled investments	\$ 468,926	\$ 246,502	\$ 715,428
Due from other governments	<u>20,370</u>	<u>8,144</u>	<u>28,514</u>
Total assets	<u>\$ 489,296</u>	<u>\$ 254,646</u>	<u>\$ 743,942</u>
Liabilities and fund balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 2,143	\$ 1,600	\$ 3,743
Total Liabilities	<u>2,143</u>	<u>1,600</u>	<u>3,743</u>
Fund balances			
Restricted for streets	487,153	253,046	740,199
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>487,153</u>	<u>253,046</u>	<u>740,199</u>
Total liabilities and fund balances	<u>\$ 489,296</u>	<u>\$ 254,646</u>	<u>\$ 743,942</u>

CITY OF CARSON CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue</u>		<u>Total</u>
	<u>Major Street</u>	<u>Local Street</u>	
Revenue			
State revenues	\$ 134,531	\$ 53,411	\$ 187,942
Expenditures			
Current			
Public works	<u>109,433</u>	<u>21,279</u>	<u>130,712</u>
Revenues over (under) expenditures	25,098	32,132	57,230
Other financing sources (uses)			
Sale of capital assets	<u>782</u>	<u>-</u>	<u>782</u>
Net changes in fund balances	25,880	32,132	58,012
Fund balances, beginning of year	<u>461,273</u>	<u>220,914</u>	<u>682,187</u>
Fund balances, end of year	<u>\$ 487,153</u>	<u>\$ 253,046</u>	<u>\$ 740,199</u>

CONTROL AND COMPLIANCE



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

December 16, 2021

Honorable Mayor and Members of the City Council
City of Carson City, 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, each major fund, and the aggregate remaining fund information of City of Carson City, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Carson City, Michigan's basic financial statements and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Carson City, Michigan's internal control over financial reporting (internal control) to determine the 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 Carson City, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson City, 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses as deficiency 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Carson City, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Udoewald Haefner LLC

CITY OF CARSON CITY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2021

Finding 2021-001

CONDITION: The City does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expense accruals and to present required financial statement disclosures.

CRITERIA: The City is required to prepare financial statements in accordance with generally accepted accounting principles and to record revenue and expense accruals as appropriate.

CAUSE OF CONDITION: The audit process identified several significant journal entries which were necessary to present financial statements in accordance with generally accepted accounting principles.

POTENTIAL EFFECT OF CONDITION: Auditing standards require that this control deficiency be reported as a material weakness.

RECOMMENDATION: The City's system of controls should be modified so that the City prepares the necessary adjustments to present financial statements and disclosures in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE: The City maintains financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing financial statements and required disclosures is not cost effective.