

Audited Financial Statements

City of Clare
Clare and Isabella Counties, Michigan

Year Ended June 30, 2021
with Report of Independent Auditors



City of Clare
Audited Financial Statements
Year Ended June 30, 2021

Contents

| | |
|---|----|
| Report of Independent Auditors..... | 1 |
| Required Supplementary Information | |
| Management’s Discussion and Analysis | 4 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 12 |
| Statement of Activities..... | 13 |
| Fund Financial Statements | |
| Governmental Funds Balance Sheet | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 15 |
| Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances | 16 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 17 |
| Proprietary Funds Statement of Net Position..... | 18 |
| 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 | 19 |
| Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position..... | 20 |
| Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of Enterprise Funds to the Statement of Activities..... | 21 |
| Proprietary Funds Statement of Cash Flows..... | 22 |
| Statement of Fiduciary Net Position | 23 |
| Component Units Statement of Net Position | 24 |
| Reconciliation of the Component Units Balance Sheet to the Component Units Statement of Net Position | 25 |

City of Clare
Audited Financial Statements
Year Ended June 30, 2021

Contents

| | |
|---|----|
| Component Units Statement of Activities | 26 |
| Reconciliation of the Component Units Statement of Revenues, Expenditures, and Changes in Fund Balances to the Component Units Statement of Activities..... | 27 |
| Notes to Financial Statements..... | 28 |
| Required Supplementary Information | |
| Defined Benefit Pension Plan (MERS) | |
| Schedule of Changes in the Employer's Net Pension Liability and Related Ratios..... | 56 |
| Schedule of Employer's Contributions..... | 57 |
| Budgetary Comparison Schedule – General Fund..... | 58 |
| Budgetary Comparison Schedule – Major Streets Fund..... | 60 |
| Other Supplementary Information | |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 61 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 62 |
| Combining Statement of Net Position – Internal Service Funds | 63 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds..... | 64 |
| Combining Statement of Cash Flows – Internal Service Funds | 65 |
| Combining Balance Sheet – Fiduciary Funds..... | 66 |
| Combining Balance Sheet – Component Units | 67 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Units..... | 68 |
| Reports Required by <i>Government Auditing Standards</i> | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 69 |

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of a Matter - Adoption of New Accounting Standard

As described in Note 1 to the financial statements, during the year ended June 30, 2021, the City adopted GASB Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 other supplementary information (identified in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, 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 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 PLLC

Midland, Michigan
December 6, 2021

City of Clare

Management's Discussion and Analysis

June 30, 2021

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, 2021. 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 \$19,805,401 (net position). Of this amount, \$1,454,988 represents unrestricted net position.
- The City's total net position increased by \$2,057,772.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$2,657,341, an increase of \$998,834 in comparison with the prior year. Approximately 31% of this amount, which is \$829,226, 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 \$1,624,089, or approximately 40% 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, 2021

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, 2021

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 \$19,805,401 at the close of the most recent year.

City of Clare

Management's Discussion and Analysis

June 30, 2021

City of Clare's Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------|--------------------------|--------------|--------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets | | | | | | |
| Current assets | \$ 3,415,638 | \$ 1,934,540 | \$ 3,134,313 | \$ 1,537,414 | \$ 6,549,951 | \$ 3,471,954 |
| Capital assets, net | 14,343,797 | 14,279,346 | 10,431,264 | 10,786,987 | 24,775,061 | 25,066,333 |
| Total assets | 17,759,435 | 16,213,886 | 13,565,577 | 12,324,401 | 31,325,012 | 28,538,287 |
| Deferred outflows of resources | 775,521 | 355,620 | 170,237 | 91,139 | 945,758 | 446,759 |
| Liabilities | | | | | | |
| Current liabilities | 429,203 | 532,763 | 204,422 | 217,274 | 633,625 | 750,037 |
| Long-term liabilities | 6,423,251 | 4,987,778 | 5,270,681 | 5,380,837 | 11,693,932 | 10,368,615 |
| Total liabilities | 6,852,454 | 5,520,541 | 5,475,103 | 5,598,111 | 12,327,557 | 11,118,652 |
| Deferred inflows of resources | 113,006 | 94,537 | 24,806 | 24,228 | 137,812 | 118,765 |
| Net position | | | | | | |
| Invested in capital assets, net of related debt | 11,454,227 | 12,213,327 | 5,836,310 | 6,056,033 | 17,290,537 | 18,269,360 |
| Restricted | 868,481 | 763,619 | 191,395 | 149,556 | 1,059,876 | 913,175 |
| Unrestricted | (753,212) | (2,022,518) | 2,208,200 | 587,612 | 1,454,988 | (1,434,906) |
| Total net position | 11,569,496 | \$ 10,954,428 | \$8,235,905 | \$ 6,793,201 | \$19,805,401 | \$ 17,747,629 |

The largest portion of the City's net position 87% 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining amount of \$1,454,988 represents unrestricted net position to be used at the City's discretion.

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, 2021

City of Clare's Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 856,294 | \$ 842,160 | \$ 1,758,196 | \$ 1,687,521 | \$ 2,614,490 | \$ 2,529,681 |
| Operating grants and contributions | 601,189 | 568,274 | - | 163,884 | 601,189 | 732,158 |
| Capital grants and contributions | 146,106 | 100,955 | 1,515,509 | - | 1,661,615 | 100,955 |
| General revenues: | | | | | | |
| Property taxes and fees | 2,008,660 | 1,943,465 | - | - | 2,008,660 | 1,943,465 |
| Special assessments | 595,177 | - | - | - | 595,177 | - |
| Grants and contributions not restricted to programs | 598,192 | 543,275 | - | - | 598,192 | 543,275 |
| Interest earnings | 2,712 | 18,289 | 44,176 | 5,407 | 46,888 | 23,696 |
| Gain on sale of assets | 141,700 | 13,155 | - | - | 141,700 | 13,155 |
| Miscellaneous | 24,859 | 19,177 | 90,201 | 1,862 | 115,060 | 21,039 |
| Total revenues | 4,974,889 | 4,048,750 | 3,408,082 | 1,858,674 | 8,382,971 | 5,907,424 |
| Expenses | | | | | | |
| General government | 1,563,298 | 1,004,850 | - | - | 1,563,298 | 1,004,850 |
| Public safety | 1,243,727 | 1,060,929 | - | - | 1,243,727 | 1,060,929 |
| Public works | 931,939 | 889,180 | - | - | 931,939 | 889,180 |
| Community development | 28,667 | 32,446 | - | - | 28,667 | 32,446 |
| Recreation and culture | 539,540 | 565,327 | - | - | 539,540 | 565,327 |
| Interest on long-term debt | 52,650 | 57,738 | - | - | 52,650 | 57,738 |
| Sewer | - | - | 1,084,233 | 1,101,181 | 1,084,233 | 1,101,181 |
| Water | - | - | 881,145 | 840,228 | 881,145 | 840,228 |
| Total expenses | 4,359,821 | 3,610,470 | 1,965,378 | 1,941,409 | 6,325,199 | 5,551,879 |
| Change in net position | 615,068 | 438,280 | 1,442,704 | (82,735) | 2,057,772 | 355,545 |
| Net position-beginning | 10,954,428 | 10,516,148 | 6,793,201 | 6,875,936 | 17,747,629 | 17,392,084 |
| Net position-ending | \$11,569,496 | \$10,954,428 | \$ 8,235,905 | \$ 6,793,201 | \$19,805,401 | \$17,747,629 |

Governmental Activities. During the current year, net position for governmental activities increased \$615,068 from the prior year for an ending balance of \$11,569,496. This increase was the result of a variety of factors.

Business-Type Activities. During the current year, net position for business-type activities increased \$1,442,704 from the prior year for an ending balance of \$8,235,905. The current year increase was due to the City receiving a large grant for lead line replacements.

City of Clare

Management's Discussion and Analysis

June 30, 2021

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, 2021, the City's governmental funds reported combined fund balances of \$2,657,341, an increase of \$998,834 in comparison with the prior year. Approximately 31% of this amount constitutes unassigned fund balance of \$829,226, 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 (\$138,498), 2) legally required to be maintained intact (\$500,144), 3) restricted for particular purposes (\$368,337), or 4) assigned for particular purposes (\$821,136).

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 \$829,226, while total fund balance increased to \$1,962,472. 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 21% of total General Fund expenditures, while total fund balance represents approximately 49% of that same amount.

The fund balance of the City's General Fund increased by \$877,774 during the current year. Overall revenues increased by approximately \$1,600,000 which includes \$1,300,000 in bond proceeds and expenditures increased by approximately \$1,047,000 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 \$446,191 and for the Water Fund was \$1,534,414. The total decrease in net position for the Sewer Fund was \$119,277; while the Water Fund's net position increased by \$1,592,984. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund resulted from a decrease in revenues and an increase in costs; and for the water fund the increase was a result of a capital grant for the lead line replacement project.

City of Clare

Management's Discussion and Analysis

June 30, 2021

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, 2021 was \$24,775,061 (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 decrease in capital assets for the current fiscal year was approximately 1%.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 4,203,345 | \$ 4,366,644 | \$ 53,389 | \$ 53,389 | \$ 4,256,734 | \$ 4,420,033 |
| Land improvements | 5,461,336 | 5,499,337 | 36,066 | 39,008 | 5,497,402 | 5,538,345 |
| Buildings | 1,248,883 | 1,339,232 | 1,201,227 | 1,285,928 | 2,450,110 | 2,625,160 |
| Equipment | 655,649 | 525,835 | 1,019,536 | 1,080,262 | 1,675,185 | 1,606,097 |
| Vehicles | 897,892 | 1,016,052 | - | - | 897,892 | 1,016,052 |
| System | - | - | 8,044,815 | 8,328,400 | 8,044,815 | 8,328,400 |
| Construction in progress | 1,876,692 | 1,532,246 | 76,231 | - | 1,952,923 | 1,532,246 |
| | <u>\$14,343,797</u> | <u>\$14,279,346</u> | <u>\$10,431,264</u> | <u>\$ 10,786,987</u> | <u>\$24,775,061</u> | <u>\$25,066,333</u> |

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,484,524. Of this amount, \$7,086,954 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, 2021

City of Clare's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | \$ 2,492,000 | \$ 1,254,000 | \$ 2,201,954 | \$ 2,250,954 | \$ 4,693,954 | \$ 3,504,954 |
| Revenue bonds | - | - | 2,393,000 | 2,480,000 | 2,393,000 | 2,480,000 |
| Special assessment bonds | - | - | - | - | - | - |
| Installment purchase contracts | 397,570 | 812,019 | - | - | 397,570 | 812,019 |
| | \$ 2,889,570 | \$ 2,066,019 | \$4,594,954 | \$ 4,730,954 | \$ 7,484,524 | \$ 6,796,973 |

The City's total debt increased by approximately \$690,000, or 10%, during the current year. The reason for the increase is due to the City issuing three new bonds in the amount of \$1,780,000 for the Shamrock Lake dredging project and two DDA projects. The City also paid off two bonds which included the 2006 DDA bond and fire truck purchase.

Economic Factors and Next Year's Budgets and Rates

Revenues and expenditures for 2021-2022 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.org or Ms. Shannon Sirpilla, City Treasurer, Finance and Technology Director, Email: SSirpilla@cityofclare.org.

City of Clare

Statement of Net Position

June 30, 2021

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|---------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,407,583 | \$ 2,268,895 | \$ 4,676,478 | \$ 126,876 |
| Investments held by trustee | 209,217 | - | 209,217 | - |
| Accounts receivable, net | 49,648 | 218,549 | 268,197 | 1,433 |
| Assessments receivable, net | 595,172 | - | 595,172 | - |
| Internal balances | (227,595) | 227,595 | - | - |
| Due from other governmental units | 178,610 | - | 178,610 | - |
| Inventory | 66,263 | 51,939 | 118,202 | - |
| Prepaid items | 136,740 | 36,227 | 172,967 | - |
| Restricted cash and cash equivalents | - | 331,108 | 331,108 | - |
| Capital assets, net: | | | | |
| Assets not being depreciated | 6,080,036 | 129,620 | 6,209,656 | 383,070 |
| Assets being depreciated | 8,263,761 | 10,301,644 | 18,565,405 | 200,450 |
| Total assets | 17,759,435 | 13,565,577 | 31,325,012 | 711,829 |
| Deferred outflows of resources | | | | |
| Related to pension | 775,521 | 170,237 | 945,758 | - |
| Liabilities | | | | |
| Accounts payable | 95,822 | 13,071 | 108,893 | 3,391 |
| Accrued liabilities | 18,362 | 6,339 | 24,701 | - |
| Accrued interest payable | 22,370 | 25,890 | 48,260 | 1,270 |
| Due to other governmental units | 466 | - | 466 | - |
| Deposits and other liabilities | 50 | 15,122 | 15,172 | - |
| Unearned revenue | 91,506 | - | 91,506 | - |
| Long-term debt: | | | | |
| Due in one year | 200,627 | 144,000 | 344,627 | 62,000 |
| Due in more than one year | 2,688,943 | 4,450,954 | 7,139,897 | 356,000 |
| Net pension liability | 3,734,308 | 819,727 | 4,554,035 | - |
| Total liabilities | 6,852,454 | 5,475,103 | 12,327,557 | 422,661 |
| Deferred inflows of resources | | | | |
| Related to pension | 113,006 | 24,806 | 137,812 | - |
| Net position | | | | |
| Invested in capital assets, net of related debt | 11,454,227 | 5,836,310 | 17,290,537 | 165,520 |
| Restricted for: | | | | |
| Landfill postclosure care | 209,217 | - | 209,217 | - |
| Cemetery perpetual care | 290,927 | - | 290,927 | - |
| Streets and highways | 368,337 | - | 368,337 | - |
| Debt service | - | 191,395 | 191,395 | 118,880 |
| Community development | - | - | - | 4,768 |
| Unrestricted | (753,212) | 2,208,200 | 1,454,988 | - |
| Total net position | \$ 11,569,496 | \$ 8,235,905 | \$ 19,805,401 | \$ 289,168 |

See accompanying notes.

City of Clare

Statement of Activities

Year Ended June 30, 2021

| Functions/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-Type Activities | Total | |
| Governmental activities: | | | | | | | | |
| General government | \$ 1,563,298 | \$ 176,133 | \$ 1,100 | \$ - | \$ (1,386,065) | | \$ (1,386,065) | |
| Public safety | 1,243,727 | 297,624 | 45,162 | 21,563 | (879,378) | | (879,378) | |
| Public works | 931,939 | 230,316 | 498,111 | - | (203,512) | | (203,512) | |
| Community development | 28,667 | - | - | - | (28,667) | | (28,667) | |
| Recreation and culture | 539,540 | 152,221 | 56,816 | 124,543 | (205,960) | | (205,960) | |
| Interest on long-term debt | 52,650 | - | - | - | (52,650) | | (52,650) | |
| Total governmental activities | 4,359,821 | 856,294 | 601,189 | 146,106 | (2,756,232) | | (2,756,232) | |
| Business-type activities: | | | | | | | | |
| Sewer | 1,084,233 | 943,662 | - | - | | \$ (140,571) | (140,571) | |
| Water | 881,145 | 814,534 | - | 1,515,509 | | 1,448,898 | 1,448,898 | |
| Total business-type activities | 1,965,378 | 1,758,196 | - | 1,515,509 | | 1,308,327 | 1,308,327 | |
| Total primary government | \$ 6,325,199 | \$ 2,614,490 | \$ 601,189 | \$ 1,661,615 | | 1,308,327 | (1,447,905) | |
| Component units: | | | | | | | | |
| Downtown Development Authority | 80,544 | - | 6,804 | - | | | | \$ (73,740) |
| Local Development Finance Authority | 9,154 | - | - | - | | | | (9,154) |
| Brownfield Redevelopment Authority | - | - | - | - | | | | - |
| Total component units | \$ 89,698 | \$ - | \$ 6,804 | \$ - | | | | (82,894) |
| General revenues: | | | | | | | | |
| Property taxes and related fees | | | | | 2,008,660 | - | 2,008,660 | 117,429 |
| Special assessments | | | | | 595,177 | - | 595,177 | |
| Grants and contributions not restricted to specific programs | | | | | 598,192 | - | 598,192 | - |
| Interest earnings | | | | | 2,712 | 44,176 | 46,888 | 23 |
| Gain on sale of assets | | | | | 141,700 | - | 141,700 | - |
| Miscellaneous | | | | | 24,859 | 90,201 | 115,060 | - |
| Total general revenues | | | | | 3,371,300 | 134,377 | 3,505,677 | 117,452 |
| Change in net position | | | | | 615,068 | 1,442,704 | 2,057,772 | 34,558 |
| Net position-beginning | | | | | 10,954,428 | 6,793,201 | 17,747,629 | 254,610 |
| Net position-beginning | | | | | 10,954,428 | 6,793,201 | 17,747,629 | 254,610 |
| Net position-ending | | | | | \$ 11,569,496 | \$ 8,235,905 | \$ 19,805,401 | \$ 289,168 |

See accompanying notes.

City of Clare

Governmental Funds Balance Sheet

June 30, 2021

| | General | Major Street | Other Governmental Funds | Total |
|--|---------------------|-------------------|--------------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,701,390 | \$ 175,526 | \$ 408,167 | \$ 2,285,083 |
| Investments held by trustee | 209,217 | - | - | 209,217 |
| Accounts receivable, net | 47,320 | - | - | 47,320 |
| Assessments receivable, net | 594,646 | - | 526 | 595,172 |
| Due from other governmental units | 72,085 | 85,431 | 21,094 | 178,610 |
| Inventory | 16,943 | - | - | 16,943 |
| Prepaid items | 112,223 | 4,112 | 5,220 | 121,555 |
| Total assets | <u>\$ 2,753,824</u> | <u>\$ 265,069</u> | <u>\$ 435,007</u> | <u>\$ 3,453,900</u> |
| Liabilities, deferred inflows of resources, and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 89,139 | \$ 2,262 | \$ 428 | \$ 91,829 |
| Accrued liabilities | 15,545 | 927 | 1,064 | 17,536 |
| Due to other governmental units | 466 | - | - | 466 |
| Deposits and other liabilities | 50 | - | - | 50 |
| Unearned revenue | 91,506 | - | - | 91,506 |
| Total liabilities | 196,706 | 3,189 | 1,492 | 201,387 |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - long-term special assessments | 594,646 | - | 526 | 595,172 |
| Total deferred inflows of resources | 594,646 | - | 526 | 595,172 |
| Fund balances: | | | | |
| Nonspendable - inventory | 16,943 | - | - | 16,943 |
| Nonspendable - prepaid items | 112,223 | 4,112 | 5,220 | 121,555 |
| Nonspendable - landfill postclosure care | 209,217 | - | - | 209,217 |
| Nonspendable - cemetery perpetual care | - | - | 290,927 | 290,927 |
| Restricted - streets and highways | - | 257,768 | 110,569 | 368,337 |
| Assigned - fire department | 794,863 | - | - | 794,863 |
| Assigned - cemetery | - | - | 26,273 | 26,273 |
| Unassigned | 829,226 | - | - | 829,226 |
| Total fund balances | <u>1,962,472</u> | <u>261,880</u> | <u>432,989</u> | <u>2,657,341</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 2,753,824</u> | <u>\$ 265,069</u> | <u>\$ 435,007</u> | <u>\$ 3,453,900</u> |

See accompanying notes.

City of Clare

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

June 30, 2021

| | |
|--|--------------|
| Total fund balances for governmental funds | \$ 2,657,341 |
|--|--------------|

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 | 18,141,803 |
| Accumulated depreciation | (4,458,779) |

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

| |
|---------|
| 775,521 |
|---------|

Deferred inflows represent deferred pension-related financial sources that are recognized in future periods in the government-wide financial statements

| |
|-----------|
| (113,006) |
|-----------|

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.

| |
|---------|
| 617,692 |
|---------|

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

| | |
|--------------------------|----------|
| Accrued interest payable | (22,370) |
|--------------------------|----------|

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, 2021 are:

| | |
|--------------------------------------|-------------|
| Installment purchase contracts | (37,454) |
| General obligation limited tax bonds | (2,852,116) |
| Net pension liability | (3,734,308) |

Other reconciling items

| |
|-----|
| 526 |
|-----|

Total net position of governmental activities

| |
|----------------------|
| <u>\$ 11,569,496</u> |
|----------------------|

City of Clare

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

Year Ended June 30, 2021

| | General | Major Streets | Other Governmental Funds | Total |
|--|--------------|------------------|--------------------------------|--------------|
| Revenues | | | | |
| Property taxes and related fees | \$ 1,746,081 | \$ - | \$ 262,579 | \$ 2,008,660 |
| Special assessments, net | - | - | 531 | 531 |
| Licenses and permits | 48,782 | - | - | 48,782 |
| Federal grants | 171,564 | - | - | 171,564 |
| State grants | 609,701 | 366,772 | 132,439 | 1,108,912 |
| Charges for services | 744,603 | - | 14,800 | 759,403 |
| Fines and forfeits | 3,181 | - | - | 3,181 |
| Interest and rentals | 25,265 | 93 | 548 | 25,906 |
| Donations | 76,192 | - | 1,100 | 77,292 |
| Other revenue | 172,263 | 1,600 | 2,089 | 175,952 |
| Total revenues | 3,597,632 | 368,465 | 414,086 | 4,380,183 |
| Expenditures | | | | |
| General government | 978,792 | - | - | 978,792 |
| Public safety | 1,141,985 | - | - | 1,141,985 |
| Public works | 388,346 | 200,172 | 457,319 | 1,045,837 |
| Community development | 28,667 | - | - | 28,667 |
| Recreation and culture | 816,301 | - | - | 816,301 |
| Capital outlay | 200,791 | - | - | 200,791 |
| Debt service | 457,860 | - | 50,056 | 507,916 |
| Total expenditures | 4,012,742 | 200,172 | 507,375 | 4,720,289 |
| Excess (deficiency) of revenues over expenditures | (415,110) | 168,293 | (93,289) | (340,106) |
| Other financing sources (uses) | | | | |
| Issuance of long-term debt | 1,300,000 | - | - | 1,300,000 |
| Transfers in | 423,568 | - | 200,056 | 623,624 |
| Transfers out | (430,684) | (152,000) | (2,000) | (584,684) |
| Total other financing sources (uses) | 1,292,884 | (152,000) | 198,056 | 1,338,940 |
| Net change in fund balances | 877,774 | 16,293 | 104,767 | 998,834 |
| Fund balances-beginning | 1,084,698 | 245,587 | 328,222 | 1,658,507 |
| Fund balances-ending | \$ 1,962,472 | \$ 261,880 | \$ 432,989 | \$ 2,657,341 |

See accompanying notes.

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, 2021

| | |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 998,834 |
|--|------------|

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 | 616,947 |
| Subtract: depreciation expense | (459,890) |

| | |
|--|---------|
| Revenue in the statement of activities that represents new levies for long-term special assessments and does not affect revenue at the fund level. | 594,646 |
|--|---------|

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

| | |
|--|-----------|
| Add: decrease in accrued interest payable | 1,765 |
| Subtract: increase in net pension liability net of related deferred outflows and inflows | (266,393) |

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 | 453,500 |
| Subtract: bond proceeds | (1,300,000) |

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 | (12,014) |
| Interest earnings from governmental internal service funds | 60 |
| Transfers out | (12,000) |
| Other reconciling items | (387) |
| Change in net position of governmental activities | <u>\$ 615,068</u> |

City of Clare

Proprietary Funds Statement of Net Position

Year Ended June 30, 2021

| | Sewer Fund | Water Fund | Total | Internal Service Funds |
|---|-----------------------|-----------------------|--------------|---------------------------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 559,122 | \$ 1,709,773 | \$ 2,268,895 | \$ 122,500 |
| Accounts receivable, net | 114,805 | 103,744 | 218,549 | 2,328 |
| Inventory | 45,822 | 6,117 | 51,939 | 49,320 |
| Prepaid items | 21,230 | 14,997 | 36,227 | 15,185 |
| Restricted cash: | | | | |
| Cash - restricted for USDA bond reserves | 112,992 | 26,721 | 139,713 | - |
| Cash - restricted for USDA repair and replacement | 120,652 | 70,743 | 191,395 | - |
| Total current assets | 974,623 | 1,932,095 | 2,906,718 | 189,333 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Land | 10,757 | 42,632 | 53,389 | 85,000 |
| Construction in progress | 6,946 | 69,285 | 76,231 | - |
| Land improvements, net | 36,065 | - | 36,065 | - |
| Buildings and improvements, net | 1,154,709 | 46,518 | 1,201,227 | 101,743 |
| Equipment, net | 1,015,014 | 4,523 | 1,019,537 | 116,667 |
| Vehicles, net | - | - | - | 357,363 |
| Sewer and water system infrastructure, net | 2,889,557 | 5,155,258 | 8,044,815 | - |
| Total noncurrent assets | 5,113,048 | 5,318,216 | 10,431,264 | 660,773 |
| Total assets | 6,087,671 | 7,250,311 | 13,337,982 | 850,106 |
| Deferred outflows of resources | | | | |
| Related to pension | 93,630 | 76,607 | 170,237 | - |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 8,023 | 5,048 | 13,071 | 3,993 |
| Accrued expenses | 3,107 | 3,232 | 6,339 | 826 |
| Accrued interest payable | 10,665 | 15,225 | 25,890 | - |
| Deposits and other liabilities | 15,122 | - | 15,122 | - |
| Bonds and loans payable | 80,000 | 64,000 | 144,000 | 23,375 |
| Net pension liabilities | 450,850 | 368,877 | 819,727 | - |
| Total current liabilities | 567,767 | 456,382 | 1,024,149 | 28,194 |
| Noncurrent liabilities: | | | | |
| Bonds and loans payable | 2,474,954 | 1,976,000 | 4,450,954 | 249,676 |
| Total liabilities | 3,042,721 | 2,432,382 | 5,475,103 | 277,870 |
| Deferred inflows of resources | | | | |
| Related to pension | 13,643 | 11,163 | 24,806 | - |
| Net position | | | | |
| Invested in capital assets, net of related debt | 2,558,094 | 3,278,216 | 5,836,310 | 387,722 |
| Restricted for debt service | 120,652 | 70,743 | 191,395 | - |
| Unrestricted | 446,191 | 1,534,414 | 1,980,605 | 184,514 |
| Total net position | \$ 3,124,937 | \$ 4,883,373 | \$ 8,008,310 | \$ 572,236 |

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, 2021

| | |
|---------------------------------------|--------------|
| Net position - total enterprise funds | \$ 8,008,310 |
|---------------------------------------|--------------|

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. | 227,595 |
|--|---------|

| | |
|--|---------------------|
| Total net position of business-type activities | <u>\$ 8,235,905</u> |
|--|---------------------|

City of Clare

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

Year Ended June 30, 2021

| | Sewer Fund | Water Fund | Total | Internal Service Funds |
|---|-----------------------|-----------------------|--------------|---------------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 943,662 | \$ 814,534 | \$ 1,758,196 | \$ 415,096 |
| Other revenue | 2,496 | 87,705 | 90,201 | 32,607 |
| Total operating revenues | 946,158 | 902,239 | 1,848,397 | 447,703 |
| Operating expenses | | | | |
| Salaries and wages | 218,879 | 223,425 | 442,304 | 68,053 |
| Payroll taxes | 16,892 | 17,120 | 34,012 | 5,132 |
| Employee benefits | 63,102 | 67,353 | 130,455 | 24,786 |
| Retirement | 27,310 | 33,647 | 60,957 | 17,709 |
| Supplies | 53,829 | 55,293 | 109,122 | 63,426 |
| Postage | 2,519 | 3,025 | 5,544 | - |
| Professional and contracted services | 23,082 | 23,871 | 46,953 | 53,399 |
| Insurance | 13,232 | 5,171 | 18,403 | 29,106 |
| Telephone and communications | 6,514 | 1,776 | 8,290 | 4,419 |
| Professional development | 2,134 | 2,621 | 4,755 | - |
| Utilities | 107,462 | 94,292 | 201,754 | 19,687 |
| Repair and maintenance | 43,704 | 26,693 | 70,397 | 70,495 |
| Drain improvements | 5,481 | - | 5,481 | - |
| Equipment rental | 113,900 | 77,200 | 191,100 | - |
| Miscellaneous | 8,173 | 8,448 | 16,621 | - |
| Depreciation | 282,111 | 170,868 | 452,979 | 134,508 |
| Total operating expenses | 988,324 | 810,803 | 1,799,127 | 490,720 |
| Operating income (loss) | (42,166) | 91,436 | 49,270 | (43,017) |
| Nonoperating revenues (expenses) | | | | |
| Interest earnings | 320 | 43,856 | 44,176 | 60 |
| Interest expense | (67,431) | (47,817) | (115,248) | (9,228) |
| Net nonoperating revenues (expenses) | (67,111) | (3,961) | (71,072) | (9,168) |
| Income (loss) before transfers | (109,277) | 87,475 | (21,802) | (52,185) |
| Transfers | | | | |
| Transfers out | (10,000) | (10,000) | (20,000) | (12,000) |
| Total transfers | (10,000) | (10,000) | (20,000) | (12,000) |
| Capital grant | - | 1,515,509 | 1,515,509 | - |
| Total capital contributions | - | 1,515,509 | 1,515,509 | - |
| Changes in net position | (119,277) | 1,592,984 | 1,473,707 | (64,185) |
| Total net position-beginning | 3,244,214 | 3,290,389 | 6,534,603 | 636,421 |
| Total net position-ending | \$ 3,124,937 | \$ 4,883,373 | \$ 8,008,310 | \$ 572,236 |

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, 2021

| | |
|---|--------------|
| Net change in net position - total enterprise funds | \$ 1,473,707 |
|---|--------------|

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.

(31,003)

| |
|--|
| Change in net position of business-type activities |
|--|

| |
|---------------------|
| <u>\$ 1,442,704</u> |
|---------------------|

City of Clare

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2021

| | Sewer Fund | Water Fund | Total | Internal Service Funds |
|--|-----------------------|-----------------------|---------------------|---------------------------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 947,807 | \$ 933,905 | \$ 1,881,712 | \$ 447,783 |
| Payments to suppliers | (422,912) | (326,851) | (749,763) | (272,402) |
| Payments to employees | (334,032) | (349,155) | (683,187) | (117,919) |
| Net cash from operating activities | 190,863 | 257,899 | 448,762 | 57,462 |
| Cash flows from noncapital financing activities | | | | |
| Transfers out | (10,000) | (10,000) | (20,000) | (12,000) |
| Net cash from noncapital financing activities | (10,000) | (10,000) | (20,000) | (12,000) |
| Cash flows from capital and related financing activities | | | | |
| Purchases and construction of capital assets | (6,946) | (90,310) | (97,256) | (32,624) |
| Capital contributions | - | 1,515,509 | 1,515,509 | - |
| Principal paid on capital debt | (79,000) | (57,000) | (136,000) | (22,963) |
| Interest paid on capital debt | (67,949) | (48,351) | (116,300) | (9,231) |
| Net cash from capital and related financing activities | (153,895) | 1,319,848 | 1,165,953 | (64,818) |
| Cash flows from investing activities | | | | |
| Interest earnings | 320 | 43,856 | 44,176 | 62 |
| Net cash from investing activities | 320 | 43,856 | 44,176 | 62 |
| Net change in cash and cash equivalents | 27,288 | 1,611,603 | 1,638,891 | (19,294) |
| Balances-beginning of year | 765,478 | 195,634 | 961,112 | 141,794 |
| Balances-end of year | <u>\$ 792,766</u> | <u>\$ 1,807,237</u> | <u>\$ 2,600,003</u> | <u>\$ 122,500</u> |
| Displayed as: | | | | |
| Cash and cash equivalents | \$ 559,122 | \$ 1,709,773 | \$ 2,268,895 | \$ 122,500 |
| Restricted cash and cash equivalents | 233,644 | 97,464 | 331,108 | - |
| | <u>\$ 792,766</u> | <u>\$ 1,807,237</u> | <u>\$ 2,600,003</u> | <u>\$ 122,500</u> |
| Reconciliation of operating loss to net cash from operating activities: | | | | |
| Operating loss | \$ (42,166) | \$ 91,436 | \$ 49,270 | \$ (43,017) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | | | |
| Depreciation expense | 282,111 | 170,868 | 452,979 | 134,508 |
| Change in assets and liabilities: | | | | |
| Accounts receivable, net | 1,649 | 31,666 | 33,315 | 80 |
| Inventory | (3,015) | 589 | (2,426) | (17,711) |
| Prepaid items | (13,523) | (6,377) | (19,900) | (11,788) |
| Accounts payable | (2,457) | (2,569) | (5,026) | (2,371) |
| Accrued expenses | (7,849) | (7,610) | (15,459) | (2,239) |
| Deposits and other liabilities | (23,887) | (20,104) | (43,991) | - |
| Net cash from operating activities | <u>\$ 190,863</u> | <u>\$ 257,899</u> | <u>\$ 448,762</u> | <u>\$ 57,462</u> |

See accompanying notes.

City of Clare

Statement of Fiduciary Net Position

Year Ended June 30, 2021

| | <u>Custodial Funds</u> |
|---------------------------------|-------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 73,965 |
| Prepaid payroll taxes | - |
| Total assets | <u>\$ 73,965</u> |
| Liabilities | |
| Accrued expenses | \$ 63,969 |
| Due to other governmental units | 9,996 |
| Total liabilities | <u>\$ 73,965</u> |

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

| | <u>Custodial Funds</u> |
|---|-------------------------------|
| Additions | |
| Property taxes collected for other governments | \$ 6,960,468 |
| Deductions | |
| Property taxes distributed to other governments | <u>(6,936,851)</u> |
| Net change in fiduciary position | 23,617 |
| Net position at beginning of year | <u>50,348</u> |
| Net position at end of year | <u>\$ 73,965</u> |

City of Clare

Component Units Statement of Net Position

June 30, 2021

| | Downtown Development Authority | Local Development Finance Authority | Brownfield Redevelopment Authority | Total |
|---|---|--|---|--------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 122,108 | \$ 133 | \$ 4,635 | \$ 126,876 |
| Accounts receivable | 1,433 | - | - | 1,433 |
| Capital assets, net: | | | | |
| Assets not being depreciated | 383,070 | - | - | 383,070 |
| Assets being depreciated | 155,662 | 44,788 | - | 200,450 |
| Total assets | 662,273 | 44,921 | 4,635 | 711,829 |
| Liabilities | | | | |
| Accounts payable | 3,391 | - | - | 3,391 |
| Accrued interest payable | 1,270 | - | - | 1,270 |
| Long-term liabilities: | | | | |
| Due in one year | 62,000 | - | - | 62,000 |
| Due in more than one year | 356,000 | - | - | 356,000 |
| Total liabilities | 422,661 | - | - | 422,661 |
| Net position | | | | |
| Invested in capital assets, net of related debt | 120,732 | 44,788 | - | 165,520 |
| Restricted - debt service | 118,880 | - | - | 118,880 |
| Restricted - community development | - | 133 | 4,635 | 4,768 |
| Total net position | \$ 239,612 | \$ 44,921 | \$ 4,635 | \$ 289,168 |

City of Clare

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

June 30, 2021

| | |
|---|------------|
| Total fund balances for component units | \$ 124,918 |
|---|------------|

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 | 1,105,919 |
| Accumulated depreciation | (522,399) |

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, 2020 are:

| | |
|---------------------------------------|-------------------|
| DDA bonds | (418,000) |
| Total net position of component units | <u>\$ 289,168</u> |

City of Clare

Component Units Statement of Activities

June 30, 2021

| 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 | \$ 78,544 | \$ 6,804 | \$ - | \$ (71,740) | \$ - | \$ - | \$ - | \$ (71,740) |
| Local Development Finance Authority: | | | | | | | | |
| Community and economic development | 4,214 | - | - | - | (4,214) | - | - | (4,214) |
| Brownfield Redevelopment Authority: | | | | | | | | |
| Community and economic development | - | - | - | - | - | - | - | - |
| | <u>\$ 82,758</u> | <u>\$ 6,804</u> | <u>\$ -</u> | <u>(71,740)</u> | <u>(4,214)</u> | <u>-</u> | <u>-</u> | <u>(75,954)</u> |
| General revenues: | | | | | | | | |
| Property taxes and related fees | | | | 112,502 | 4,927 | - | - | 117,429 |
| Interest earnings | | | | 20 | 1 | 2 | 2 | 23 |
| Transfers out | | | | (2,000) | (4,940) | - | - | (6,940) |
| Total general revenues | | | | <u>110,522</u> | <u>(12)</u> | <u>2</u> | <u>2</u> | <u>110,512</u> |
| Change in net position | | | | 38,782 | (4,226) | 2 | 2 | 34,558 |
| Net position-beginning | | | | 200,830 | 49,147 | 4,633 | 4,633 | 254,610 |
| Net position-ending | | | | <u>\$ 239,612</u> | <u>\$ 44,921</u> | <u>\$ 4,635</u> | <u>\$ 4,635</u> | <u>\$ 289,168</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, 2021

| | |
|---|-----------|
| Net change in fund balances - component units | \$ 58,478 |
|---|-----------|

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.

| | |
|--------------------------------|----------|
| Add: capital outlay | 252,783 |
| Subtract: depreciation expense | (29,703) |

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.

| | |
|---|------------------|
| Less: proceeds from the issuance of DDA bonds | (480,000) |
| Add: repayments of DDA bonds | 233,000 |
| Change in net position of component units | <u>\$ 34,558</u> |

City of Clare

Notes to Financial Statements

June 30, 2021

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, 2021

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, 2021

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, 2021

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 capital leases are reported as other financing sources.

City of Clare

Notes to Financial Statements

June 30, 2021

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, 2021

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.

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 the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

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, 2021

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. 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.

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, 2021

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, 2021

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. Adoption of New Accounting Standards

The City has adopted GASB Statement No. 84, *Fiduciary Activities*, which improves the guidance for identifying and reporting on fiduciary activities. Considerations for the accounting for these activities includes (1) whether the government controls the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable, are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The City's Tax Collection Fund and Payroll Imprest Fund are custodial funds under this standard.

City of Clare

Notes to Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies (continued)

J. Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The City property tax is levied each July 1st on the taxable valuation of property (as defined by State statutes) located in the City as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2020 net taxable valuation of the City totaled \$90,643,747, 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.

City of Clare

Notes to Financial Statements

June 30, 2021

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 | \$ 4,676,478 | \$ - | \$ 4,676,478 |
| Investments | - | - | - |
| Investments held by trustee | 209,217 | - | 209,217 |
| Restricted cash and cash equivalents | 331,108 | - | 331,108 |
| Component Units: | | | |
| Cash and cash equivalents | 126,876 | - | 126,876 |
| Fiduciary Funds: | | | |
| Cash and cash equivalents | 73,965 | - | 73,965 |
| | <u>\$ 5,417,644</u> | <u>\$ -</u> | <u>\$ 5,417,644</u> |

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: Chemical Bank-Clare 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.

City of Clare

Notes to Financial Statements

June 30, 2021

2. Deposits and Investments (continued)

Investment and Deposit Risk (continued)

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, \$215,569 of the City's bank balances of \$5,256,384 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, 2021

3. Capital Assets

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

| Governmental Activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 4,366,644 | \$ - | \$ (163,300) | \$ 4,203,344 |
| Construction in progress | 1,532,246 | 344,536 | (90) | 1,876,692 |
| Total capital assets not being depreciated | 5,898,890 | 344,536 | (163,390) | 6,080,036 |
| Capital assets being depreciated: | | | | |
| Land improvements | 6,663,521 | 232,565 | - | 6,896,086 |
| Buildings and improvements | 3,264,066 | - | - | 3,264,066 |
| Equipment | 2,422,653 | 237,834 | (124,750) | 2,535,737 |
| Vehicles | 2,781,429 | 7,303 | (35,300) | 2,753,432 |
| Total capital assets being depreciated | 15,131,669 | 477,702 | (160,050) | 15,449,321 |
| Less accumulated depreciation: | | | | |
| Land improvements | (1,164,184) | (270,566) | - | (1,434,750) |
| Buildings and improvements | (1,924,834) | (90,349) | - | (2,015,183) |
| Equipment | (1,896,818) | (143,320) | 160,050 | (1,880,088) |
| Vehicles | (1,765,377) | (90,162) | - | (1,855,539) |
| Total accumulated depreciation | (6,751,213) | (594,397) | 160,050 | (7,185,561) |
| Total capital assets being depreciated, net | 8,380,456 | (116,695) | - | 8,263,761 |
| Governmental activities capital assets, net | \$14,279,346 | \$ 227,841 | \$ (163,390) | \$14,343,797 |

City of Clare

Notes to Financial Statements

June 30, 2021

3. Capital Assets (continued)

| Business-type Activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 53,389 | \$ - | \$ - | \$53,389 |
| Construction in progress | - | 76,231 | - | 76,231 |
| Total capital assets not being depreciated | 53,389 | 76,231 | - | 129,620 |
| Capital assets being depreciated: | | | | |
| Land improvements | 425,549 | - | - | 425,549 |
| Buildings and improvements | 5,394,966 | - | - | 5,394,966 |
| Equipment | 1,960,253 | - | - | 1,960,253 |
| Infrastructure | 13,873,973 | 21,027 | - | 13,895,000 |
| Total capital assets being depreciated | 21,654,741 | 21,027 | - | 21,675,758 |
| Less accumulated depreciation: | | | | |
| Land improvements | (386,539) | (2,943) | - | (389,482) |
| Buildings and improvements | (4,109,038) | (84,700) | - | (4,193,738) |
| Equipment | (879,993) | (60,724) | - | (940,717) |
| Infrastructure | (5,545,573) | (304,612) | - | (5,850,185) |
| Total accumulated depreciation | (10,921,143) | (452,979) | - | (11,374,122) |
| Total capital assets being depreciated, net | 10,733,598 | (431,952) | - | 10,301,646 |
| Business-type activities capital assets, net | \$10,786,987 | \$ (355,721) | \$ - | \$10,431,266 |

City of Clare

Notes to Financial Statements

June 30, 2021

3. Capital Assets (continued)

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

| | |
|------------------------------------|------------------|
| Governmental Activities | |
| General government | \$ 217,911 |
| Public safety | 95,366 |
| Public works | 102,066 |
| Recreation and culture | 74,250 |
| Internal Service Fund depreciation | 134,508 |
| | <u>\$624,101</u> |
| Business-Type Activities | |
| Sewer | \$282,111 |
| Water | 170,868 |
| | <u>\$452,979</u> |

Discretely Presented Component Units

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$108,126 | \$ - | \$ - | \$108,126 |
| Constructions in progress | 22,161 | 252,783 | - | 274,944 |
| Total capital assets not being depreciated | 130,287 | 252,783 | - | 383,070 |
| 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 | (309,416) | (25,556) | - | (334,972) |
| Equipment | (138,200) | - | - | (138,200) |
| Total accumulated depreciation | (447,616) | (25,556) | - | (473,172) |
| Total capital assets being depreciated, net | 181,217 | (25,556) | - | 155,661 |
| DDA capital assets, net | <u>\$ 311,504</u> | <u>\$ 227,227</u> | <u>\$ -</u> | <u>\$ 538,731</u> |

City of Clare

Notes to Financial Statements

June 30, 2021

3. Capital Assets (continued)

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|-------------------|------------------|---------------------------|
| Capital assets being depreciated: | | | | |
| Land improvements | \$ 94,016 | \$ - | \$ - | \$ 94,016 |
| Total capital assets being depreciated | 94,016 | - | - | 94,016 |
| Less accumulated depreciation: | | | | |
| Land improvements | (45,081) | (4,147) | - | (49,228) |
| Total accumulated depreciation | (45,081) | (4,147) | - | (49,228) |
| LDFA capital assets, net | <u>\$ 48,935</u> | <u>\$ (4,147)</u> | <u>\$ -</u> | <u>\$ 44,788</u> |

Construction Commitments

The City's active construction projects as of June 30, 2021 included the following contractor commitments:

| | Spent to Date | Remaining Commitment |
|--|--------------------------|---------------------------------|
| Airport-Parallel Taxiway | \$66,949 | \$ 572,051 |
| Municipal Street Project | - | 171,087 |
| Fire Department Pumper Apparatus | - | 555,301 |
| Lake Shamrock Dredging | 5,000 | 20,000 |
| Water Treatment Plant Screw Pump Replacement | 6,675 | 380,750 |
| Replace Lead Lines | - | 988,316 |
| Sewer Vactor Truck | - | 395,381 |
| | <u>\$ 78,624</u> | <u>\$3,082,886</u> |

City of Clare

Notes to Financial Statements

June 30, 2021

4. Interfund Receivables, Payables, and Transfers

As of June 30, 2021, 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 | \$406,662 | General | \$46,940 |
| Major Street | 152,000 | Major Street | 150,000 |
| Local Street | 2,000 | Fire | 101,628 |
| Cemetery Perpetual Care | - | Parks | 275,000 |
| Fire | 22,022 | Public Safety/Bldg Debt | 50,056 |
| Parks | 2,000 | | |
| DDA | 2,000 | | |
| LFDA | 4,940 | | |
| Internal Service | 12,000 | | |
| Sewer | 10,000 | | |
| Water | 10,000 | | |
| | <u>\$623,624</u> | | <u>\$623,624</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.

5. 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, 2021

5. Long-Term Debt (continued)

Bond and contractual agreements can be summarized as follows:

| | Interest Rate | Principal Matures | Beginning Balance | Additions (Reductions) | Ending Balance | Due Within One Year |
|--|--------------------------|------------------------------|------------------------------|-----------------------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | | |
| Public safety building – 2012 refunding bonds | 3.37% | 2035 | \$ 450,000 | \$ (35,000) | \$ 415,000 | \$ 35,000 |
| Soccer complex installment purchase | 2.69% | 2022 | 55,515 | (18,061) | 37,454 | 18,546 |
| North Industrial Park | 4.00% | 2044 | 499,000 | (13,000) | 486,000 | 13,000 |
| Fire truck purchase | 3.09% | 2030 | 364,718 | (364,718) | - | - |
| Sidewalk LED lighting | 2.24% | 2031 | 95,770 | (8,706) | 87,064 | 8,706 |
| Recreational Complex Construction | 2.60% | 2037 | 305,000 | (14,000) | 291,000 | 14,000 |
| 2018 Freightliner Blade Truck | 2.05% | 2028 | 92,000 | (11,500) | 80,500 | 11,500 |
| 2018 Elgin Street Sweeper | 3.60% | 2033 | 204,015 | (11,463) | 192,552 | 11,875 |
| 2021 Shamrock Lake Bonds | 1.95% | 2035 | - | 1,300,000 | 1,300,000 | 88,000 |
| | | | <u>\$ 2,066,018</u> | <u>\$823,552</u> | <u>\$2,889,570</u> | <u>\$ 200,627</u> |
| Business-Type Activities | | | | | | |
| Sewage system revenue bonds | 2.50% | 2051 | \$ 2,250,954 | \$ (49,000) | \$2,201,954 | 50,000 |
| Water – 2012 refunding bonds | 2.23% | 2023 | 85,000 | (25,000) | 60,000 | 30,000 |
| Sewer – 2012 refunding bonds | 2.15% | 2023 | 75,000 | (25,000) | 50,000 | 25,000 |
| Water – 2014 rural development bonds | 3.25% | 2054 | 515,000 | (8,000) | 507,000 | 9,000 |
| Sewer – 2014 rural development bonds | 3.25% | 2054 | 308,000 | (5,000) | 303,000 | 5,000 |
| 2019 Water Plant Revenue Bond | 2.125% | 2059 | 1,497,000 | (24,000) | 1,473,000 | 25,000 |
| | | | <u>\$ 4,730,954</u> | <u>\$ (136,000)</u> | <u>\$4,594,954</u> | <u>\$ 144,000</u> |
| Component Units | | | | | | |
| 2006 DDA bonds | 3.95 to 4.55% | 2025 | \$ 171,000 | \$ (171,000) | \$ - | \$ - |
| 2020 Refunding Bonds | 1.2% to 1.6% | 2026 | - | 147,000 | 147,000 | 35,000 |
| 2020 Streetscape Bonds | 1.84% | 2030 | - | 271,000 | 271,000 | 27,000 |
| | | | <u>\$ 171,000</u> | <u>\$ 247,000</u> | <u>\$ 418,000</u> | <u>\$ 62,000</u> |

City of Clare

Notes to Financial Statements

June 30, 2021

5. 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 |
| 2022 | \$ 200,627 | \$ 75,923 | \$ 144,000 | \$ 114,973 | \$ 62,000 | \$ 6,505 |
| 2023 | 203,417 | 72,019 | 145,000 | 111,293 | 65,000 | 6,398 |
| 2024 | 174,952 | 67,139 | 94,000 | 108,277 | 65,000 | 5,396 |
| 2025 | 177,411 | 62,833 | 96,000 | 105,914 | 67,000 | 4,345 |
| 2026 | 177,887 | 58,413 | 98,000 | 103,481 | 30,000 | 3,230 |
| 2027-2031 | 894,684 | 222,656 | 531,000 | 478,900 | 129,000 | 5,998 |
| 2032-2036 | 815,592 | 102,728 | 599,000 | 408,383 | - | - |
| 2037-2041 | 153,000 | 34,699 | 682,000 | 328,258 | - | - |
| 2042-2046 | 92,000 | 7,520 | 774,000 | 236,807 | - | - |
| 2047-2051 | - | - | 860,954 | 133,014 | - | - |
| 2052-2056 | - | - | 357,000 | 43,470 | - | - |
| 2057-2060 | - | - | 214,000 | 9,308 | - | - |
| | <u>\$ 2,889,570</u> | <u>\$ 703,929</u> | <u>\$ 4,594,954</u> | <u>\$ 2,182,076</u> | <u>\$ 418,000</u> | <u>\$ 31,872</u> |

6. 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 herein are not required.

7. 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, 2021.

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, 2021

8. 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, 2021, follows:

| | |
|----------------------------|------------------|
| Balance – July 1, 2020 | \$ 670,390 |
| Employee contributions | 343,671 |
| Transfers | - |
| Current withdrawals | (239,091) |
| Interest and market losses | 156,456 |
| Adjustments/fees | (4,867) |
| Balance – June 30, 2021 | <u>\$926,559</u> |

9. Pension Plan

Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

City of Clare

Notes to Financial Statements

June 30, 2021

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

The City's contribution rate during the 2020 calendar valuation period was 30.79% of annual covered payroll for general employees, 30.91% of annual covered payroll for police employees, and 48.40% for Pere Marquette District Library full time employees. The City's contributions to the plan for the year ended June 30, 2021 were \$358,508 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, 2021 were \$77,560.

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

| <u>01 – General: Open Division</u> | <u>2020 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, 2021

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

| 02 – Police: Open Division | 2020 Valuation |
|------------------------------------|---|
| Benefit Multiplier | 2.50% Multiplier (80% max) Frozen FAC; to 2.25% Multiplier |
| Bridged Benefit Date | 06/30/2016 |
| Normal Retirement Age | 60 |
| Vesting | 10 years |
| Early Retirement (Unreduced) | 55/25 50/25 |
| Early Retirement (Reduced) | 55/15 |
| Final Average Compensation | 3 years |
| Employee Contributions | 8% |
| Act 88 | Yes (Adopted 6/6/2005) |
| 01 – General: Open Division | 2020 Valuation |
| Benefit Multiplier | 2.25% Multiplier (80% max) |
| Normal Retirement Age | 60 |
| Vesting | 10 years |
| Early Retirement (Unreduced) | - |
| Early Retirement (Reduced) | 50/25 55/15 |
| Final Average Compensation | 3 years |
| COLA for Future Retirees | 2.50% (Non-Compound) |
| COLA for Current Retirees | 2.50% (Non-Compound) |
| Employee Contributions | 4% |
| Act 88 | Yes (Adopted 6/6/2005) |

City of Clare

Notes to Financial Statements

June 30, 2021

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

| <u>07 – PMDL All FT EEs: Open Division</u> | <u>2020 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) |

Employees covered by benefit terms. As of the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 28 |
| Inactive employees entitled to but not yet receiving benefits | 13 |
| Active employees | <u>27</u> |
| | <u>68</u> |

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

City of Clare

Notes to Financial Statements

June 30, 2021

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020 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: 7.35%, 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 the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend
- The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience studies completed in 2018 and 2020

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------|------------------------------|---|
| Global Equity | 60.0% | 4.65% |
| Global Fixed Income | 20.0% | 0.75% |
| Private Investments | 20.0% | 1.95% |
| Total | 100.00% | 7.35% |

City of Clare

Notes to Financial Statements

June 30, 2021

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.6% for 2020. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) – (b) |
| Balances as of December 31, 2019 | \$ 9,564,484 | \$5,712,118 | \$3,852,366 |
| Changes for the year | | | |
| Service Cost | 166,797 | - | 166,797 |
| Interest on total pension liability | 712,129 | - | 712,129 |
| Changes in benefits | - | - | - |
| Difference between expected and actual experience | 525,294 | - | 525,294 |
| Changes in assumptions | 322,626 | - | 322,626 |
| Employer contributions | - | 348,456 | (348,456) |
| Employee contributions | - | 236,085 | (236,085) |
| Net investment income | - | 697,484 | (697,484) |
| Benefit payments, including employee refunds | (555,518) | (555,518) | - |
| Administrative expense | - | (11,321) | 11,321 |
| Other changes | (8,911) | (254,438) | 245,527 |
| Net changes | 1,162,417 | 460,748 | 701,669 |
| Balances as of December 31, 2020 | \$10,726,901 | \$6,172,866 | \$4,554,035 |

City of Clare

Notes to Financial Statements

June 30, 2021

9. 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 7.6%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (6.6%) or 1% higher (8.6%) than the current rate.

| | 1% Decrease (6.6%) | Current Discount Rate (7.6%) | 1% Increase (8.6%) |
|-----------------------|-----------------------|------------------------------------|-----------------------|
| Net pension liability | \$5,897,490 | \$4,554,035 | \$3,434,749 |

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

For the year ended June 30, 2021 the employer recognized pension expense of \$579,871. 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 | \$ 374,744 | \$ - |
| Differences in assumptions | 387,095 | - |
| Excess (Deficit) Investment Returns | - | (137,812) |
| Contributions subsequent to the measurement date* | 183,919 | - |
| Total | \$ 945,758 | \$ (137,812) |

*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, 2021.

City of Clare

Notes to Financial Statements

June 30, 2021

9. 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:

| Year Ended June 30 | |
|---------------------------|--------------------------|
| 2021 | \$ 282,950 |
| 2022 | 279,498 |
| 2023 | 109,548 |
| 2024 | (47,968) |
| | <u>\$ 624,028</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.

10. 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, 2021

11. 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.

12. 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, 2021, the City's property tax revenues were reduced by \$16,030 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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | | | | | |
| Service Cost | \$ 166,797 | \$ 153,722 | \$ 154,120 | \$ 144,430 | \$ 163,000 | \$ 158,301 | \$ 154,504 | | | |
| Interest | 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 | 525,294 | (45,357) | (216,322) | (26,763) | (39,835) | (143,831) | - | | | |
| Changes of assumptions | 322,626 | 290,251 | - | - | - | 394,907 | - | | | |
| Benefit payments including employee refunds | (555,518) | (515,531) | (546,980) | (531,306) | (532,186) | (546,575) | (500,277) | | | |
| Other | (8,911) | - | 1 | (1) | 1 | 19,637 | 18,988 | | | |
| Net change in total pension liability | 1,162,417 | 586,825 | 41,926 | 302,463 | 86,060 | 498,396 | 280,823 | | | |
| Total pension liability, beginning | 9,564,484 | 8,977,659 | 8,935,733 | 8,633,270 | 8,547,210 | 8,048,814 | 7,767,991 | | | |
| Total pension liability, ending | 10,726,901 | \$ 9,564,484 | \$ 8,977,659 | \$ 8,935,733 | \$ 8,633,270 | \$ 8,547,210 | \$ 8,048,814 | \$ 7,883,371 | \$ 7,880,941 | \$ 7,497,994 |
| Plan fiduciary net position | | | | | | | | | | |
| Contributions-employer | \$ 348,456 | \$ 313,639 | \$ 277,787 | \$ 256,765 | \$ 246,242 | \$ 221,449 | \$ 200,646 | | | |
| Contributions-employee | 236,085 | 69,055 | 68,396 | 67,274 | 90,212 | 94,551 | 75,078 | | | |
| Net Investment income | 697,484 | 697,443 | (214,020) | 669,346 | 538,864 | (75,565) | 314,166 | | | |
| Benefit payments including employee refunds | (555,518) | (515,531) | (546,980) | (531,306) | (532,186) | (546,575) | (500,277) | | | |
| Administrative expense and other changes | (11,321) | (12,007) | (10,713) | (10,609) | (10,640) | (11,048) | (11,501) | | | |
| Transfers | (254,438) | - | - | - | - | - | - | | | |
| Net change in plan fiduciary net position | 460,748 | 552,599 | (425,530) | 451,470 | 332,492 | (317,188) | 78,112 | | | |
| Plan fiduciary net position, beginning | 5,712,118 | 5,159,519 | 5,585,049 | 5,133,579 | 4,801,087 | 5,118,275 | 5,040,163 | | | |
| Plan fiduciary net position, ending | \$ 6,172,866 | \$ 5,712,118 | \$ 5,159,519 | \$ 5,585,049 | \$ 5,133,579 | \$ 4,801,087 | \$ 5,118,275 | \$ 5,351,846 | \$ 5,194,914 | \$ 5,106,348 |
| Employer net pension liability | \$ 4,554,035 | \$ 3,852,366 | \$ 3,818,140 | \$ 3,350,684 | \$ 3,499,691 | \$ 3,746,123 | \$ 2,930,539 | \$ 2,531,525 | \$ 2,686,027 | \$ 2,391,646 |
| Plan fiduciary net position as a percentage of the total pension liability | 57.5% | 59.7% | 57.5% | 62.5% | 59.5% | 56.2% | 63.6% | 67.9% | 65.9% | 68.1% |
| Covered employee payroll | \$ 1,495,782 | \$ 1,356,101 | \$ 1,340,751 | \$ 1,266,188 | \$ 1,284,529 | \$ 1,257,889 | \$ 1,238,862 | \$ 1,164,366 | \$ 1,252,982 | \$ 1,214,372 |
| Employer's net pension liability as a percentage of covered employee payroll | 304.5% | 284.1% | 284.8% | 264.6% | 272.4% | 297.8% | 236.6% | 217.4% | 214.4% | 196.9% |

Notes to schedule:

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

Changes in assumptions:

For 2020: 1) The assumed annual rate of investment return, net of all expenses, was lowered from 7.75% to 7.35%. 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 2020. date.

These totals and ratios for years 2009 through 2019 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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarial determined contributions | \$ 357,211 | \$ 313,639 | \$ 277,787 | \$ 256,765 | \$ 246,242 | \$ 221,449 | \$ 200,646 | \$ 203,749 |
| Contributions in relation to the actuarially determined contribution | 357,211 | 313,639 | 277,787 | 256,765 | 246,242 | 221,449 | 200,646 | 203,749 |
| Contribution deficiency (excess) | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ | - \$ |
| Covered Employee Payroll | \$ 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 | 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 | 25 years |
| Asset valuation method | 10 year smoothed |
| Inflation | 2.50% |
| Salary Increases | 3.00% |
| Investment rate of return | 7.35% |
| Retirement age | Varies depending on plan adoption |
| Mortality | 50% Female/50% Male RP-2014 Annuity Mortality Table |

Above dates are based on the actuarial measurement date

City of Clare

Budgetary Comparison Schedule - General Fund

June 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| Property taxes and related fees | \$ 1,722,862 | \$ 1,722,862 | \$ 1,746,081 | \$ 23,219 |
| Special assessments, net | 15,000 | 15,000 | - | (15,000) |
| Licenses and permits | 51,750 | 51,750 | 48,782 | (2,968) |
| Federal revenue | 917,220 | 1,061,855 | 171,564 | (890,291) |
| State revenue | 463,353 | 577,210 | 609,701 | 32,491 |
| Charges for services | 676,035 | 676,035 | 744,603 | 68,568 |
| Fines and forfeitures | 6,100 | 6,100 | 3,181 | (2,919) |
| Interest and rentals | 28,413 | 28,413 | 25,265 | (3,148) |
| Other revenue - donations | 95,805 | 95,805 | 76,192 | (19,613) |
| Other revenue | 74,765 | 214,465 | 172,263 | (42,202) |
| Total revenues | 4,051,303 | 4,449,495 | 3,597,632 | (851,863) |
| Expenditures | | | | |
| General government: | | | | |
| City commission | 65,533 | 65,533 | 62,311 | 3,222 |
| City manager | 135,736 | 136,661 | 136,182 | 479 |
| Assessor | 99,965 | 98,365 | 97,911 | 454 |
| Clerk | 215,391 | 216,966 | 216,524 | 442 |
| Elections | 16,687 | 15,187 | 13,555 | 1,632 |
| Board of review | 1,757 | 1,247 | 1,183 | 64 |
| Cemetery | 96,390 | 96,390 | 75,275 | 21,115 |
| Buildings and grounds | 79,280 | 64,830 | 59,640 | 5,190 |
| Fiscal services | 161,859 | 172,359 | 170,136 | 2,223 |
| All other general government | 48,950 | 164,385 | 146,075 | 18,310 |
| Public safety: | | | | |
| Police department | 853,118 | 911,951 | 905,803 | 6,148 |
| Fire department | 253,732 | 286,721 | 217,142 | 69,579 |
| Building inspection and regulation activities | 19,000 | 19,260 | 19,040 | 220 |
| Public works: | | | | |
| Solid waste | 212,758 | 229,125 | 228,080 | 1,045 |
| Landfill closure | 86,302 | 86,302 | 41,025 | 45,277 |
| Department of public works | 51,484 | 51,484 | 49,031 | 2,453 |
| Drains | 2,500 | 9,800 | 9,777 | 23 |
| Street lights | 48,787 | 60,787 | 60,433 | 354 |
| Community development: | | | | |
| Planning and zoning | 29,500 | 34,500 | 28,667 | 5,833 |

City of Clare

Budgetary Comparison Schedule - General Fund (continued)

June 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|--------------|---|
| Expenditures (continued) | | | | |
| Recreation and culture: | | | | |
| Parks and recreation | \$ 2,042,883 | \$ 2,279,883 | \$ 634,231 | \$ 1,645,652 |
| Airport | 140,843 | 188,103 | 182,070 | 6,033 |
| Capital outlay: | | | | |
| General government | 5,000 | 5,000 | - | 5,000 |
| Public safety | 720,254 | 729,242 | 195,466 | 533,776 |
| Recreation and culture | 638,400 | 638,400 | 5,325 | 633,075 |
| Debt service: | | | | |
| Principal | 418,484 | 418,500 | 418,500 | - |
| Interest and fiscal charges | 64,344 | 64,329 | 39,360 | 24,969 |
| Total expenditures | 6,508,937 | 7,045,310 | 4,012,742 | 3,032,568 |
| Excess (deficiency) of revenues over expenditures | (2,457,634) | (2,595,815) | (415,110) | 2,180,705 |
| Other financing sources (uses) | | | | |
| Issuance of long-term debt | 1,880,000 | 1,880,000 | 1,300,000 | (580,000) |
| Transfers in | 408,307 | 408,307 | 423,568 | 15,261 |
| Transfers out | (430,683) | (450,683) | (430,684) | 19,999 |
| Total other financing sources (uses) | 1,857,624 | 1,837,624 | 1,292,884 | (544,740) |
| Net change in fund balances | (600,010) | (758,191) | 877,774 | 1,635,965 |
| Fund balances-beginning | 1,084,698 | 1,084,698 | 1,084,698 | - |
| Fund balances-ending | \$ 484,688 | \$ 326,507 | \$ 1,962,472 | \$ 1,635,965 |

City of Clare

Budgetary Comparison Schedule - Major Streets Fund

June 30, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| State revenue | \$ 381,689 | \$ 384,809 | \$ 366,772 | \$ (18,037) |
| Interest earnings | 438 | 438 | 93 | (345) |
| Special assessments, net | 1,002 | 1,002 | - | (1,002) |
| Other revenue | - | - | 1,600 | 1,600 |
| Total revenues | 383,129 | 386,249 | 368,465 | (17,784) |
| Expenditures | | | | |
| Public works: | | | | |
| Wages | 65,085 | 67,185 | 64,003 | 3,182 |
| Payroll taxes | 4,979 | 5,129 | 4,773 | 356 |
| Fringe benefits | 26,935 | 26,285 | 22,293 | 3,992 |
| Retirement | 16,392 | 17,117 | 16,448 | 669 |
| Internal service fund - mobile | 60,800 | 60,800 | 60,800 | - |
| Operating supplies | 20,000 | 20,200 | 10,976 | 9,224 |
| Road salt | 18,500 | 18,475 | 8,388 | 10,087 |
| Professional and contractual services | 7,400 | 7,400 | 2,622 | 4,778 |
| Electricity | 600 | 600 | 71 | 529 |
| Professional services - trees | 2,500 | 2,500 | 1,265 | 1,235 |
| Drain Improvements | - | 8,533 | 8,533 | - |
| Miscellaneous | 300 | 300 | - | 300 |
| Total expenditures | 223,491 | 234,524 | 200,172 | 34,352 |
| Excess (deficiency) of revenues over expenditures | 159,638 | 151,725 | 168,293 | 16,568 |
| Other financing sources (uses) | | | | |
| Transfers out | (102,000) | (152,000) | (152,000) | - |
| Total other financing sources (uses) | (102,000) | (152,000) | (152,000) | - |
| Net change in fund balances | 57,638 | (275) | 16,293 | 16,568 |
| Fund balances-beginning | 245,587 | 245,587 | 245,587 | - |
| Fund balances-ending | \$ 303,225 | \$ 245,312 | \$ 261,880 | \$ 16,568 |

See accompanying notes.

City of Clare

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2021

| | Special Revenue | | | Debt Service | Permanent Cemetery | |
|--|------------------|------------------|-----------------|---------------|--------------------|-------------------|
| | Local Street | Municipal Street | Drug Forfeiture | Public Safety | Perpetual Care | Total |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 20,890 | \$ 67,183 | \$ 2,894 | \$ - | \$ 317,200 | \$ 408,167 |
| Assessments receivable, net | 526 | - | - | - | - | 526 |
| Due from other governmental units | 21,094 | - | - | - | - | 21,094 |
| Prepaid items | 5,220 | - | - | - | - | 5,220 |
| Total assets | <u>\$ 47,730</u> | <u>\$ 67,183</u> | <u>\$ 2,894</u> | <u>\$ -</u> | <u>\$ 317,200</u> | <u>\$ 435,007</u> |
| Liabilities, deferred inflows of resources, and fund balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 177 | \$ 251 | \$ - | \$ - | \$ - | \$ 428 |
| Accrued liabilities | 1,064 | - | - | - | - | 1,064 |
| Total liabilities | <u>1,241</u> | <u>251</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,492</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue - long-term special assessments | 526 | - | - | - | - | 526 |
| Total deferred inflows of resources | <u>526</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>526</u> |
| Fund balances: | | | | | | |
| Nonspendable - prepaid items | 5,220 | - | - | - | - | 5,220 |
| Nonspendable - cemetery perpetual care | - | - | - | - | 290,927 | 290,927 |
| Restricted - streets and highways | 40,743 | 66,932 | 2,894 | - | - | 110,569 |
| Assigned - cemetery | - | - | - | - | 26,273 | 26,273 |
| Total fund balances | <u>45,963</u> | <u>66,932</u> | <u>2,894</u> | <u>-</u> | <u>317,200</u> | <u>432,989</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 47,730</u> | <u>\$ 67,183</u> | <u>\$ 2,894</u> | <u>\$ -</u> | <u>\$ 317,200</u> | <u>\$ 435,007</u> |

See accompanying notes.

City of Clare

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

June 30, 2021

| | Special Revenue | | | Debt Service | Permanent Cemetery Perpetual Care | Total |
|---|-----------------|------------------|-----------------|---------------|-----------------------------------|------------|
| | Local Street | Municipal Street | Drug Forfeiture | Public Safety | | |
| Revenues | | | | | | |
| Property taxes and related fees | \$ - | \$ 262,579 | \$ - | \$ - | \$ - | \$ 262,579 |
| Special assessments, net | 531 | - | - | - | - | 531 |
| State revenue | 132,439 | - | - | - | - | 132,439 |
| Charges for services | - | - | - | - | 14,800 | 14,800 |
| Interest and rentals | 2 | 391 | 1 | - | 154 | 548 |
| Donations | 1,100 | - | - | - | - | 1,100 |
| Other revenue | 2,089 | - | - | - | - | 2,089 |
| Total revenues | 136,161 | 262,970 | 1 | - | 14,954 | 414,086 |
| Expenditures | | | | | | |
| Public works | 224,081 | 233,238 | - | - | - | 457,319 |
| Debt service: | | | | | | |
| Principal | - | - | - | 35,000 | - | 35,000 |
| Interest and fiscal charges | - | - | - | 15,056 | - | 15,056 |
| Total expenditures | 224,081 | 233,238 | - | 50,056 | - | 507,375 |
| Excess (deficiency) of revenues over expenditures | (87,920) | 29,732 | 1 | (50,056) | 14,954 | (93,289) |
| Other financing sources (uses) | | | | | | |
| Transfers in | 150,000 | - | - | 50,056 | - | 200,056 |
| Transfers out | (2,000) | - | - | - | - | (2,000) |
| Total other financing sources (uses) | 148,000 | - | - | 50,056 | - | 198,056 |
| Net change in fund balances | 60,080 | 29,732 | 1 | - | 14,954 | 104,767 |
| Fund balances-beginning | (14,117) | 37,200 | 2,893 | - | 302,246 | 328,222 |
| Fund balances-ending | \$ 45,963 | \$ 66,932 | \$ 2,894 | \$ - | \$ 317,200 | \$ 432,989 |

See accompanying notes.

City of Clare

Combining Statement of Net Position - Internal Service Funds

June 30, 2021

| | Data Processing | Mobile Equipment | Total |
|---------------------------------|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 30,904 | \$ 91,596 | \$ 122,500 |
| Accounts receivable, net | - | 2,328 | 2,328 |
| Inventory | - | 49,320 | 49,320 |
| Prepaid items | 1,187 | 13,998 | 15,185 |
| Total current assets | 32,091 | 157,242 | 189,333 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | - | 85,000 | 85,000 |
| Buildings and improvements, net | - | 101,743 | 101,743 |
| Equipment, net | 93,432 | 23,235 | 116,667 |
| Vehicles, net | - | 357,363 | 357,363 |
| Total noncurrent assets | 93,432 | 567,341 | 660,773 |
| Total assets | 125,523 | 724,583 | 850,106 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 1,184 | 2,809 | 3,993 |
| Accrued expenses | - | 826 | 826 |
| Long-term liabilities: | | | |
| Due in one year | - | 23,375 | 23,375 |
| Due in more than one year | - | 249,676 | 249,676 |
| Total liabilities | 1,184 | 276,686 | 277,870 |
| Net position | | | |
| Invested in capital assets | 93,432 | 294,290 | 387,722 |
| Unrestricted | 30,907 | 153,607 | 184,514 |
| Total net position | \$ 124,339 | \$ 447,897 | \$ 572,236 |

City of Clare

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

June 30, 2021

| | Data Processing | Mobile Equipment | Total |
|---|----------------------------|-----------------------------|--------------|
| Operating revenues | | | |
| Charges for services | \$ 61,300 | \$ 353,796 | \$ 415,096 |
| Other revenue | 28,815 | 3,792 | 32,607 |
| Total operating revenues | 90,115 | 357,588 | 447,703 |
| Operating expenses | | | |
| Salaries and wages | - | 68,053 | 68,053 |
| Payroll taxes | - | 5,132 | 5,132 |
| Employee benefits | - | 24,786 | 24,786 |
| Retirement | - | 17,709 | 17,709 |
| Supplies | 9,342 | 54,084 | 63,426 |
| Professional and contracted services | 41,885 | 11,514 | 53,399 |
| Insurance | 1,269 | 27,837 | 29,106 |
| Telephone and communications | 150 | 4,269 | 4,419 |
| Utilities | - | 19,687 | 19,687 |
| Repair and maintenance | 12,810 | 57,685 | 70,495 |
| Depreciation | 28,698 | 105,810 | 134,508 |
| Total operating expenses | 94,154 | 396,566 | 490,720 |
| Operating income (loss) | (4,039) | (38,978) | (43,017) |
| Nonoperating revenues (expenses) | | | |
| Interest earnings | 11 | 49 | 60 |
| Interest expense | - | (9,228) | (9,228) |
| Total nonoperating revenues (expenses) | 11 | (9,179) | (9,168) |
| Income (loss) before transfers | (4,028) | (48,157) | (52,185) |
| Transfers | | | |
| Transfers out | (11,000) | (1,000) | (12,000) |
| Total transfers | (11,000) | (1,000) | (12,000) |
| Changes in net position | (15,028) | (49,157) | (64,185) |
| Total net position-beginning | 139,367 | 497,054 | 636,421 |
| Total net position-ending | \$ 124,339 | \$ 447,897 | \$ 572,236 |

City of Clare

Combining Statement of Cash Flows - Internal Service Funds

June 30, 2021

| | Data Processing | Mobile Equipment | Total |
|--|----------------------------|-----------------------------|-------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | \$ 90,115 | \$ 357,668 | \$ 447,783 |
| Payments to suppliers | (67,749) | (204,653) | (272,402) |
| Payments to employees | - | (117,919) | (117,919) |
| Net cash from operating activities | 22,366 | 35,096 | 57,462 |
| Cash flows from noncapital financing activities | | | |
| Transfers out | (11,000) | (1,000) | (12,000) |
| Net cash from noncapital financing activities | (11,000) | (1,000) | (12,000) |
| Cash flows from capital and related financing activities | | | |
| Purchases and construction of capital assets | (25,321) | (7,303) | (32,624) |
| Principal payments | - | (22,963) | (22,963) |
| Interest paid on capital debt | - | (9,231) | (9,231) |
| Net cash from capital and related financing activities | (25,321) | (39,497) | (64,818) |
| Cash flows from investing activities | | | |
| Interest earnings | 11 | 51 | 62 |
| Net cash from investing activities | 11 | 51 | 62 |
| Net change in cash and cash equivalents | (13,944) | (5,350) | (19,294) |
| Cash and cash equivalents at beginning of year | 44,848 | 96,946 | 141,794 |
| Cash and cash equivalents at end of year | <u>\$ 30,904</u> | <u>\$ 91,596</u> | <u>\$ 122,500</u> |
| Reconciliation of operating loss to net cash from operating activities: | | | |
| Operating income (loss) | \$ (4,039) | \$ (38,978) | \$ (43,017) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | |
| Depreciation expense | 28,698 | 105,810 | 134,508 |
| Change in assets and liabilities: | | | |
| Accounts receivable, net | - | 80 | 80 |
| Inventory | - | (17,711) | (17,711) |
| Prepaid items | (1,187) | (10,601) | (11,788) |
| Accounts payable | (1,106) | (1,265) | (2,371) |
| Accrued expenses | - | (2,239) | (2,239) |
| Net cash from operating activities | <u>\$ 22,366</u> | <u>\$ 35,096</u> | <u>\$ 57,462</u> |

City of Clare

Combining Balance Sheet - Fiduciary Funds

June 30, 2021

| | General Agency Fund | Current Tax Collection Fund | Payroll Imprest Fund | Total |
|---------------------------------|------------------------------------|--|-------------------------------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 100 | \$ 73,865 | \$ 73,965 |
| Prepaid expenses | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 100</u> | <u>\$ 73,865</u> | <u>\$ 73,965</u> |
| Liabilities | | | | |
| Accrued expenses | \$ - | \$ - | \$ 63,969 | \$ 63,969 |
| Due to other governmental units | - | 100 | 9,896 | 9,996 |
| Total liabilities | <u>\$ -</u> | <u>\$ 100</u> | <u>\$ 73,865</u> | <u>\$ 73,965</u> |

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

| | General Agency Fund | Tax Collection Fund | Payroll Imprest Fund | Total |
|--|------------------------------------|------------------------------------|-------------------------------------|------------------|
| Additions | | | | |
| Amounts collected for other governments | \$ - | \$ 5,442,963 | \$ 1,517,505 | \$ 6,960,468 |
| Deductions | | | | |
| Amounts distributed to other governments | - | 5,442,984 | 1,493,867 | 6,936,851 |
| Net change in fiduciary position | <u>-</u> | <u>(21)</u> | <u>23,638</u> | <u>23,617</u> |
| Net position at beginning of year | <u>\$ -</u> | <u>\$ 121</u> | <u>\$ 50,227</u> | <u>\$ 50,348</u> |
| Net position at end of year | <u>\$ -</u> | <u>\$ 100</u> | <u>\$ 73,865</u> | <u>\$ 73,965</u> |

City of Clare

Combining Balance Sheet - Component Units

June 30, 2021

| | Local | | | |
|--------------------------------------|-------------------|---------------|-----------------|-------------------|
| | Downtown | Development | Brownfield | |
| | Development | Finance | Redevelopment | |
| | Authority | Authority | Authority | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 122,108 | \$ 133 | \$ 4,635 | \$ 126,876 |
| Accounts receivable | 1,433 | - | - | 1,433 |
| Total assets | <u>\$ 123,541</u> | <u>\$ 133</u> | <u>\$ 4,635</u> | <u>\$ 128,309</u> |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 3,391 | \$ - | \$ - | \$ 3,391 |
| Total liabilities | <u>3,391</u> | | <u>-</u> | <u>3,391</u> |
| Fund balances: | | | | |
| Restricted - debt service | 120,150 | - | - | 120,150 |
| Restricted - community development | - | 133 | 4,635 | 4,768 |
| Total fund balances | <u>120,150</u> | <u>133</u> | <u>4,635</u> | <u>124,918</u> |
| Total liabilities and fund balances | <u>\$ 123,541</u> | <u>\$ 133</u> | <u>\$ 4,635</u> | <u>\$ 128,309</u> |

City of Clare

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

| | June 30, 2021 | | | |
|---------------------------------------|--------------------------------------|-------------------------------------|--|------------|
| | Local | | | |
| | Downtown Development Authority | Development Finance Authority | Brownfield Redevelopment Authority | Total |
| Revenues | | | | |
| Property taxes and related fees | \$ 112,502 | \$ 4,927 | \$ - | \$ 117,429 |
| Interest earnings | 20 | 1 | 2 | 23 |
| Other revenue | 6,804 | - | - | 6,804 |
| Total revenues | 119,326 | 4,928 | 2 | 124,256 |
| Expenditures | | | | |
| Community development | 45,273 | 67 | - | 45,340 |
| Capital outlay | 252,783 | - | - | 252,783 |
| Debt service: | | | | |
| Principal | 233,000 | - | - | 233,000 |
| Interest and related fees | 7,715 | - | - | 7,715 |
| Total expenditures | 538,771 | 67 | - | 538,838 |
| Excess of revenue over expenditures | (419,445) | 4,861 | 2 | (414,582) |
| Other financing sources (uses) | | | | |
| Proceeds from issuance of debt | 480,000 | - | - | 480,000 |
| Transfers out | (2,000) | (4,940) | - | (6,940) |
| Total other financing sources (uses) | 478,000 | (4,940) | - | 473,060 |
| Net change in fund balances | 58,555 | (79) | 2 | 58,478 |
| Fund balances-beginning | 61,595 | 212 | 4,633 | 66,440 |
| Fund balances-ending | \$ 120,150 | \$ 133 | \$ 4,635 | \$ 124,918 |

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

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, 2021, 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 6, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for expressing our opinions on the financial statements, but not for 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Hlopu Pavlik PLC

Midland, Michigan
December 6, 2021