

AGENDA REPORT

TO: Mayor Pat Humphrey & the Clare City Commission
FROM: Jeremy Howard, City Manager
DATE: December 11, 2025
RE: Audit Presentation and Approval of Fiscal Year 2024/25 Audit Report

For the Agenda of December 15, 2025

Background. The public accounting firm of Andrews, Hooper & Pavlik (AHP) of Midland, Michigan conducted an independent audit of the City of Clare's financial records for the City's fiscal year ending June 30, 2025. A qualified representative from the firm is scheduled to publicly present their report (*preliminary draft att'd*) and the results of the audit to the Clare City Commission at its regularly scheduled meeting on December 15, 2025. A draft copy of the complete audit report is attached for your review.

The City Treasurer/Finance Director, City Manager, and City Clerk have reviewed the preliminary audit report and will formally acknowledge the results in writing after a review of the final draft.

The City Commission is asked to formally approve the audit findings and results as presented by a qualified senior staff member of the public accounting firm Andrews, Hooper & Pavlik.

Issues & Questions Specified. Should the Clare City Commission formally approve the audit report?

Alternatives.

1. Approve the audit findings.
2. Do not approve the audit findings.
3. Defer/delay the decision to a subsequently scheduled City Commission meeting.

Financial Impact. The City of Clare is required to file the results of its annual audit with the Michigan Department of Treasury; failure to do so will result in the withholding of state revenue sharing and render the city ineligible for other state and federally-funded programs including grants and loans. Approval of the audit is necessary to allow City Staff to file the audit and other related reports with appropriate state and federal agencies.

Recommendations. I recommend that the City Commission formally approve the audit results presented by Andrews, Hooper & Pavlik by the adoption of the attached Resolution 2025-099.

Attachments.

1. Preliminary Rough Draft of the Fiscal Year 2024/25 Independent Audit Report and Audited Financials.
2. Resolution 2025-099.

DRAFT

Audited Financial Statements

City of Clare
Clare and Isabella Counties, Michigan

Year Ended June 30, 20255
with Report of Independent Auditors

City of Clare

Audited Financial Statements

Year Ended June 30, 2025

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Report of Independent Auditors

To the City Commission
City of Clare
Clare and Isabella Counties, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Clare (City), as of and for the year ended June 30, 2025, 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, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Clare, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Clare 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 Clare'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Government 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'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'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 4-11, the pension benefit information on pages 57-58, and the budgetary comparison information on pages 59-61, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clare's basic financial statements. The combining financial statements for nonmajor funds, internal service funds, fiduciary finds, and component units for the year ended June 30, 2025 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 relate 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 financial statements for nonmajor funds, internal service funds, fiduciary finds, and component units are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2025.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 16**, 2025, on our consideration of the City of Clare'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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clare's internal control over financial reporting and compliance.

Midland, Michigan
December 16, 2025

City of Clare

Management's Discussion and Analysis

June 30, 2025

This discussion and analysis of the City of Clare's financial performance provides an overview of the City's financial activities for the year that ended on June 30, 2025. Please read it in conjunction with the financial statements following this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$23,649,652 (net position). Of this amount, \$581,463 represents negative unrestricted net position. The negative unrestricted net position results from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- The City's total net position increased by \$1,615,875.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$3,909,565, an increase of \$325,432 in comparison with the prior year. Approximately 66% of this amount, which is \$2,590,837, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$2,590,837, or approximately 56% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support 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 City's net position changed during the most recent 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., uncollected special assessments and accrued interest expense).

City of Clare

Management's Discussion and Analysis

June 30, 2025

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Local Development Financing Authority, Downtown Development Authority, and Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

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 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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 seven 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 Fund, which is considered to be a major fund.

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

City of Clare

Management’s Discussion and Analysis

June 30, 2025

Proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to the City’s other programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the 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 Fund and Water Fund, each of which is considered to be a major fund of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

The City maintains one type of fiduciary fund. The custodial funds report resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

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 required supplementary information related to the City’s employee benefit plan and the General Fund’s and Major Street Fund’s performance compared to their budgets.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the aforementioned required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$23,649,65 at the close of the most recent year.



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City of Clare

Management’s Discussion and Analysis

June 30, 2025

City of Clare’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	\$ 4,756,418	\$ 4,195,008	\$ 2,905,939	\$ 2,927,252	\$ 7,662,357	\$ 7,122,260
Capital assets, net	17,308,350	17,067,732	12,310,487	12,124,106	29,618,837	29,191,838
Total assets	22,064,768	21,262,740	15,216,426	15,051,358	37,281,194	36,314,098
Deferred outflows of resources	366,170	389,192	71,832	72,483	438,002	461,675
Liabilities						
Current liabilities	669,493	576,881	203,797	519,247	873,290	1,096,128
Long-term liabilities	7,811,350	7,986,436	4,997,651	5,031,931	12,809,001	13,018,367
Total liabilities	8,480,843	8,563,317	5,201,448	5,551,178	13,682,291	14,114,495
Deferred inflows of resources	359,794	568,847	27,459	58,654	387,253	627,501
Net position						
Invested in capital assets, net of related debt	14,240,186	13,750,159	8,194,533	7,912,152	22,434,719	21,662,311
Restricted	1,197,556	1,107,294	598,840	343,127	1,796,396	1,450,421
Unrestricted	(1,847,441)	(2,337,685)	1,265,978	1,258,730	(581,463)	(1,078,955)
Total net position	\$ 13,590,301	\$ 12,519,768	\$ 10,059,351	\$ 9,514,009	\$ 23,649,652	\$ 22,033,777

The largest portion of the City’s net position (95%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining amount of (\$581,463) represents negative unrestricted net position created by recording the net pension obligated as required by GASB.

At the end of the current year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

City of Clare

Management’s Discussion and Analysis

June 30, 2025

City of Clare’s Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues						
Program revenues:						
Charges for services	\$1,156,930	\$ 890,209	\$ 2,258,827	\$ 2,076,424	\$ 3,415,757	\$ 2,966,633
Operating grants and contributions	646,712	599,871	-	-	646,712	599,871
Capital grants and contributions	790,064	1,830,931	303,523	670,904	1,093,587	2,501,835
General revenues:						
Property taxes and fees	2,457,325	2,274,757	-	-	2,457,325	2,274,757
Grants and contributions not restricted to programs	681,199	678,041	-	-	681,199	678,041
Interest earnings	90,883	50,542	97,828	76,694	188,711	127,236
Gain on sale of assets	-	1,050	-	-	-	1,050
Miscellaneous	71,576	30,803	391,891	238,972	463,467	269,775
Total revenues	5,894,689	6,356,204	3,052,069	3,062,994	8,946,758	9,419,198
Expenses						
General government	835,350	719,858	-	-	835,350	719,858
Public safety	1,581,125	1,442,871	-	-	1,581,125	1,442,871
Public works	1,178,147	1,117,756	-	-	1,178,147	1,117,756
Community development	20,762	18,135	-	-	20,762	18,135
Recreation and culture	1,141,147	772,358	-	-	1,141,147	772,358
Interest on long-term debt	67,138	69,762	-	-	67,138	69,762
Sewer	-	-	1,370,829	1,182,344	1,370,829	1,182,344
Water	-	-	1,135,898	1,099,558	1,135,898	1,099,558
Total expenses	4,824,156	4,140,740	2,506,727	2,281,902	7,330,883	6,422,642
Change in net position	1,070,533	2,215,464	545,342	781,092	1,615,875	2,996,556
Net position-beginning	12,519,768	10,304,304	9,514,009	8,732,917	22,033,777	19,037,221
Net position-ending	\$13,590,301	\$12,519,768	\$ 10,059,351	\$ 9,514,009	\$23,649,652	\$22,033,777

Governmental Activities. During the current year, net position for governmental activities increased \$1,070,533 from the prior year for an ending balance of \$13,590,301. This increase was due to the City receiving grants for large projects that were capitalized as well as a decrease in expenditures to more normal levels.

Business-Type Activities. During the current year, net position for business-type activities increased \$545,342 from the prior year for an ending balance of \$10,059,351. The current year increase was due to the City maintaining normal operations and revenues exceeding expenditures.

City of Clare

Management's Discussion and Analysis

June 30, 2025

Financial Analysis of Governmental 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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

As of June 30, 2025, the City's governmental funds reported combined fund balances of \$3,909,565, an increase of \$325,432 in comparison with the prior year. Approximately 66% of this amount constitutes unassigned fund balance of \$2,590,837, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$142,062), 2) legally required to be maintained intact (\$553,376), 3) restricted for particular purposes (\$644,180), or 4) assigned for particular purposes (\$25,638).

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$2,590,837, while total fund balance increased by \$241,606. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 56% of total General Fund expenditures, while total fund balance represents approximately 62% of that same amount.

The fund balance of the City's General Fund increased by \$241,606 during the current year. Operating revenues decreased by approximately \$624,425 in the fiscal year and expenditures decreased by approximately \$1,104,509 compared to the prior year.

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 Fund at the end of the year was \$290,832 and for the Water Fund was \$558,993. The total increase in net position for the Sewer Fund was \$71,566; while the Water Fund's net position increased by \$475,095. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund and Water Fund was a result of normal operations and revenues exceeding expenditures.

City of Clare

Management’s Discussion and Analysis

June 30, 2025

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. During the year there was no need for any significant amendments to increase the original estimated revenues, appropriations, or other financing sources or uses.

Final Budget Compared to Actual Results. The most significant differences between estimated revenues and actual revenues were in the categories of state revenue, charges for services, and interest and rentals. The most significant differences between estimated expenditures and actual expenditures were in the following categories: other general government, landfill closure, parks and recreation, capital outlay, and debt service principal payments and resulted from efforts to keep staffing levels reasonable based on needs and the timing and completion of projects.

Capital Assets and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2025 was \$29,618,837 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer and water systems. The total increase in capital assets for the current fiscal year was approximately 2%.

City of Clare’s Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 4,139,102	\$ 4,139,102	\$ 53,389	\$ 53,389	\$ 4,192,491	\$ 4,192,491
Land improvements	10,219,289	7,458,999	24,290	27,235	10,243,579	7,486,234
Buildings	1,151,833	1,120,821	2,934,013	2,137,589	4,085,846	3,258,410
Equipment	450,491	467,948	1,187,005	1,245,760	1,637,496	1,713,708
Vehicles	1,347,635	1,650,594	-	-	1,347,635	1,650,594
System	-	-	8,103,242	8,651,585	8,103,242	8,651,585
Construction in progress	-	2,230,268	8,548	8,548	8,548	2,238,816
	\$17,308,350	\$17,067,732	\$ 12,310,487	\$ 12,124,106	\$ 29,618,837	\$29,191,838

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,184,115. Of this amount, \$6,954,954 is debt backed by the full faith and credit of the government. The remainder of the City’s long-term obligations comprises installment purchase contracts.

City of Clare

Management’s Discussion and Analysis

June 30, 2025

City of Clare’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 2,839,000	\$ 3,055,000	\$ 1,993,954	\$ 2,047,954	\$ 4,832,954	\$ 5,102,954
Revenue bonds	-	-	2,122,000	2,164,000	2,122,000	2,164,000
Installment purchase contracts	229,161	262,573	-	-	229,161	262,573
	\$ 3,068,161	\$ 3,317,573	\$ 4,115,954	\$ 4,211,954	\$ 7,184,115	\$ 7,529,527

The City’s total debt decreased by approximately \$345,412, or 5%, during the current year. The reason for the decrease is due to the City making payments on the current debt. There was no new debt issued in the current year.

Economic Factors and Next Year’s Budgets and Rates

Revenues and expenditures for 2025-2026 are projected to increase 2% per year in each category within General Governmental Activities, slightly more within Business-Type Activities. These assumptions are based upon historical revenue and expense data that has been accumulated and extensively analyzed including changes in property taxation laws, state revenue sharing, and other regulatory changes affecting the City. The City has also, since the start of the Great Recession, actively pursued cost containment efforts and simultaneously expanded its property tax base. The economic challenges of the past decade have limited and severely hampered municipal governmental entities. However, during this timeframe, the City has renegotiated all of its outstanding debt to take advantage of historically-low interest rates saving hundreds of thousands in interest expenses and simultaneously and strategically implemented growth initiatives to be fully prepared to grow with the recovering economy.

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 either: Mr. Jeremy Howard, City Manager, Email: jhoward@cityofclare.gov or Ms. Vicki Corlew, City Treasurer, Finance and Technology Director, Email: VCorlew@cityofclare.gov.

City of Clare

Statement of Net Position

June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,893,070	\$ 1,496,935	\$ 5,390,005	\$ 152,304
Investments held by trustee	230,031	-	230,031	-
Accounts receivable, net	60,027	334,837	394,864	1,316
Accrued interest receivable	103	-	103	-
Assessments receivable, net	181,743	-	181,743	-
Internal balances	(416,153)	416,153	-	-
Due from other governmental units	346,580	13,446	360,026	-
Leases receivable	219,820	-	219,820	-
Inventory	121,458	19,234	140,692	-
Prepaid items	119,739	26,494	146,233	-
Restricted cash and cash equivalents	-	598,840	598,840	-
Capital assets, net:				
Assets not being depreciated	4,139,102	61,937	4,201,039	386,557
Assets being depreciated	13,169,248	12,248,550	25,417,798	88,655
Total assets	22,064,768	15,216,426	37,281,194	628,832
Deferred outflows of resources				
Related to pension	366,170	71,832	438,002	-
Liabilities				
Accounts payable	230,010	43,415	273,425	4,881
Accrued liabilities	44,695	14,542	59,237	-
Accrued interest payable	17,044	25,890	42,934	1,270
Due to other governmental units	732	-	732	-
Deposits and other liabilities	1,422	21,950	23,372	-
Unearned revenue	124,704	-	124,704	-
Long-term debt:				
Due in one year	250,886	98,000	348,886	30,000
Due in more than one year	2,817,278	4,017,954	6,835,232	129,000
Net pension liability	4,994,072	979,697	5,973,769	-
Total liabilities	8,480,843	5,201,448	13,682,291	165,151
Deferred inflows of resources				
Unearned lease revenue	219,820	-	219,820	-
Related to pension	139,974	27,459	167,433	-
Total deferred inflows of resources	359,794	27,459	387,253	-
Net position				
Invested in capital assets, net of related debt	14,240,186	8,194,533	22,434,719	316,212
Restricted for:				
Landfill postclosure care	230,031	-	230,031	-
Cemetery perpetual care	323,345	-	323,345	-
Streets and highways	644,180	-	644,180	-
Debt service	-	598,840	598,840	142,019
Community development	-	-	-	5,450
Unrestricted	(1,847,441)	1,265,978	(581,463)	-
Total net position	\$ 13,590,301	\$ 10,059,351	\$ 23,649,652	\$ 463,681

See accompanying notes.

City of Clare

Statement of Activities

Year Ended June 30, 2024

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating	Capital	Primary Government		Total	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental activities:								
General government	\$ 835,350	\$ 336,825	\$ 7,000	\$ -	\$ (491,525)		\$ (491,525)	
Public safety	1,581,125	372,083	34,580	-	(1,174,462)		(1,174,462)	
Public works	1,178,147	212,648	599,993	-	(365,506)		(365,506)	
Community development	20,762	-	-	-	(20,762)		(20,762)	
Recreation and culture	1,141,634	235,374	5,139	790,064	(111,057)		(111,057)	
Interest on long-term debt	67,138	-	-	-	(67,138)		(67,138)	
Total governmental activities	4,824,156	1,156,930	646,712	790,064	(2,230,450)		(2,230,450)	
Business-type activities:								
Sewer	1,370,829	1,238,808	-	-		\$ (132,021)	(132,021)	
Water	1,135,898	1,020,019	-	303,523		187,644	187,644	
Total business-type activities	2,506,727	2,258,827	-	303,523		55,623	55,623	
Total primary government	\$ 7,330,883	\$ 3,415,757	\$ 646,712	\$ 1,093,587		55,623	(2,174,827)	
Component units:								
Downtown Development Authority	109,037	-	32,585	-				\$ (76,452)
Local Development Finance Authority	14,712	-	-	-				(14,712)
Total component units	\$ 123,749	\$ -	\$ 32,585	\$ -				(91,164)
General revenues:								
Property taxes and related fees					2,457,325	-	2,457,325	125,025
Grants and contributions not restricted to specific programs					681,199	-	681,199	-
Interest earnings					90,883	97,828	188,711	248
Gain on sale of assets					-	-	-	-
Miscellaneous					71,576	391,891	463,467	-
Total general revenues					3,300,983	489,719	3,790,702	125,273
Change in net position					1,070,533	545,342	1,615,875	34,109
Net position-beginning					12,519,768	9,514,009	22,033,777	429,572
Net position-ending					\$ 13,590,301	\$ 10,059,351	\$ 23,649,652	\$ 463,681

See accompanying notes.

City of Clare

Governmental Funds Balance Sheet

June 30, 2024

	General	Major Street	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 2,515,130	\$ 200,958	\$ 795,106	\$ 3,511,194
Investments held by trustee	230,031	-	-	230,031
Accounts receivable, net	59,508	-	-	59,508
Accrued interest receivable	103	-	-	103
Assessments receivable, net	418,149	-	-	418,149
Due from other governmental units	257,997	63,109	25,474	346,580
Leases receivable	219,820	-	-	219,820
Inventory	33,142	-	-	33,142
Prepaid items	97,829	5,047	6,044	108,920
Total assets	<u>\$ 3,831,709</u>	<u>\$ 269,114</u>	<u>\$ 826,624</u>	<u>\$ 4,927,447</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 127,381	\$ 1,062	\$ 86,151	\$ 214,594
Accrued liabilities	38,488	1,831	2,440	42,759
Due to other governmental units	732	-	-	732
Deposits and other liabilities	1,422	-	-	1,422
Unearned revenue	124,704	-	-	124,704
Total liabilities	<u>292,727</u>	<u>2,893</u>	<u>88,591</u>	<u>384,211</u>
Deferred inflows of resources:				
Unavailable revenue - long-term special assessments	413,851	-	-	413,851
Unearned lease revenue	219,820	-	-	219,820
Total deferred inflows of resources	<u>633,671</u>	<u>-</u>	<u>-</u>	<u>633,671</u>
Fund balances:				
Nonspendable - inventory	33,142	-	-	33,142
Nonspendable - prepaid items	97,829	5,047	6,044	108,920
Nonspendable - landfill postclosure care	230,031	-	-	230,031
Nonspendable - cemetery perpetual care	-	-	323,345	323,345
Restricted - streets and highways	-	261,174	383,006	644,180
Assigned - cemetery	-	-	25,638	25,638
Unassigned	2,544,309	-	-	2,544,309
Total fund balances	<u>2,905,311</u>	<u>266,221</u>	<u>738,033</u>	<u>3,909,565</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,831,709</u>	<u>\$ 269,114</u>	<u>\$ 826,624</u>	<u>\$ 4,927,447</u>

City of Clare

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2024

Total fund balances for governmental funds	\$ 3,909,565
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>	
Capital assets	23,245,080
Accumulated depreciation	(6,641,314)
<p>Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.</p>	
Long-term special assessments receivable	181,743
<p>Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements.</p>	
	366,170
<p>Deferred inflows represent deferred pension-related financial sources that are recognized in future periods in the government-wide financial statements.</p>	
	(139,974)
<p>The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>	
	752,609
<p>Certain liabilities are not payable in the current period and are not reported in the funds.</p>	
Accrued interest payable	(17,044)
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2024 are:</p>	
General obligation limited tax bonds	(3,068,164)
Net pension liability	(4,994,072)
Other reconciling items	(4,298)
Total net position of governmental activities	\$ 13,590,301

City of Clare

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2024

	General	Major Streets	Other Governmental Funds	Total
Revenues				
Property taxes and related fees	\$ 2,139,032	\$ -	\$ 318,293	\$ 2,457,325
Special assessments, net	60,480	-	-	60,480
Licenses and permits	66,321	-	-	66,321
Federal grants	38,800	-	-	38,800
State grants	1,398,698	434,405	206,353	2,039,456
Charges for services	804,701	-	4,800	809,501
Fines and forfeits	3,398	-	-	3,398
Interest and rentals	109,367	4,139	17,660	131,166
Donations	209,383	-	-	209,383
Other revenue	52,614	2,105	18,550	73,269
Total revenues	4,882,794	440,649	565,656	5,889,099
Expenditures				
General government	899,196	-	-	899,196
Public safety	1,318,593	-	-	1,318,593
Public works	420,468	272,917	630,093	1,323,478
Community development	20,762	-	-	20,762
Recreation and culture	1,540,443	-	-	1,540,443
Capital outlay	240,226	-	-	240,226
Debt service	229,711	-	36,933	266,644
Total expenditures	4,669,399	272,917	667,026	5,609,342
Excess (deficiency) of revenues over expenditures	213,395	167,732	(101,370)	279,757
Other financing sources (uses)				
Transfers in	203,581	-	186,464	390,045
Transfers out	(175,370)	(155,000)	(14,000)	(344,370)
Total other financing sources (uses)	28,211	(155,000)	172,464	45,675
Net change in fund balances	241,606	12,732	71,094	325,432
Fund balances-beginning	2,663,705	253,489	666,939	3,584,133
Fund balances-ending	\$ 2,905,311	\$ 266,221	\$ 738,033	\$ 3,909,565

City of Clare

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$	325,432
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		1,182,914
Subtract: depreciation expense		(777,850)

Certain 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 net pension liability net of related deferred outflows and inflows		76,143
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add: repayments of installment purchase contract		224,706
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The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within governmental activities.

Net operating income (loss) from governmental activities in internal service funds		42,103
Interest earnings from governmental internal service funds		4,669
Transfers out		(10,000)

Other reconciling items		2,415
Change in net position of governmental activities	\$	1,070,533

City of Clare

Proprietary Funds Statement of Net Position

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 624,175	\$ 872,760	\$ 1,496,935	\$ 381,876
Accounts receivable, net	201,257	133,580	334,837	519
Due from other governments	-	13,446	13,446	-
Inventory	16,797	2,437	19,234	88,316
Prepaid items	17,967	8,527	26,494	10,819
Restricted cash:				
Cash - restricted for USDA bond reserves	137,283	58,217	195,500	-
Cash - restricted for USDA repair and replacement	212,683	190,657	403,340	-
Total current assets	1,210,162	1,279,624	2,489,786	481,530
Noncurrent assets:				
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	-	8,548	8,548	-
Land improvements, net	24,290	-	24,290	-
Buildings and improvements, net	825,891	2,108,122	2,934,013	39,037
Equipment, net	1,187,005	-	1,187,005	5,360
Vehicles, net	-	-	-	575,187
Sewer and water system infrastructure, net	2,699,566	5,403,676	8,103,242	-
Total noncurrent assets	4,747,509	7,562,978	12,310,487	704,584
Total assets	5,957,671	8,842,602	14,800,273	1,186,114
Deferred outflows of resources				
Related to pension	39,508	32,324	71,832	-
Liabilities				
Current liabilities:				
Accounts payable	15,218	28,197	43,415	15,432
Accrued expenses	7,104	7,438	14,542	1,920
Accrued interest payable	10,665	15,225	25,890	-
Deposits and other liabilities	21,950	-	21,950	-
Bonds and loans payable	61,000	37,000	98,000	25,180
Total current liabilities	115,937	87,860	203,797	42,532
Noncurrent liabilities:				
Bonds and loans payable	2,213,954	1,804,000	4,017,954	152,152
Net pension liabilities	538,833	440,864	979,697	-
Total liabilities	2,868,724	2,332,724	5,201,448	194,684
Deferred inflows of resources				
Related to pension	15,102	12,357	27,459	-
Net position				
Invested in capital assets, net of related debt	2,472,555	5,721,978	8,194,533	527,252
Restricted for debt service	349,966	248,874	598,840	-
Unrestricted	290,832	558,993	849,825	464,178
Total net position	\$ 3,113,353	\$ 6,529,845	\$ 9,643,198	\$ 991,430

See accompanying notes.

City of Clare

Reconciliation of the Net Position on the Statement of Net Position for Enterprise Funds
to the Net Position of Business-Type Activities on the Statement of Net Position

Year Ended June 30, 2024

Net position - total enterprise funds \$ 9,643,198

Total net position reported for business-type activities in the statement of net position is different because:

The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in the business-type activities in the statement of net position.

Total net position of business-type activities

416,153
\$ 10,059,351

City of Clare

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 1,238,808	\$ 1,020,019	\$ 2,258,827	\$ 626,820
Other revenue	182,465	209,426	391,891	3,189
Total operating revenues	<u>1,421,273</u>	<u>1,229,445</u>	<u>2,650,718</u>	<u>630,009</u>
Operating expenses				
Salaries and wages	257,442	265,778	523,220	75,158
Payroll taxes	18,336	18,812	37,148	5,214
Employee benefits	61,134	70,054	131,188	29,144
Retirement	93,375	93,750	187,125	23,878
Supplies	122,765	55,459	178,224	79,822
Postage	2,724	2,816	5,540	-
Professional and contracted services	30,911	35,011	65,922	50,585
Insurance	15,799	7,195	22,994	9,433
Telephone and communications	9,850	6,625	16,475	4,864
Professional development	2,663	2,261	4,924	-
Utilities	129,613	98,677	228,290	20,557
Repair and maintenance	42,109	39,863	81,972	87,455
Drain improvements	8,168	-	8,168	-
Equipment rental	171,900	128,700	300,600	-
Miscellaneous	30,766	42,405	73,171	1,042
Depreciation	301,994	212,918	514,912	202,073
Total operating expenses	<u>1,299,549</u>	<u>1,080,324</u>	<u>2,379,873</u>	<u>589,225</u>
Operating income (loss)	121,724	149,121	270,845	40,784
Nonoperating revenues (expenses)				
Interest earnings	20,368	77,460	97,828	4,669
Principal payments	-	-	-	(25,200)
Interest expense	(60,526)	(45,009)	(105,535)	(13,003)
Net nonoperating revenues (expenses)	<u>(40,158)</u>	<u>32,451</u>	<u>(7,707)</u>	<u>(33,534)</u>
Income (loss) before transfers	81,566	181,572	263,138	7,250
Transfers				
Transfers out	(10,000)	(10,000)	(20,000)	(10,000)
Total transfers	<u>(10,000)</u>	<u>(10,000)</u>	<u>(20,000)</u>	<u>(10,000)</u>
Capital grant	-	303,523	303,523	-
Total capital contributions	<u>-</u>	<u>303,523</u>	<u>303,523</u>	<u>-</u>
Changes in net position	71,566	475,095	546,661	(2,750)
Total net position-beginning	3,041,787	6,054,750	9,096,537	994,180
Total net position-ending	<u>\$ 3,113,353</u>	<u>\$ 6,529,845</u>	<u>\$ 9,643,198</u>	<u>\$ 991,430</u>

See accompanying notes.

City of Clare

Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of
Enterprise Funds to the Statement of Activities

Year Ended June 30, 2024

Net change in net position - total enterprise funds \$ 546,661

The change in net position reported for business-type activities in the statement of activities is different because:

The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within business-type activities.

Change in net position of business-type activities (1,319)
\$ 545,342

City of Clare

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 1,384,873	\$ 1,278,380	\$ 2,663,253	\$ 630,914
Payments to suppliers	(555,163)	(705,477)	(1,260,640)	(268,818)
Payments to employees	(428,858)	(446,822)	(875,680)	(133,032)
Net cash from operating activities	400,852	126,081	526,933	229,064
Cash flows from noncapital financing activities				
Transfers out	(10,000)	(10,000)	(20,000)	(10,000)
Debt contributions	-	-	-	(25,200)
Net cash from noncapital financing activities	(10,000)	(10,000)	(20,000)	(35,200)
Cash flows from capital and related financing activities				
Purchases and construction of capital assets	-	(703,493)	(703,493)	(43,965)
Loss on disposition of capital assets	2,200	-	2,200	-
Capital contributions	-	303,523	303,523	-
Principal paid on capital debt	(60,000)	(36,000)	(96,000)	(24,705)
Interest paid on capital debt	(60,526)	(45,009)	(105,535)	(13,003)
Net cash from capital and related financing activities	(118,326)	(480,979)	(599,305)	(81,673)
Cash flows from investing activities				
Interest earnings	20,368	77,460	97,828	4,669
Net cash from investing activities	20,368	77,460	97,828	4,669
Net change in cash and cash equivalents	292,894	(287,438)	5,456	116,860
Balances-beginning of year	681,247	1,409,072	2,090,319	265,016
Balances-end of year	<u>\$ 974,141</u>	<u>\$ 1,121,634</u>	<u>\$ 2,095,775</u>	<u>\$ 381,876</u>
Displayed as:				
Cash and cash equivalents	\$ 624,175	\$ 872,760	\$ 1,496,935	\$ 381,876
Restricted cash and cash equivalents	349,966	248,874	598,840	-
	<u>\$ 974,141</u>	<u>\$ 1,121,634</u>	<u>\$ 2,095,775</u>	<u>\$ 381,876</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 121,724	\$ 149,121	\$ 270,845	\$ 40,784
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation expense	301,994	212,918	514,912	202,073
Change in assets and liabilities:				
Accounts receivable, net	(36,400)	48,935	12,535	905
Inventory	-	-	-	(27,615)
Prepaid items	4,183	8,732	12,915	1,994
Accounts payable	(13,994)	(310,126)	(324,120)	10,561
Accrued expenses	1,429	1,572	3,001	362
Deposits and other liabilities	21,916	14,929	36,845	-
Net cash from operating activities	<u>\$ 400,852</u>	<u>\$ 126,081</u>	<u>\$ 526,933</u>	<u>\$ 229,064</u>

City of Clare

Statement of Fiduciary Net Position

Year Ended June 30, 2025

	Custodial Funds
Assets	
Cash and cash equivalents	\$ (11,219)
Total assets	\$ (11,219)
Liabilities	
Payable to other governments	\$ (18,505)
Total liabilities	\$ (11,219)

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

	Custodial Funds
Additions	
Property taxes collected for other governments	\$ 6,680,517
Deductions	
Property taxes distributed to other governments	(6,680,517)
Net change in fiduciary position	-
Net position at beginning of year	-
Net position at end of year	\$ -

City of Clare

Component Units Statement of Net Position

June 30, 2025

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 146,854	\$ 676	\$ 4,774	\$ 152,304
Accounts receivable	1,316	-	-	1,316
Assets not being depreciated	386,557	-	-	386,557
Assets being depreciated	58,631	30,024	-	88,655
Total assets	\$ 593,358	\$ 30,700	\$ 4,774	\$ 628,832
Liabilities				
Accounts payable	\$ 4,881	\$ -	\$ -	\$ 4,881
Accrued interest payable	1,270	-	-	1,270
Long-term liabilities:				
Due in one year	30,000	-	-	30,000
Due in more than one year	129,000	-	-	129,000
Total liabilities	165,151	-	-	165,151
Net position				
Invested in capital assets, net of related debt	286,188	30,024	-	316,212
Restricted - debt service	142,019	-	-	142,019
Restricted - community development	-	676	4,774	5,450
Total net position	\$ 428,207	\$ 30,700	\$ 4,774	\$ 463,681

City of Clare

Reconciliation of the Component Units Balance Sheet to the Component Units Statement
of Net Position

June 30, 2025

Total fund balances for component units	\$ 148,739
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Total net position reported for component units in the statement of net position is different because:

Capital assets used in the component units' governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets	1,109,406
Accumulated depreciation	(634,194)

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest payable	(1,270)
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Long-term liabilities applicable to the component units' governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2024 are:

DDA bonds	<u>(159,000)</u>
Total net position of component units	<u><u>\$ 463,681</u></u>

City of Clare

Component Units Statement of Activities

June 30, 2025

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	
Downtown Development Authority:							
Community and economic development	\$ 104,037	\$ 32,585	\$ -	\$ (71,452)	\$ -	\$ -	\$ (71,452)
Local Development Finance Authority:							
Community and economic development	4,037	-	-	-	(4,037)	-	(4,037)
	<u>\$ 108,074</u>	<u>\$ 32,585</u>	<u>\$ -</u>	<u>(71,452)</u>	<u>(4,037)</u>	<u>-</u>	<u>(75,489)</u>
General revenues:							
Property taxes and related fees				113,894	11,131	-	125,025
Interest earnings				-	161	87	248
Transfers out				(5,000)	(10,675)	-	(15,675)
Total general revenues				<u>108,894</u>	<u>617</u>	<u>87</u>	<u>109,598</u>
Change in net position				37,442	(3,420)	87	34,109
Net position-beginning				390,765	34,120	4,687	429,572
Net position-ending				<u>\$ 428,207</u>	<u>\$ 30,700</u>	<u>\$ 4,774</u>	<u>\$ 463,681</u>

City of Clare

Reconciliation of the Component Units Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Component Units Statement of Activities

June 30, 2025

Net change in fund balances - component units \$ (9,024)

The change in net position reported for component units in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Subtract: depreciation expense (14,781)

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add: repayments of DDA bonds 67,000

Other Reconciling Items (9,086)

Change in net position of component units \$ 34,109

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies

The accounting policies of the City of Clare (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City:

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City is governed by an elected five-member commission. The City provides services to its various residents in many areas, including general government, public safety, public works, recreation and culture, and sewer and water utilities. As required by GAAP, these financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because they are entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority (DDA) – The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of twelve members, is selected by the City Commission. The City Commission approves the annual budget of the DDA. The DDA does not issue separate financial statements.

Local Development Finance Authority (LDFA) – The LDFA was created to help finance local industrial development projects. The LDFA's governing body, which consists of nine members, is selected by the City Commission. In addition, the LDFA's budget is subject to approval by the City Commission. The LDFA does not issue separate financial statements.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Discretely Presented Component Units (continued)

Brownfield Redevelopment Authority (BRDA) – The BRDA was created to develop and implement brownfield projects. The BRDA’s governing body is selected by the City Commission. The City Commission approves the annual budget of the BRDA. The BRDA does not issue separate financial statements.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. 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.

As discussed earlier, the City has three discretely presented component units. Although all may not be considered major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and other charges between the City’s water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

The City reports the following major governmental fund:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Sewer Fund* is used to record the revenues and expenses for the operation of a sewer system.

The *Water Fund* is used to record the revenues and expenses for the operation of a water system.

Additionally, the City reports the following fund types:

Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as data processing services provided to other departments of the City on a cost reimbursement basis.

Custodial Funds account for assets held for other governments and other city funds in a custodial capacity, including tax collections, payroll, and benefit administration.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)**E. Use of Estimates**

The preparation of the financial statements in conformity with United States generally accepted accounting principles require management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets, and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the net pension obligation.

F. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leasing arrangements are reported as other financing sources.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

F. Measurement Focus and Basis of Accounting (continued)

Property taxes, sales taxes, franchise taxes, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The custodial fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Budgetary Information

Budgets and Budgetary Accounting—The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

- Annual budgets are legally adopted, and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Annual Informational Budget Summaries are prepared for Debt Service Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds.
- Budgets can be amended during the year by a majority vote of the City Commission. The activity level in the General Fund and the fund level in the Special Revenue Funds are the legal level of control.
- Budgets for the General Fund and Special Revenue Funds are prepared on a modified accrual basis. Also, informational budgets for the Debt Service Funds and Capital Projects Funds are prepared on the modified accrual basis, while the Enterprise Fund and Internal Service Fund informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with GAAP.
- Budget appropriations lapse at year-end.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

G. Budgetary Information (continued)

Excess of expenditures over appropriations – During the year, the city incurred expenditures which were in excess of the amounts appropriated, as follows:

	Budget	Actual	Variance
General Fund:			
General government:			
City commission	\$ 43,048	\$ 43,352	\$ (304)
City manager	177,717	183,526	(5,809)
Elections	16,797	16,870	(73)
All other general government	47,995	51,234	(3,239)
Major Streets Fund:			
Public works:			
Wages	68,806	71,647	(2,841)
Road salt	8,653	12,005	(3,352)
Professional services - trees	2,778	3,343	(565)
Fringe Benefits	28,112	28,607	(495)

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Leases Receivable—When the City is a lessor in a contract, it records a lease receivable at the commencement of the lease term equal to the present value of the payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. In addition to the lease receivable, the City also records a corresponding deferred inflow of resources at the commencement of the lease term. This is equal to the amount of the lease receivable plus any lease payments related to future periods (e.g., last month’s rent), less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Restricted Assets–The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest. The amount has been classified as restricted assets.

Capital Assets–Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred, if any, during construction of capital assets is expensed as incurred. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 30 years
Buildings and improvements	15 to 60 years
Sewer and water systems	50 to 75 years
Vehicles	3 to 5 years
Equipment	3 to 5 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 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.

Deferred outflows of resources consist of net outflows related to the City’s multiple-employer net pension obligation. Net pension obligation amounts are amortized over the actuarial calculated expected remaining service life of the members. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This 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. For its governmental funds balance sheet, the City has unavailable revenue, which arises only under a modified accrual basis of accounting and is considered a deferred inflow. Specifically, the governmental funds report unavailable revenues for special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)**H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)**

amounts become available. In addition, the City reports deferred inflows related to leases representing the amount of lease receivables expected to be collected in future periods.

Pensions—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Municipal Employees Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized as an expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds or donations) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The City's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

H. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies—In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts constrained to specific purposes by their providers (such as creditors, grantors, and higher levels of government), through constitutional provisions, or by enabling legislations.

Committed – amounts which are subject to limitations the City imposes upon itself through official actions made by the City Commission, and that remain binding unless removed in the same manner.

Assigned – amounts neither restricted nor committed for which the City has a stated intended use as established by the City Commission or an official to which the City Commission has delegated the authority to assign amounts for specific purposes.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

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

I. Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The City property tax is levied each July 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st.

City of Clare

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies (continued)

I. Revenues and Expenditures/Expenses (continued)

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2024 net taxable valuation of the City totaled \$112,642,222 on which ad valorem taxes levied consisted of 18.4855 mills for City operating purpose, 0.7386 mills for parks, and 2.9547 mills for streets. These amounts are recognized in the General Fund (operating and parks) and Local Street Fund (streets) as property taxes and related fees.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—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 City’s enterprise and internal service funds are charges to customers for sales and services. The Sewer and Water funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Deposits and Investments

At year-end, the City’s deposits and investments were reported in the basic financial statements in the following categories:

	Deposits	Investments	Total
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	\$ 5,390,005	\$ -	\$ 5,390,005
Investments held by trustee	230,031	-	230,031
Restricted cash and cash equivalents	598,840	-	598,840
Component Units:			
Cash and cash equivalents	152,304	-	152,304
Fiduciary Funds:			
Cash and cash equivalents	(11,219)	-	(11,219)
	\$ 6,359,961	\$ -	\$ 6,359,961

City of Clare

Notes to Financial Statements

June 30, 2025

2. Deposits and Investments (continued)

Under its investment policy, the City restricts its investments to bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States. The City Commission has authorized the following financial institutions as depositories for the City: The Huntington National Bank and Mercantile Bank.

Investment and Deposit Risk

Interest Rate Risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. However, the City may collateralize its repurchase agreements using longer-dated investments not to exceed five years to maturity.

Credit Risk—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's current investment policy does specify a credit risk rating to be maintained. The City's investments are backed by U.S. governmental securities, which are rated AA+ and AAA by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover 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 deposit custodial credit risk. As of year-end, \$1,100,994 of the City's bank balances of \$6,191,985 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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.

Concentration of Credit Risk—The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

City of Clare

Notes to Financial Statements

June 30, 2025

3. Leases Receivable

The City, as a lessor, has the following receivables under operating lease arrangements:

Description of Lease	Leases Receivable
Lease of cell tower access by telecommunication company: The remaining noncancellable period under this lease is through December 19, 2026. The monthly lease amounts are \$1,000 through December 2026. After the initial term, the lease automatically renews for up to four 5-year periods with a 5% rate increase at the start of each renewal period unless the lessee gives notice of its intent not to renew at least 60 days prior to the next renewal period. The lease receivable reflects the expectation that it is likely that the lessee will not exercise its nonrenewal option.	\$ 289,615
Lease of cell tower access by telecommunication company: This lease commenced August 15, 2001 with an original monthly payment of \$1,000 with annual increases of 3%. The lease is in its final renewal period which ends August 14, 2026. The current monthly lease payment is \$1,860.	53,037
Subtotal	342,652
Less: discount to arrive at net present value	(122,832)
Net present value of leases receivable	\$ 219,820

Present value of annual amounts from leases receivable are as follows:

Year Ending June 30,	Amount
2026	\$ 33,941
2027	33,401
2028	12,374
2029	10,111
2030	9,675
2031-2035	43,925
2036-2040	37,015
2041-2045	31,186
2046-2047	8,192
	\$ 219,820

City of Clare

Notes to Financial Statements

June 30, 2025

4. Capital Assets

Capital asset activity of the primary government for the current period was as follows:

Governmental Activities:	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	\$ 4,139,102	\$ -	\$ -	\$ -	\$ 4,139,102
Construction in progress	2,230,268			(2,230,268)	-
Total capital assets not being depreciated	6,369,370	-	-	(2,230,268)	4,139,102
Capital assets being depreciated:					
Land improvements	9,869,923		3,210,156	-	13,080,439
Buildings and improvements	3,361,585	-	103,830	-	3,465,415
Equipment	2,703,688	-	92,064	-	2,795,752
Vehicles	3,666,313	(6,772)	50,737	-	3,710,278
Total capital assets being depreciated	19,601,509	(6,772)	3,457,147	-	23,051,884
Less accumulated depreciation:					
Land improvements	(2,410,924)	-	(450,226)	-	(2,861,150)
Buildings and improvements	(2,240,764)	1	(72,819)	-	(2,313,582)
Equipment	(2,235,740)	(1)	(109,520)	-	(2,345,261)
Vehicles	(2,015,719)	435	(347,359)	-	(2,362,643)
Total accumulated depreciation	(8,903,147)	435	(979,924)	-	(9,882,636)
Total capital assets being depreciated, net	10,698,362	(6,337)	2,477,223	-	13,169,248
Governmental activities capital assets, net	\$17,067,732	\$ (6,337)	\$2,477,223	\$(2,230,268)	\$17,308,350

City of Clare

Notes to Financial Statements

June 30, 2025

4. Capital Assets (continued)

Business-type Activities:	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	\$ 53,389	\$ -	\$ -	\$ -	\$ 53,389
Construction in progress	8,548	-	-	-	8,548
Total capital assets not being depreciated	61,937	-	-	-	61,937
Capital assets being depreciated:					
Land improvements	425,547	-	-	-	425,547
Buildings and improvements	6,616,409	-	907,076	-	7,523,485
Equipment	2,387,522	-	-	-	2,387,522
Infrastructure	15,452,810	(233,969)	30,386	-	15,249,227
Total capital assets being depreciated	24,882,288	(233,969)	937,462	-	25,585,781
Less accumulated depreciation:					
Land improvements	(398,312)	-	(2,945)	-	(401,257)
Buildings and improvements	(4,478,820)	-	(110,652)	-	(4,589,472)
Equipment	(1,141,762)	(2,200)	(56,555)	-	(1,200,517)
Infrastructure	(6,801,225)	-	(344,760)	-	(7,145,985)
Total accumulated depreciation	(12,820,119)	(2,200)	(514,912)	-	(13,337,231)
Total capital assets being depreciated, net	12,069,169	(236,169)	422,550	-	12,248,550
Business-type activities capital assets, net	\$12,124,106	\$(236,169)	\$422,550	\$ -	\$12,310,487

Depreciation expense was charged to programs of the City as follows:

Governmental Activities	
General government	\$ 158,422
Public safety	262,347
Public works	155,022
Recreation and culture	202,059
Internal Service Fund depreciation	202,073
	<u>\$ 979,923</u>
Business-Type Activities	
Sewer	\$ 301,994
Water	212,918
	<u>\$ 514,912</u>

City of Clare

Notes to Financial Statements

June 30, 2025

4. Capital Assets (continued)

Discretely Presented Component Units

Activity for the DDA for the current period was as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	\$ 108,126	\$ -	\$ -	\$ -	\$ 108,126
Construction in progress	278,432	-	-	-	278,432
Total capital assets not being depreciated	386,558	-	-	-	386,558
Capital assets being depreciated:					
Land improvements	490,633	-	-	-	490,633
Equipment	138,200	-	-	-	138,200
Total capital assets being depreciated	628,833	-	-	-	628,833
Less accumulated depreciation:					
Land improvements	(411,639)	(9,085)	(11,278)	-	(432,002)
Equipment	(138,200)	-	-	-	(138,200)
Total accumulated depreciation	(549,839)	(9,085)	(11,278)	-	(570,202)
Total capital assets being depreciated, net	78,994	(9,085)	(20,363)	-	58,631
DDA capital assets, net	<u>\$ 465,552</u>	<u>\$(9,085)</u>	<u>\$(20,364)</u>	<u>\$ -</u>	<u>\$ 445,188</u>

City of Clare

Notes to Financial Statements

June 30, 2025

4. Capital Assets (continued)

Discretely Presented Component Units (continued)

Activity for the LDFA for the current period was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Land improvements	\$ 94,016	\$ -	\$ -	\$ 94,016
Total capital assets being depreciated	94,016	-	-	94,016
Less accumulated depreciation:				
Land improvements	(60,489)	(3,503)	-	(63,992)
Total accumulated depreciation	(60,489)	(3,503)	-	(63,992)
LDFA capital assets, net	\$ 33,527	\$ (3,503)	\$ -	\$ 30,024

Construction Commitments

The City's active construction projects as of June 30, 2025 included the following contractor commitments:

	Spent to Date	Remaining Commitment
Municipal street project	\$ -	\$ 65,733
Lake Shamrock dredging	2,244,000	75,000
Water treatment facility improvements	1,332,742	1,620,539
	\$ 3,576,742	\$ 1,761,272

City of Clare

Notes to Financial Statements

June 30, 2025

5. Interfund Receivables, Payables, and Transfers

As of June 30, 2025 there were no interfund receivables or payables between the funds. The composition of interfund transfers out and in are as follows:

Fund	Transfers Out	Fund	Transfers In
General	\$ 142,138	General	\$ 79,675
Perpetual Care	9,000	Local Street	150,000
Major Street	155,000	Fire	123,906
Local Street	5,000	Parks	-
Fire	28,232	Public Safety/Bldg Debt	36,464
Parks	5,000		
DDA	5,000		
LFDA	10,675		
Internal Service	10,000		
Sewer	10,000		
Water	10,000		
	\$ 390,045		\$ 390,045

Transfers represent unrestricted revenues used to finance programs that the City must account for in specific funds in accordance with budgetary authorizations, amounts provided as subsidies, or matching funds for specific grant programs.

6. Long-Term Debt

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties that directly benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Clare

Notes to Financial Statements

June 30, 2025

6. Long-Term Debt (continued)

Bond and contractual agreements can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Public safety building – 2012 refunding bonds	3.37%	2035	\$ 320,000	\$ (25,000)	\$ 295,000	\$ 25,000
North Industrial Park	4.00%	2044	445,000	(15,000)	430,000	15,000
Sidewalk LED lighting	2.24%	2031	60,945	(8,706)	52,239	8,706
Recreational complex construction	2.60%	2037	247,000	(16,000)	231,000	16,000
2018 Freightliner blade truck	2.05%	2028	46,000	(11,500)	34,500	11,500
2018 Elgin Street sweeper	3.60%	2033	155,628	(13,205)	142,423	13,680
2021 Shamrock Lake bonds	1.95%	2035	1,036,000	(88,000)	948,000	88,000
2021B Capital improvement bond	1.90%	2037	1,007,000	(72,000)	935,000	73,000
			<u>\$ 3,317,573</u>	<u>\$ (249,411)</u>	<u>\$ 3,068,162</u>	<u>\$ 250,886</u>
Business-Type Activities						
Sewer Fund:						
Sewage system revenue bonds	2.50%	2051	\$ 2,047,954	\$ (54,000)	\$ 1,993,954	\$ 55,000
2014 Rural development bonds	3.25%	2054	287,000	(6,000)	281,000	6,000
Water Fund:						
2014 Rural development bonds	3.25%	2054	480,000	(10,000)	470,000	10,000
2019 Water Plant Revenue Bond	2.125%	2059	1,397,000	(26,000)	1,371,000	27,000
			<u>\$ 4,211,954</u>	<u>\$ (96,000)</u>	<u>\$ 4,115,954</u>	<u>\$ 98,000</u>
Component Units						
DDA:						
2020 Refunding bonds	1.2% to 1.6%	2026	\$ 38,000	\$ (38,000)	\$ -	-
2020 Streetscape bonds	1.84%	2030	188,000	(29,000)	159,000	30,000
			<u>\$ 226,000</u>	<u>\$ (67,000)</u>	<u>\$ 159,000</u>	<u>\$ 30,000</u>

City of Clare

Notes to Financial Statements

June 30, 2025

6. Long-Term Debt (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 250,887	\$ 75,485	\$ 98,000	\$ 103,481	\$ 30,000	\$ 2,926
2027	254,379	69,601	100,000	101,011	31,000	2,374
2028	255,889	63,594	104,000	98,483	32,000	1,803
2029	251,918	57,370	107,000	95,849	33,000	1,214
2030	254,465	51,204	108,000	92,771	33,000	607
2031-2035	1,261,624	160,870	585,000	421,319	-	-
2036-2040	419,000	44,547	664,000	343,250	-	-
2041-2045	120,000	12,320	755,000	254,157	-	-
2046-2050	-	-	854,954	152,951	-	-
2051-2055	-	-	476,000	55,682	-	-
2056-2060	-	-	264,000	14,387	-	-
2061-2065	-	-	-	-	-	-
	<u>\$ 3,068,162</u>	<u>\$ 534,991</u>	<u>\$ 4,115,954</u>	<u>\$ 1,733,341</u>	<u>\$ 159,000</u>	<u>\$ 8,924</u>

7. Segment Information—Enterprise Funds

The City issued revenue bonds to finance certain improvements to its sewer and water systems. Because the Sewer and Water funds are individual major funds that account entirely for the City’s sewage treatment and water distribution activities, segment disclosures are not required.

8. Risk Management

The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability. The City paid the annual premium for this insurance policy before June 30, 2025.

When a claim is incurred and/or paid, the member’s loss contribution account is charged or credited according to the member’s actual loss experience; no obligation is credited for another member’s losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions. The plan does not maintain separate funds for members and consequently the City’s share of total assets and total equity is unknown. Audited financial statements of the plan are available.

City of Clare

Notes to Financial Statements

June 30, 2025

9. Deferred Compensation Plan

The City offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The assets of the plan were held in trust as described in Internal Revenue Code Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the City for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the City’s financial statements.

A summary of the plan’s investment activity for the year ended June 30, 2025, follows:

Balance – July 1, 2024	\$ 957,955
Employee contributions	57,802
Transfers	-
Current withdrawals	(37,196)
Interest and market losses	117,951
Adjustments/fees	(4,269)
Balance – June 30, 2025	\$ 1,092,243

10. Pension Plan

Defined Benefit Pension Plan

General Information about the Pension Plan

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

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

The City’s contribution rate during the 2024 calendar valuation period was 36.02% of annual covered payroll for general employees, 36.29% of annual covered payroll for police employees, and 53.05% for Pere Marquette District Library full time employees. The City’s contributions to the plan for the year ended June 30, 2025 were \$554,749 which equaled the City’s required contribution.

The City may establish contribution rates to be paid by its covered employees. General employees are required to contribute 4% of their annual covered payroll; police employees contribute 8%, and Pere Marquette District Library employees contribute 4%. Employee contributions for the year ended June 30, 2025 were \$88,029.

Benefit Provisions. The chart below summarizes the benefit provisions for each of the City’s three covered groups.

<u>01 – General: Open Division</u>	<u>2024 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)
Employee Contributions	4%
Act 88	Yes (Adopted 6/6/2005)

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

02 – Police/Fire: Open Division	2024 Valuation
Benefit Multiplier	2.50% Multiplier (80% max) Frozen FAC; 2.25% Multiplier (80% max)
Bridged Benefit Date	06/30/2016
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
Employee Contributions	8%
Act 88	Yes (Adopted 6/6/2005)
07 – PMDL All FT EEs: Open Division	2024 Valuation
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)
Employee Contributions	4%
Act 88	Yes (Adopted 6/6/2005)

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Employees covered by benefit terms. As of the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>27</u>
	<u>72</u>

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 6.93%, net of investment expense, including inflation
- Although no specific price inflation assumptions are needed for the valuation, the 3% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%
- Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019
- The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience studies completed in 2018 and 2020

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	60.0%	2.70%
Global Fixed Income	20.0%	0.43%
Private Investments	20.0%	1.30%
Total	100.00%	4.43%

Discount Rate. The discount rate used to measure the total pension liability is 7.18% for 2024. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)Defined Benefit Pension Plan (continued)*Changes in Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2023	\$ 12,582,997	\$ 6,748,746	\$ 5,834,251
Changes for the year			
Service Cost	215,002	-	215,002
Interest on total pension liability	887,612	-	887,612
Changes in benefits	-	-	-
Difference between expected and actual experience	169,134	-	169,134
Changes in assumptions	(5,335)	-	(5,335)
Employer contributions	-	528,961	(528,961)
Employee contributions	-	85,887	(85,887)
Net investment income	-	503,962	(503,962)
Benefit payments, including employee refunds	(656,414)	(656,414)	-
Administrative expense	-	(15,019)	15,019
Other changes	(23,102)	1	(23,103)
Net changes	586,897	447,378	139,519
Balances as of December 31, 2024	\$ 13,169,894	\$ 7,196,124	\$ 5,973,770

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

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 7.18%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability	\$ 7,616,428	\$ 5,973,770	\$ 4,601,855

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

For the year ended June 30, 2025 the employer recognized pension expense of \$1,045,773. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 110,037	\$ -
Differences in assumptions	46,257	-
Excess (Deficit) Investment Returns	-	(167,431)
Contributions subsequent to the measurement date*	281,708	-
Total	\$ 438,002	\$ (167,431)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2025.

City of Clare

Notes to Financial Statements

June 30, 2025

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2026	\$ (166,023)
2027	108,577
2028	46,308
	<u>\$ (11,137)</u>

Funding Policy – The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 26 years.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Contingencies

The City receives financial assistance from other governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the City. However, in the opinion of management, any such disallowed claims will not have a material effect on any financial statements herein or on the overall position of the City.

The City is subject to various legal proceedings arising in the course of providing public services to City residents. However, in the opinion of the City’s attorney and management, the resolution of these matters will not have a material effect, if any, on the financial condition of the City.

City of Clare

Notes to Financial Statements

June 30, 2025

12. Landfill Post-Closure Care

The City owns and operated the Hatton Township Landfill (Landfill), which was closed in 1987. Following closure, the Landfill was capped. However, there have been claims of contamination from the landfill infiltrating local aquifers and contaminating local private wells.

The City hired a technical consultant to develop an assessment plan to determine the levels of alleged migratory contamination. The Michigan Department of Environmental Quality (DEQ) disagreed with the scope and extent of the City consultant’s assessment and assumed the role of performing this assessment in 2000. The DEQ completed its assessment plan in 2003 and found no migratory contamination.

The City has contributed \$200,000 to be held in perpetuity in a designated and agreed-upon, third-party escrow account to defray any future costs and litigation ensuing from contamination caused by the Landfill.

The Landfill is no longer accepting solid waste. Any liability related to any other costs, which may possibly be incurred, cannot be estimated at this time, and no estimated liability has been recorded.

13. Tax Abatements

The City receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City. Industrial Facility Tax exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. For the fiscal year ended June 30, 2025, the City’s property tax revenues were reduced by \$11,757 under these agreements. There are no significant abatements made by the City.

14. Adoption of New Standards

See next page for insert

~~Village of Lexington
Notes to Financial Statements
June 30, 2025~~

insert

17. Adoption of New Standards

In June 2022, the GASB issued Statement No. 101, Compensated Absences, which replaces GASB 16, Accounting Compensated Absences to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The provisions of this statement are effective for the `City's` financial statements for the year ending June 30, 2025. The adoption of this standard did not have a significant impact on the `City's` compensated absence liability.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures, to provide users of government financial statements with essential information about risks related to vulnerabilities due to certain concentrations or constraints. As a result, an assessment will be required to determine whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the vulnerability to the risk of a substantial impact. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025. The adoption of this guidance by the City did not have a material impact on the financial statements.

City of Clare

Required Supplementary Information
Defined Benefit Pension Plan (MERS)

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service Cost	\$ 215,002	\$ 210,453	\$ 207,583	\$ 183,628	\$ 166,797	\$ 153,722	\$ 154,120	\$ 144,430	\$ 163,000	\$ 158,301
Interest	887,612	857,090	828,042	781,035	712,129	703,740	699,144	675,187	669,009	628,374
Changes of benefit terms	-	-	-	-	-	-	(48,037)	40,916	(173,929)	(12,417)
Difference between expected and actual experience	169,134	(94,478)	121,701	81,289	525,294	(45,357)	(216,322)	(26,763)	(39,835)	(143,831)
Changes of assumptions	(5,335)	100,517	-	456,937	322,626	290,251	-	-	-	394,907
Benefit payments including employee refunds	(656,414)	(616,456)	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)
Other	(23,102)	(14,315)	(22,231)	(3,311)	(8,911)	-	1	(1)	1	19,637
Net change in total pension liability	586,897	442,811	510,319	902,966	1,162,417	586,825	41,926	302,463	86,060	498,396
Total pension liability, beginning	12,582,997	12,140,186	11,629,867	10,726,901	9,564,484	8,977,659	8,935,733	8,633,270	8,547,210	8,048,814
Total pension liability, ending	13,169,894	12,582,997	12,140,186	11,629,867	10,726,901	9,564,484	8,977,659	8,935,733	8,633,270	8,547,210
Plan fiduciary net position										
Contributions-employer	\$ 528,961	\$ 482,615	\$ 447,629	\$ 382,822	\$ 348,456	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449
Contributions-employee	85,887	82,208	78,643	143,666	236,085	69,055	68,396	67,274	90,212	94,551
Net Investment income	503,962	681,069	(719,227)	871,543	697,484	697,443	(214,020)	669,346	538,864	(75,565)
Benefit payments including employee refunds	(656,414)	(616,456)	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)
Administrative expense and other changes	(15,019)	(14,432)	(12,799)	(10,013)	(11,321)	(12,007)	(10,713)	(10,609)	(10,640)	(11,048)
Transfers	1	-	-	-	(254,438)	-	-	-	-	-
Net change in plan fiduciary net position	447,378	615,004	(830,530)	791,406	460,748	552,599	(425,530)	451,470	332,492	(317,188)
Plan fiduciary net position, beginning	6,748,746	6,133,742	6,964,272	6,172,866	5,712,118	5,159,519	5,585,049	5,133,579	4,801,087	5,118,275
Plan fiduciary net position, ending	\$ 7,196,124	\$ 6,748,746	\$ 6,133,742	\$ 6,964,272	\$ 6,172,866	\$ 5,712,118	\$ 5,159,519	\$ 5,585,049	\$ 5,133,579	\$ 4,801,087
Employer net pension liability	\$ 5,973,770	\$ 5,834,251	\$ 6,006,444	\$ 4,665,595	\$ 4,554,035	\$ 3,852,366	\$ 3,818,140	\$ 3,350,684	\$ 3,499,691	\$ 3,746,123
Plan fiduciary net position as a percentage of the total pension liability	54.6%	53.6%	50.5%	59.9%	57.5%	59.7%	57.5%	62.5%	59.5%	56.2%
Covered employee payroll	\$ 1,668,893	\$ 1,619,227	\$ 1,587,711	\$ 1,534,305	\$ 1,495,782	\$ 1,356,101	\$ 1,340,751	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889
Employer's net pension liability as a percentage of covered employee payroll	357.9%	360.3%	378.3%	304.1%	304.5%	284.1%	284.8%	264.6%	272.4%	297.8%

Notes to schedule:

Benefit changes: There were no changes in benefits during the periods presented.

Changes in assumptions:

For 2023: 1) The assumed annual rate of investment return, net of all expenses, was 6.93%. 2) The asset smoothing period was changed from 10 years to 5 years, effective in 2016. There were no changes in actuarial assumptions or methods for 2023.

These totals and ratios for years 2014 through 2023 are shown for comparative purposes and reflect the actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability, and covered payroll as reported in previous years' financial statements.

City of Clare

Required Supplementary Information
 Defined Benefit Pension Plan (MERS)
 Schedule of Employer's Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 554,749	\$ 508,994	\$ 469,580	\$ 400,415	\$ 357,211	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449
Contributions in relation to the actuarially determined contribution	554,749	508,994	469,580	400,415	357,211	313,639	277,787	256,765	246,242	221,449
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,668,893	\$ 1,619,227	\$ 1,587,711	\$ 1,534,305	\$ 1,495,782	\$ 1,356,101	\$ 1,340,751	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889
Contributions as a percentage of covered employee payroll	33%	31%	30%	26%	24%	23%	21%	20%	19%	18%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male MP-2019 Annuity Mortality Table

Above dates are based on the actuarial measurement date

City of Clare

Budgetary Comparison Schedule - General Fund

June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ 1,948,425	\$ 2,136,306	\$ 2,139,032	\$ 2,726
Special assessments, net	55,000	60,348	60,480	132
Licenses and permits	72,500	66,042	66,321	279
Federal revenue	519,498	38,800	38,800	-
State revenue	3,999,408	1,295,753	1,398,698	102,945
Charges for services	809,600	789,365	804,701	15,336
Fines and forfeitures	2,600	3,118	3,398	280
Interest and rentals	49,350	104,783	109,367	4,584
Other revenue - donations	12,400	208,248	209,383	1,135
Other revenue	5,600	51,536	52,614	1,078
Total revenues	7,474,381	4,754,299	4,882,794	128,495
Expenditures				
General government:				
City commission	46,350	43,048	43,352	(304)
City manager	177,007	177,717	183,526	(5,809)
Assessor	51,450	51,083	50,861	222
Clerk	246,703	242,553	241,013	1,540
Elections	11,700	16,797	16,870	(73)
Board of review	2,615	935	935	-
Cemetery	111,057	88,977	83,692	5,285
Buildings and grounds	86,840	76,607	73,954	2,653
Fiscal services	158,176	155,693	153,759	1,934
All other general government	46,550	47,995	51,234	(3,239)
Public safety:				
Police department	1,096,397	1,091,008	1,072,954	18,054
Fire department	304,285	230,754	226,514	4,240
Building inspection and regulation activities	19,100	19,193	19,125	68
Public works:				
Solid waste	215,077	211,190	208,304	2,886
Landfill closure	47,258	45,516	33,098	12,418
Department of public works	70,934	87,377	87,150	227
Drains	14,237	16,072	16,072	-
Street lights	60,719	84,285	75,844	8,441
Community development:				
Planning and zoning	25,800	21,000	20,762	238

City of Clare

Budgetary Comparison Schedule - General Fund (continued)

June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Recreation and culture:				
Parks and recreation	\$ 3,826,688	\$ 1,421,964	\$ 1,338,498	\$ 83,466
Airport	241,512	207,952	201,945	6,007
Capital outlay:				
General government	70,000	66,390	66,390	-
Public safety	65,404	136,168	136,168	-
Recreation and culture	609,840	37,668	37,668	-
Debt service:				
Principal	174,506	174,506	174,506	-
Interest and fiscal charges	56,715	55,205	55,205	-
Total expenditures	<u>7,836,920</u>	<u>4,807,653</u>	<u>4,669,399</u>	<u>138,254</u>
Excess (deficiency) of revenues over expenditures	<u>(362,539)</u>	<u>(53,354)</u>	<u>213,395</u>	<u>266,749</u>
Other financing sources (uses)				
Transfers in	159,800	186,883	203,581	16,698
Transfers out	<u>(156,772)</u>	<u>(158,772)</u>	<u>(175,370)</u>	<u>(16,598)</u>
Total other financing sources (uses)	<u>3,028</u>	<u>28,111</u>	<u>28,211</u>	<u>100</u>
Net change in fund balances	(359,511)	(25,243)	241,606	266,849
Fund balances-beginning	2,663,705	2,663,705	2,663,705	-
Fund balances-ending	<u>\$ 2,304,194</u>	<u>\$ 2,638,462</u>	<u>\$ 2,905,311</u>	<u>\$ 266,849</u>

City of Clare

Budgetary Comparison Schedule - Major Streets Fund

June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State revenue	\$ 413,133	\$ 427,457	\$ 434,405	\$ 6,948
Interest earnings	1,000	4,000	4,139	139
Other revenue	-	1,333	2,105	772
Total revenues	<u>414,133</u>	<u>432,790</u>	<u>440,649</u>	<u>7,859</u>
Expenditures				
Public works:				
Wages	68,654	68,806	71,647	(2,841)
Payroll taxes	5,252	5,263	4,960	303
Fringe benefits	26,933	28,112	28,607	(495)
Retirement	20,840	22,963	22,786	177
Internal service fund - mobile	99,800	99,800	99,800	-
Operating supplies	21,550	14,000	13,766	234
Road salt	20,500	8,653	12,005	(3,352)
Professional and contractual services	9,900	3,500	3,160	340
Electricity	600	100	76	24
Professional services - trees	2,500	2,778	3,343	(565)
Drain improvements	12,720	12,717	12,717	-
Miscellaneous	400	100	50	50
Total expenditures	<u>289,649</u>	<u>266,792</u>	<u>272,917</u>	<u>(6,125)</u>
Excess (deficiency) of revenues over expenditures	<u>124,484</u>	<u>165,998</u>	<u>167,732</u>	<u>1,734</u>
Other financing sources (uses)				
Transfers out	(152,000)	(155,000)	(155,000)	-
Total other financing sources (uses)	<u>(152,000)</u>	<u>(155,000)</u>	<u>(155,000)</u>	<u>-</u>
Net change in fund balances	(27,516)	10,998	12,732	1,734
Fund balances-beginning	253,489	253,489	253,489	-
Fund balances-ending	<u>\$ 225,973</u>	<u>\$ 264,487</u>	<u>\$ 266,221</u>	<u>\$ 1,734</u>

City of Clare

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2025

	Special Revenue		Debt Service	Permanent	Total
	Local Street	Municipal Street	Public Safety	Cemetery Perpetual Care	
Assets					
Cash and cash equivalents	\$ 75,146	\$ 327,674	\$ 43,203	\$ 349,083	\$ 795,106
Due from other governmental units	25,474	-	-	-	25,474
Prepaid items	6,044	-	-	-	6,044
Total assets	<u>\$ 106,664</u>	<u>\$ 327,674</u>	<u>\$ 43,203</u>	<u>\$ 349,083</u>	<u>\$ 826,624</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities:					
Accounts payable	\$ 334	\$ 85,717	\$ -	\$ 100	\$ 86,151
Accrued liabilities	2,440	-	-	-	2,440
Total liabilities	<u>2,774</u>	<u>85,717</u>	<u>-</u>	<u>100</u>	<u>88,591</u>
Fund balances:					
Nonspendable - prepaid items	6,044	-	-	-	6,044
Nonspendable - cemetery perpetual care	-	-	-	323,345	323,345
Restricted - streets and highways	97,846	241,957	43,203	-	383,006
Assigned - cemetery	-	-	-	25,638	25,638
Total fund balances	<u>103,890</u>	<u>241,957</u>	<u>43,203</u>	<u>348,983</u>	<u>738,033</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 106,664</u>	<u>\$ 327,674</u>	<u>\$ 43,203</u>	<u>\$ 349,083</u>	<u>\$ 826,624</u>

City of Clare

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

June 30, 2025

	Special Revenue		Debt Service	Permanent Cemetery	
	Local Street	Municipal Street	Public Safety	Perpetual Care	Total
Revenues					
Property taxes and related fees	\$ -	\$ 318,293	\$ -	\$ -	\$ 318,293
State revenue	165,588	40,765	-	-	206,353
Charges for services	-	-	-	4,800	4,800
Interest and rentals	1,510	5,734	-	10,416	17,660
Other revenue	18,550	-	-	-	18,550
Total revenues	185,648	364,792	-	15,216	565,656
Expenditures					
Public works	329,023	300,970	-	100	630,093
Debt service:					
Principal	-	-	25,000	-	25,000
Interest and fiscal charges	-	-	11,933	-	11,933
Total expenditures	329,023	300,970	36,933	100	667,026
Excess (deficiency) of revenues over expenditures	(143,375)	63,822	(36,933)	15,116	(101,370)
Other financing sources (uses)					
Transfers in	150,000	-	36,464	-	186,464
Transfers out	(5,000)	-	-	(9,000)	(14,000)
Total other financing sources (uses)	145,000	-	36,464	(9,000)	172,464
Net change in fund balances	1,625	63,822	(469)	6,116	71,094
Fund balances-beginning	102,265	178,135	43,672	342,867	666,939
Fund balances-ending	\$ 103,890	\$ 241,957	\$ 43,203	\$ 348,983	\$ 738,033

See accompanying notes.

City of Clare

Combining Statement of Net Position - Internal Service Funds

June 30, 2025

	Data	Mobile	Total
	Processing	Equipment	
Assets			
Current assets:			
Cash and cash equivalents	\$ 56,921	\$ 324,955	\$ 381,876
Accounts receivable, net	-	519	519
Inventory	-	88,316	88,316
Prepaid items	947	9,872	10,819
Total current assets	<u>57,868</u>	<u>423,662</u>	<u>481,530</u>
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	39,037	39,037
Equipment, net	424	4,936	5,360
Vehicles, net	-	575,187	575,187
Total noncurrent assets	<u>424</u>	<u>704,160</u>	<u>704,584</u>
Total assets	<u>\$ 58,292</u>	<u>\$ 1,127,822</u>	<u>\$ 1,186,114</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 3,766	\$ 11,666	\$ 15,432
Accrued expenses	-	1,920	1,920
Long-term liabilities:			
Due in one year	-	25,180	25,180
Due in more than one year	-	152,152	152,152
Total liabilities	<u>3,766</u>	<u>190,918</u>	<u>194,684</u>
Net position			
Invested in capital assets	424	526,828	527,252
Unrestricted	54,102	410,076	464,178
Total net position	<u>\$ 54,526</u>	<u>\$ 936,904</u>	<u>\$ 991,430</u>

City of Clare

Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal
Service Funds

June 30, 2025

	Data Processing	Mobile Equipment	Total
Operating revenues			
Charges for services	\$ 58,500	\$ 568,320	\$ 626,820
Other revenue	870	2,319	3,189
Total operating revenues	<u>59,370</u>	<u>570,639</u>	<u>630,009</u>
Operating expenses			
Salaries and wages	-	75,158	75,158
Payroll taxes	-	5,214	5,214
Employee benefits	120	29,024	29,144
Retirement	-	23,878	23,878
Supplies	2,355	77,467	79,822
Professional and contracted services	40,573	10,012	50,585
Insurance	988	8,445	9,433
Telephone and communications	18	4,846	4,864
Utilities	-	20,557	20,557
Repair and maintenance	2,496	84,959	87,455
Miscellaneous	1	1,041	1,042
Depreciation	9,799	192,274	202,073
Total operating expenses	<u>56,350</u>	<u>532,875</u>	<u>589,225</u>
Operating income (loss)	3,020	37,764	40,784
Nonoperating revenues (expenses)			
Interest earnings	979	3,690	4,669
Debt contributions	-	(25,200)	(25,200)
Interest expense	-	(13,003)	(13,003)
Total nonoperating revenues (expenses)	<u>979</u>	<u>(34,513)</u>	<u>(33,534)</u>
Income (loss) before transfers	3,999	3,251	7,250
Transfers			
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Total transfers	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Changes in net position	(1,001)	(1,749)	(2,750)
Total net position-beginning	55,527	938,653	994,180
Total net position-ending	<u>\$ 54,526</u>	<u>\$ 936,904</u>	<u>\$ 991,430</u>

City of Clare

Combining Statement of Cash Flows - Internal Service Funds

June 30, 2025

	Data	Mobile	Total
	Processing	Equipment	Total
Cash flows from operating activities			
Receipts from customers	\$ 59,370	\$ 571,544	\$ 630,914
Payments to suppliers	(43,310)	(225,508)	(268,818)
Payments to employees	(120)	(132,912)	(133,032)
Net cash from operating activities	15,940	213,124	229,064
Cash flows from noncapital financing activities			
Transfers out	(5,000)	(5,000)	(10,000)
Debt contributions	-	(25,200)	(25,200)
Net cash from noncapital financing activities	(5,000)	(30,200)	(35,200)
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	-	(43,965)	(43,965)
Principal payments	-	(24,705)	(24,705)
Interest paid on capital debt	-	(13,003)	(13,003)
Net cash from capital and related financing activities	-	(81,673)	(81,673)
Cash flows from investing activities			
Interest earnings	979	3,690	4,669
Net cash from investing activities	979	3,690	4,669
Net change in cash and cash equivalents	11,919	104,941	116,860
Cash and cash equivalents at beginning of year	45,002	220,014	265,016
Cash and cash equivalents at end of year	\$ 56,921	\$ 324,955	\$ 381,876
Reconciliation of operating loss to net cash from operating activities:			
Operating income (loss)	\$ 3,020	\$ 37,764	\$ 40,784
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	9,799	192,274	202,073
Change in assets and liabilities:			
Accounts receivable, net	-	905	905
Inventory	-	(27,615)	(27,615)
Prepaid items	159	1,835	1,994
Accounts payable	2,962	7,599	10,561
Accrued expenses	-	362	362
Net cash from operating activities	\$ 15,940	\$ 213,124	\$ 229,064

City of Clare

Combining Balance Sheet - Fiduciary Funds

June 30, 2025

	General Agency Fund	Current Tax Collection Fund	Payroll Imprest Fund	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ (11,219)	\$ (11,219)
Total assets	\$ -	\$ -	\$ (11,219)	\$ (11,219)
Liabilities				
Accrued expenses	\$ -	\$ -	\$ (18,505)	\$ (18,505)
Total liabilities	\$ -	\$ -	\$ (11,219)	\$ (11,219)

Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended June 30, 2025

	General Agency Fund	Tax Collection Fund	Payroll Imprest Fund	Total
Additions				
Amounts collected for other governments	\$ 45,027	\$ 6,029,909	\$ 605,581	\$ 6,680,517
Deductions				
Amounts distributed to other governments	45,027	6,029,909	605,581	6,680,517
Net change in fiduciary position	-	-	-	-
Net position at beginning of year	-	-	-	-
Net position at end of year	\$ -	\$ -	\$ -	\$ -

City of Clare

Combining Balance Sheet - Component Units

June 30, 2025

		Local		
	Downtown Development Authority	Development Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 146,854	\$ 676	\$ 4,774	\$ 152,304
Accounts receivable	1,316	-	-	1,316
Total assets	\$ 148,170	\$ 676	\$ 4,774	\$ 153,620
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 4,881	\$ -	\$ -	\$ 4,881
Total liabilities	4,881	-	-	4,881
Fund balances:				
Restricted - debt service	143,289	-	-	143,289
Restricted - community development	-	676	4,774	5,450
Total fund balances	143,289	676	4,774	148,739
Total liabilities and fund balances	\$ 148,170	\$ 676	\$ 4,774	\$ 153,620

City of Clare

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Component Units

June 30, 2025

		Local			
	Downtown Development Authority	Development Finance Authority	Brownfield Redevelopment Authority	Total	
Revenues					
Property taxes and related fees	\$ 113,894	\$ 11,131	\$ -	\$ 125,025	
Interest earnings	-	161	87	248	
Other revenue	32,585	-	-	32,585	
Total revenues	146,479	11,292	87	157,858	
Expenditures					
Community development	60,702	534	-	61,236	
Capital outlay	19,208	-	-	19,208	
Debt service:					
Principal	67,000	-	-	67,000	
Interest and related fees	3,763	-	-	3,763	
Total expenditures	150,673	534	-	151,207	
Excess of revenue over expenditures	(4,194)	10,758	87	6,651	
Other financing sources (uses)					
Transfers out	(5,000)	(10,675)	-	(15,675)	
Total other financing sources (uses)	(5,000)	(10,675)	-	(15,675)	
Net change in fund balances	(9,194)	83	87	(9,024)	
Fund balances-beginning	152,483	593	4,687	157,763	
Fund balances-ending	\$ 143,289	\$ 676	\$ 4,774	\$ 148,739	

RESOLUTION 2025-099

A RESOLUTION OF THE CLARE CITY COMMISSION APPROVING THE ANNUAL EXTERNAL AUDIT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE CITY OF CLARE'S FISCAL YEAR 2024/25.

WHEREAS, an independent audit of the accounting and financial records of the City of Clare for the City's fiscal year ending on June 30, 2025, was conducted by the public accounting firm of Andrews, Hooper & Pavlik (AHP) of Midland, Michigan; and

WHEREAS, said audit from Andrews, Hooper & Pavlik of the City, said results being verbally presented to the Clare City Commission by a qualified representative of said accounting firm at a scheduled and noticed public meeting held on December 15, 2025; and

WHEREAS, the Clare City Commission must approve the results of the said audit and audited financial statements to facilitate the filing of the audit and other related reports with the appropriate State of Michigan and certain federal agencies; and

WHEREAS, the City Treasurer/Finance Director, the City Manager, and the City Clerk have each reviewed, acknowledged, and formally concur with the results of the audit; and

WHEREAS, the City Commission was provided with and has had ample time to review a preliminary draft copy of said audit report; and

WHEREAS, the City Commission has concluded that said audit report is acceptable and reflects an accurate statement of the fiscal status of the City of Clare.

NOW THEREFORE BE IT RESOLVED that the Clare City Commission hereby approves the results of the independent audit of the financial statements of the City of Clare for the fiscal year ending June 30, 2025, said audit being conducted by the independent public accounting firm of Andrews, Hooper & Pavlik of Midland, Michigan.

BE IT FURTHER RESOLVED that the City Commission directs its Treasurer/Finance Director to file the appropriate reports of said audit findings and other reports with the various agencies and departments of the State of Michigan and the Federal Government.

ALL RESOLUTIONS AND PARTS OF RESOLUTIONS INSOFAR AS THEY CONFLICT WITH THE PROVISIONS OF THIS RESOLUTION BE AND THE SAME ARE HEREBY RESCINDED.

The Resolution was introduced by Commissioner _____ and supported by Commissioner _____. The Resolution declared adopted by the following roll call vote:

YEAS:

NAYS:

ABSENT:

Resolution approved for adoption on this 15th day of December, 2025.

Diane M. Lyon, City Clerk