

AGENDA REPORT

TO: Mayor Pat Humphrey & the Clare City Commission
FROM: Jeremy Howard, City Manager
DATE: December 12, 2024
RE: Audit Presentation and Approval of Fiscal Year 2023/24 Audit Report

For the Agenda of December 16, 2024

Background. The public accounting firm of Andrews, Hooper & Pavlik (AHP) of Midland, Michigan conducted an independent audit of the City of Clare's financial records for the City's fiscal year ending June 30, 2024. A qualified representative from the firm is scheduled to publicly present their report (*att'd*) and the results of the audit (*att'd*) to the Clare City Commission at its regularly scheduled meeting on December 16, 2024. An internal control deficiency was noted during the independent audit. The city administration has made a corrective action plan (*att'd*) to correct the deficiency. A draft copy of the complete audit report is attached for your review.

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

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

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

Alternatives.

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

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

Recommendations. I recommend that the City Commission formally approve the audit results presented by Andrews, Hooper & Pavlik and the City's corrective action plan by the adoption of the attached Resolution 2024-100.

Attachments.

1. Report of Independent Auditors.
2. Fiscal Year 2023/24 Independent Audit Report and Audited Financials.
3. Corrective Action Letter.
4. Management Acknowledgement Letter.
5. Resolution 2024-100.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare (City) as of and for the year ended June 30, 2024, 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 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Finding 2024-001

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the above matter. During fiscal year 2025/2026, we will review current policies and make enhancements to strengthen current accounting procedures. In addition, we will strengthen our review procedures over the accounting records to ensure those records are complete and accurate.

Report on Compliance and Other Matters

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

City of Clare's Response to Finding

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

Purpose of this Report

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

Midland, Michigan
December 16, 2024

City of Clare Corrective Action Plan

Year Ended June 30, 2024

Finding 2024-001

Internal Control over Financial Reporting

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

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

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

DRAFT

Audited Financial Statements

City of Clare
Clare and Isabella Counties, Michigan

*Year Ended June 30, 2024
with Report of Independent Auditors*

City of Clare

Audited Financial Statements

Year Ended June 30, 2024

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Clare (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Clare, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, and *Government Auditing Standards* we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, the pension benefit information on pages 57-58, and the budgetary comparison information on pages 59-61, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clare's basic financial statements. The combining financial statements for nonmajor funds, internal service funds, fiduciary finds, and component units for the year ended June 30, 2024 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements for nonmajor funds, internal service funds, fiduciary finds, and component units are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2024.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of the City of Clare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clare's internal control over financial reporting and compliance.

Midland, Michigan
December 16, 2024

City of Clare

Management's Discussion and Analysis

June 30, 2024

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, 2024. 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 \$22,033,777 (net position). Of this amount, \$1,078,955 represents negative unrestricted net position. The negative unrestricted net position results from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- The City's total net position increased by \$2,996,556.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$3,584,133, a decrease of \$208,067 in comparison with the prior year. Approximately 64% of this amount, which is \$2,290,048, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$2,290,048, 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, 2024

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, 2024

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 \$22,033,777 at the close of the most recent year.

City of Clare

Management’s Discussion and Analysis

June 30, 2024

City of Clare’s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current assets	\$ 4,195,008	\$ 5,136,691	\$ 2,927,252	\$ 2,932,925	\$ 7,122,260	\$ 8,069,616
Capital assets, net	17,067,732	15,012,117	12,124,106	11,156,595	29,191,838	26,168,712
Total assets	21,262,740	20,148,808	15,051,358	14,089,520	36,314,098	34,238,328
Deferred outflows of resources	389,192	678,962	72,483	130,289	461,675	809,251
Liabilities						
Current liabilities	576,881	844,193	519,247	169,252	1,096,128	1,013,445
Long-term liabilities	7,986,436	8,356,979	5,031,931	5,178,991	13,018,367	13,535,970
Total liabilities	8,563,317	9,201,172	5,551,178	5,348,243	14,114,495	14,549,415
Deferred inflows of resources	568,847	1,322,294	58,654	138,649	627,501	1,460,943
Net position						
Invested in capital assets, net of related debt	13,750,159	11,447,593	7,912,152	6,850,641	21,662,311	18,298,234
Restricted	1,107,294	1,005,218	343,127	284,660	1,450,421	1,289,878
Unrestricted	(2,337,685)	(2,148,507)	1,258,730	1,597,616	(1,078,955)	(550,891)
Total net position	\$ 12,519,768	\$ 10,304,304	\$ 9,514,009	\$ 8,732,917	\$22,033,777	\$19,037,221

The largest portion of the City’s net position (98%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining amount of (\$1,078,955) represents negative unrestricted net position created by recording the net pension obligated as required by GASB.

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

City of Clare

Management's Discussion and Analysis

June 30, 2024

City of Clare's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues:						
Charges for services	\$ 890,209	\$ 1,159,834	\$ 2,076,424	\$ 1,957,961	\$ 2,966,633	\$ 3,117,795
Operating grants and contributions	599,871	594,169	-	-	599,871	594,169
Capital grants and contributions	1,830,931	358,195	670,904	466,995	2,501,835	825,190
General revenues:						
Property taxes and fees	2,274,757	2,128,720	-	-	2,274,757	2,128,720
Grants and contributions not restricted to programs	678,041	689,621	-	-	678,041	689,621
Interest earnings	50,542	6,065	76,694	55,674	127,236	61,739
Gain on sale of assets	1,050	12,000	-	-	1,050	12,000
Miscellaneous	30,803	47,564	238,972	256,191	269,775	303,755
Total revenues	6,356,204	4,996,168	3,062,994	2,736,821	9,419,198	7,732,989
Expenses						
General government	719,858	3,364,001	-	-	719,858	3,364,001
Public safety	1,442,871	1,300,796	-	-	1,442,871	1,300,796
Public works	1,117,756	1,045,307	-	-	1,117,756	1,045,307
Community development	18,135	20,486	-	-	18,135	20,486
Recreation and culture	772,358	689,216	-	-	772,358	689,216
Interest on long-term debt	69,762	70,527	-	-	69,762	70,527
Sewer	-	-	1,182,344	1,489,123	1,182,344	1,489,123
Water	-	-	1,099,558	1,179,317	1,099,558	1,179,317
Total expenses	4,140,740	6,490,333	2,281,902	2,668,440	6,422,642	9,158,773
Change in net position	2,215,464	(1,494,165)	781,092	68,381	2,996,556	(1,425,784)
Net position-beginning	10,304,304	11,798,469	8,732,917	8,664,536	19,037,221	20,463,005
Net position-ending	\$12,519,768	\$10,304,304	\$ 9,514,009	\$ 8,732,917	\$22,033,777	\$19,037,221

Governmental Activities. During the current year, net position for governmental activities increased \$2,215,464 from the prior year for an ending balance of \$12,519,768. This increase was due to the City receiving grants for large projects that were capitalized as well as a decrease in expenditures to more normal levels.

Business-Type Activities. During the current year, net position for business-type activities increased \$781,092 from the prior year for an ending balance of \$9,514,009. The current year increase was due to the City maintaining normal operations and revenues exceeding expenditures.

City of Clare

Management's Discussion and Analysis

June 30, 2024

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, 2024, the City's governmental funds reported combined fund balances of \$3,584,133, a decrease of \$208,067 in comparison with the prior year. Approximately 64% of this amount constitutes unassigned fund balance of \$2,290,048, 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 (\$163,624), 2) legally required to be maintained intact (\$539,908), 3) restricted for particular purposes (\$567,386), or 4) assigned for particular purposes (\$23,167).

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$2,290,048, while total fund balance decreased to \$284,416. 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 40% of total General Fund expenditures, while total fund balance represents approximately 46% of that same amount.

The fund balance of the City's General Fund decreased by \$284,416 during the current year. Operating revenues increased by approximately \$1,423,000 in the fiscal year and expenditures increased by approximately \$2,315,000 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 \$140,270 and for the Water Fund was \$700,988. The total increase in net position for the Sewer Fund was \$419,504; while the Water Fund's net position increased by \$360,800. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund and Water Fund was a result of normal operations and revenues exceeding expenditures.

City of Clare

Management’s Discussion and Analysis

June 30, 2024

General Fund Budgetary Highlights

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

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

Capital Assets and Debt Administration

Capital Assets. The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2024 was \$29,191,838 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer and water systems. The total increase in capital assets for the current fiscal year was approximately 12%.

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 4,139,102	\$ 4,139,102	\$ 53,389	\$ 53,389	\$ 4,192,491	\$ 4,192,491
Land improvements	7,458,999	5,386,232	27,235	30,181	7,486,234	5,416,413
Buildings	1,120,821	1,155,919	2,137,589	1,346,912	3,258,410	2,502,831
Equipment	467,948	485,240	1,245,760	1,275,099	1,713,708	1,760,339
Vehicles	1,650,594	1,732,023	-	-	1,650,594	1,732,023
System	-	-	8,651,585	8,380,451	8,651,585	8,380,451
Construction in progress	2,230,268	2,113,601	8,548	70,563	2,238,816	2,184,164
	\$17,067,732	\$15,012,117	\$ 12,124,106	\$ 11,156,595	\$ 29,191,838	\$26,168,712

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$7,529,527. Of this amount, \$7,266,954 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, 2024

City of Clare’s Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 3,055,000	\$ 3,269,000	\$ 2,047,954	\$ 2,100,954	\$ 5,102,954	\$ 5,369,954
Revenue bonds	-	-	2,164,000	2,205,000	2,164,000	2,205,000
Installment purchase contracts	262,573	295,524	-	-	262,573	295,524
	\$ 3,317,573	\$ 3,564,524	\$ 4,211,954	\$ 4,305,954	\$ 7,529,527	\$ 7,870,478

The City’s total debt decreased by approximately \$341,000, or 4%, during the current year. The reason for the decrease is due to the City making payments on the current debt. There was no new debt issued in the current year.

Economic Factors and Next Year’s Budgets and Rates

Revenues and expenditures for 2024-2025 are projected to increase 2% per year in each category within General Governmental Activities, slightly more within Business-Type Activities. These assumptions are based upon historical revenue and expense data that has been accumulated and extensively analyzed including changes in property taxation laws, state revenue sharing, and other regulatory changes affecting the City. The City has also, since the start of the Great Recession, actively pursued cost containment efforts and simultaneously expanded its property tax base. The economic challenges of the past decade have limited and severely hampered municipal governmental entities. However, during this timeframe, the City has renegotiated all of its outstanding debt to take advantage of historically-low interest rates saving hundreds of thousands in interest expenses and simultaneously and strategically implemented growth initiatives to be fully prepared to grow with the recovering economy.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either: Mr. Jeremy Howard, City Manager, Email: jhoward@cityofclare.gov or Ms. Vicki Corlew, City Treasurer, Finance and Technology Director, Email: VCorlew@cityofclare.gov.

City of Clare

Statement of Net Position

June 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 3,021,646	\$ 1,560,512	\$ 4,582,158	\$ 150,878
Investments held by trustee	219,031	-	219,031	-
Accounts receivable, net	55,596	307,619	363,215	6,935
Accrued interest receivable	103	-	103	-
Assessments receivable, net	135,240	-	135,240	-
Internal balances	(417,472)	417,472	-	-
Due from other governmental units	689,815	53,199	743,014	-
Leases receivable	253,911	-	253,911	-
Inventory	93,843	19,234	113,077	-
Prepaid items	143,295	39,409	182,704	-
Restricted cash and cash equivalents	-	529,807	529,807	-
Capital assets, net:				
Assets not being depreciated	6,369,370	61,937	6,431,307	386,558
Assets being depreciated	10,698,362	12,062,169	22,760,531	112,521
Total assets	21,262,740	15,051,358	36,314,098	656,892
Deferred outflows of resources				
Related to pension	389,192	72,483	461,675	-
Liabilities				
Accounts payable	159,938	367,535	527,473	50
Accrued liabilities	33,370	11,541	44,911	-
Accrued interest payable	17,045	25,890	42,935	1,270
Due to other governmental units	763	-	763	-
Deposits and other liabilities	1,372	18,281	19,653	-
Unearned revenue	114,982	-	114,982	-
Long-term debt:				
Due in one year	249,411	96,000	345,411	67,000
Due in more than one year	3,068,162	4,115,954	7,184,116	159,000
Net pension liability	4,918,274	915,977	5,834,251	-
Total liabilities	8,563,317	5,551,178	14,114,495	227,320
Deferred inflows of resources				
Unearned lease revenue	253,911	-	253,911	-
Related to pension	314,936	58,654	373,590	-
Total deferred inflows of resources	568,847	58,654	627,501	-
Net position				
Invested in capital assets, net of related debt	13,750,159	7,912,152	21,662,311	273,079
Restricted for:				
Landfill postclosure care	219,031	-	219,031	-
Cemetery perpetual care	320,877	-	320,877	-
Streets and highways	567,386	-	567,386	-
Debt service	-	343,127	343,127	151,213
Community development	-	-	-	5,280
Unrestricted	(2,337,685)	1,258,730	(1,078,955)	-
Total net position	\$ 12,519,768	\$ 9,514,009	\$ 22,033,777	\$ 429,572

See accompanying notes.

City of Clare

Statement of Activities

Year Ended June 30, 2024

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating		Primary Government			
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General government	\$ 719,858	\$ 152,139	\$ 8,456	\$ -	\$ (559,263)		\$ (559,263)	
Public safety	1,442,871	291,550	15,988	40,520	(1,094,813)		(1,094,813)	
Public works	1,117,756	205,182	561,027	-	(351,547)		(351,547)	
Community development	18,135	-	-	-	(18,135)		(18,135)	
Recreation and culture	772,358	241,338	14,400	1,790,411	1,273,791		1,273,791	
Interest on long-term debt	69,762	-	-	-	(69,762)		(69,762)	
Total governmental activities	4,140,740	890,209	599,871	1,830,931	(819,729)		(819,729)	
Business-type activities:								
Sewer	1,182,344	1,150,473	-	323,358		\$ 291,487	291,487	
Water	1,099,558	925,951	-	347,546		173,939	173,939	
Total business-type activities	2,281,902	2,076,424	-	670,904		465,426	465,426	
Total primary government	\$ 6,422,642	\$ 2,966,633	\$ 599,871	\$ 2,501,835		465,426	(354,303)	
Component units:								
Downtown Development Authority	62,478	-	8,135	-				\$ (54,343)
Local Development Finance Authority	8,321	-	-	-				(8,321)
Total component units	\$ 70,799	\$ -	\$ 8,135	\$ -				(62,664)
General revenues:								
Property taxes and related fees					2,274,757	-	2,274,757	125,180
Grants and contributions not restricted to specific programs					678,041	-	678,041	-
Interest earnings					50,542	76,694	127,236	58
Gain on sale of assets					1,050	-	1,050	-
Miscellaneous					30,803	238,972	269,775	-
Total general revenues					3,035,193	315,666	3,350,859	125,238
Change in net position					2,215,464	781,092	2,996,556	62,574
Net position-beginning					10,304,304	8,732,917	19,037,221	366,998
Net position-ending					\$ 12,519,768	\$ 9,514,009	\$ 22,033,777	\$ 429,572

See accompanying notes.

City of Clare

Governmental Funds Balance Sheet

June 30, 2024

	General	Major Street	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 1,884,274	\$ 193,643	\$ 678,713	\$ 2,756,630
Investments held by trustee	219,031		-	219,031
Accounts receivable, net	54,172	-	-	54,172
Accrued interest receivable	103	-	-	103
Assessments receivable, net	464,160	-	-	464,160
Due from other governmental units	609,278	56,052	24,485	689,815
Leases receivable	276,412	-	-	276,412
Inventory	33,142	-	-	33,142
Prepaid items	120,307	5,456	4,719	130,482
Total assets	\$ 3,660,879	\$ 255,151	\$ 707,917	\$ 4,623,947
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 115,973	\$ 144	\$ 38,966	\$ 155,083
Accrued liabilities	28,266	1,518	2,012	31,796
Due to other governmental units	763	-	-	763
Deposits and other liabilities	1,372	-	-	1,372
Unearned revenue	114,982	-	-	114,982
Total liabilities	261,356	1,662	40,978	303,996
Deferred inflows of resources:				
Unavailable revenue - long-term special assessments	459,406	-	-	459,406
Unearned lease revenue	276,412	-	-	276,412
Total deferred inflows of resources	735,818	-	-	735,818
Fund balances:				
Nonspendable - inventory	33,142	-	-	33,142
Nonspendable - prepaid items	120,307	5,456	4,719	130,482
Nonspendable - landfill postclosure care	219,031	-	-	219,031
Nonspendable - cemetery perpetual care	-	-	320,877	320,877
Restricted - streets and highways	-	248,033	319,353	567,386
Assigned - fire department	1,177	-	-	1,177
Assigned - cemetery	-	-	21,990	21,990
Unassigned	2,290,048	-	-	2,290,048
Total fund balances	2,663,705	253,489	666,939	3,584,133
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,660,879	\$ 255,151	\$ 707,917	\$ 4,623,947

City of Clare

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

June 30, 2024

Total fund balances for governmental funds	\$ 3,584,133
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>	
Capital assets	22,068,938
Accumulated depreciation	(5,863,898)
<p>Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.</p>	
Long-term special assessments receivable	135,240
<p>Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements.</p>	
	389,192
<p>Deferred inflows represent deferred pension-related financial sources that are recognized in future periods in the government-wide financial statements.</p>	
	(319,690)
<p>The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>	
	778,745
<p>Certain liabilities are not payable in the current period and are not reported in the funds.</p>	
Accrued interest payable	(17,045)
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2024 are:</p>	
General obligation limited tax bonds	(3,317,573)
Net pension liability	(4,918,274)
Total net position of governmental activities	\$ 12,519,768

City of Clare

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

Year Ended June 30, 2024

	General	Major Streets	Other Governmental Funds	Total
Revenues				
Property taxes and related fees	\$ 1,976,778	\$ -	\$ 297,979	\$ 2,274,757
Special assessments, net	57,527	-	-	57,527
Licenses and permits	74,892	-	-	74,892
State grants	2,517,428	403,106	157,921	3,078,455
Charges for services	709,817	-	2,468	712,285
Fines and forfeits	2,642	-	-	2,642
Interest and rentals	79,933	1,942	13,558	95,433
Donations	58,364	-	-	58,364
Other revenue	29,838	3,334	1,759	34,931
Total revenues	<u>5,507,219</u>	<u>408,382</u>	<u>473,685</u>	<u>6,389,286</u>
Expenditures				
General government	883,842	-	-	883,842
Public safety	1,304,081	-	-	1,304,081
Public works	399,048	275,830	550,996	1,225,874
Community development	18,135	-	-	18,135
Recreation and culture	2,860,528	-	-	2,860,528
Capital outlay	76,071	-	-	76,071
Debt service	232,203	-	35,317	267,520
Total expenditures	<u>5,773,908</u>	<u>275,830</u>	<u>586,313</u>	<u>6,636,051</u>
Excess (deficiency) of revenues over expenditures	(266,689)	132,552	(112,628)	(246,765)
Other financing sources (uses)				
Transfers in	540,654	-	230,099	770,753
Transfers out	(558,381)	(165,837)	(7,837)	(732,055)
Total other financing sources (uses)	<u>(17,727)</u>	<u>(165,837)</u>	<u>222,262</u>	<u>38,698</u>
Net change in fund balances	(284,416)	(33,285)	109,634	(208,067)
Fund balances-beginning	2,948,121	286,774	557,305	3,792,200
Fund balances-ending	<u>\$ 2,663,705</u>	<u>\$ 253,489</u>	<u>\$ 666,939</u>	<u>\$ 3,584,133</u>

City of Clare

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

Year Ended June 30, 2024

Net change in fund balances - total governmental funds	\$ (208,067)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Add: capital outlay	2,586,225
Subtract: depreciation expense	(603,611)
Subtract: sale of assets	(1,050)

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

Add: decrease in net pension liability net of related deferred outflows and inflows	238,952
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add: repayments of installment purchase contract	197,758
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The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within governmental activities.

Net operating income (loss) from governmental activities in internal service funds	(35,023)
Interest earnings from governmental internal service funds	2,042
Gain (loss) on sale of capital assets in governmental internal service funds	1,050
Transfers out	(12,000)
Capital contributions from governmental internal service funds	62,300
Other reconciling items	(13,112)
Change in net position of governmental activities	\$ 2,215,464

City of Clare

Proprietary Funds Statement of Net Position

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 361,040	\$ 1,199,472	\$ 1,560,512	\$ 265,016
Accounts receivable, net	164,857	142,762	307,619	1,424
Due from other governments	-	53,199	53,199	-
Inventory	16,797	2,437	19,234	60,701
Prepaid items	22,150	17,259	39,409	12,813
Restricted cash:				
Cash - restricted for USDA bond reserves	135,439	51,241	186,680	-
Cash - restricted for USDA repair and replacement	184,768	158,359	343,127	-
Total current assets	885,051	1,624,729	2,509,780	339,954
Noncurrent assets:				
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	-	8,548	8,548	-
Land improvements, net	27,235	-	27,235	-
Buildings and improvements, net	908,095	1,229,494	2,137,589	51,541
Equipment, net	1,245,638	122	1,245,760	17,790
Vehicles, net	-	-	-	708,361
Sewer and water system infrastructure, net	2,859,978	5,791,607	8,651,585	-
Total noncurrent assets	5,051,703	7,072,403	12,124,106	862,692
Total assets	5,936,754	8,697,132	14,633,886	1,202,646
 Deferred outflows of resources				
Related to pension	39,866	32,617	72,483	-
 Liabilities				
Current liabilities:				
Accounts payable	29,212	338,323	367,535	4,871
Accrued expenses	5,675	5,866	11,541	1,558
Accrued interest payable	10,665	15,225	25,890	-
Deposits and other liabilities	18,281	-	18,281	-
Bonds and loans payable	60,000	36,000	96,000	24,705
Total current liabilities	123,833	395,414	519,247	31,134
Noncurrent liabilities:				
Bonds and loans payable	2,274,954	1,841,000	4,115,954	177,332
Net pension liabilities	503,787	412,190	915,977	-
Total liabilities	2,902,574	2,648,604	5,551,178	208,466
 Deferred inflows of resources				
Related to pension	32,259	26,395	58,654	-
 Net position				
Invested in capital assets, net of related debt	2,716,749	5,195,403	7,912,152	660,655
Restricted for debt service	184,768	158,359	343,127	-
Unrestricted	140,270	700,988	841,258	333,525
Total net position	\$ 3,041,787	\$ 6,054,750	\$ 9,096,537	\$ 994,180

See accompanying notes.

City of Clare

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

Year Ended June 30, 2024

Net position - total enterprise funds \$ 9,096,537

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.

417,472

Total net position of business-type activities

\$ 9,514,009

City of Clare

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

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 1,150,473	\$ 925,951	\$ 2,076,424	\$ 528,537
Other revenue	119,316	119,656	238,972	4,570
Total operating revenues	<u>1,269,789</u>	<u>1,045,607</u>	<u>2,315,396</u>	<u>533,107</u>
Operating expenses				
Salaries and wages	249,403	259,779	509,182	75,541
Payroll taxes	17,866	18,491	36,357	5,283
Employee benefits	65,510	72,542	138,052	28,729
Retirement	410	40,740	41,150	22,848
Supplies	89,439	57,727	147,166	79,254
Postage	2,712	2,843	5,555	-
Professional and contracted services	29,743	44,026	73,769	52,032
Insurance	14,241	6,763	21,004	10,417
Telephone and communications	7,862	1,997	9,859	4,727
Professional development	2,291	2,225	4,516	-
Utilities	115,741	93,452	209,193	13,628
Repair and maintenance	39,850	62,050	101,900	93,123
Drain improvements	8,344	-	8,344	-
Equipment rental	135,400	102,200	237,600	-
Miscellaneous	26,031	64,801	90,832	478
Depreciation	304,482	212,902	517,384	181,282
Total operating expenses	<u>1,109,325</u>	<u>1,042,538</u>	<u>2,151,863</u>	<u>567,342</u>
Operating income (loss)	160,464	3,069	163,533	(34,235)
Nonoperating revenues (expenses)				
Interest earnings	9,150	67,544	76,694	2,042
Principal payments	-	-	-	(25,042)
Interest expense	(63,472)	(47,363)	(110,835)	(14,155)
Net nonoperating revenues (expenses)	<u>(54,322)</u>	<u>20,181</u>	<u>(34,141)</u>	<u>(37,155)</u>
Income (loss) before transfers	106,142	23,250	129,392	(71,390)
Transfers				
Transfers out	(9,996)	(9,996)	(19,992)	(12,000)
Total transfers	<u>(9,996)</u>	<u>(9,996)</u>	<u>(19,992)</u>	<u>(12,000)</u>
Capital grant	323,358	347,546	670,904	62,300
Total capital contributions	<u>323,358</u>	<u>347,546</u>	<u>670,904</u>	<u>62,300</u>
Changes in net position	419,504	360,800	780,304	(21,090)
Total net position-beginning	2,622,283	5,693,950	8,316,233	1,015,270
Total net position-ending	<u>\$ 3,041,787</u>	<u>\$ 6,054,750</u>	<u>\$ 9,096,537</u>	<u>\$ 994,180</u>

See accompanying notes.

City of Clare

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

Year Ended June 30, 2024

Net change in net position - total enterprise funds \$ 780,304

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.

788

Change in net position of business-type activities \$ 781,092

City of Clare

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2024

	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 1,249,249	\$ 979,242	\$ 2,228,491	\$ 534,922
Payments to suppliers	(501,094)	(270,806)	(771,900)	(248,267)
Payments to employees	(332,829)	(390,521)	(723,350)	(132,106)
Net cash from operating activities	415,326	317,915	733,241	154,549
Cash flows from noncapital financing activities				
Transfers out	(9,996)	(9,996)	(19,992)	(12,000)
Debt contributions	-	-	-	(25,042)
Net cash from noncapital financing activities	(9,996)	(9,996)	(19,992)	(37,042)
Cash flows from capital and related financing activities				
Purchases and construction of capital assets	(376,411)	(1,108,484)	(1,484,895)	(117,312)
Capital contributions	323,358	347,546	670,904	62,300
Principal paid on capital debt	(59,000)	(35,000)	(94,000)	(24,246)
Interest paid on capital debt	(63,472)	(47,363)	(110,835)	(14,155)
Net cash from capital and related financing activities	(175,525)	(843,301)	(1,018,826)	(93,413)
Cash flows from investing activities				
Interest earnings	9,150	67,544	76,694	2,042
Net cash from investing activities	9,150	67,544	76,694	2,042
Net change in cash and cash equivalents	238,955	(467,838)	(228,883)	26,136
Balances-beginning of year	442,292	1,876,910	2,319,202	238,880
Balances-end of year	<u>\$ 681,247</u>	<u>\$ 1,409,072</u>	<u>\$ 2,090,319</u>	<u>\$ 265,016</u>
Displayed as:				
Cash and cash equivalents	\$ 361,040	\$ 1,199,472	\$ 1,560,512	\$ 265,016
Restricted cash and cash equivalents	320,207	209,600	529,807	-
	<u>\$ 681,247</u>	<u>\$ 1,409,072</u>	<u>\$ 2,090,319</u>	<u>\$ 265,016</u>
Reconciliation of operating income (loss) to net cash from operating activities:				
Operating income (loss)	\$ 160,464	\$ 3,069	\$ 163,533	\$ (34,235)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation expense	304,482	212,902	517,384	181,282
Change in assets and liabilities:				
Accounts receivable, net	(20,540)	(66,365)	(86,905)	1,815
Inventory	-	(1)	(1)	5,574
Prepaid items	(6,508)	(10,369)	(16,877)	(1,358)
Accounts payable	14,957	215,486	230,443	1,176
Accrued expenses	360	1,031	1,391	295
Deposits and other liabilities	(37,889)	(37,838)	(75,727)	-
Net cash from operating activities	<u>\$ 415,326</u>	<u>\$ 317,915</u>	<u>\$ 733,241</u>	<u>\$ 154,549</u>

City of Clare

Statement of Fiduciary Net Position

Year Ended June 30, 2024

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 408
Total assets	\$ 408
Liabilities	
Accrued expenses	\$ 408
Total liabilities	\$ 408

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	Custodial Funds
Additions	
Property taxes collected for other governments	\$ 6,402,766
Deductions	
Property taxes distributed to other governments	(6,402,766)
Net change in fiduciary position	-
Net position at beginning of year	-
Net position at end of year	\$ -

City of Clare

Component Units Statement of Net Position

June 30, 2024

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 145,548	\$ 643	\$ 4,687	\$ 150,878
Accounts receivable	6,935	-	-	6,935
Assets not being depreciated	386,558	-	-	386,558
Assets being depreciated	78,994	33,527	-	112,521
Total assets	<u>\$ 618,035</u>	<u>\$ 34,170</u>	<u>\$ 4,687</u>	<u>\$ 656,892</u>
Liabilities				
Accounts payable	\$ -	\$ 50	\$ -	\$ 50
Accrued interest payable	1,270	-	-	1,270
Long-term liabilities:				
Due in one year	67,000	-	-	67,000
Due in more than one year	159,000	-	-	159,000
Total liabilities	<u>227,270</u>	<u>50</u>	<u>-</u>	<u>227,320</u>
Net position				
Invested in capital assets, net of related debt	239,552	33,527	-	273,079
Restricted - debt service	151,213	-	-	151,213
Restricted - community development	-	593	4,687	5,280
Total net position	<u>\$ 390,765</u>	<u>\$ 34,120</u>	<u>\$ 4,687</u>	<u>\$ 429,572</u>

City of Clare

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

June 30, 2024

Total fund balances for component units \$ 157,763

Total net position reported for component units in the statement of net position is different because:

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

Capital assets	1,109,407
Accumulated depreciation	(610,328)

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

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

DDA bonds	(226,000)
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Total net position of component units	<u>\$ 429,572</u>
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City of Clare

Component Units Statement of Activities

June 30, 2024

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Total
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local			
					Development Finance Authority	Brownfield Redevelopment Authority		
Downtown Development Authority:								
Community and economic development	\$ 59,974	\$ 8,135	\$ -	\$ (51,839)	\$ -	\$ -	\$ (51,839)	
Local Development Finance Authority:								
Community and economic development	4,119	-	-	-	(4,119)	-	(4,119)	
	<u>\$ 64,093</u>	<u>\$ 8,135</u>	<u>\$ -</u>	<u>(51,839)</u>	<u>(4,119)</u>	<u>-</u>	<u>(55,958)</u>	
General revenues:								
Property taxes and related fees				119,855	5,325	-	125,180	
Interest earnings				-	13	45	58	
Transfers out				(2,504)	(4,202)	-	(6,706)	
Total general revenues				<u>117,351</u>	<u>1,136</u>	<u>45</u>	<u>118,532</u>	
Change in net position				65,512	(2,983)	45	62,574	
Net position-beginning				325,253	37,103	4,642	366,998	
Net position-ending				<u>\$ 390,765</u>	<u>\$ 34,120</u>	<u>\$ 4,687</u>	<u>\$ 429,572</u>	

City of Clare

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

June 30, 2024

Net change in fund balances - component units \$ 26,633

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

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

Subtract: depreciation expense (29,059)

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

Add: repayments of DDA bonds 65,000
Change in net position of component units \$ 62,574

City of Clare

Notes to Financial Statements

June 30, 2024

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, 2024

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, 2024

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, 2024

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

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

F. Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leasing arrangements are reported as other financing sources.

City of Clare

Notes to Financial Statements

June 30, 2024

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, 2024

1. Summary of Significant Accounting Policies (continued)

G. Budgetary Information (continued)

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

	Budget	Actual	Variance
General Fund:			
General government:			
City commission	\$ 46,352	\$ 46,449	\$ (97)
City manager	167,322	173,879	(6,557)
Elections	7,780	7,938	(158)
Cemetery	86,174	86,794	(620)
Buildings and grounds	68,242	68,991	(749)
Fiscal service	142,133	142,457	(324)
All other general government	20,089	57,773	(37,684)
Public safety:			
Building inspection and regulation activities	19,335	20,864	(1,529)
Public Works:			
Landfill closure	27,657	42,082	(14,425)
Department of public works	59,120	61,302	(2,182)
Street lights	65,338	71,742	(6,404)
Capital outlay:			
General government	7,500	14,301	(6,801)
Debt service:			
Principal	93,558	172,758	(79,200)
Major Streets Fund:			
Public works:			
Road salt	16,075	35,200	(19,125)
Professional services - trees	2,535	2732	(197)
Miscellaneous	60	85	(25)

City of Clare

Notes to Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred, if any, during construction of capital assets is expensed as incurred. Capital assets are depreciated using the straight-line method over the following useful lives:

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

City of Clare

Notes to Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies (continued)

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

Deferred outflows/inflows of resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For its governmental funds balance sheet, the City has unavailable revenue, which arises only under a modified accrual basis of accounting and is considered a deferred inflow. Specifically, the governmental funds report unavailable revenues for special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows related to leases representing the amount of lease receivables expected to be collected in future periods.

Pensions—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Municipal Employees Retirement System (MERS) and additions to/deductions from MERS fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized as an 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, 2024

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, 2024

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

I. Revenues and Expenditures/Expenses

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

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

City of Clare

Notes to Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies (continued)

I. Revenues and Expenditures/Expenses (continued)

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

The 2023 net taxable valuation of the City totaled \$101,847,952, on which ad valorem taxes levied consisted of 18.5000 mills for City operating purpose, 0.7500 mills for parks, and 3.0000 mills for streets. These amounts are recognized in the General Fund (operating and parks) and Local Street Fund (streets) as property taxes and related fees.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise and internal service funds are charges to customers for sales and services. The Sewer and Water funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. Deposits and Investments

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

	Deposits	Investments	Total
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	\$ 4,582,158	\$ -	\$ 4,582,158
Investments held by trustee	219,031	-	219,031
Restricted cash and cash equivalents	529,807	-	529,807
Component Units:			
Cash and cash equivalents	150,878	-	150,878
Fiduciary Funds:			
Cash and cash equivalents	408	-	408
	\$ 5,482,282	\$ -	\$ 5,482,282

City of Clare

Notes to Financial Statements

June 30, 2024

2. Deposits and Investments (continued)

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

Investment and Deposit Risk

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

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

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$1,084,113 of the City's bank balances of \$5,311,102 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, 2024

3. Leases Receivable

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

Description of Lease	Leases Receivable
Lease of cell tower access by telecommunication company: The remaining noncancellable period under this lease is through December 19, 2026. The monthly lease amounts are \$1,000 through December 2026. After the initial term, the lease automatically renews for up to four 5-year periods with a 5% rate increase at the start of each renewal period unless the lessee gives notice of its intent not to renew at least 60 days prior to the next renewal period. The lease receivable reflects the expectation that it is likely that the lessee will not exercise its nonrenewal option.	\$ 301,614
Lease of cell tower access by telecommunication company: This lease commenced August 15, 2001 with an original monthly payment of \$1,000 with annual increases of 3%. The lease is in its final renewal period which ends August 14, 2026. The current monthly lease payment is \$1,860.	76,663
Subtotal	378,277
Less: discount to arrive at net present value	(124,366)
Net present value of leases receivable	\$ 253,911

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

Year Ending June 30,	Amount
2025	\$ 34,091
2026	33,941
2027	33,401
2028	12,374
2029	10,111
2030-2034	45,444
2035-2039	38,300
2040-2044	32,267
2045-2047	13,982
	\$ 253,911

City of Clare

Notes to Financial Statements

June 30, 2024

4. Capital Assets

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

Governmental Activities:	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	\$ 4,139,102	\$ -	\$ -	\$ -	\$ 4,139,102
Construction in progress	2,113,601	1	116,666	-	2,230,268
Total capital assets not being depreciated	6,252,703	1	116,666	-	6,369,370
Capital assets being depreciated:					
Land improvements	7,413,862	1	2,456,060	-	9,869,923
Buildings and improvements	3,327,199	-	34,386	-	3,361,585
Equipment	2,603,413	20,304	79,971	-	2,703,688
Vehicles	3,554,193	-	133,120	(21,000)	3,666,313
Total capital assets being depreciated	16,898,667	20,305	2,703,537	(21,000)	19,601,509
Less accumulated depreciation:					
Land improvements	(2,027,630)	-	(383,294)	-	(2,410,924)
Buildings and improvements	(2,171,280)	(1)	(69,483)	-	(2,240,764)
Equipment	(2,118,173)	1	(117,568)	-	(2,235,740)
Vehicles	(1,822,170)	(1)	(214,548)	21,000	(2,015,719)
Total accumulated depreciation	(8,139,253)	(1)	(784,893)	21,000	(8,903,147)
Total capital assets being depreciated, net	8,759,414	20,304	1,918,644	-	10,698,362
Governmental activities capital assets, net	\$15,012,117	\$ 20,305	\$2,035,310	\$ -	\$17,067,732

City of Clare

Notes to Financial Statements

June 30, 2024

4. Capital Assets (continued)

Business-type Activities:	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	\$ 53,389	\$ -	\$ -	\$ -	\$ 53,389
Construction in progress	70,563	-	-	(62,015)	8,548
Total capital assets not being depreciated	123,952	-	-	(62,015)	61,937
Capital assets being depreciated:					
Land improvements	425,549	(2)	-	-	425,547
Buildings and improvements	5,715,592	-	900,817	-	6,616,409
Equipment	2,358,174	-	29,348	-	2,387,522
Infrastructure	14,836,620	278	615,912	-	15,452,810
Total capital assets being depreciated	23,335,935	276	1,546,077	-	24,882,288
Less accumulated depreciation:					
Land improvements	(395,368)	-	(2,944)	-	(398,312)
Buildings and improvements	(4,368,680)	-	(110,140)	-	(4,478,820)
Equipment	(1,083,075)	833	(59,520)	-	(1,141,762)
Infrastructure	(6,456,169)	(276)	(344,780)	-	(6,801,225)
Total accumulated depreciation	(12,303,292)	557	(517,384)	-	(12,820,119)
Total capital assets being depreciated, net	11,032,643	833	1,028,693	-	12,069,169
Business-type activities capital assets, net	\$11,156,595	\$ 833	\$1,028,693	\$ (62,015)	\$12,124,106

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

Governmental Activities	
General government	\$ 203,632
Public safety	138,930
Public works	143,536
Recreation and culture	146,572
Internal Service Fund depreciation	181,282
	<u>\$ 813,952</u>
Business-Type Activities	
Sewer	\$ 304,482
Water	212,902
	<u>\$ 517,384</u>

City of Clare

Notes to Financial Statements

June 30, 2024

4. Capital Assets (continued)

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
Construction in progress	278,432	-	-	278,432
Total capital assets not being depreciated	386,558	-	-	386,558
Capital assets being depreciated:				
Land improvements	490,633	-	-	490,633
Equipment	138,200	-	-	138,200
Total capital assets being depreciated	628,833	-	-	628,833
Less accumulated depreciation:				
Land improvements	(386,083)	(25,556)	-	(411,639)
Equipment	(138,200)	-	-	(138,200)
Total accumulated depreciation	(524,283)	(25,556)	-	(549,839)
Total capital assets being depreciated, net	104,550	(25,556)	-	78,994
DDA capital assets, net	<u>\$ 491,108</u>	<u>\$ (25,556)</u>	<u>\$ -</u>	<u>\$ 465,552</u>

City of Clare

Notes to Financial Statements

June 30, 2024

4. Capital Assets (continued)

Discretely Presented Component Units (continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Land improvements	\$ 94,016	\$ -	\$ -	\$ 94,016
Total capital assets being depreciated	94,016	-	-	94,016
Less accumulated depreciation:				
Land improvements	(56,986)	(3,503)	-	(60,489)
Total accumulated depreciation	(56,986)	(3,503)	-	(60,489)
LDFA capital assets, net	\$ 37,030	\$ (3,503)	\$ -	\$ 33,527

Construction Commitments

The City's active construction projects as of June 30, 2024 included the following contractor commitments:

	Spent to Date	Remaining Commitment
Municipal street project	\$ -	\$ 225,858
Fire department garage doors	-	44,104
Lake Shamrock dredging	1,797,750	521,250
Water treatment facility improvements	379,686	2,573,595
	\$ 2,177,436	\$ 3,364,807

City of Clare

Notes to Financial Statements

June 30, 2024

5. Interfund Receivables, Payables, and Transfers

As of June 30, 2024, there were no interfund receivables or payables between the funds. The composition of interfund transfers out and in are as follows:

Fund	Transfers Out	Fund	Transfers In
General	\$ 525,588	General	\$ 52,380
Perpetual Care	6,000	Local Street	169,000
Major Street	165,837	Fire	98,274
Local Street	1,837	Parks	390,000
Fire	30,789	Public Safety/Bldg Debt	61,099
Parks	2,004		
DDA	2,504		
LFDA	4,202		
Internal Service	12,000		
Sewer	9,996		
Water	9,996		
	\$ 770,753		\$ 770,753

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

6. Long-Term Debt

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

City of Clare

Notes to Financial Statements

June 30, 2024

6. Long-Term Debt (continued)

Bond and contractual agreements can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Public safety building – 2012 refunding bonds	3.37%	2035	\$ 345,000	\$ (25,000)	\$ 320,000	\$ 25,000
North Industrial Park	4.00%	2044	459,000	(14,000)	445,000	15,000
Sidewalk LED lighting	2.24%	2031	69,651	(8,706)	60,945	8,706
Recreational complex construction	2.60%	2037	262,000	(15,000)	247,000	16,000
2018 Freightliner blade truck	2.05%	2028	57,500	(11,500)	46,000	11,500
2018 Elgin Street sweeper	3.60%	2033	168,373	(12,746)	155,628	13,205
2021 Shamrock Lake bonds	1.95%	2035	1,124,000	(88,000)	1,036,000	88,000
2021B Capital improvement bond	1.90%	2037	1,079,000	(72,000)	1,007,000	72,000
			<u>\$ 3,564,524</u>	<u>\$ (246,952)</u>	<u>\$ 3,317,573</u>	<u>\$ 249,411</u>
Business-Type Activities						
Sewer Fund:						
Sewage system revenue bonds	2.50%	2051	\$ 2,100,954	\$ (53,000)	\$ 2,047,954	\$ 54,000
2014 Rural development bonds	3.25%	2054	293,000	(6,000)	287,000	6,000
Water Fund:						
2014 Rural development bonds	3.25%	2054	489,000	(9,000)	480,000	10,000
2019 Water Plant Revenue Bond	2.125%	2059	1,423,000	(26,000)	1,397,000	26,000
			<u>\$ 4,305,954</u>	<u>\$ (94,000)</u>	<u>\$ 4,211,954</u>	<u>\$ 96,000</u>
Component Units						
DDA:						
2020 Refunding bonds	1.2% to 1.6%	2026	\$ 75,000	\$ (37,000)	\$ 38,000	\$ 38,000
2020 Streetscape bonds	1.84%	2030	216,000	(28,000)	188,000	29,000
			<u>\$ 291,000</u>	<u>\$ (65,000)</u>	<u>\$ 226,000</u>	<u>\$ 67,000</u>

City of Clare

Notes to Financial Statements

June 30, 2024

6. Long-Term Debt (continued)

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 249,411	\$ 81,281	\$ 96,000	\$ 105,914	\$ 67,000	\$ 3,763
2026	250,887	75,485	98,000	103,481	30,000	2,926
2027	254,379	69,601	100,000	101,011	31,000	2,374
2028	255,889	63,594	104,000	98,483	32,000	1,803
2029	251,918	57,370	107,000	95,849	33,000	1,214
2030-2034	1,272,089	192,863	570,000	437,632	33,000	607
2035-2039	636,000	57,878	647,000	361,568	-	-
2040-2044	147,000	18,200	737,000	274,808	-	-
2045-2049	-	-	833,954	176,103	-	-
2050-2054	-	-	606,000	72,167	-	-
2055-2059	-	-	256,000	19,912	-	-
2060-2064	-	-	57,000	606	-	-
	<u>\$ 3,317,573</u>	<u>\$ 616,272</u>	<u>\$ 4,211,954</u>	<u>\$ 1,847,534</u>	<u>\$ 226,000</u>	<u>\$ 12,687</u>

7. Segment Information—Enterprise Funds

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

8. Risk Management

The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability. The City paid the annual premium for this insurance policy before June 30, 2024.

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, 2024

9. Deferred Compensation Plan

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

A summary of the plan’s investment activity for the year ended June 30, 2024, follows:

Balance – July 1, 2023	\$ 960,473
Employee contributions	55,652
Transfers	-
Current withdrawals	(7,947)
Interest and market losses	125,691
Adjustments/fees	(4,135)
Balance – June 30, 2024	\$ 1,129,734

10. Pension Plan

Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

City of Clare

Notes to Financial Statements

June 30, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

The City’s contribution rate during the 2023 calendar valuation period was 32.99% of annual covered payroll for general employees, 34.56% of annual covered payroll for police employees, and 52.37% for Pere Marquette District Library full time employees. The City’s contributions to the plan for the year ended June 30, 2024 were \$508,994 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, 2024 were \$84,414.

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

<u>01 – General: Open Division</u>	<u>2023 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)
Employee Contributions	4%
Act 88	Yes (Adopted 6/6/2005)

City of Clare

Notes to Financial Statements

June 30, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

02 – Police: Open Division	2023 Valuation
Benefit Multiplier	2.50% Multiplier (80% max) Frozen FAC; 2.25% Multiplier (80% max)
Bridged Benefit Date	06/30/2016
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
Employee Contributions	8%
Act 88	Yes (Adopted 6/6/2005)
07 – PMDL All FT EEs: Open Division	2023 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, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Employees covered by benefit terms. As of the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>27</u>
	<u><u>71</u></u>

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2023 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

City of Clare

Notes to Financial Statements

June 30, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

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

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

Discount Rate. The discount rate used to measure the total pension liability is 7.18% for 2023. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Clare

Notes to Financial Statements

June 30, 2024

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2022	\$ 12,140,186	\$ 6,133,742	\$ 6,006,444
Changes for the year			
Service Cost	210,453	-	210,453
Interest on total pension liability	857,090	-	857,090
Changes in benefits	-	-	-
Difference between expected and actual experience	(94,478)	-	(94,478)
Changes in assumptions	100,517	-	100,517
Employer contributions	-	482,615	(482,615)
Employee contributions	-	82,208	(82,208)
Net investment income	-	681,069	(681,069)
Benefit payments, including employee refunds	(616,456)	(616,456)	-
Administrative expense	-	(14,432)	14,432
Other changes	(14,315)	-	(14,315)
Net changes	442,811	615,004	(172,193)
Balances as of December 31, 2023	\$ 12,582,997	\$ 6,748,746	\$ 5,834,251

City of Clare

Notes to Financial Statements

June 30, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability	\$ 7,420,644	\$ 5,834,251	\$ 4,511,480

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

For the year ended June 30, 2024 the employer recognized pension expense of \$1,067,080. 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	\$ 10,314	\$ -
Differences in assumptions	189,622	-
Excess (Deficit) Investment Returns	-	(373,590)
Contributions subsequent to the measurement date*	261,739	-
Total	\$ 461,675	\$ (373,590)

*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, 2024.

City of Clare

Notes to Financial Statements

June 30, 2024

10. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

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

<u>Year Ended June 30</u>	
2025	\$ (23,591)
2026	(212,331)
2027	<u>62,268</u>
	<u>\$ (173,654)</u>

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

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

11. Contingencies

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

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

City of Clare

Notes to Financial Statements

June 30, 2024

12. Landfill Post-Closure Care

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

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

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

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

13. Tax Abatements

The City receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City. Industrial Facility Tax exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. For the fiscal year ended June 30, 2024, the City's property tax revenues were reduced by \$11,959 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service Cost	\$ 210,453	\$ 207,583	\$ 183,628	\$ 166,797	\$ 153,722	\$ 154,120	\$ 144,430	\$ 163,000	\$ 158,301	\$ 154,504
Interest	857,090	828,042	781,035	712,129	703,740	699,144	675,187	669,009	628,374	607,608
Changes of benefit terms	-	-	-	-	-	(48,037)	40,916	(173,929)	(12,417)	-
Difference between expected and actual experience	(94,478)	121,701	81,289	525,294	(45,357)	(216,322)	(26,763)	(39,835)	(143,831)	-
Changes of assumptions	100,517	-	456,937	322,626	290,251	-	-	-	394,907	-
Benefit payments including employee refunds	(616,456)	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)	(500,277)
Other	(14,315)	(22,231)	(3,311)	(8,911)	-	1	(1)	1	19,637	18,988
Net change in total pension liability	442,811	510,319	902,966	1,162,417	586,825	41,926	302,463	86,060	498,396	280,823
Total pension liability, beginning	12,140,186	11,629,867	10,726,901	9,564,484	8,977,659	8,935,733	8,633,270	8,547,210	8,048,814	7,767,991
Total pension liability, ending	12,582,997	12,140,186	11,629,867	10,726,901	9,564,484	8,977,659	8,935,733	8,633,270	8,547,210	8,048,814
Plan fiduciary net position										
Contributions-employer	\$ 482,615	\$ 447,629	\$ 382,822	\$ 348,456	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646
Contributions-employee	82,208	78,643	143,666	236,085	69,055	68,396	67,274	90,212	94,551	75,078
Net Investment income	681,069	(719,227)	871,543	697,484	697,443	(214,020)	669,346	538,864	(75,565)	314,166
Benefit payments including employee refunds	(616,456)	(624,776)	(596,612)	(555,518)	(515,531)	(546,980)	(531,306)	(532,186)	(546,575)	(500,277)
Administrative expense and other changes	(14,432)	(12,799)	(10,013)	(11,321)	(12,007)	(10,713)	(10,609)	(10,640)	(11,048)	(11,501)
Transfers	-	-	-	(254,438)	-	-	-	-	-	-
Net change in plan fiduciary net position	615,004	(830,530)	791,406	460,748	552,599	(425,530)	451,470	332,492	(317,188)	78,112
Plan fiduciary net position, beginning	6,133,742	6,964,272	6,172,866	5,712,118	5,159,519	5,585,049	5,133,579	4,801,087	5,118,275	5,040,163
Plan fiduciary net position, ending	\$ 6,748,746	\$ 6,133,742	\$ 6,964,272	\$ 6,172,866	\$ 5,712,118	\$ 5,159,519	\$ 5,585,049	\$ 5,133,579	\$ 4,801,087	\$ 5,118,275
Employer net pension liability	\$ 5,834,251	\$ 6,006,444	\$ 4,665,595	\$ 4,554,035	\$ 3,852,366	\$ 3,818,140	\$ 3,350,684	\$ 3,499,691	\$ 3,746,123	\$ 2,930,539
Plan fiduciary net position as a percentage of the total pension liability	53.6%	50.5%	59.9%	57.5%	59.7%	57.5%	62.5%	59.5%	56.2%	63.6%
Covered employee payroll	\$ 1,619,227	\$ 1,587,711	\$ 1,534,305	\$ 1,495,782	\$ 1,356,101	\$ 1,340,751	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889	\$ 1,238,862
Employer's net pension liability as a percentage of covered employee payroll	360.3%	378.3%	304.1%	304.5%	284.1%	284.8%	264.6%	272.4%	297.8%	236.6%

Notes to schedule:

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

Changes in assumptions:

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

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

City of Clare

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial determined contributions	\$ 508,994	\$ 469,580	\$ 400,415	\$ 357,211	\$ 313,639	\$ 277,787	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646	\$ 203,749
Contributions in relation to the actuarially determined contribution	508,994	469,580	400,415	357,211	313,639	277,787	256,765	246,242	221,449	200,646	203,749
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,619,227	\$ 1,587,711	\$ 1,534,305	\$ 1,495,782	\$ 1,356,101	\$ 1,340,751	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889	\$ 1,238,862	\$ 1,164,366
Contributions as a percentage of covered employee payroll	31%	30%	26%	24%	23%	21%	20%	19%	18%	16%	17%

Notes to Schedule

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

Above dates are based on the actuarial measurement date

City of Clare

Budgetary Comparison Schedule - General Fund

June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ 1,951,590	\$ 1,974,973	\$ 1,976,778	\$ 1,805
Special assessments, net	49,410	58,500	57,527	(973)
Licenses and permits	72,350	84,705	74,892	(9,813)
Federal revenue	774,025	-	-	-
State revenue	6,368,063	2,566,935	2,517,428	(49,507)
Charges for services	708,555	722,386	709,817	(12,569)
Fines and forfeitures	2,500	2,500	2,642	142
Interest and rentals	29,551	68,020	79,933	11,913
Other revenue - donations	12,600	67,071	58,364	(8,707)
Other revenue	13,100	37,809	29,838	(7,971)
Total revenues	9,981,744	5,582,899	5,507,219	(75,680)
Expenditures				
General government:				
City commission	46,350	46,352	46,449	(97)
City manager	148,668	167,322	173,879	(6,557)
Assessor	43,650	58,825	58,571	254
Clerk	256,832	242,164	239,352	2,812
Elections	46,758	7,780	7,938	(158)
Board of review	2,615	1,638	1,638	-
Cemetery	110,429	86,174	86,794	(620)
Buildings and grounds	86,677	68,242	68,991	(749)
Fiscal services	169,866	142,133	142,457	(324)
All other general government	27,550	20,089	57,773	(37,684)
Public safety:				
Police department	1,021,790	1,048,362	1,040,619	7,743
Fire department	284,329	244,510	242,598	1,912
Building inspection and regulation activities	19,100	19,335	20,864	(1,529)
Public works:				
Solid waste	216,419	211,065	209,235	1,830
Landfill closure	47,060	27,657	42,082	(14,425)
Department of public works	61,435	59,120	61,302	(2,182)
Drains	17,000	14,687	14,687	-
Street lights	59,686	65,338	71,742	(6,404)
Community development:				
Planning and zoning	25,800	18,135	18,135	-

City of Clare

Budgetary Comparison Schedule - General Fund (continued)

June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Recreation and culture:				
Parks and recreation	\$ 3,173,962	\$ 2,683,954	\$ 2,650,893	\$ 33,061
Airport	219,871	217,468	209,635	7,833
Capital outlay:				
General government	5,000	7,500	14,301	(6,801)
Public safety	173,000	48,316	48,316	-
Recreation and culture	915,001	894,001	13,454	880,547
Debt service:				
Principal	191,614	93,558	172,758	(79,200)
Interest and fiscal charges	64,970	59,445	59,445	-
Total expenditures	7,435,432	6,553,170	5,773,908	779,262
Excess (deficiency) of revenues over expenditures	2,546,312	(970,271)	(266,689)	703,582
Other financing sources (uses)				
Transfers in	549,797	549,410	540,654	(8,756)
Transfers out	(560,675)	(565,677)	(558,381)	7,296
Total other financing sources (uses)	(10,878)	(16,267)	(17,727)	(1,460)
Net change in fund balances	2,535,434	(986,538)	(284,416)	702,122
Fund balances-beginning	2,948,121	2,948,121	2,948,121	-
Fund balances-ending	\$ 5,483,555	\$ 1,961,583	\$ 2,663,705	\$ 702,122

City of Clare

Budgetary Comparison Schedule - Major Streets Fund

June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
State revenue	\$ 378,619	\$ 405,021	\$ 403,106	\$ (1,915)
Interest earnings	-	1,500	1,942	442
Other revenue	-	2,806	3,334	528
Total revenues	378,619	409,327	408,382	(945)
Expenditures				
Public works:				
Wages	75,733	75,504	72,408	3,096
Payroll taxes	5,793	5,760	5,056	704
Fringe benefits	30,513	30,512	29,645	867
Retirement	22,980	22,980	21,920	1,060
Internal service fund - mobile	77,100	77,100	77,100	-
Operating supplies	21,000	13,705	13,016	689
Road salt	20,500	16,075	35,200	(19,125)
Professional and contractual services	9,900	5,590	5,590	-
Electricity	600	150	86	64
Professional services - trees	2,500	2,535	2,732	(197)
Drain improvements	13,541	13,000	12,992	8
Miscellaneous	300	60	85	(25)
Total expenditures	280,460	262,971	275,830	(12,859)
Excess (deficiency) of revenues over expenditures	98,159	(166,000)	132,552	(13,804)
Other financing sources (uses)				
Transfers out	(166,000)	(166,000)	(165,837)	163
Total other financing sources (uses)	(166,000)	(166,000)	(165,837)	163
Net change in fund balances	(67,841)	(332,000)	(33,285)	(13,641)
Fund balances-beginning	286,774	286,774	286,774	-
Fund balances-ending	\$ 218,933	\$ (45,226)	\$ 253,489	\$ (13,641)

City of Clare

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2024

	Special Revenue			Debt Service	Permanent	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Cemetery Perpetual Care	
Assets						
Cash and cash equivalents	\$ 75,098	\$ 217,076	\$ -	\$ 43,672	\$ 342,867	\$ 678,713
Due from other governmental units	24,485	-	-	-	-	24,485
Prepaid items	4,719	-	-	-	-	4,719
Total assets	\$ 104,302	\$ 217,076	\$ -	\$ 43,672	\$ 342,867	\$ 707,917
Liabilities, deferred inflows of resources, and fund balances						
Liabilities:						
Accounts payable	\$ 25	\$ 38,941	\$ -	\$ -	\$ -	\$ 38,966
Accrued liabilities	2,012	-	-	-	-	2,012
Total liabilities	2,037	38,941	-	-	-	40,978
Fund balances:						
Nonspendable - prepaid items	4,719	-	-	-	-	4,719
Nonspendable - cemetery perpetual care	-	-	-	-	320,877	320,877
Restricted - streets and highways	97,546	178,135	-	43,672	-	319,353
Assigned - cemetery	-	-	-	-	21,990	21,990
Total fund balances	102,265	178,135	-	43,672	342,867	666,939
Total liabilities, deferred inflows of resources, and fund balances	\$ 104,302	\$ 217,076	\$ -	\$ 43,672	\$ 342,867	\$ 707,917

City of Clare

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

June 30, 2024

	Special Revenue			Debt Service	Permanent Cemetery	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Perpetual Care	
Revenues						
Property taxes and related fees	\$ 29	\$ 297,950	\$ -	\$ -	\$ -	\$ 297,979
State revenue	157,921	-	-	-	-	157,921
Charges for services	-	-	-	-	2,468	2,468
Interest and rentals	734	2,199	-	-	10,625	13,558
Other revenue	1,759	-	-	-	-	1,759
Total revenues	160,443	300,149	-	-	13,093	473,685
Expenditures						
Public works	299,258	251,138	-	-	600	550,996
Debt service:						
Principal	-	-	-	25,000	-	25,000
Interest and fiscal charges	-	-	-	10,317	-	10,317
Total expenditures	299,258	251,138	-	35,317	600	586,313
Excess (deficiency) of revenues over expenditures	(138,815)	49,011	-	(35,317)	12,493	(112,628)
Other financing sources (uses)						
Transfers in	169,000	-	-	61,099	-	230,099
Transfers out	(1,837)	-	-	-	(6,000)	(7,837)
Total other financing sources (uses)	167,163	-	-	61,099	(6,000)	222,262
Net change in fund balances	28,348	49,011	-	25,782	6,493	109,634
Fund balances-beginning	73,917	129,124	-	17,890	336,374	557,305
Fund balances-ending	\$ 102,265	\$ 178,135	\$ -	\$ 43,672	\$ 342,867	\$ 666,939

See accompanying notes.

City of Clare

Combining Statement of Net Position - Internal Service Funds

June 30, 2024

	Data	Mobile	Total
	Processing	Equipment	
Assets			
Current assets:			
Cash and cash equivalents	\$ 45,002	\$ 220,014	\$ 265,016
Accounts receivable, net	-	1,424	1,424
Inventory	-	60,701	60,701
Prepaid items	1,106	11,707	12,813
Total current assets	46,108	293,846	339,954
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	51,541	51,541
Equipment, net	10,223	7,567	17,790
Vehicles, net	-	708,361	708,361
Total noncurrent assets	10,223	852,469	862,692
Total assets	\$ 56,331	\$ 1,146,315	\$ 1,202,646
Liabilities			
Current liabilities:			
Accounts payable	\$ 804	\$ 4,067	\$ 4,871
Accrued expenses	-	1,558	1,558
Long-term liabilities:			
Due in one year	-	24,705	24,705
Due in more than one year	-	177,332	177,332
Total liabilities	804	207,662	208,466
Net position			
Invested in capital assets	10,223	650,432	660,655
Unrestricted	45,304	288,221	333,525
Total net position	\$ 55,527	\$ 938,653	\$ 994,180

City of Clare

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

June 30, 2024

	Data Processing	Mobile Equipment	Total
Operating revenues			
Charges for services	\$ 58,500	\$ 470,037	\$ 528,537
Other revenue	22	4,548	4,570
Total operating revenues	58,522	474,585	533,107
Operating expenses			
Salaries and wages	-	75,541	75,541
Payroll taxes	-	5,283	5,283
Employee benefits	-	28,729	28,729
Retirement	-	22,848	22,848
Supplies	1,924	77,330	79,254
Professional and contracted services	41,242	10,790	52,032
Insurance	1,112	9,305	10,417
Telephone and communications	-	4,727	4,727
Utilities	-	13,628	13,628
Repair and maintenance	85	93,038	93,123
Miscellaneous	161	317	478
Depreciation	26,102	155,180	181,282
Total operating expenses	70,626	496,716	567,342
Operating income (loss)	(12,104)	(22,131)	(34,235)
Nonoperating revenues (expenses)			
Interest earnings	429	1,613	2,042
Debt contributions	-	(25,042)	(25,042)
Interest expense	-	(14,155)	(14,155)
Total nonoperating revenues (expenses)	429	(37,584)	(37,155)
Income (loss) before transfers	(11,675)	(59,715)	(71,390)
Transfers			
Transfers out	(11,004)	(996)	(12,000)
Total transfers	(11,004)	(996)	(12,000)
Capital contributions	-	62,300	62,300
Total capital contributions	-	62,300	62,300
Changes in net position	(22,679)	1,589	(21,090)
Total net position-beginning	78,206	937,064	1,015,270
Total net position-ending	\$ 55,527	\$ 938,653	\$ 994,180

City of Clare

Combining Statement of Cash Flows - Internal Service Funds

June 30, 2024

	Data	Mobile	Total
	Processing	Equipment	Total
Cash flows from operating activities			
Receipts from customers	\$ 58,522	\$ 476,400	\$ 534,922
Payments to suppliers	(44,325)	(203,942)	(248,267)
Payments to employees	-	(132,106)	(132,106)
Net cash from operating activities	14,197	140,352	154,549
Cash flows from noncapital financing activities			
Transfers out	(11,004)	(996)	(12,000)
Debt contributions	-	(25,042)	(25,042)
Net cash from noncapital financing activities	(11,004)	(26,038)	(37,042)
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	-	(117,312)	(117,312)
Capital contributions	-	62,300	62,300
Principal payments	-	(24,246)	(24,246)
Interest paid on capital debt	-	(14,155)	(14,155)
Net cash from capital and related financing activities	-	(93,413)	(93,413)
Cash flows from investing activities			
Interest earnings	429	1,613	2,042
Net cash from investing activities	429	1,613	2,042
Net change in cash and cash equivalents	3,622	22,514	26,136
Cash and cash equivalents at beginning of year	41,380	197,500	238,880
Cash and cash equivalents at end of year	\$ 45,002	\$ 220,014	\$ 265,016
Reconciliation of operating loss to net cash from operating activities:			
Operating income (loss)	\$ (12,104)	\$ (22,131)	\$ (34,235)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	26,102	155,180	181,282
Change in assets and liabilities:			
Accounts receivable, net	-	1,815	1,815
Inventory	-	5,574	5,574
Prepaid items	6	(1,364)	(1,358)
Accounts payable	193	983	1,176
Accrued expenses	-	295	295
Net cash from operating activities	\$ 14,197	\$ 140,352	\$ 154,549

City of Clare

Combining Balance Sheet - Fiduciary Funds

June 30, 2024

	General Agency Fund	Current Tax Collection Fund	Payroll Imprest Fund	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 408	\$ 408
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 408</u>
Liabilities				
Accrued expenses	\$ -	\$ -	\$ 408	\$ 408
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 408</u>

Changes in Fiduciary Net Position - Fiduciary Funds

Year Ended June 30, 2024

	General Agency Fund	Tax Collection Fund	Payroll Imprest Fund	Total
Additions				
Amounts collected for other governments	\$ 45,027	\$ 5,752,158	\$ 605,581	\$ 6,402,766
Deductions				
Amounts distributed to other governments	45,027	5,752,158	605,581	6,402,766
Net change in fiduciary position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Clare

Combining Balance Sheet - Component Units

June 30, 2024

		Local		
	Downtown Development Authority	Development Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 145,548	\$ 643	\$ 4,687	\$ 150,878
Accounts receivable	6,935	-	-	6,935
Total assets	\$ 152,483	\$ 643	\$ 4,687	\$ 157,813
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ 50	\$ -	\$ 50
Fund balances:				
Restricted - debt service	152,483	-	-	152,483
Restricted - community development	-	593	4,687	5,280
Total fund balances	152,483	593	4,687	157,763
Total liabilities and fund balances	\$ 152,483	\$ 643	\$ 4,687	\$ 157,813

City of Clare

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

June 30, 2024

	Local			Total
	Downtown Development Authority	Development Finance Authority	Brownfield Redevelopment Authority	
Revenues				
Property taxes and related fees	\$ 119,855	\$ 5,325	\$ -	\$ 125,180
Interest earnings	-	13	45	58
Other revenue	8,135	-	-	8,135
Total revenues	127,990	5,338	45	133,373
Expenditures				
Community development	25,318	616	-	25,934
Capital outlay	4,240	-	-	4,240
Debt service:				
Principal	65,000	-	-	65,000
Interest and related fees	4,860	-	-	4,860
Total expenditures	99,418	616	-	100,034
Excess of revenue over expenditures	28,572	4,722	45	33,339
Other financing sources (uses)				
Transfers out	(2,504)	(4,202)	-	(6,706)
Total other financing sources (uses)	(2,504)	(4,202)	-	(6,706)
Net change in fund balances	26,068	520	45	26,633
Fund balances-beginning	126,415	73	4,642	131,130
Fund balances-ending	\$ 152,483	\$ 593	\$ 4,687	\$ 157,763

December 16, 2024

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

This representation letter is provided in connection with your audit of the financial statements of the City of Clare (City), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of December 16, 2024, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 7, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by U.S. GAAP to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) The methods, significant assumptions and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Township's accounts
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
- 11) We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 12) Tax abatement agreements have been properly disclosed in the notes to the financial statements.

Information Provided

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

- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
- 18) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 20) We have disclosed to you the names of the City's related parties and all the related party relationships and transactions, including any side agreements.

Government—specific

- 21) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) The City has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No. 87.
- 27) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with the following:
 - a) Preparation of the financial statements and disclosures.
 - b) Year-end GASB 34 entries with source information provided by us.
 - c) Updating the long-term debt schedules with source information provided by us.
 - d) Updating pension liabilities and related deferred resources and inflows based on information provided by us.
 - e) Preparing State of Michigan Form F-65 (Annual Local Unit Fiscal Report).

We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual,

preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

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

and unrestricted net position is available and have determined that net position is properly recognized under the policy.

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

Signed:

Jeremy Howard
Clare City Manager

Vicki Corlew
Clare City Treasurer and Finance Director

Diane M. Lyon
Clare City Clerk

RESOLUTION 2024-100

A RESOLUTION OF THE CLARE CITY COMMISSION APPROVING THE ANNUAL EXTERNAL AUDIT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE CITY OF CLARE'S FISCAL YEAR 2023/24.

WHEREAS, an independent audit of the accounting and financial records of the City of Clare for the City's fiscal year ending on June 30, 2024, was conducted by the public accounting firm of Andrews, Hooper & Pavlik (AHP) of Midland, Michigan; and

WHEREAS, said audit resulted in an adverse finding from Andrews, Hooper & Pavlik of the City, said results being verbally presented to the Clare City Commission by a qualified representative of said accounting firm at a scheduled and noticed public meeting held on December 16, 2024; and

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

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

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

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

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

NOW THEREFORE BE IT RESOLVED that the Clare City Commission hereby approves the results of the independent audit of the financial statements of the City of Clare for the fiscal year ending June 30, 2024, said audit being conducted by the independent public accounting firm of Andrews, Hooper & Pavlik of Midland, Michigan.

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

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

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

YEAS:

NAYS:

ABSENT:

Resolution approved for adoption on this 16th day of December, 2024.

Diane M. Lyon, City Clerk