

## AGENDA REPORT

TO: Mayor Pat Humphrey & the Clare City Commission  
FROM: Jeremy Howard, City Manager  
DATE: December 28, 2023  
RE: Audit Presentation and Approval of Fiscal Year 2022/23 Audit Report

For the Agenda of January 3, 2024

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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, 2023. A qualified representative from the firm is scheduled to publicly present their report (*att'd*) and the results of the audit (*att'd*) to the Clare City Commission at its regularly scheduled meeting on January 3, 2024. An internal control deficiency was noted during the independent audit. The city administration has made a corrective action plan (*att'd*) to correct the deficiency. A draft copy of the complete audit report is attached for your review.

The City Treasurer/Finance Director, City Manager, and City Clerk will have each reviewed the audit report before the meeting and will have formally acknowledged the results in writing (*att'd*).

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 and the City's corrective action plan by the adoption of the attached Resolution 2024-001.

Attachments.

1. Report of Independent Auditors.
2. Fiscal Year 2022/23 Independent Audit Report and Audited Financials.
3. Corrective Action Letter.
4. Management Acknowledgement Letter.
5. Resolution 2024-001.

Audited Financial Statements

City of Clare  
Clare and Isabella Counties, Michigan

*Year Ended June 30, 2023*  
*with Report of Independent Auditors*



City of Clare  
Audited Financial Statements  
Year Ended June 30, 2023

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City of Clare

Audited Financial Statements

Year Ended June 30, 2023

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*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.

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## ***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 56-57, and the budgetary comparison information on pages 58-60, 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, 2023 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, 2023.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, 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.

*Andrews Hooper Pavlik PLC*

Midland, Michigan  
December 15, 2023

# City of Clare

## Management's Discussion and Analysis

June 30, 2023

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, 2023. 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 \$19,037,221 (net position). Of this amount, \$550,891 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 decreased by \$1,425,784.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$3,792,200, an increase of \$774,809 in comparison with the prior year. Approximately 69% of this amount, which is \$2,610,051, 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 \$2,610,051, or approximately 77% 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, 2023

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, 2023

***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 \$19,037,221 at the close of the most recent year.

## City of Clare

### Management's Discussion and Analysis

June 30, 2023

#### City of Clare's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current assets	<b>\$ 5,136,691</b>	\$ 4,458,685	<b>\$ 2,932,925</b>	\$ 3,026,746	<b>\$ 8,069,616</b>	\$ 7,485,431
Capital assets, net	<b>15,012,117</b>	15,088,957	<b>11,156,595</b>	10,811,208	<b>26,168,712</b>	25,900,165
Total assets	<b>20,148,808</b>	19,547,642	<b>14,089,520</b>	13,837,954	<b>34,238,328</b>	33,385,596
<b>Deferred outflows of resources</b>	<b>678,962</b>	1,054,772	<b>130,289</b>	206,918	<b>809,251</b>	1,261,690
<b>Liabilities</b>						
Current liabilities	<b>844,193</b>	1,028,302	<b>169,252</b>	309,225	<b>1,013,445</b>	1,337,527
Long-term liabilities	<b>8,356,979</b>	7,464,962	<b>5,178,991</b>	5,071,111	<b>13,535,970</b>	12,536,073
Total liabilities	<b>9,201,172</b>	8,493,264	<b>5,348,243</b>	5,380,336	<b>14,549,415</b>	13,873,600
<b>Deferred inflows of resources</b>	<b>1,322,294</b>	310,681	<b>138,649</b>	-	<b>1,460,943</b>	310,681
<b>Net position</b>						
Invested in capital assets, net of related debt	<b>11,447,593</b>	11,250,015	<b>6,850,641</b>	6,399,561	<b>18,298,234</b>	17,649,576
Restricted	<b>1,005,218</b>	794,485	<b>284,660</b>	233,237	<b>1,289,878</b>	1,027,722
Unrestricted	<b>(2,148,507)</b>	(246,031)	<b>1,597,616</b>	2,031,738	<b>(550,891)</b>	1,785,707
Total net position	<b>\$ 10,304,304</b>	\$ 11,798,469	<b>\$ 8,732,917</b>	\$ 8,664,536	<b>\$19,037,221</b>	\$20,463,005

The largest portion of the City's net position (96%) 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 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining amount of (\$550,891) 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, 2023

**City of Clare's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,159,834	\$ 899,582	\$ 1,957,961	\$ 1,879,664	\$ 3,117,795	\$ 2,779,246
Operating grants and contributions	594,169	555,099	-	-	594,169	555,099
Capital grants and contributions	358,195	13,400	466,995	275,983	825,190	289,383
General revenues:						
Property taxes and fees	2,128,720	2,063,414	-	-	2,128,720	2,063,414
Special assessments	-	526	-	-	-	526
Grants and contributions not restricted to programs	689,621	663,700	-	-	689,621	663,700
Interest earnings	6,065	1,380	55,674	47,070	61,739	48,450
Gain on sale of assets	12,000	144,247	-	-	12,000	144,247
Miscellaneous	47,564	68,787	256,191	80,774	303,755	149,561
<b>Total revenues</b>	<b>4,996,168</b>	<b>4,410,135</b>	<b>2,736,821</b>	<b>2,283,491</b>	<b>7,732,989</b>	<b>6,693,626</b>
<b>Expenses</b>						
General government	3,364,001	1,286,158	-	-	3,364,001	1,286,158
Public safety	1,300,796	1,251,736	-	-	1,300,796	1,251,736
Public works	1,045,307	965,622	-	-	1,045,307	965,622
Community development	20,486	35,064	-	-	20,486	35,064
Recreation and culture	689,216	573,100	-	-	689,216	573,100
Interest on long-term debt	70,527	69,482	-	-	70,527	69,482
Sewer	-	-	1,489,123	1,001,771	1,489,123	1,001,771
Water	-	-	1,179,317	853,089	1,179,317	853,089
<b>Total expenses</b>	<b>6,490,333</b>	<b>4,181,162</b>	<b>2,668,440</b>	<b>1,854,860</b>	<b>9,158,773</b>	<b>6,036,022</b>
<b>Change in net position</b>	<b>(1,494,165)</b>	<b>228,973</b>	<b>68,381</b>	<b>428,631</b>	<b>(1,425,784)</b>	<b>657,604</b>
<b>Net position-beginning</b>	<b>11,798,469</b>	<b>11,569,496</b>	<b>8,664,536</b>	<b>8,235,905</b>	<b>20,463,005</b>	<b>19,805,401</b>
<b>Net position-ending</b>	<b>\$10,304,304</b>	<b>\$11,798,469</b>	<b>\$ 8,732,917</b>	<b>\$ 8,664,536</b>	<b>\$19,037,221</b>	<b>\$20,463,005</b>

**Governmental Activities.** During the current year, net position for governmental activities decreased \$1,494,165 from the prior year for an ending balance of \$10,304,304. This decrease was the result of a variety of factors.

**Business-Type Activities.** During the current year, net position for business-type activities increased \$68,381 from the prior year for an ending balance of \$8,732,917. 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, 2023

### **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, 2023, the City's governmental funds reported combined fund balances of \$3,792,200, an increase of \$774,809 in comparison with the prior year. Approximately 69% of this amount constitutes unassigned fund balance of \$2,610,051, 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 (\$135,534), 2) legally required to be maintained intact (\$505,033), 3) restricted for particular purposes (\$500,185), or 4) assigned for particular purposes (\$41,397).

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 \$2,610,051, while total fund balance increased to \$548,134. 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 75% of total General Fund expenditures, while total fund balance represents approximately 85% of that same amount.

The fund balance of the City's General Fund increased by \$548,134 during the current year. Overall revenues decreased by approximately \$252,000 related to no bond proceeds during the fiscal year but with an increase in operating revenue of approximately \$498,000 in the fiscal year; and expenditures decreased by approximately \$420,000 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 (\$120,492) and for the Water Fund was \$1,301,424. The total decrease in net position for the Sewer Fund was \$435,930; while the Water Fund's net position increased by \$472,580. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund resulted from an increase in expenditures being greater than the increase in revenues and for the Water Fund the increase was a result of normal operations.

# City of Clare

## Management's Discussion and Analysis

June 30, 2023

### 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, donations and contributions, proceeds from sale of assets due to timing of grant funding, and donations received for various projects. The most significant differences between estimated expenditures and actual expenditures were in the following categories: police department, fire department, street lights, parks and recreation, airport, and capital outlay 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, 2023 was \$26,168,712 (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 10%.

### City of Clare's Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,139,102	\$ 4,139,102	\$ 53,389	\$ 53,389	\$ 4,192,491	\$ 4,192,491
Land improvements	5,386,232	5,401,367	30,181	33,122	5,416,413	5,434,489
Buildings	1,155,919	1,158,537	1,346,912	1,125,369	2,502,831	2,283,906
Equipment	485,240	575,797	1,275,099	1,330,521	1,760,339	1,906,318
Vehicles	1,732,023	1,815,948	-	-	1,732,023	1,815,948
System	-	-	8,380,451	8,198,244	8,380,451	8,198,244
Construction in progress	2,113,601	1,998,206	70,563	70,563	2,184,164	2,068,769
	<b>\$15,012,117</b>	<b>\$15,088,957</b>	<b>\$ 11,156,595</b>	<b>\$ 10,811,208</b>	<b>\$ 26,168,712</b>	<b>\$25,900,165</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,870,478. Of this amount, \$7,574,954 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, 2023

### City of Clare's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 3,269,000	\$ 3,492,000	\$ 2,100,954	\$ 2,151,954	\$ 5,369,954	\$ 5,643,954
Revenue bonds	-	-	2,205,000	2,259,693	2,205,000	2,259,693
Installment purchase contracts	295,524	346,942	-	-	295,524	346,942
	<b>\$ 3,564,524</b>	<b>\$ 3,838,942</b>	<b>\$ 4,305,954</b>	<b>\$ 4,411,647</b>	<b>\$ 7,870,478</b>	<b>\$ 8,250,589</b>

The City's total debt decreased by approximately \$380,000, or 5%, during the current year. The reason for the decrease is due to the City paying off the refunding bonds related to the Water and Sewer funds and paying off the Soccer Complex Land Purchase. There was no new debt issued in the current year.

### Economic Factors and Next Year's Budgets and Rates

Revenues and expenditures for 2023-2024 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](mailto:jhoward@cityofclare.gov) or Ms. Vicki Corlew City Treasurer, Finance and Technology Director, Email: [VCorlew@cityofclare.gov](mailto:VCorlew@cityofclare.gov).

# City of Clare

## Statement of Net Position

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,940,799	\$ 1,657,623	\$ 5,598,422	\$ 131,130
Investments held by trustee	210,056	-	210,056	-
Accounts receivable, net	162,646	308,175	470,821	-
Assessments receivable, net	594,646	-	594,646	-
Internal balances	(416,684)	416,684	-	-
Due from other governmental units	155,552	46,319	201,871	-
Leases receivable	276,412	-	276,412	-
Inventory	99,417	19,234	118,651	-
Prepaid items	113,847	24,601	138,448	-
Restricted cash and cash equivalents	-	460,289	460,289	-
Capital assets, net:				
Assets not being depreciated	6,252,703	123,952	6,376,655	386,558
Assets being depreciated	8,759,414	11,032,643	19,792,057	141,580
<b>Total assets</b>	<b>20,148,808</b>	<b>14,089,520</b>	<b>34,238,328</b>	<b>659,268</b>
<b>Deferred outflows of resources</b>				
Related to pension	678,962	130,289	809,251	-
<b>Liabilities</b>				
Accounts payable	118,007	23,090	141,097	-
Accrued liabilities	28,522	10,390	38,912	-
Accrued interest payable	17,045	25,890	42,935	1,270
Due to other governmental units	2,148	-	2,148	-
Deposits and other liabilities	1,397	15,882	17,279	-
Unearned revenue	430,122	-	430,122	-
Long-term debt:				
Due in one year	246,952	94,000	340,952	65,000
Due in more than one year	3,317,572	4,211,954	7,529,526	226,000
Net pension liability	5,039,407	967,037	6,006,444	-
<b>Total liabilities</b>	<b>9,201,172</b>	<b>5,348,243</b>	<b>14,549,415</b>	<b>292,270</b>
<b>Deferred inflows of resources</b>				
Unearned lease revenue	276,412	-	276,412	-
Unearned grant revenue	323,358	-	323,358	-
Related to pension	722,524	138,649	861,173	-
<b>Total deferred inflows of resources</b>	<b>1,322,294</b>	<b>138,649</b>	<b>1,460,943</b>	<b>-</b>
<b>Net position</b>				
Invested in capital assets, net of related debt	11,447,593	6,850,641	18,298,234	237,138
Restricted for:				
Landfill postclosure care	210,056	-	210,056	-
Cemetery perpetual care	294,977	-	294,977	-
Streets and highways	500,185	-	500,185	-
Debt service	-	284,660	284,660	125,145
Community development	-	-	-	4,715
Unrestricted	(2,148,507)	1,597,616	(550,891)	-
<b>Total net position</b>	<b>\$ 10,304,304</b>	<b>\$ 8,732,917</b>	<b>\$ 19,037,221</b>	<b>\$ 366,998</b>

See accompanying notes.



City of Clare

Statement of Activities

Year Ended June 30, 2023

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Governmental activities:</b>								
General government	\$ 3,364,001	\$ 202,944	\$ 2,940	\$ -	\$ (3,158,117)		\$ (3,158,117)	
Public safety	1,300,796	433,747	8,435	46,999	(811,615)		(811,615)	
Public works	1,045,307	241,935	575,588	-	(227,784)		(227,784)	
Community development	20,486	-	-	-	(20,486)		(20,486)	
Recreation and culture	689,216	281,208	7,206	311,196	(89,606)		(89,606)	
Interest on long-term debt	70,527	-	-	-	(70,527)		(70,527)	
Total governmental activities	6,490,333	1,159,834	594,169	358,195	(4,378,135)		(4,378,135)	
<b>Business-type activities:</b>								
Sewer	1,489,123	1,067,893	-	-		\$ (421,230)	(421,230)	
Water	1,179,317	890,068	-	466,995		177,746	177,746	
Total business-type activities	2,668,440	1,957,961	-	466,995		(243,484)	(243,484)	
Total primary government	\$ 9,158,773	\$ 3,117,795	\$ 594,169	\$ 825,190		(243,484)	(4,621,619)	
<b>Component units:</b>								
Downtown Development Authority	80,999	-	8,705	-			\$ (72,294)	
Local Development Finance Authority	8,177	-	-	-			(8,177)	
Brownfield Redevelopment Authority	-	-	-	-			-	
Total component units	\$ 89,176	\$ -	\$ 8,705	\$ -			(80,471)	
<b>General revenues:</b>								
Property taxes and related fees					2,128,720	-	2,128,720	108,817
Special assessments					-	-	-	-
Grants and contributions not restricted to specific programs					689,621	-	689,621	-
Interest earnings					6,065	55,674	61,739	211
Gain on sale of assets					12,000	-	12,000	-
Miscellaneous					47,564	256,191	303,755	-
Total general revenues					2,883,970	311,865	3,195,835	109,028
Change in net position					(1,494,165)	68,381	(1,425,784)	28,557
Net position-beginning					11,798,469	8,664,536	20,463,005	338,441
Net position-ending					\$ 10,304,304	\$ 8,732,917	\$ 19,037,221	\$ 366,998

See accompanying notes.

City of Clare

Governmental Funds Balance Sheet

June 30, 2023

	General	Major Street	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,948,891	\$ 223,524	\$ 529,522	\$ 3,701,937
Investments held by trustee	210,056		-	210,056
Accounts receivable, net	159,407	-	-	159,407
Assessments receivable, net	500,175	-	-	500,175
Due from other governmental units	68,795	61,493	25,264	155,552
Leases receivable	276,412	-	-	276,412
Inventory	33,142	-	-	33,142
Prepaid items	94,872	3,225	4,295	102,392
<b>Total assets</b>	<b>\$ 4,291,750</b>	<b>\$ 288,242</b>	<b>\$ 559,081</b>	<b>\$ 5,139,073</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 114,031	\$ 202	\$ 101	\$ 114,334
Accrued liabilities	24,296	1,266	1,675	27,237
Due to other governmental units	2,148	-	-	2,148
Deposits and other liabilities	1,397	-	-	1,397
Unearned revenue	106,764	-	-	106,764
<b>Total liabilities</b>	<b>248,636</b>	<b>1,468</b>	<b>1,776</b>	<b>251,880</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - long-term special assessments	818,581	-	-	818,581
Unearned lease revenue	276,412	-	-	276,412
<b>Total deferred inflows of resources</b>	<b>1,094,993</b>	<b>-</b>	<b>-</b>	<b>1,094,993</b>
<b>Fund balances:</b>				
Nonspendable - inventory	33,142	-	-	33,142
Nonspendable - prepaid items	94,872	3,225	4,295	102,392
Nonspendable - landfill postclosure care	210,056	-	-	210,056
Nonspendable - cemetery perpetual care	-	-	294,977	294,977
Restricted - streets and highways	-	283,549	216,636	500,185
Assigned - cemetery	-	-	41,397	41,397
Unassigned	2,610,051	-	-	2,610,051
<b>Total fund balances</b>	<b>2,948,121</b>	<b>286,774</b>	<b>557,305</b>	<b>3,792,200</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,291,750</b>	<b>\$ 288,242</b>	<b>\$ 559,081</b>	<b>\$ 5,139,073</b>

See accompanying notes.

City of Clare

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

June 30, 2023

Total fund balances for governmental funds	\$ 3,792,200
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital assets	19,356,370
Accumulated depreciation	(5,270,915)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	
Long-term special assessments receivable	594,646
Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements.	
	678,962
Deferred inflows represent deferred pension-related financial sources that are recognized in future periods in the government-wide financial statements	
	(1,048,668)
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.	
	824,869
Certain liabilities are not payable in the current period and are not reported in the funds.	
Accrued interest payable	(17,045)
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, 2023 are:	
General obligation limited tax bonds	(3,564,524)
Net pension liability	(5,039,407)
Other reconciling items	(2,184)
Total net position of governmental activities	<u>\$ 10,304,304</u>

City of Clare

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

Year Ended June 30, 2023

	General	Major Streets	Other Governmental Funds	Total
<b>Revenues</b>				
Property taxes and related fees	\$ 1,849,990	\$ -	\$ 278,730	\$ 2,128,720
Special assessments, net	68,369	-	-	68,369
Licenses and permits	94,186	-	-	94,186
State grants	1,050,756	421,116	154,472	1,626,344
Charges for services	896,267	-	20,700	916,967
Fines and forfeits	1,767	-	-	1,767
Interest and rentals	36,758	251	1,317	38,326
Donations	27,407	-	-	27,407
Other revenue	57,879	3,120	43,233	104,232
Total revenues	<u>4,083,379</u>	<u>424,487</u>	<u>498,452</u>	<u>5,006,318</u>
<b>Expenditures</b>				
General government	796,710	-	-	796,710
Public safety	1,164,017	-	2,895	1,166,912
Public works	359,095	278,216	497,521	1,134,832
Community development	20,486	-	-	20,486
Recreation and culture	722,034	-	-	722,034
Capital outlay	141,534	-	-	141,534
Debt service	254,316	-	21,352	275,668
Total expenditures	<u>3,458,192</u>	<u>278,216</u>	<u>521,768</u>	<u>4,258,176</u>
Excess (deficiency) of revenues over expenditures	625,187	146,271	(23,316)	748,142
<b>Other financing sources (uses)</b>				
Transfers in	493,205	10,000	239,053	742,258
Transfers out	(570,258)	(138,500)	(6,833)	(715,591)
Total other financing sources (uses)	<u>(77,053)</u>	<u>(128,500)</u>	<u>232,220</u>	<u>26,667</u>
Net change in fund balances	548,134	17,771	208,904	774,809
Fund balances-beginning	2,399,987	269,003	348,401	3,017,391
Fund balances-ending	<u>\$ 2,948,121</u>	<u>\$ 286,774</u>	<u>\$ 557,305</u>	<u>\$ 3,792,200</u>

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, 2023

Net change in fund balances - total governmental funds \$ 774,809

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	141,534
Subtract: depreciation expense	(527,260)
Subtract: sale of assets	(12,000)

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.

Subtract: increase in net pension liability net of related deferred outflows and inflows	(2,237,304)
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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	205,141
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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	(19,912)
Interest earnings from governmental internal service funds	353
Transfers out	(8,000)
Capital contributions from governmental internal service funds	125,845
Other reconciling items	62,629
Change in net position of governmental activities	<u>\$ (1,494,165)</u>

City of Clare

Proprietary Funds Statement of Net Position

Year Ended June 30, 2023

	Sewer Fund	Water Fund	Total	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 152,687	\$ 1,504,936	\$ 1,657,623	\$ 238,880
Accounts receivable, net	144,317	163,858	308,175	3,239
Due from other governments	-	46,319	46,319	-
Inventory	16,797	2,437	19,234	66,275
Prepaid items	15,642	8,959	24,601	11,455
Restricted cash:				
Cash - restricted for USDA bond reserves	132,650	42,979	175,629	-
Cash - restricted for USDA repair and replacement	156,955	127,705	284,660	-
Total current assets	619,048	1,897,193	2,516,241	319,849
Noncurrent assets:				
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	-	70,563	70,563	-
Land improvements, net	30,179	-	30,179	-
Buildings and improvements, net	990,299	356,613	1,346,912	64,046
Equipment, net	1,273,510	1,589	1,275,099	49,594
Vehicles, net	-	-	-	728,022
Sewer and water system infrastructure, net	2,675,029	5,705,424	8,380,453	-
Total noncurrent assets	4,979,774	6,176,821	11,156,595	926,662
Total assets	5,598,822	8,074,014	13,672,836	1,246,511
<b>Deferred outflows of resources</b>				
Related to pension	71,659	58,630	130,289	-
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	14,255	8,835	23,090	3,695
Accrued expenses	5,315	5,075	10,390	1,263
Accrued interest payable	10,665	15,225	25,890	-
Deposits and other liabilities	15,882	-	15,882	-
Bonds and loans payable	59,000	35,000	94,000	24,246
Total current liabilities	105,117	64,135	169,252	29,204
Noncurrent liabilities:				
Bonds and loans payable	2,334,954	1,877,000	4,211,954	202,037
Net pension liabilities	531,870	435,167	967,037	-
Total liabilities	2,971,941	2,376,302	5,348,243	231,241
<b>Deferred inflows of resources</b>				
Related to pension	76,257	62,392	138,649	-
<b>Net position</b>				
Invested in capital assets, net of related debt	2,585,820	4,264,821	6,850,641	700,379
Restricted for debt service	156,955	127,705	284,660	-
Unrestricted	(120,492)	1,301,424	1,180,932	314,891
Total net position	\$ 2,622,283	\$ 5,693,950	\$ 8,316,233	\$ 1,015,270

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, 2023

Net position - total enterprise funds \$ 8,316,233

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.

416,684

Total net position of business-type activities

\$ 8,732,917

City of Clare

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

Year Ended June 30, 2023

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Operating revenues</b>				
Charges for services	\$ 1,067,893	\$ 890,068	\$ 1,957,961	\$ 518,189
Other revenue	913	255,278	256,191	3,300
Total operating revenues	<u>1,068,806</u>	<u>1,145,346</u>	<u>2,214,152</u>	<u>521,489</u>
<b>Operating expenses</b>				
Salaries and wages	236,645	249,608	486,253	72,808
Payroll taxes	17,128	18,013	35,141	5,185
Employee benefits	65,017	71,474	136,491	28,752
Retirement	285,718	257,417	543,135	21,778
Supplies	113,907	69,984	183,891	106,149
Postage	2,234	2,294	4,528	-
Professional and contracted services	32,749	27,457	60,206	51,048
Insurance	13,274	5,046	18,320	11,273
Telephone and communications	6,831	2,879	9,710	4,447
Professional development	1,828	2,279	4,107	-
Utilities	113,572	93,184	206,756	20,004
Repair and maintenance	34,904	33,965	68,869	62,659
Drain improvements	8,520	-	8,520	-
Equipment rental	135,400	102,200	237,600	-
Miscellaneous	76,905	17,073	93,978	163
Depreciation	288,386	190,110	478,496	125,404
Total operating expenses	<u>1,433,018</u>	<u>1,142,983</u>	<u>2,576,001</u>	<u>509,670</u>
Operating income (loss)	(364,212)	2,363	(361,849)	11,819
<b>Nonoperating revenues (expenses)</b>				
Interest earnings	2,470	53,204	55,674	353
Principal payments	-	-	-	(24,693)
Interest expense	(67,521)	(43,315)	(110,836)	(15,287)
Net nonoperating revenues (expenses)	<u>(65,051)</u>	<u>9,889</u>	<u>(55,162)</u>	<u>(39,627)</u>
Income (loss) before transfers	(429,263)	12,252	(417,011)	(27,808)
<b>Transfers</b>				
Transfers out	(6,667)	(6,667)	(13,334)	(8,000)
Total transfers	<u>(6,667)</u>	<u>(6,667)</u>	<u>(13,334)</u>	<u>(8,000)</u>
Capital grant	-	466,995	466,995	125,845
Total capital contributions	<u>-</u>	<u>466,995</u>	<u>466,995</u>	<u>125,845</u>
Changes in net position	(435,930)	472,580	36,650	90,037
Total net position-beginning	3,058,213	5,221,370	8,279,583	925,233
Total net position-ending	<u>\$ 2,622,283</u>	<u>\$ 5,693,950</u>	<u>\$ 8,316,233</u>	<u>\$ 1,015,270</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, 2023

Net change in net position - total enterprise funds \$ 36,650

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.

31,731

Change in net position of business-type activities \$ 68,381

City of Clare

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2023

	Sewer Fund	Water Fund	Total	Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 1,056,171	\$ 1,057,885	\$ 2,114,056	\$ 520,612
Payments to suppliers	(290,451)	(284,712)	(575,163)	(309,576)
Payments to employees	(603,834)	(596,272)	(1,200,106)	(128,497)
Net cash from operating activities	161,886	176,901	338,787	82,539
<b>Cash flows from noncapital financing activities</b>				
Transfers out	(6,667)	(6,667)	(13,334)	(8,000)
Debt contributions	-	-	-	(24,693)
Net cash from noncapital financing activities	(6,667)	(6,667)	(13,334)	(32,693)
<b>Cash flows from capital and related financing activities</b>				
Purchases and construction of capital assets	(20,740)	(803,143)	(823,883)	(67,064)
Capital contributions	-	466,995	466,995	125,845
Principal paid on capital debt	(60,428)	(45,265)	(105,693)	(23,803)
Interest paid on capital debt	(67,521)	(43,315)	(110,836)	(15,287)
Net cash from capital and related financing activities	(148,689)	(424,728)	(573,417)	19,691
<b>Cash flows from investing activities</b>				
Interest earnings	2,470	53,204	55,674	352
Net cash from investing activities	2,470	53,204	55,674	352
Net change in cash and cash equivalents	9,000	(201,290)	(192,290)	69,889
Balances-beginning of year	433,292	1,876,910	2,310,202	168,991
Balances-end of year	\$ 442,292	\$ 1,675,620	\$ 2,117,912	\$ 238,880
Displayed as:				
Cash and cash equivalents	\$ 152,687	\$ 1,504,936	\$ 1,657,623	\$ 238,880
Restricted cash and cash equivalents	289,605	170,684	460,289	-
	\$ 442,292	\$ 1,675,620	\$ 2,117,912	\$ 238,880
<b>Reconciliation of operating loss to net cash from operating activities:</b>				
Operating income (loss)	\$ (364,212)	\$ 2,363	\$ (361,849)	\$ 11,819
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation expense	288,386	190,110	478,496	125,404
Change in assets and liabilities:				
Accounts receivable, net	(12,635)	(87,461)	(100,096)	(877)
Inventory	37,055	(1)	37,054	3,597
Prepaid items	(1,627)	(2,069)	(3,696)	348
Accounts payable	(18,201)	(114,002)	(132,203)	(57,778)
Accrued expenses	674	240	914	26
Deposits and other liabilities	232,446	187,721	420,167	-
Net cash from operating activities	\$ 161,886	\$ 176,901	\$ 338,787	\$ 82,539

See accompanying notes.

City of Clare

Statement of Fiduciary Net Position

Year Ended June 30, 2023

	<u><b>Custodial Funds</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ -
Prepaid payroll taxes	-
Total assets	<u><u>\$ -</u></u>
<b>Liabilities</b>	
Accrued expenses	\$ -
Due to other governmental units	-
Total liabilities	<u><u>\$ -</u></u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	<u><b>Custodial Funds</b></u>
<b>Additions</b>	
Property taxes collected for other governments	\$ 6,521,907
<b>Deductions</b>	
Property taxes distributed to other governments	<u>(6,598,805)</u>
Net change in fiduciary position	(76,898)
Net position at beginning of year	<u>76,898</u>
Net position at end of year	<u><u>\$ -</u></u>

City of Clare

Component Units Statement of Net Position

June 30, 2023

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 126,415	\$ 73	\$ 4,642	\$ 131,130
Capital assets, net:				
Assets not being depreciated	386,558	-	-	386,558
Assets being depreciated	104,550	37,030	-	141,580
Total assets	<u>\$ 617,523</u>	<u>\$ 37,103</u>	<u>\$ 4,642</u>	<u>\$ 659,268</u>
<b>Liabilities</b>				
Accrued interest payable	\$ 1,270	\$ -	\$ -	\$ 1,270
Long-term liabilities:				
Due in one year	65,000	-	-	65,000
Due in more than one year	226,000	-	-	226,000
Total liabilities	<u>292,270</u>	<u>-</u>	<u>-</u>	<u>292,270</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	200,108	37,030	-	237,138
Restricted - debt service	125,145	-	-	125,145
Restricted - community development	-	73	4,642	4,715
Total net position	<u>\$ 325,253</u>	<u>\$ 37,103</u>	<u>\$ 4,642</u>	<u>\$ 366,998</u>

City of Clare

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

June 30, 2023

Total fund balances for component units	\$ 131,130
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	1,109,407
Accumulated depreciation	(581,269)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(1,270)
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, 2023 are:	
DDA bonds	(291,000)
Total net position of component units	<u>\$ 366,998</u>

City of Clare

Component Units Statement of Activities

June 30, 2023

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
		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	\$ 79,666	\$ 8,705	\$ -	\$ (70,961)	\$ -	\$ -	\$ -	\$ (70,961)
Local Development Finance Authority:								
Community and economic development	4,177	-	-	-	(4,177)	-	-	(4,177)
Brownfield Redevelopment Authority:								
Community and economic development	-	-	-	-	-	-	-	-
	<u>\$ 83,843</u>	<u>\$ 8,705</u>	<u>\$ -</u>	<u>(70,961)</u>	<u>(4,177)</u>	<u>-</u>	<u>-</u>	<u>(75,138)</u>
General revenues:								
Property taxes and related fees				103,732	5,085	-	-	108,817
Interest earnings				203	2	6	-	211
Transfers out				(1,333)	(4,000)	-	-	(5,333)
Total general revenues				<u>102,602</u>	<u>1,087</u>	<u>6</u>	<u>-</u>	<u>103,695</u>
Change in net position				31,641	(3,090)	6	-	28,557
Net position-beginning				293,612	40,193	4,636	-	338,441
Net position-ending				<u>\$ 325,253</u>	<u>\$ 37,103</u>	<u>\$ 4,642</u>	<u>\$ -</u>	<u>\$ 366,998</u>

See accompanying notes.

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, 2023

Net change in fund balances - component units \$ (7,276)

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 (29,167)

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 65,000  
Change in net position of component units \$ 28,557

City of Clare

Notes to Financial Statements

June 30, 2023

**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, 2023

**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, 2023

**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, 2023

**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, 2023

**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, 2023

**1. Summary of Significant Accounting Policies (continued)**

**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 cost applicable to future years and are recorded as prepaid items in the government-wide and fund statements.

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

City of Clare

Notes to Financial Statements

June 30, 2023

**1. Summary of Significant Accounting Policies (continued)**

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

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 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 expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Clare

Notes to Financial Statements

June 30, 2023

**1. Summary of Significant Accounting Policies (continued)**

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

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, 2023

**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 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31<sup>st</sup>.



City of Clare

Notes to Financial Statements

June 30, 2023

**1. Summary of Significant Accounting Policies (continued)**

**I. Revenues and Expenditures/Expenses (continued)**

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

The 2022 net taxable valuation of the City totaled \$96,473,950, on which ad valorem taxes levied consisted of 18.5000 mills for City operating purpose, 0.7500 mills for parks, and 3.0000 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	\$ 5,598,422	\$ -	\$ 5,598,422
Investments	-	-	-
Investments held by trustee	210,056	-	210,056
Restricted cash and cash equivalents	460,289	-	460,289
Component Units:			
Cash and cash equivalents	131,130	-	131,130
Fiduciary Funds:			
Cash and cash equivalents	(4,998)	-	(4,998)
	<u>\$ 6,394,899</u>	<u>\$ -</u>	<u>\$ 6,394,899</u>

City of Clare

Notes to Financial Statements

June 30, 2023

**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, \$977,727 of the City's bank balances of \$6,209,938 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, 2023

**3. Leases Receivable**

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

<b>Description of Lease</b>	<b>Leases Receivable</b>
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.	\$ 313,615
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.	99,600
Subtotal	413,215
Less: discount to arrive at net present value	(136,803)
Net present value of leases receivable	\$ 276,412

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

<b>Year Ending June 30,</b>	<b>Amount</b>
2024	\$ 33,433
2025	32,623
2026	32,479
2027	31,963
2028	11,841
2029-2031	45,006
2032-2038	37,937
2039-2043	31,960
2044-2048	19,170
	\$ 276,412

City of Clare

Notes to Financial Statements

June 30, 2023

**4. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 4,139,102	\$ -	\$ -	\$ 4,139,102
Construction in progress	1,998,206	115,395	-	2,113,601
<b>Total capital assets not being depreciated</b>	<b>6,137,308</b>	<b>115,395</b>	<b>-</b>	<b>6,252,703</b>
Capital assets being depreciated:				
Land improvements	7,126,182	287,680	-	7,413,862
Buildings and improvements	3,264,066	74,303	(11,170)	3,327,199
Equipment	2,577,033	46,942	(20,562)	2,603,413
Vehicles	3,487,157	67,036	-	3,554,193
<b>Total capital assets being depreciated</b>	<b>16,454,438</b>	<b>475,961</b>	<b>(31,732)</b>	<b>16,898,667</b>
Less accumulated depreciation:				
Land improvements	(1,724,816)	(302,814)	-	(2,027,630)
Buildings and improvements	(2,105,529)	(73,725)	7,974	(2,171,280)
Equipment	(2,001,236)	(125,162)	8,225	(2,118,173)
Vehicles	(1,671,208)	(150,962)	-	(1,822,170)
<b>Total accumulated depreciation</b>	<b>(7,502,789)</b>	<b>(652,663)</b>	<b>16,199</b>	<b>(8,139,253)</b>
<b>Total capital assets being depreciated, net</b>	<b>8,951,649</b>	<b>(176,702)</b>	<b>(15,533)</b>	<b>8,759,414</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 15,088,957</b>	<b>\$ (61,307)</b>	<b>\$ (15,533)</b>	<b>\$ 15,012,117</b>

City of Clare

Notes to Financial Statements

June 30, 2023

**4. Capital Assets (continued)**

<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 53,389	\$ -	\$ -	\$ 53,389
Construction in progress	70,563	-	-	70,563
Total capital assets not being depreciated	123,952	-	-	123,952
Capital assets being depreciated:				
Land improvements	425,549	-	-	425,549
Buildings and improvements	5,403,922	311,670	-	5,715,592
Equipment	2,337,155	21,019	-	2,358,174
Infrastructure	14,345,426	491,194	-	14,836,620
Total capital assets being depreciated	22,512,052	823,883	-	23,335,935
Less accumulated depreciation:				
Land improvements	(392,425)	(2,943)	-	(395,368)
Buildings and improvements	(4,278,553)	(90,127)	-	(4,368,680)
Equipment	(1,006,634)	(76,441)	-	(1,083,075)
Infrastructure	(6,147,184)	(308,985)	-	(6,456,169)
Total accumulated depreciation	(11,824,796)	(478,496)	-	(12,303,292)
Total capital assets being depreciated, net	10,687,256	345,388	-	11,032,643
Business-type activities capital assets, net	\$10,811,208	\$ 345,388	\$ -	\$11,156,595

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

Governmental Activities	
General government	\$ 206,168
Public safety	139,514
Public works	130,969
Recreation and culture	79,780
Internal Service Fund depreciation	125,404
	<u>\$ 681,835</u>
Business-Type Activities	
Sewer	\$ 288,386
Water	190,110
	<u>\$ 478,496</u>

City of Clare

Notes to Financial Statements

June 30, 2023

**4. Capital Assets (continued)**

**Discretely Presented Component Units**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
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	(360,527)	(25,556)	-	(386,083)
Equipment	(138,200)	-	-	(138,200)
Total accumulated depreciation	(498,727)	(25,556)	-	(524,283)
Total capital assets being depreciated, net	130,106	(25,556)	-	104,550
DDA capital assets, net	<u>\$ 516,664</u>	<u>\$ (25,556)</u>	<u>\$ -</u>	<u>\$ 491,108</u>

City of Clare

Notes to Financial Statements

June 30, 2023

**4. Capital Assets (continued)**

**Discretely Presented Component Units (continued)**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Land improvements	\$ 94,016	\$ -	\$ -	\$ 94,016
Total capital assets being depreciated	94,016	-	-	94,016
Less accumulated depreciation:				
Land improvements	(53,375)	(3,611)	-	(56,986)
Total accumulated depreciation	(53,375)	(3,611)	-	(56,986)
LDFA capital assets, net	<u>\$ 40,641</u>	<u>\$ (3,611)</u>	<u>\$ -</u>	<u>\$ 37,030</u>

Construction Commitments

The City's active construction projects as of June 30, 2023 included the following contractor commitments:

	<b>Spent to Date</b>	<b>Remaining Commitment</b>
Airport-Parallel Taxiway	\$ 66,949	\$ 572,051
Municipal Street Project	-	144,441
Lake Shamrock Dredging	28,750	2,290,250
	<u>\$ 95,699</u>	<u>\$ 3,006,742</u>

City of Clare

Notes to Financial Statements

June 30, 2023

**5. Interfund Receivables, Payables, and Transfers**

As of June 30, 2023, there were no interfund receivables or payables between the funds. The composition of interfund transfers out and in is as follows:

Fund	Transfers Out	Fund	Transfers In
General	\$ 544,189	General	\$ 37,999
Perpetual Care	5,000	Major Street	10,000
Major Street	138,500	Local Street	151,667
Local Street	1,833	Fire	105,206
Fire	24,736	Parks	350,000
Parks	1,333	Public Safety/Bldg Debt	87,386
DDA	1,333		
LFDA	4,000		
Internal Service	8,000		
Sewer	6,667		
Water	6,667		
	<u>\$ 742,258</u>		<u>\$ 742,258</u>

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, 2023

**6. Long-Term Debt (continued)**

Bond and contractual agreements can be summarized as follows:

	<b>Interest Rate</b>	<b>Principal Matures</b>	<b>Beginning Balance</b>	<b>Additions (Reductions)</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>						
Public safety building – 2012 refunding bonds	3.37%	2035	\$ 380,000	\$ (35,000)	\$ 345,000	\$ 25,000
Soccer complex installment purchase	2.69%	2022	18,908	(18,908)	-	-
North Industrial Park	4.00%	2044	473,000	(14,000)	459,000	14,000
Sidewalk LED lighting	2.24%	2031	78,358	(8,706)	69,651	8,706
Recreational Complex Construction	2.60%	2037	277,000	(15,000)	262,000	15,000
2018 Freightliner Blade Truck	2.05%	2028	69,000	(11,500)	57,500	11,500
2018 Elgin Street Sweeper	3.60%	2033	180,676	(12,303)	168,373	12,746
2021 Shamrock Lake Bonds	1.95%	2035	1,212,000	(88,000)	1,124,000	88,000
2021B Capital Improvement Bond	1.90%	2037	1,150,000	(71,000)	1,079,000	72,000
			<u>\$3,838,942</u>	<u>\$ (274,417)</u>	<u>\$ 3,564,524</u>	<u>\$ 246,952</u>
<b>Business-Type Activities</b>						
Sewer Fund:						
Sewage system revenue bonds	2.50%	2051	\$2,151,954	\$ (51,000)	\$ 2,100,954	\$ 53,000
2012 refunding bonds	2.15%	2023	4,429	(4,429)	-	-
2014 rural development bonds	3.25%	2054	298,000	(5,000)	293,000	6,000
Water Fund:						
2012 refunding bonds	2.23%	2023	11,264	(11,265)	-	-
2014 rural development bonds	3.25%	2054	498,000	(9,000)	489,000	9,000
2019 Water Plant Revenue Bond	2.125%	2059	1,448,000	(25,000)	1,423,000	26,000
			<u>\$4,411,647</u>	<u>\$ (105,694)</u>	<u>\$ 4,305,954</u>	<u>\$ 94,000</u>
<b>Component Units</b>						
DDA:						
2020 Refunding Bonds	1.2% to 1.6%	2026	\$ 112,000	\$ (37,000)	\$ 75,000	\$ 37,000
2020 Streetscape Bonds	1.84%	2030	244,000	(28,000)	216,000	28,000
			<u>\$ 356,000</u>	<u>\$ (65,000)</u>	<u>\$ 291,000</u>	<u>\$ 65,000</u>

City of Clare

Notes to Financial Statements

June 30, 2023

**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
2024	\$ 246,952	\$ 86,955	\$ 94,000	\$ 108,277	\$ 65,000	\$ 4,860
2025	249,411	81,281	96,000	105,914	67,000	3,763
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
2029-2033	1,263,853	224,368	556,000	451,702	66,000	1,822
2034-2038	870,153	76,823	632,000	377,606	-	-
2039-2043	140,000	23,800	718,000	293,080	-	-
2044-2048	33,000	1,320	814,000	196,860	-	-
2049-2053	-	-	690,954	90,353	-	-
2054-2058	-	-	292,000	26,654	-	-
2059-2062	-	-	111,000	2,391	-	-
	<u>\$ 3,564,524</u>	<u>\$ 703,227</u>	<u>\$ 4,305,954</u>	<u>\$ 1,955,812</u>	<u>\$ 291,000</u>	<u>\$ 17,548</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 activities and water distribution, 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, 2023.

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, 2023

**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, 2023, follows:

Balance – July 1, 2022	\$ 900,195
Employee contributions	42,573
Transfers	-
Current withdrawals	(56,201)
Interest and market losses	77,219
Adjustments/fees	(3,313)
Balance – June 30, 2023	<u>\$ 960,473</u>

**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](http://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, 2023

**10. Pension Plan (continued)**

Defined Benefit Pension Plan (continued)

The City's contribution rate during the 2022 calendar valuation period was 32.46% of annual covered payroll for general employees, 33.68% of annual covered payroll for police employees, and 49.10% for Pere Marquette District Library full time employees. The City's contributions to the plan for the year ended June 30, 2023 were \$469,580 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, 2023 were \$80,723.

*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>2023 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, 2023

**10. Pension Plan (continued)**

Defined Benefit Pension Plan (continued)

<b>02 – Police: Open Division</b>	<b>2023 Valuation</b>
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)
<b>07 – PMDL All FT EEs: Open Division</b>	<b>2023 Valuation</b>
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, 2023

**10. Pension Plan (continued)**

Defined Benefit Pension Plan (continued)

*Employees covered by benefit terms.* As of the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>28</u>
	<u>70</u>

*Net Pension Liability*

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

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

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 7.00%, net of investment expense, including inflation
- 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, 2023

**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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Global Equity	60.0%	2.70%
Global Fixed Income	20.0%	0.40%
Private Investments	20.0%	1.40%
Total	100.00%	4.50%

*Discount Rate.* The discount rate used to measure the total pension liability is 7.25% for 2022. 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, 2023

**10. Pension Plan (continued)**

Defined Benefit Pension Plan (continued)

*Changes in Net Pension Liability*

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balances as of December 31, 2021</b>	\$ 11,629,867	\$ 6,964,272	\$ 4,665,595
<b>Changes for the year</b>			
Service Cost	207,583	-	207,583
Interest on total pension liability	828,042	-	828,042
Changes in benefits	-	-	-
Difference between expected and actual experience	121,701	-	121,701
Changes in assumptions	-	-	-
Employer contributions	-	447,629	(447,629)
Employee contributions	-	78,643	(78,643)
Net investment income	-	(719,227)	719,227
Benefit payments, including employee refunds	(624,776)	(624,776)	-
Administrative expense	-	(12,799)	12,799
Other changes	(22,231)	-	(22,231)
<b>Net changes</b>	<b>510,319</b>	<b>(830,530)</b>	<b>1,340,849</b>
<b>Balances as of December 31, 2022</b>	<b>\$ 12,140,186</b>	<b>\$ 6,133,742</b>	<b>\$ 6,006,444</b>



City of Clare

Notes to Financial Statements

June 30, 2023

**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 7.25%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	\$ 7,531,195	\$ 6,006,444	\$ 4,735,781

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

For the year ended June 30, 2023 the employer recognized pension expense of \$948,150. 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	\$ 263,244	\$ -
Differences in assumptions	309,125	-
Excess (Deficit) Investment Returns	-	(861,173)
Contributions subsequent to the measurement date*	236,882	-
Total	\$ 809,251	\$ (861,173)

\*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, 2023.

City of Clare

Notes to Financial Statements

June 30, 2023

**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:

<b>Year Ended June 30</b>	
<b>2024</b>	\$ 71,656
<b>2025</b>	(85,860)
<b>2026</b>	<u>(274,600)</u>
	<u>\$ (288,804)</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, 2023

**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, 2023, the City's property tax revenues were reduced by \$17,964 under these agreements. There are no significant abatements made by the City.

City of Clare

Required Supplementary Information  
Defined Benefit Pension Plan (MERS)

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total pension liability</b>										
Service Cost	\$ 207,583	\$ 183,628	\$ 166,797	\$ 153,722	\$ 154,120	\$ 144,430	\$ 163,000	\$ 158,301	\$ 154,504	
Interest	828,042	781,035	712,129	703,740	699,144	675,187	669,009	628,374	607,608	
Changes of benefit terms	-	-	-	-	(48,037)	40,916	(173,929)	(12,417)	-	
Difference between expected and actual experience	121,701	81,289	525,294	(45,357)	(216,322)	(26,763)	(39,835)	(143,831)	-	
Changes of assumptions	-	456,937	322,626	290,251	-	-	-	394,907	-	
Benefit payments including employee refunds	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)	(500,277)	
Other	(22,231)	(3,311)	(8,911)	-	1	(1)	1	19,637	18,988	
<b>Net change in total pension liability</b>	<b>510,319</b>	<b>902,966</b>	<b>1,162,417</b>	<b>586,825</b>	<b>41,926</b>	<b>302,463</b>	<b>86,060</b>	<b>498,396</b>	<b>280,823</b>	
<b>Total pension liability, beginning</b>	<b>11,629,867</b>	<b>10,726,901</b>	<b>9,564,484</b>	<b>8,977,659</b>	<b>8,935,733</b>	<b>8,633,270</b>	<b>8,547,210</b>	<b>8,048,814</b>	<b>7,767,991</b>	
<b>Total pension liability, ending</b>	<b>12,140,186</b>	<b>11,629,867</b>	<b>10,726,901</b>	<b>\$ 9,564,484</b>	<b>\$ 8,977,659</b>	<b>\$ 8,935,733</b>	<b>\$ 8,633,270</b>	<b>\$ 8,547,210</b>	<b>\$ 8,048,814</b>	<b>\$ 7,883,371</b>
<b>Plan fiduciary net position</b>										
Contributions-employer	\$ 447,629	\$ 382,822	\$ 348,456	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646	
Contributions-employee	78,643	143,666	236,085	69,055	68,396	67,274	90,212	94,551	75,078	
Net Investment income	(719,227)	871,543	697,484	697,443	(214,020)	669,346	538,864	(75,565)	314,166	
Benefit payments including employee refunds	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)	(500,277)	
Administrative expense and other changes	(12,799)	(10,013)	(11,321)	(12,007)	(10,713)	(10,609)	(10,640)	(11,048)	(11,501)	
Transfers	-	-	(254,438)	-	-	-	-	-	-	
<b>Net change in plan fiduciary net position</b>	<b>(830,530)</b>	<b>791,406</b>	<b>460,748</b>	<b>552,599</b>	<b>(425,530)</b>	<b>451,470</b>	<b>332,492</b>	<b>(317,188)</b>	<b>78,112</b>	
<b>Plan fiduciary net position, beginning</b>	<b>6,964,272</b>	<b>6,172,866</b>	<b>5,712,118</b>	<b>5,159,519</b>	<b>5,585,049</b>	<b>5,133,579</b>	<b>4,801,087</b>	<b>5,118,275</b>	<b>5,040,163</b>	
<b>Plan fiduciary net position, ending</b>	<b>\$ 6,133,742</b>	<b>\$ 6,964,272</b>	<b>\$ 6,172,866</b>	<b>\$ 5,712,118</b>	<b>\$ 5,159,519</b>	<b>\$ 5,585,049</b>	<b>\$ 5,133,579</b>	<b>\$ 4,801,087</b>	<b>\$ 5,118,275</b>	<b>\$ 5,351,846</b>
<b>Employer net pension liability</b>	<b>\$ 6,006,444</b>	<b>\$ 4,665,595</b>	<b>\$ 4,554,035</b>	<b>\$ 3,852,366</b>	<b>\$ 3,818,140</b>	<b>\$ 3,350,684</b>	<b>\$ 3,499,691</b>	<b>\$ 3,746,123</b>	<b>\$ 2,930,539</b>	<b>\$ 2,531,525</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	50.5%	59.9%	57.5%	59.7%	57.5%	62.5%	59.5%	56.2%	63.6%	67.9%
<b>Covered employee payroll</b>	<b>\$ 1,587,711</b>	<b>\$ 1,534,305</b>	<b>\$ 1,495,782</b>	<b>\$ 1,356,101</b>	<b>\$ 1,340,751</b>	<b>\$ 1,266,188</b>	<b>\$ 1,284,529</b>	<b>\$ 1,257,889</b>	<b>\$ 1,238,862</b>	<b>\$ 1,164,366</b>
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	378.3%	304.1%	304.5%	284.1%	284.8%	264.6%	272.4%	297.8%	236.6%	217.4%

Notes to schedule:

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

Changes in assumptions:

For 2022: 1) The assumed annual rate of investment return, net of all expenses, was 7.00%. 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 2021.

These totals and ratios for years 2013 through 2022 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial determined contributions	\$ 469,580	\$ 400,415	\$ 357,211	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646	\$ 203,749
Contributions in relation to the actuarially determined contribution	469,580	400,415	357,211	313,639	277,787	256,765	246,242	221,449	200,646	203,749
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,587,711	\$ 1,534,305	\$ 1,495,782	\$ 1,356,101	\$ 1,340,751	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889	\$ 1,238,862	\$ 1,164,366
Contributions as a percentage of covered employee payroll	30%	26%	24%	23%	21%	20%	19%	18%	16%	17%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	7.00%
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, 2023

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes and related fees	\$ 1,782,820	\$ 1,849,125	\$ 1,849,990	\$ 865
Special assessments, net	49,410	70,181	68,369	(1,812)
Licenses and permits	60,350	92,945	94,186	1,241
Federal revenue	54,000	54,000	-	(54,000)
State revenue	570,939	932,980	1,050,756	117,776
Charges for services	638,752	723,277	896,267	172,990
Fines and forfeitures	2,700	2,700	1,767	(933)
Interest and rentals	28,351	32,132	36,758	4,626
Other revenue - donations	23,400	34,622	27,407	(7,215)
Other revenue	3,100	42,612	57,879	15,267
<b>Total revenues</b>	<b>3,213,822</b>	<b>3,834,574</b>	<b>4,083,379</b>	<b>248,805</b>
<b>Expenditures</b>				
<b>General government:</b>				
City commission	47,350	47,350	44,591	2,759
City manager	146,732	146,732	142,355	4,377
Assessor	36,650	36,650	34,943	1,707
Clerk	247,293	247,293	242,074	5,219
Elections	19,945	19,945	8,564	11,381
Board of review	2,246	2,245	919	1,326
Cemetery	107,934	107,934	84,127	23,807
Buildings and grounds	85,023	85,008	64,826	20,182
Fiscal services	164,854	164,854	155,599	9,255
All other general government	27,550	27,550	18,712	8,838
<b>Public safety:</b>				
Police department	985,646	993,867	935,769	58,098
Fire department	277,171	277,171	208,750	68,421
Building inspection and regulation activities	19,050	19,550	19,498	52
<b>Public works:</b>				
Solid waste	216,128	216,128	199,364	16,764
Landfill closure	99,903	99,903	27,172	72,731
Department of public works	56,801	60,176	58,284	1,892
Drains	16,157	16,157	14,855	1,302
Street lights	59,651	60,246	59,420	826
<b>Community development:</b>				
Planning and zoning	35,800	35,800	20,486	15,314

City of Clare

Budgetary Comparison Schedule - General Fund (continued)

June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures (continued)</b>				
Recreation and culture:				
Parks and recreation	\$ 855,688	\$ 935,005	\$ 479,391	\$ 455,614
Airport	187,056	279,156	242,643	36,513
Capital outlay:				
General government	-	31,415	31,400	15
Public safety	60,000	163,409	110,134	53,275
Recreation and culture	21,000	21,000	-	21,000
Debt service:				
Principal	190,918	191,068	191,059	9
Interest and fiscal charges	64,780	64,780	63,257	1,523
Total expenditures	4,031,326	4,350,392	3,458,192	892,200
Excess (deficiency) of revenues over expenditures	(817,504)	(515,818)	625,187	1,141,005
<b>Other financing sources (uses)</b>				
Transfers in	529,654	529,654	493,205	(36,449)
Transfers out	(516,336)	(575,592)	(570,258)	5,334
Total other financing sources (uses)	13,318	(45,938)	(77,053)	(31,115)
Net change in fund balances	(804,186)	(561,756)	548,134	1,109,890
Fund balances-beginning	2,399,987	2,399,987	2,399,987	-
Fund balances-ending	\$ 1,595,801	\$ 1,838,231	\$ 2,948,121	\$ 1,109,890

City of Clare

Budgetary Comparison Schedule - Major Streets Fund

June 30, 2023

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
State revenue	\$ 378,619	\$ 402,502	\$ 421,116	\$ 18,614
Interest earnings	50	50	251	201
Other revenue	-	-	3,120	3,120
Total revenues	378,669	402,552	424,487	21,935
<b>Expenditures</b>				
Public works:				
Wages	72,964	81,164	80,373	791
Payroll taxes	5,582	5,882	5,720	162
Fringe benefits	26,146	32,456	29,725	2,731
Retirement	22,067	24,917	24,119	798
Internal service fund - mobile	77,100	75,600	70,675	4,925
Operating supplies	21,000	19,450	12,191	7,259
Road salt	20,500	20,500	19,262	1,238
Professional and contractual services	9,900	9,890	6,605	3,285
Electricity	600	600	72	528
Professional services - trees	2,500	1,900	1,318	582
Drain Improvements	13,541	13,541	13,266	275
Miscellaneous	300	17,300	14,890	2,410
Total expenditures	272,200	303,200	278,216	24,984
Excess (deficiency) of revenues over expenditures	106,469	(168,000)	146,271	46,919
<b>Other financing sources (uses)</b>				
Transfers in	-	10,000	10,000	-
Transfers out	(168,000)	(168,000)	(138,500)	29,500
Total other financing sources (uses)	(168,000)	(158,000)	(128,500)	29,500
Net change in fund balances	(61,531)	(326,000)	17,771	76,419
Fund balances-beginning	269,003	269,003	269,003	-
Fund balances-ending	\$ 207,472	\$ (56,997)	\$ 286,774	\$ 76,419



City of Clare

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2023

	Special Revenue			Debt Service	Permanent	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Cemetery Perpetual Care	
<b>Assets</b>						
Cash and cash equivalents	\$ 46,134	\$ 129,124	\$ -	\$ 17,890	\$ 336,374	\$ 529,522
Due from other governmental units	25,264	-	-	-	-	25,264
Prepaid items	4,295	-	-	-	-	4,295
<b>Total assets</b>	<b>\$ 75,693</b>	<b>\$ 129,124</b>	<b>\$ -</b>	<b>\$ 17,890</b>	<b>\$ 336,374</b>	<b>\$ 559,081</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 101	\$ -	\$ -	\$ -	\$ -	\$ 101
Accrued liabilities	1,675	-	-	-	-	1,675
<b>Total liabilities</b>	<b>1,776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,776</b>
<b>Fund balances:</b>						
Nonspendable - prepaid items	4,295	-	-	-	-	4,295
Nonspendable - cemetery perpetual care	-	-	-	-	294,977	294,977
Restricted - streets and highways	69,622	129,124	-	17,890	-	216,636
Assigned - cemetery	-	-	-	-	41,397	41,397
<b>Total fund balances</b>	<b>73,917</b>	<b>129,124</b>	<b>-</b>	<b>17,890</b>	<b>336,374</b>	<b>557,305</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 75,693</b>	<b>\$ 129,124</b>	<b>\$ -</b>	<b>\$ 17,890</b>	<b>\$ 336,374</b>	<b>\$ 559,081</b>

See accompanying notes.

City of Clare

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

June 30, 2023

	Special Revenue			Debt Service	Permanent Cemetery	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Perpetual Care	
<b>Revenues</b>						
Property taxes and related fees	\$ -	\$ 278,730	\$ -	\$ -	\$ -	\$ 278,730
State revenue	154,472	-	-	-	-	154,472
Charges for services	-	-	-	-	20,700	20,700
Interest and rentals	57	227	1	-	1,032	1,317
Other revenue	1,719	41,514	-	-	-	43,233
Total revenues	156,248	320,471	1	-	21,732	498,452
<b>Expenditures</b>						
Public safety	-	-	2,895	-	-	2,895
Public works	295,998	201,523	-	-	-	497,521
Debt service:						
Principal	-	-	-	14,082	-	14,082
Interest and fiscal charges	-	-	-	7,270	-	7,270
Total expenditures	295,998	201,523	2,895	21,352	-	521,768
Excess (deficiency) of revenues over expenditures	(139,750)	118,948	(2,894)	(21,352)	21,732	(23,316)
<b>Other financing sources (uses)</b>						
Transfers in	151,667	-	-	87,386	-	239,053
Transfers out	(1,833)	-	-	-	(5,000)	(6,833)
Total other financing sources (uses)	149,834	-	-	87,386	(5,000)	232,220
Net change in fund balances	10,084	118,948	(2,894)	66,034	16,732	208,904
Fund balances-beginning	63,833	10,176	2,894	(48,144)	319,642	348,401
Fund balances-ending	\$ 73,917	\$ 129,124	\$ -	\$ 17,890	\$ 336,374	\$ 557,305

See accompanying notes.

City of Clare

Combining Statement of Net Position - Internal Service Funds

June 30, 2023

	<b>Data Processing</b>	<b>Mobile Equipment</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 41,380	\$ 197,500	\$ 238,880
Accounts receivable, net	-	3,239	3,239
Inventory	-	66,275	66,275
Prepaid items	1,112	10,343	11,455
Total current assets	42,492	277,357	319,849
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	64,046	64,046
Equipment, net	36,325	13,269	49,594
Vehicles, net	-	728,022	728,022
Total noncurrent assets	36,325	890,337	926,662
Total assets	\$ 78,817	\$ 1,167,694	\$ 1,246,511
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 611	\$ 3,084	\$ 3,695
Accrued expenses	-	1,263	1,263
Long-term liabilities:			
Due in one year	-	24,246	24,246
Due in more than one year	-	202,037	202,037
Total liabilities	611	230,630	231,241
<b>Net position</b>			
Invested in capital assets	36,325	664,054	700,379
Unrestricted	41,881	273,010	314,891
Total net position	\$ 78,206	\$ 937,064	\$ 1,015,270

City of Clare

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

June 30, 2023

	<b>Data Processing</b>	<b>Mobile Equipment</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 58,500	\$ 459,689	\$ 518,189
Other revenue	270	3,030	3,300
Total operating revenues	<u>58,770</u>	<u>462,719</u>	<u>521,489</u>
<b>Operating expenses</b>			
Salaries and wages	-	72,808	72,808
Payroll taxes	-	5,185	5,185
Employee benefits	-	28,752	28,752
Retirement	-	21,778	21,778
Supplies	3,573	102,576	106,149
Professional and contracted services	43,592	7,456	51,048
Insurance	1,147	10,126	11,273
Telephone and communications	-	4,447	4,447
Utilities	-	20,004	20,004
Repair and maintenance	-	62,659	62,659
Miscellaneous	-	163	163
Depreciation	27,989	97,415	125,404
Total operating expenses	<u>76,301</u>	<u>433,369</u>	<u>509,670</u>
Operating income (loss)	(17,531)	29,350	11,819
<b>Nonoperating revenues (expenses)</b>			
Interest earnings	49	304	353
Debt contributions	-	(24,693)	(24,693)
Interest expense	-	(15,287)	(15,287)
Total nonoperating revenues (expenses)	<u>49</u>	<u>(39,676)</u>	<u>(39,627)</u>
<b>Income (loss) before transfers</b>	(17,482)	(10,326)	(27,808)
<b>Transfers</b>			
Transfers out	(7,333)	(667)	(8,000)
Total transfers	<u>(7,333)</u>	<u>(667)</u>	<u>(8,000)</u>
Capital contributions	-	125,845	125,845
Total capital contributions	<u>-</u>	<u>125,845</u>	<u>125,845</u>
Changes in net position	(24,815)	114,852	90,037
Total net position-beginning	103,021	822,212	925,233
Total net position-ending	<u>\$ 78,206</u>	<u>\$ 937,064</u>	<u>\$ 1,015,270</u>

City of Clare

Combining Statement of Cash Flows - Internal Service Funds

June 30, 2023

	<b>Data Processing</b>	<b>Mobile Equipment</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 58,770	\$ 461,842	\$ 520,612
Payments to suppliers	(49,302)	(260,274)	(309,576)
Payments to employees	-	(128,497)	(128,497)
Net cash from operating activities	<u>9,468</u>	<u>73,071</u>	<u>82,539</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers out	(7,333)	(667)	(8,000)
Debt contributions	-	(24,693)	(24,693)
Net cash from noncapital financing activities	<u>(7,333)</u>	<u>(25,360)</u>	<u>(32,693)</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases and construction of capital assets	-	(67,064)	(67,064)
Capital contributions	-	125,845	125,845
Principal payments	-	(23,803)	(23,803)
Interest paid on capital debt	-	(15,287)	(15,287)
Net cash from capital and related financing activities	<u>-</u>	<u>19,691</u>	<u>19,691</u>
<b>Cash flows from investing activities</b>			
Interest earnings	48	304	352
Net cash from investing activities	<u>48</u>	<u>304</u>	<u>352</u>
Net change in cash and cash equivalents	2,183	67,706	69,889
Cash and cash equivalents at beginning of year	39,197	129,794	168,991
Cash and cash equivalents at end of year	<u>\$ 41,380</u>	<u>\$ 197,500</u>	<u>\$ 238,880</u>
<b>Reconciliation of operating loss to net cash from operating activities:</b>			
Operating income (loss)	\$ (17,531)	\$ 29,350	\$ 11,819
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	27,989	97,415	125,404
Change in assets and liabilities:			
Accounts receivable, net	-	(877)	(877)
Inventory	-	3,597	3,597
Prepaid items	35	313	348
Accounts payable	(1,025)	(56,753)	(57,778)
Accrued expenses	-	26	26
Net cash from operating activities	<u>\$ 9,468</u>	<u>\$ 73,071</u>	<u>\$ 82,539</u>

City of Clare

Combining Balance Sheet - Fiduciary Funds

June 30, 2023

	<b>General Agency Fund</b>	<b>Current Tax Collection Fund</b>	<b>Payroll Imprest Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities</b>				
Accrued expenses	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended June 30, 2023

	<b>General Agency Fund</b>	<b>Tax Collection Fund</b>	<b>Payroll Imprest Fund</b>	<b>Total</b>
<b>Additions</b>				
Amounts collected for other governments	\$ 14,185	\$ 5,865,193	\$ 642,529	\$ 6,521,907
<b>Deductions</b>				
Amounts distributed to other governments	80,139	5,865,193	653,473	6,598,805
Net change in fiduciary position	(65,954)	-	(10,944)	(76,898)
<b>Net position at beginning of year</b>	<b>65,954</b>	<b>-</b>	<b>10,944</b>	<b>76,898</b>
<b>Net position at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

City of Clare

Combining Balance Sheet - Component Units

June 30, 2023

	<b>Downtown Development Authority</b>	<b>Local Development Finance Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 126,415	\$ 73	\$ 4,642	\$ 131,130
Total assets	<u>\$ 126,415</u>	<u>\$ 73</u>	<u>\$ 4,642</u>	<u>\$ 131,130</u>
<b>Fund balances:</b>				
Restricted - debt service	126,415	-	-	126,415
Restricted - community development	-	73	4,642	4,715
Total fund balances	<u>126,415</u>	<u>73</u>	<u>4,642</u>	<u>131,130</u>
Total liabilities and fund balances	<u>\$ 126,415</u>	<u>\$ 73</u>	<u>\$ 4,642</u>	<u>\$ 131,130</u>

City of Clare

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

	June 30, 2023			Total
	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	
<b>Revenues</b>				
Property taxes and related fees	\$ 103,732	\$ 5,085	\$ -	\$ 108,817
Interest earnings	203	2	6	211
Other revenue	8,705	-	-	8,705
Total revenues	112,640	5,087	6	117,733
<b>Expenditures</b>				
Community development	18,676	566	-	19,242
Capital outlay	29,522	-	-	29,522
Debt service:				
Principal	65,000	-	-	65,000
Interest and related fees	5,912	-	-	5,912
Total expenditures	119,110	566	-	119,676
Excess of revenue over expenditures	(6,470)	4,521	6	(1,943)
<b>Other financing sources (uses)</b>				
Transfers out	(1,333)	(4,000)	-	(5,333)
Total other financing sources (uses)	(1,333)	(4,000)	-	(5,333)
Net change in fund balances	(7,803)	521	6	(7,276)
Fund balances-beginning	134,218	(448)	4,636	138,406
Fund balances-ending	\$ 126,415	\$ 73	\$ 4,642	\$ 131,130



Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare (City) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

## **Finding 2023-001**

Criteria: The City is required to prepare its basic financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). An effective internal control system over the financial reporting process provides reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition: During the audit of the City's financial statements, we identified misstatements which necessitated the proposal of audit adjustments.

Cause: The City did not have an adequate process in place to ensure an effective review was conducted of the trial balance to verify the balances were correct and properly supported in all instances.

Effect: Multiple journal entries were proposed to adjust multiple accounts, including opening balances, fund balance, pension activity, capital asset activity, equity reserves, internal balances, prior year audit adjustments, and debt activity.

Recommendation: We recommend management strengthen procedures related to review of the accounting records with supporting documentation and presented in accordance with the requirements of U.S. GAAP.

### Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the above matter. During fiscal year 2023/2024, we will review current policies and make enhancements to strengthen current accounting procedures. In addition, we will strengthen our review procedures over the accounting records to ensure those records are complete and accurate.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Clare's Response to Finding**

The City's response to the finding in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Andrews Hooper Paulik PLC*

Midland, Michigan  
December 15, 2023



**CITY HALL**

Ph 989.386.7541  
Fx 989.386.4508

[www.cityofclare.org](http://www.cityofclare.org)

Manager x102  
Assessor x103  
Clerk x106  
Treasurer x107

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**City of Clare Corrective Action Plan**

**Year Ended June 30, 2023**

**Finding 2023-001**

***Internal Control over Financial Reporting***

**Corrective Action Plan:** The City will strengthen internal controls over financial reporting with the Treasurer reviewing accounting records monthly. Any adjustments will be made as appropriate. In addition, we will review our day-to-day accounting procedures along with month-end and annual closing procedures to ensure that activity is recorded correctly.

**Position of Responsible Official:** Treasurer/Finance Director, City of Clare

**Anticipated Completion Date:** The estimated completion date is June 30, 2024.

**CITY HALL**

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Manager x102

Assessor x103

Clerk x106

Treasurer x107

December 18, 2023

Andrews Hooper Pavlik PLC  
5915 Eastman Avenue, Suite 100  
Midland, Michigan 48640

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This representation letter is provided in connection with your audit of the financial statements of the City of Clare (City), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 18, 2023, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 29, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by U.S. GAAP to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
- 9) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
- 12) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 13) Tax abatement agreements have been properly disclosed in the notes to the financial statements.

#### **Information Provided**

- 14) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of City Commission or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 17) We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a) Management,

- b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 19) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

**Government—specific**

- 22) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 23) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 24) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 25) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 26) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts and legal and contractual provisions for reporting specific activities in separate funds.
- 27) We have appropriately disclosed all information for conduit debt obligations in accordance with GASB 91.
- 28) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) As part of your audit, you assisted with the following:
- a) Preparation of the financial statements and disclosures.
  - b) Year-end GASB 34 entries with source information provided by us.
  - c) Updating the long-term debt schedules with source information provided by us.
  - d) Updating pension liabilities and related deferred resources and inflows based on information provided by us.

e) Preparing State of Michigan Form F-65 (Annual Local Unit Fiscal Report).

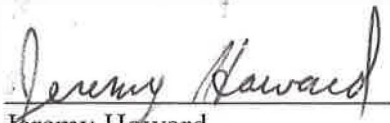
We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

- 31) The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 32) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 33) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 34) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
- 35) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 36) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 37) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 38) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 39) Provisions for uncollectible receivables have been properly identified and recorded.
- 40) As a lessor, the City's lease receivables represent the present value of expected lease payments to be received over their noncancellable period plus renewal option periods that we believe are likely to be exercised. As a lessee, the City's right-of-us assets and related lease liabilities have been properly identified and recorded, except for immaterial contracts containing leases as disclosed in the financial statements.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.



- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 46) We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 49) With respect to the combining financial statements for nonmajor funds, internal service funds, fiduciary funds, and component units, which are considered supplementary information (OSI):
  - a) We acknowledge our responsibility for presenting the other supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the other supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the OSI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

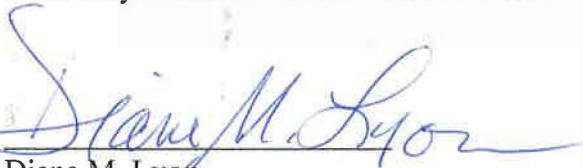
Signed:



Jeremy Howard  
Clare City Manager



Vicki Corlew  
Clare City Treasurer and Finance Director



Diane M. Lyon  
Clare City Clerk

**RESOLUTION 2024-001**

**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 2022/23.**

**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, 2023, was conducted by the public accounting firm of Andrews, Hooper & Pavlik (AHP) of Midland, Michigan; and

**WHEREAS**, said audit resulted in one adverse finding 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 January 3, 2024; and

**WHEREAS**, City administration has presented a Corrective Action plan to address internal control over financial reporting to address the audit deficiencies; and

**WHEREAS**, it is necessary for the Clare City Commission to approve the results of 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 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, 2023. 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 3<sup>rd</sup> day of January, 2024.

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Diane Lyon, City Clerk