

CITY OF CARSON CITY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF CARSON CITY

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INDEPENDENT AUDITORS' REPORT

November 16, 2022

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

Opinions

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

In our opinion, 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, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 16, 2022 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.

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Completion of renovations on new city hall and fire department facilities
- Completion of street project involving sewer and water utilities
- Purchase of warning siren
- 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 \$18,730,437 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 7,507,108	\$5,698,516	\$4,480,827	\$4,194,553	\$11,987,935	\$ 9,893,069
Capital assets	3,368,496	3,075,240	5,893,655	6,011,041	9,262,151	9,086,281
Total assets	10,875,604	8,773,756	10,374,482	10,205,594	21,250,086	18,979,350
Deferred outflows	-	93,966	-	-	-	93,966
Long-term liabilities	33,271	108,740	1,722,714	1,854,328	1,755,985	1,963,068
Other liabilities	159,277	88,503	241,583	133,875	400,860	222,378
Total liabilities	192,548	197,243	1,964,297	1,988,203	2,156,845	2,185,446
Deferred inflows	362,804	67,444	-	-	362,804	67,444
Net position						
Net investment in						
Capital assets	3,368,496	3,075,240	4,066,655	4,064,041	7,435,151	7,139,281
Restricted	1,303,241	1,091,826	69,970	181,178	1,373,211	1,273,004
Unrestricted	5,648,515	4,435,969	4,273,560	3,972,172	9,922,075	8,408,141
Total net position	\$10,320,252	\$8,603,035	\$8,410,185	\$8,217,391	\$18,730,437	\$16,820,426

Net position of the City increased by \$1,910,011. The business-type activities increase in net position of \$192,794 was primarily the result of sewer and water rates adequate to cover expenses. The governmental activities increased net position by \$1,717,217 primarily due to renaissance tax abatement expiration and consistent millage rates.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue						
Charges for Services	\$ 165,579	\$ 126,403	\$949,401	\$1,117,489	\$ 1,114,980	\$ 1,243,892
Operating grants and Contributions	436,617	275,982	-	-	436,617	275,982
Capital grants and Contributions	1,000	135,014	-	-	1,000	135,014
	603,196	537,399	949,401	1,117,489	1,552,597	1,654,888
General revenue						
Property taxes	2,305,557	2,083,120	-	-	2,305,557	2,083,120
Other governmental sources	163,108	135,411	-	-	163,108	135,411
Other	145,354	46,724	(191)	70	145,163	46,794
Total revenues	3,217,215	2,802,654	949,210	1,117,559	4,166,425	3,920,213
Expenses						
Legislative	69,202	52,621	-	-	69,202	52,621
General government	227,956	215,314	-	-	227,956	215,314
Public safety	411,032	250,161	-	-	411,032	250,161
Public works	445,435	189,764	-	-	445,435	189,764
Culture and recreation	346,373	348,741	-	-	346,373	348,741
Sewer	-	-	328,630	314,364	328,630	314,364
Water	-	-	427,786	422,356	427,786	422,356
Total expenses	1,499,998	1,056,601	756,416	736,720	2,256,414	1,793,321
Increase (decrease) in net Position	1,717,217	1,746,053	192,794	380,839	1,910,011	2,126,892
Net position, beginning of year	8,603,035	6,856,982	8,217,391	7,836,552	16,820,426	14,693,534
Net position, end of year	\$10,320,252	\$8,603,035	\$8,410,185	\$8,217,391	\$18,730,437	\$16,820,426

Governmental Activities. During the year the City invested \$346,373 or 23% 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 \$411,032 or 27% of governmental activities expenses while remaining functions made up the remaining 50% of governmental activities expenses, a majority of which was public works related activities.

Business-type Activities. Business-type activities increased the City's net position by \$192,794. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$380,839.

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 \$6,545,713, an increase of \$1,378,938 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 \$4,581,047. 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 316% of total general fund expenditures.

The fund balance of the City's general fund increased \$1,149,960 during the current fiscal year after considering transfers to the capital projects fund of \$35,000 for future projects.

The library fund has a total fund balance of \$473,091, which increased by \$126,406 during the year. The balance of this fund is restricted for library operations.

The capital projects fund has a total fund balance of \$476,982, which increased by \$12,621 during the year due to the transfer in from the general fund for future projects and the expenditure incurred for the new police vehicle.

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 \$1,838,584 and \$2,434,976 respectively. The sewer fund had a decrease in net position of \$12,781 and the water fund had an increase in net position for the year of \$205,575 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 two budget overages within the general fund department of public works and capital outlay activities. Federal grants received of \$153,883 were unbudgeted and property taxes exceeded expectations. General government expenditures were under budget primarily as a result of over estimating cost of the comptroller and City administrator functions. Recreation and culture were under budget primarily due to overestimated parks activities.

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, 2022, amounted to \$9,262,151 (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	\$ 153,996	\$ 64,814	\$ 218,810
Construction in progress	-	62,144	62,144
Buildings, equipment and Infrastructure	3,214,500	5,766,697	8,981,197
Total	\$3,368,496	\$5,893,655	\$9,262,151

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	\$ 33,271	\$ 17,714	\$ 50,985
Bonds payable	-	1,827,000	1,827,000
Total	\$ 33,271	\$1,844,714	\$1,877,985

The City made payments of \$120,000 during the year on outstanding bonds. Subsequent to the fiscal year end, the City approved paying off the 2021 USDA Water Supply System Revenue Bonds early. This bond was originally scheduled for payments occurring through fiscal year 2051; however, to realize significant savings in interest over the life of the bond, the City decided to pay the bond off early using cash on hand.

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 2022-23 fiscal year:

- Increase in property tax revenue resulting from consistent taxable values
- Inflationary expense increases
- 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.

CITY OF CARSON CITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,919,087	\$ 4,296,748	\$ 11,215,835
Accounts receivable	12,550	105,855	118,405
Due from other governments	55,886	-	55,886
Prepaid items	151,172	8,254	159,426
Land contract and lease receivables	368,413	-	368,413
Restricted cash	-	69,970	69,970
Capital assets, net			
Land	153,996	64,814	218,810
Construction in progress	-	62,144	62,144
Buildings, equipment and infrastructure	<u>3,214,500</u>	<u>5,766,697</u>	<u>8,981,197</u>
Total assets	<u>10,875,604</u>	<u>10,374,482</u>	<u>21,250,086</u>
Liabilities			
Accounts payable and accrued expenses	159,277	117,435	276,712
Customer deposits	-	2,148	2,148
Due within one year	-	122,000	122,000
Noncurrent liabilities			
Compensated absences	33,271	17,714	50,985
Due in more than one year	<u>-</u>	<u>1,705,000</u>	<u>1,705,000</u>
Total liabilities	<u>192,548</u>	<u>1,964,297</u>	<u>2,156,845</u>
Deferred inflow			
Lease related	<u>362,804</u>	<u>-</u>	<u>362,804</u>
Net Position			
Net investment in capital assets	3,368,496	4,066,655	7,435,151
Restricted for			
Library	473,091	-	473,091
Major streets	537,505	-	537,505
Local streets	292,645	-	292,645
Debt service	-	69,970	69,970
Unrestricted	<u>5,648,515</u>	<u>4,273,560</u>	<u>9,922,075</u>
Total net position	<u>\$ 10,320,252</u>	<u>\$ 8,410,185</u>	<u>\$ 18,730,437</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Legislative	\$ 69,202	\$ -	\$ -	\$ -	\$ (69,202)
General government	227,956	101,277	50,000	-	(76,679)
Public safety	411,032	54,164	112,457	-	(244,411)
Public works	445,435	(19)	186,740	-	(258,714)
Culture and recreation	346,373	10,157	87,420	1,000	(247,796)
Total governmental activities	1,499,998	165,579	436,617	1,000	(896,802)
Business-type activities					
Sewer	328,630	315,986	-	-	(12,644)
Water	427,786	633,415	-	-	205,629
Total business-type activities	756,416	949,401	-	-	192,985
Total primary government	\$ 2,256,414	\$ 1,114,980	\$ 436,617	\$ 1,000	\$ (703,817)

(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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (896,802)	\$ 192,985	\$ (703,817)
General revenues			
Property taxes			
General operating	2,006,055	-	2,006,055
Library	299,502	-	299,502
State revenues unrestricted	163,108	-	163,108
Interest earnings	1,556	(191)	1,365
Gain on sale of capital assets	143,798	-	143,798
Total general revenues	<u>2,614,019</u>	<u>(191)</u>	<u>2,613,828</u>
Change in net position	1,717,217	192,794	1,910,011
Net position, beginning of year	<u>8,603,035</u>	<u>8,217,391</u>	<u>16,820,426</u>
Net position, end of year	<u>\$ 10,320,252</u>	<u>\$ 8,410,185</u>	<u>\$ 18,730,437</u>

(Concluded)

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

CITY OF CARSON CITY
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2022

	<u>General</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 4,667,539	\$ 483,965	\$ 476,982	\$ 854,823	\$ 6,483,309
Accounts receivable	12,550	-	-	-	12,550
Due from other governments	27,084	-	-	28,802	55,886
Land contract and lease receivables	368,413	-	-	-	368,413
Prepaid expenditures	151,172	-	-	-	151,172
Total assets	\$ 5,226,758	\$ 483,965	\$ 476,982	\$ 883,625	\$ 7,071,330
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 93,306	\$ 10,874	\$ -	\$ 53,475	\$ 157,655
Total liabilities	93,306	10,874	-	53,475	157,655
Deferred inflows of resources					
Related to lease receivable	362,804	-	-	-	362,804
Unavailable revenue - long-term receivables	5,158	-	-	-	5,158
Total deferred inflows of resources	367,962	-	-	-	367,962
Fund balances					
Nonspendable					
Prepaid	151,172	-	-	-	151,172
Restricted for					
Streets	-	-	-	830,150	830,150
Library	-	473,091	-	-	473,091
Committed					
Compensated absences	33,271	-	-	-	33,271
Parks	-	-	64,408	-	64,408
Fire equipment	-	-	249,770	-	249,770
Building improvements	-	-	21,500	-	21,500
Police equipment	-	-	17,063	-	17,063
Master plan	-	-	19,393	-	19,393
Future matching	-	-	60,000	-	60,000
Storm sewer repair and maintenance	-	-	30,000	-	30,000
Downtown development	-	-	14,848	-	14,848
Unassigned	4,581,047	-	-	-	4,581,047
Total fund balances	4,765,490	473,091	476,982	830,150	6,545,713
Total liabilities, deferred inflows of resources and fund balance	\$ 5,226,758	\$ 483,965	\$ 476,982	\$ 883,625	\$ 7,071,330

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, 2022

Fund balances - total governmental funds	\$ 6,545,713
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)	3,042,435
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	5,158
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	760,217
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	<u>(33,271)</u>
Net position of governmental activities	<u>\$ 10,320,252</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, 2022

	<u>General</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,006,055	\$ 299,502	\$ -	\$ -	\$ 2,305,557
Intergovernmental revenues	317,507	68,071	-	186,740	572,318
Fees and service charges	154,769	-	-	-	154,769
Interest	1,572	337	-	(19)	1,890
Contributions	1,000	19,349	-	-	20,349
Miscellaneous	9,465	9,820	-	-	19,285
Total revenues	<u>2,490,368</u>	<u>397,079</u>	<u>-</u>	<u>186,721</u>	<u>3,074,168</u>
Expenditures					
Current					
Legislative	69,202	-	-	-	69,202
General government	333,334	-	-	-	333,334
Public safety	445,972	-	22,379	-	468,351
Public works	362,228	-	-	96,770	458,998
Recreation and culture	85,725	270,673	-	-	356,398
Capital outlay	152,745	-	-	-	152,745
Total expenditures	<u>1,449,206</u>	<u>270,673</u>	<u>22,379</u>	<u>96,770</u>	<u>1,839,028</u>
Revenues over (under) expenditures	<u>1,041,162</u>	<u>126,406</u>	<u>(22,379)</u>	<u>89,951</u>	<u>1,235,140</u>
Other financing sources (uses)					
Sale of capital assets	143,798	-	-	-	143,798
Transfers in	-	-	35,000	-	35,000
Transfers out	(35,000)	-	-	-	(35,000)
Total other financing sources (uses)	<u>108,798</u>	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>143,798</u>
Net changes in fund balances	1,149,960	126,406	12,621	89,951	1,378,938
Fund balances, beginning of year	<u>3,615,530</u>	<u>346,685</u>	<u>464,361</u>	<u>740,199</u>	<u>5,166,775</u>
Fund balances, end of year	<u>\$ 4,765,490</u>	<u>\$ 473,091</u>	<u>\$ 476,982</u>	<u>\$ 830,150</u>	<u>\$ 6,545,713</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, 2022

Net changes in fund balances - total governmental funds \$ 1,378,938

Amounts reported for *governmental activities* 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	411,726
Deduct - depreciation expense	(169,701)
Deduct - net book value of capital asset disposals	(76,510)

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	(735)
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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	3,674
Deduct - decrease in deferred outflows related to pensions	(93,966)
Add - decrease in deferred inflows related to pensions	67,444
Add - decrease in net pension liability	71,795

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>124,552</u>
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Change in net position of governmental activities \$ 1,717,217

CITY OF CARSON CITY

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2022

	Business-Type Activities		Enterprise	Governmental
	Sewer	Water	Fund	Activities
			Total	Internal
Assets				Service
				Fund
Current assets				
Cash and pooled investments	\$ 1,864,301	\$ 2,432,447	\$ 4,296,748	\$ 435,778
Prepaid items	4,127	4,127	8,254	-
Accounts receivable	37,465	68,390	105,855	-
Restricted cash and pooled investments	-	69,970	69,970	-
Total current assets	<u>1,905,893</u>	<u>2,574,934</u>	<u>4,480,827</u>	<u>435,778</u>
Capital assets				
Land	64,814	-	64,814	3,996
Buildings	-	80,576	80,576	67,975
Plant, mains and equipment	3,127,954	6,389,990	9,517,944	778,816
Construction in progress	62,144	-	62,144	-
Accumulated depreciation	(1,556,147)	(2,275,676)	(3,831,823)	(524,726)
Net capital assets	<u>1,698,765</u>	<u>4,194,890</u>	<u>5,893,655</u>	<u>326,061</u>
Total assets	<u>3,604,658</u>	<u>6,769,824</u>	<u>10,374,482</u>	<u>761,839</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	57,478	59,957	117,435	1,622
Current portion of long-term debt	-	122,000	122,000	-
Total current liabilities	<u>57,478</u>	<u>181,957</u>	<u>239,435</u>	<u>1,622</u>
Long-term liabilities				
Compensated absences	8,856	8,858	17,714	-
Long-term debt	-	1,705,000	1,705,000	-
Customer deposits	975	1,173	2,148	-
Total long-term liabilities	<u>9,831</u>	<u>1,715,031</u>	<u>1,724,862</u>	<u>-</u>
Total liabilities	<u>67,309</u>	<u>1,896,988</u>	<u>1,964,297</u>	<u>1,622</u>
Net position				
Net investments in capital assets	1,698,765	2,367,890	4,066,655	326,061
Restricted for debt service	-	69,970	69,970	-
Unrestricted	1,838,584	2,434,976	4,273,560	434,156
Total net position	<u>\$ 3,537,349</u>	<u>\$ 4,872,836</u>	<u>\$ 8,410,185</u>	<u>\$ 760,217</u>

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, 2022

	Business-Type Activities		Fund Total	Governmental
	Sewer	Water		Activities
				Internal Service Fund
Operating revenue				
Charges for services	\$ 315,986	\$ 630,924	\$ 946,910	\$ 166,883
Other	-	2,491	2,491	-
Total operating revenue	<u>315,986</u>	<u>633,415</u>	<u>949,401</u>	<u>166,883</u>
Operating expense				
Salaries and wages	121,096	109,316	230,412	14,206
Supplies	23,218	11,988	35,206	16,961
Professional services	27,090	9,402	36,492	-
Insurance and bonds	16,996	16,996	33,992	-
Utilities	24,582	27,897	52,479	-
Equipment rentals	45,509	16,366	61,875	1,907
Repair and maintenance	9,314	49,432	58,746	15,270
Depreciation	55,449	129,239	184,688	64,204
Miscellaneous	5,376	5,002	10,378	(51,090)
Total operating expense	<u>328,630</u>	<u>375,638</u>	<u>704,268</u>	<u>61,458</u>
Operating income (loss)	<u>(12,644)</u>	<u>257,777</u>	<u>245,133</u>	<u>105,425</u>
Non-operating revenue (expense)				
Interest income	(137)	(54)	(191)	(16)
Gain on sale of capital asset	-	-	-	19,143
Interest expense	-	(52,148)	(52,148)	-
Total non-operating revenue (expense)	<u>(137)</u>	<u>(52,202)</u>	<u>(52,339)</u>	<u>19,127</u>
Changes in net position	(12,781)	205,575	192,794	124,552
Net position, beginning of year	<u>3,550,130</u>	<u>4,667,261</u>	<u>8,217,391</u>	<u>635,665</u>
Net position, end of year	<u>\$ 3,537,349</u>	<u>\$ 4,872,836</u>	<u>\$ 8,410,185</u>	<u>\$ 760,217</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, 2022

	Business-Type Activities		Enterprise	Governmental
	Sewer	Water	Fund	Activities
			Total	Internal Service Fund
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 166,883
Receipts from customers and users	317,052	633,752	950,804	-
Payments to employees	(125,902)	(114,124)	(240,026)	(14,206)
Payments to suppliers	(95,217)	(77,139)	(172,356)	17,720
Net cash provided by (used in) operating activities	<u>95,933</u>	<u>442,489</u>	<u>538,422</u>	<u>170,397</u>
Cash flows from capital and related financing activities				
Payments on loans	-	(120,000)	(120,000)	-
Interest expense	-	(52,148)	(52,148)	-
Proceeds from sale of capital assets	-	-	-	19,143
Acquisitions of capital assets	(113,189)	(84,853)	(198,042)	(191,945)
Net cash provided by (used in) capital and related financing activities	<u>(113,189)</u>	<u>(257,001)</u>	<u>(370,190)</u>	<u>(172,802)</u>
Cash flows from investing activities				
Interest income	(137)	(54)	(191)	(16)
Net increase (decrease) in cash and cash equivalents	<u>(17,393)</u>	<u>185,434</u>	<u>168,041</u>	<u>(2,421)</u>
Cash and cash equivalents, beginning of year	<u>1,795,099</u>	<u>2,272,838</u>	<u>4,067,937</u>	<u>438,199</u>
Cash and cash equivalents, end of year	<u>\$ 1,777,706</u>	<u>\$ 2,458,272</u>	<u>\$ 4,235,978</u>	<u>\$ 435,778</u>
Cash flows from operating activities				
Operating income (loss)	\$ (12,644)	\$ 257,777	\$ 245,133	\$ 105,425
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	55,449	129,239	184,688	64,204
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	1,091	362	1,453	-
Accounts payable and accrued liabilities	51,341	54,417	105,758	768
Prepaid items	5,527	5,527	11,054	-
Compensated absences	(4,806)	(4,808)	(9,614)	-
Customer deposits	(25)	(25)	(50)	-
Net cash provided by (used in) operating activities	<u>\$ 95,933</u>	<u>\$ 442,489</u>	<u>\$ 538,422</u>	<u>\$ 170,397</u>

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

CITY OF CARSON CITY
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022

	Employees Retirement System	Tax Custodial Fund
Assets		
Cash and pooled investments	\$ _____ -	\$ _____ -
Total assets	_____ -	_____ -
Liabilities		
Accounts payable	_____ -	_____ -
Total liabilities	_____ -	_____ -
Net position		
Held in trust for pension benefits	\$ _____ -	\$ _____ -

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, 2022

	Employees Retirement System	Tax Custodial Fund
Additions		
Employer	\$ 13,734	\$ -
Employee	2,747	-
Taxes collected for others	-	2,474,881
Investment income (loss)	<u>14,677</u>	<u>-</u>
Total additions	31,158	2,474,881
Deductions		
Distributions and benefit payments	303,966	-
Taxes to other entities	-	2,474,881
Administrative	<u>10</u>	<u>-</u>
Total deductions	<u>303,976</u>	<u>2,474,881</u>
Net increase (decrease)	(272,818)	-
Net position, beginning of year	<u>272,818</u>	<u>-</u>
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>

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, 2022

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, 2022

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.

CITY OF CARSON CITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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.

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 custodial 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 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.