

CITY OF CARO

*REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)*

YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
<i>Statement of Net Position</i>	11
<i>Statement of Activities</i>	12
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	13
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position</i>	14
<i>Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</i>	15 & 16
<i>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities</i>	17
<i>Statement of Net Position - Proprietary Funds</i>	18
<i>Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds</i>	19
<i>Statement of Cash Flows - Proprietary Funds</i>	20
<i>Fiduciary Fund</i>	
<i>Statement of Fiduciary Net Position</i>	21
<i>Statement of Changes in Fiduciary Net Position</i>	22
<i>Notes to Financial Statements</i>	23 - 40
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule - General Fund</i>	41
<i>Budgetary Comparison Schedule - Major Street & Trunkline Fund</i>	42
<i>Budgetary Comparison Schedule - Local Street Fund</i>	43
<i>Budgetary Comparison Schedule - Refuse/Sanitation Fund</i>	44
<i>Budgetary Comparison Schedule - Fire Fund</i>	45
<i>Changes in Net Pension Liability and Related Ratios</i>	46

TABLE OF CONTENTS (continued)

	<u>PAGE NUMBER</u>
<i>Schedule of Employer Contributions</i>	47
<i>Notes to Required Supplementary Information</i>	48
ADDITIONAL SUPPLEMENTARY INFORMATION	
<i>Nonmajor Governmental Fund Types:</i>	
<i>Combining Balance Sheet</i>	49
<i>Combining Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	50
<i>Governmental Component Unit</i>	
<i>Balance Sheet</i>	51
<i>Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual</i>	52
<i>Major Street and Trunkline and Local Street Funds – Schedule of Expenditures</i>	53
<i>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</i>	54 & 55
<i>Schedule of Findings and Responses</i>	56



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INDEPENDENT AUDITOR'S REPORT

Honorable City Council
City of Caro
Caro, Michigan 48723

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Caro, State of Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Caro, State of Michigan, as of June 30, 2022, 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 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 Caro, State of Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 of Caro, State of Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Caro, State of Michigan'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 and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caro, State of Michigan's basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2022, on our consideration of the City of Caro, State of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 of Caro, State of Michigan'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 City of Caro, State of Michigan's internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

November 11, 2022

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the City of Caro's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2022:

- The fund balance in the General Fund increased from \$3,244,070 to \$3,632,322.
- State-shared revenue, the City's second largest General Fund revenue source, increased by \$81,658 from the prior fiscal year. The \$541,146 received from the State of Michigan was above the budgeted projection of \$536,770.
- The government's total net position for the Governmental Activities increased by \$149,067.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

The City as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2022:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 7,715,645	\$ 5,126,802	\$ 112,748	\$ 12,955,195
Noncurrent assets	15,905,282	13,263,879	2,389,750	31,558,911
Total assets	23,620,927	18,390,681	2,502,498	44,514,106
Current liabilities	889,369	164,362	2,683	1,056,414
Long-term liabilities	353,317	2,860,329	-	3,213,646
Total liabilities	1,242,686	3,024,691	2,683	4,270,060
Deferred inflows of resources	179,526	-	-	179,526
Net position:				
Net investment in capital assets	15,600,308	10,391,414	2,389,750	28,381,472
Restricted	2,158,053	704,251		2,862,304
Unrestricted	4,440,354	4,270,325	110,065	8,820,744
Total net position	\$ 22,198,715	\$ 15,365,990	\$ 2,499,815	\$ 40,064,520

The City's combined net position increased from \$38,843,770 a year ago to \$40,064,520.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations ended the fiscal year with a balance of \$4,440,354 in the governmental activities.

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

The following table shows, in a condensed format, the net position as of June 30, 2021 were:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 7,076,153	\$ 4,808,083	\$ 240,725	\$ 12,124,961
Noncurrent assets	15,569,811	13,349,859	2,429,419	31,349,089
Total assets	22,645,964	18,157,942	2,670,144	43,474,050
Current liabilities	182,648	693,231	404	876,283
Long-term liabilities	392,624	3,340,329	-	3,732,953
Total liabilities	575,272	4,033,560	404	4,609,236
Deferred inflows of resources	21,044	-	-	21,044
Net position:				
Net investment in capital assets	15,226,837	9,995,319	2,429,419	27,651,575
Restricted	2,650,397	701,657	-	3,352,054
Unrestricted	4,172,414	3,427,406	240,321	7,840,141
Total net position	\$ 22,049,648	\$ 14,124,382	\$ 2,669,740	\$ 38,843,770

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net position for the year ended June 30, 2022:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Revenues				
Program revenues:				
Charges for services	\$ 775,611	\$ 2,607,591	\$ -	\$ 3,383,202
Operating grants and contributions	-	-	1,540	1,540
General revenue:				
Property taxes	1,657,349	-	143,409	1,800,758
Intergovernmental revenue	1,154,404	999,827	-	2,154,231
Investment earnings	26,874	24,559	-	51,433
Sale of assets	26,898	-	-	26,898
Miscellaneous	213,935	559	20,053	234,547
Total revenues	<u>3,855,071</u>	<u>3,632,536</u>	<u>165,002</u>	<u>7,652,609</u>
Program Expenses				
General government	497,435			497,435
Road maintenance and repair	364,345			364,345
Health and sanitation	501,199			501,199
Public safety	956,383			956,383
Public works	474,880	2,390,928		2,865,808
Culture and recreation	156,487			156,487
Community development	134,303		334,927	469,230
Unallocated depreciation	609,071			609,071
Interest on long-term debt	11,901			11,901
Total expenses	<u>3,706,004</u>	<u>2,390,928</u>	<u>334,927</u>	<u>6,431,859</u>
Changes in Net Position	149,067	1,241,608	(169,925)	1,220,750
Net Position - Beginning of Year	<u>22,049,648</u>	<u>14,124,382</u>	<u>2,669,740</u>	<u>38,843,770</u>
Net Position - End of Year	<u>\$ 22,198,715</u>	<u>\$ 15,365,990</u>	<u>\$ 2,499,815</u>	<u>\$ 40,064,520</u>

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net position for the year ended June 30, 2021:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Revenues				
Program revenues:				
Charges for services	\$ 913,203	\$ 2,536,254	\$ -	\$ 3,449,457
Operating grants and contributions	115,677	-	766,200	881,877
Capital grants and contributions	237,586	-	-	237,586
General revenue:				
Property taxes	1,647,764	-	132,127	1,779,891
Intergovernmental revenue	1,031,795	630,537	-	1,662,332
Investment earnings	61,084	49,640	-	110,724
Sale of assets	20,700	-	-	20,700
Miscellaneous	160,145	14,809	5,541	180,495
Total revenues	4,187,954	3,231,240	903,868	8,323,062
Program Expenses				
General government	248,245			248,245
Road maintenance and repair	351,224			351,224
Health and sanitation	460,582			460,582
Public safety	399,870			399,870
Public works	481,515	2,534,995		3,016,510
Culture and recreation	450,683			450,683
Community development	44,019		204,018	248,037
Unallocated depreciation	511,740			511,740
Interest on long-term debt	13,150			13,150
Total expenses	2,961,028	2,534,995	204,018	5,700,041
Changes in Net Position	1,226,926	696,245	699,850	2,623,021
Net Position - Beginning of Year	20,822,722	13,428,137	1,969,890	36,220,749
Net Position - End of Year	\$ 22,049,648	\$ 14,124,382	\$ 2,669,740	\$ 38,843,770

Business-type Activities

The City's business-type activities consist of the Water and Sewer Funds. The City provides water to residents from seven ground water wells. Sewage treatment is provided through a City-owned and operated sewage treatment plant.

The Water Fund had an increase in net position of \$1,175,583, and its cash balance increased by \$286,763. Operating revenues for the fund increased by \$410,346 from last year.

The Sewer Fund had an increase in net position of \$66,025 on operating revenues of \$1,585,903. Revenues were comparable to the prior year. Cash flow for the Sewer Fund increased by \$265,315.

The City's Funds

Our analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for the current year include the General, Major Street and Trunkline, Local Street, Refuse, and Fire Funds.

The General Fund pays for most of the City's governmental services. The most significant are Public Safety, Public Works, and Recreation, which incurred expenses of over \$1,100,000 in the current fiscal year. These costs and approximately \$800,000 of the other General Fund departments are funded by real and personal property taxes and other general revenue sources of the General Fund.

City's Budgetary Highlights

The General Fund revenue reported an original budget of \$1,912,769 and an amended budget of \$2,281,600. The actual General Fund revenues amounted to \$2,265,808. The main difference between the budgeted and actual revenues was due to lower than anticipated charges for services.

The General Fund expenditures reported an original budget of \$2,344,971 and an amended budget of \$1,952,719. The actual General Fund expenditures were \$1,914,343. The main difference between the budgeted and actual expenditures was less than expected public works and recreation expenditures.

The Major Street & Trunkline Fund revenue reported an original budget of \$812,715 and an amended budget of \$484,436. The actual Major Street & Trunkline revenues amounted to \$504,628. The main difference between the budgeted and actual revenues was due to higher than anticipated intergovernmental revenue.

The Major Street & Trunkline Fund expenditures reported an original budget of \$701,744 and an amended budget of \$179,086. The actual Major Street & Trunkline Fund expenditures were \$146,976. The main difference between the budgeted and actual expenditures was less than expected road construction expenditures.

The Local Street Fund revenue reported an original budget of \$191,712 and an amended budget of \$225,192. The actual Local Street revenues amounted to \$220,434. The main difference between the budgeted and actual revenues was due to lower than anticipated intergovernmental revenue.

The Local Street Fund expenditures reported an original budget of \$913,333 and an amended budget of \$566,533. The actual Local Street Fund expenditures were \$658,666. The main difference between the budgeted and actual expenditures was more than expected road maintenance expenditures.

The Refuse/Sanitation Fund revenue reported an original budget of \$424,500 and an amended budget of \$432,591. The actual Refuse/Sanitation revenues amounted to \$433,367.

The Refuse/Sanitation Fund expenditures reported an original budget of \$470,046 and an amended budget of \$563,528. The actual Refuse/Sanitation Fund expenditures were \$501,199. The main difference between the budgeted and actual expenditures was less contracted services expenditures than anticipated.

The Fire Fund revenue reported an original budget of \$140,443 and an amended budget of \$160,176. The actual Fire Fund revenues amounted to \$164,764.

The Fire Fund expenditures reported an original budget of \$254,380 and an amended budget of \$253,911. The actual Fire Fund expenditures were \$255,724.

Capital Asset and Debt Administration

As of June 30, 2022, the City had a total of approximately \$31 million (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Bonded and other long-term obligations decreased by \$519,307 for all funds.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 6, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Caro has had several fairly productive fiscal years, which have positioned the City to complete multiple placemaking, recreational, and infrastructure projects. Projects such as the State Street Square/ Farmers Market, the Aqua Zone Splash Pad and the Dog Park have had a positive impact on the socio-economic outlook of the City. Such improvements will continue to draw residents, new businesses and developments to the City, increasing the tax base.

Although inflation and interest have risen, other economic conditions appear to be stabilizing. Several internal and external factors influence current and future economic decision making. Administration will plan for these contingencies, monitor conditions, and recommend budget adjustments as necessary, keeping a close eye on our investments and overall net position. Further, the City will project revenue conservatively to account for fluctuation.

We have gained additional stability from federal and state funding through pandemic relief grants. The City received approximately \$419,000 in ARPA funding. We will continue to remain conservative and utilize these funds to provide the optimal benefits to our residents with all funding being allocated within the parameters of the program.

The Administration is diligent in seeking out and evaluating available grants and opportunities to improve infrastructure and enhance resident's quality of life. The City of Caro will remain committed to performing capital improvements throughout several areas of our infrastructure. Over the last several years there has been local and major street reconstruction projects, and within the fiscal year 2022-2023 there will be further improvements.

The City has worked towards streamlining objectives, increasing effectiveness, and efficiency throughout the organization. As we increase our internal efficiency, our upcoming 2022-2023 fiscal year budget will continue to reflect steady levels of real property tax revenue. Throughout the last year, the level of service has been maintained by committed elected officials and dedicated employees within the City of Caro, which optimizes every dollar spent.

This audit is an extremely important tool for the City and provides reliable benchmarks for the overall financial future of the City. The annual audit allows for long, and short-term comparisons of almost all facets of our operations and also gives a transparent view of the financial workings of the City of Caro.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's office.

BASIC FINANCIAL STATEMENTS

CITY OF CARO
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Primary Government</u>			<u>Reporting Entity</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,461,751	\$ 3,798,435	\$ 10,260,186	\$ 110,269	\$ 10,370,455
Receivables (net)	246,488	528,812	775,300	1,120	776,420
Inventories		91,000	91,000		91,000
Prepaid expenses	72,024	128,304	200,328	1,359	201,687
Restricted cash		704,251	704,251		704,251
Interfund advances	124,000	(124,000)	-		-
Net pension asset	811,382		811,382		811,382
Capital assets, not being depreciated	582,286	118,436	700,722	558,431	1,259,153
Capital assets, net of depreciation	15,322,996	13,145,443	28,468,439	1,831,319	30,299,758
TOTAL ASSETS	23,620,927	18,390,681	42,011,608	2,502,498	44,514,106
<u>LIABILITIES</u>					
Accounts payable, accrued & other liabilities	411,974	122,226	534,200	2,279	536,479
Accrued interest payable	-	12,136	12,136		12,136
Unearned revenue	477,395	30,000	507,395	404	507,799
Noncurrent liabilities:					
Due within one year	39,000	490,000	529,000		529,000
Due in more than one year	265,974	2,370,329	2,636,303		2,636,303
Accumulated compensated absences	48,343		48,343		48,343
TOTAL LIABILITIES	1,242,686	3,024,691	4,267,377	2,683	4,270,060
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Related to pensions	179,526	-	179,526	-	179,526
<u>NET POSITION</u>					
Net investment in capital assets	15,600,308	10,391,414	25,991,722	2,389,750	28,381,472
Restricted for:					
Streets	1,929,880		1,929,880		1,929,880
Refuse	207,090		207,090		207,090
Fire	20,724		20,724		20,724
Drug forfeiture	359		359		359
Water & sewer		704,251	704,251		704,251
Unrestricted	4,440,354	4,270,325	8,710,679	110,065	8,820,744
TOTAL NET POSITION	\$ 22,198,715	\$ 15,365,990	\$ 37,564,705	\$ 2,499,815	\$ 40,064,520

See notes to financial statements.

CITY OF CARO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>	<u>FIRE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 3,951,825	\$ 1,510,884	\$ 261,188	\$ 162,887	\$ 66,910	\$ 256,859	\$ 6,210,553
Accounts receivable, net	19,410	77,046	24,802	46,084	217	20,196	187,755
Taxes receivable	27,655	-	-	639	-	3,799	32,093
Prepaid expenditures	50,767	1,359	1,303	1,794	11,316	971	67,510
Interfund advances	193,960	-	-	-	-	-	193,960
TOTAL ASSETS	<u>\$ 4,243,617</u>	<u>\$ 1,589,289</u>	<u>\$ 287,293</u>	<u>\$ 211,404</u>	<u>\$ 78,443</u>	<u>\$ 281,825</u>	<u>\$ 6,691,871</u>
<u>LIABILITIES & FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 154,032	\$ 81	\$ 133,928	\$ 2,520	\$ 38,206	\$ 70,330	\$ 399,097
Accrued salaries & wages	8,261	-	-	-	-	-	8,261
Unearned revenue	449,002	-	-	-	8,197	20,196	477,395
Total Liabilities	<u>611,295</u>	<u>81</u>	<u>133,928</u>	<u>2,520</u>	<u>46,403</u>	<u>90,526</u>	<u>884,753</u>
Fund Balances:							
Nonspendable for:							
Prepaid	50,767	1,359	1,303	1,794	11,316	971	67,510
Advances	193,960						193,960
Restricted for:							
Streets		1,587,849	152,062			189,969	1,929,880
Refuse				207,090			207,090
Fire					20,724		20,724
Drug Forfeiture						359	359
Assigned for:							
Subsequent year expenditures	796,425						796,425
Unassigned	2,591,170						2,591,170
Total Fund Balances	<u>3,632,322</u>	<u>1,589,208</u>	<u>153,365</u>	<u>208,884</u>	<u>32,040</u>	<u>191,299</u>	<u>5,807,118</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,243,617</u>	<u>\$ 1,589,289</u>	<u>\$ 287,293</u>	<u>\$ 211,404</u>	<u>\$ 78,443</u>	<u>\$ 281,825</u>	<u>\$ 6,691,871</u>

See notes to financial statements.

CITY OF CARO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2022

Total fund balances for governmental funds	\$ 5,807,118
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	21,094,789
Accumulated depreciation	(5,830,079)
Net pension asset	811,382
Deferred inflows of resources - related to pensions	(179,526)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(48,343)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
	(304,974)
Internal service funds are included as part of governmental activities.	848,348
Net position of governmental activities	\$ 22,198,715

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>
REVENUES:				
Taxes	\$ 1,537,025	\$ 80,335	\$ 39,989	\$ -
Licenses & permits	30,411			
Intergovernmental revenue:				
Federal	-	-		
State	557,271	418,258	178,875	
Charges for services	11,564	-	-	427,436
Fines & forfeitures	7,836			
Miscellaneous	121,701	6,035	1,570	5,931
TOTAL REVENUES	<u>2,265,808</u>	<u>504,628</u>	<u>220,434</u>	<u>433,367</u>
EXPENDITURES:				
Legislative	24,702			
Elections	8,367			
Board of review	6,005			
Assessor	36,818			
Executive	179,483			
Clerk	72,764			
Treasurer	74,629			
Buildings & grounds	143,367			
Historical center	55			
Police department	796,868			
Planning & zoning	79,577			
Fire department				
Public works department	200,918			
Refuse department				501,199
Recreation department	156,487			
Community promotion	134,303			
Streets		146,976	658,666	
Miscellaneous				
Debt Service:				
Principal				
Interest				
TOTAL EXPENDITURES	<u>1,914,343</u>	<u>146,976</u>	<u>658,666</u>	<u>501,199</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>351,465</u>	<u>357,652</u>	<u>(438,232)</u>	<u>(67,832)</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	41			
Transfers in	116,600	-	99,340	-
Transfers out	(79,854)	(99,340)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>36,787</u>	<u>(99,340)</u>	<u>99,340</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	388,252	258,312	(338,892)	(67,832)
FUND BALANCES - JULY 1	<u>3,244,070</u>	<u>1,330,896</u>	<u>492,257</u>	<u>276,716</u>
FUND BALANCES - JUNE 30	<u>\$ 3,632,322</u>	<u>\$ 1,589,208</u>	<u>\$ 153,365</u>	<u>\$ 208,884</u>

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>FIRE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>COMPONENT UNITS</u>	<u>JUNE 30, 2022</u>
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,657,349	\$ 143,409	\$ 1,800,758
Licenses & permits			30,411		30,411
Intergovernmental revenue:					
Federal	-		-	1,540	1,540
State			1,154,404	-	1,154,404
Charges for services	139,543		578,543		578,543
Fines & forfeitures			7,836		7,836
Miscellaneous	25,221	39,916	200,374	20,053	220,427
TOTAL REVENUES	164,764	39,916	3,628,917	165,002	3,793,919
EXPENDITURES:					
Legislative			24,702		24,702
Elections			8,367		8,367
Board of review			6,005		6,005
Assessor			36,818		36,818
Executive			179,483		179,483
Clerk			72,764		72,764
Treasurer			74,629		74,629
Buildings & grounds			143,367		143,367
Historical center			55		55
Police department			796,868		796,868
Planning & zoning			79,577		79,577
Fire department	255,724		255,724		255,724
Public works department			200,918		200,918
Refuse department			501,199		501,199
Recreation department			156,487		156,487
Community promotion			134,303		134,303
Streets		312,215	1,117,857		1,117,857
Miscellaneous		-	-	295,258	295,258
Debt Service:					
Principal		38,000	38,000	-	38,000
Interest		11,901	11,901	-	11,901
TOTAL EXPENDITURES	255,724	362,116	3,839,024	295,258	4,134,282
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(90,960)</u>	<u>(322,200)</u>	<u>(210,107)</u>	<u>(130,256)</u>	<u>(340,363)</u>
OTHER FINANCING SOURCES (USES):					
Sale of assets	217	-	258	-	258
Transfers in	79,854	49,901	345,695	-	345,695
Transfers out	(49,901)	-	(229,095)	-	(229,095)
TOTAL OTHER FINANCING SOURCES (USES)	30,170	49,901	116,858	-	116,858
NET CHANGE IN FUND BALANCES	(60,790)	(272,299)	(93,249)	(130,256)	(223,505)
FUND BALANCES - JULY 1	92,830	463,598	5,900,367	240,321	6,140,688
FUND BALANCES - JUNE 30	<u>\$ 32,040</u>	<u>\$ 191,299</u>	<u>\$ 5,807,118</u>	<u>\$ 110,065</u>	<u>\$ 5,917,183</u>

See notes to financial statements.

CITY OF CARO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds \$ (93,249)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

Depreciation expense	(609,071)
Capital outlay	944,542

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments	38,000
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Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	49,650
Accrued absences at the end of the year	(48,343)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, and central services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

(229,740)

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

Pension related items	97,278
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Change in net position of governmental activities

\$ 149,067

See notes to financial statements.

CITY OF CARO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS	ACTIVITIES INTERNAL SERVICE FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,187,330	\$ 1,611,105	\$ 3,798,435	\$ 251,198
Accounts receivable - net	295,631	233,181	528,812	26,640
Inventories	53,000	38,000	91,000	-
Prepaid expenses	12,269	116,035	128,304	4,514
Restricted cash	163,131	541,120	704,251	-
Capital assets	10,163,848	21,822,206	31,986,054	1,726,135
Less accumulated depreciation & amortization	<u>(5,137,851)</u>	<u>(13,584,324)</u>	<u>(18,722,175)</u>	<u>(1,085,563)</u>
TOTAL ASSETS	<u>\$ 7,737,358</u>	<u>\$ 10,777,323</u>	<u>\$ 18,514,681</u>	<u>\$ 922,924</u>
<u>LIABILITIES & NET POSITION</u>				
Liabilities:				
Accounts payable	\$ 37,530	\$ 74,579	\$ 112,109	\$ 4,616
Customer deposits payable	10,117	-	10,117	-
Current maturities of long-term debt	100,000	390,000	490,000	-
Accrued interest payable	2,195	9,941	12,136	-
Interfund advances	-	124,000	124,000	69,960
Unearned revenue	-	30,000	30,000	-
Revenue bonds payable - long-term	<u>313,215</u>	<u>2,057,114</u>	<u>2,370,329</u>	<u>-</u>
Total Liabilities	<u>463,057</u>	<u>2,685,634</u>	<u>3,148,691</u>	<u>74,576</u>
Net Position:				
Net investment in capital assets	4,610,587	5,780,827	10,391,414	640,572
Restricted	163,131	541,120	704,251	-
Unrestricted	<u>2,500,583</u>	<u>1,769,742</u>	<u>4,270,325</u>	<u>207,776</u>
Total Net Position	<u>7,274,301</u>	<u>8,091,689</u>	<u>15,365,990</u>	<u>848,348</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 7,737,358</u>	<u>\$ 10,777,323</u>	<u>\$ 18,514,681</u>	<u>\$ 922,924</u>

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS	ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES:				
Water & sewer system sales	\$ 1,010,966	\$ 1,559,935	\$ 2,570,901	\$ -
Equipment rent	-	-	-	197,068
Other services, charges & sales	10,722	25,968	36,690	-
Intergovernmental revenue	999,827	-	999,827	-
Interest & penalties	5,980	-	5,980	-
Miscellaneous	559	-	559	-
TOTAL OPERATING REVENUES	2,028,054	1,585,903	3,613,957	197,068
OPERATING EXPENSES:				
Salaries & wages	156,470	251,427	407,897	29,193
Payroll taxes	11,185	17,911	29,096	2,080
Fringe benefits	42,811	69,783	112,594	8,491
Operating supplies	67,394	72,086	139,480	29,099
General fund administrative	10,000	-	10,000	40,000
Contracted services	108,579	231,303	339,882	44,633
Telephone	792	1,842	2,634	573
Insurance	8,149	18,394	26,543	7,728
Heat, light & power	115,814	145,180	260,994	23,773
Depreciation & amortization	251,118	654,227	905,345	85,414
Capital outlay	-	-	-	2,001
Equipment rental	40,888	12,820	53,708	-
Other	39,470	9,576	49,046	977
TOTAL OPERATING EXPENSES	852,670	1,484,549	2,337,219	273,962
OPERATING INCOME (LOSS)	1,175,384	101,354	1,276,738	(76,894)
NON-OPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of fixed assets	-	-	-	26,640
Interest earned	9,511	9,068	18,579	2,188
Interest expense	(9,312)	(44,397)	(53,709)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	199	(35,329)	(35,130)	28,828
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,175,583	66,025	1,241,608	(48,066)
OPERATING TRANSFERS IN (OUT)				
Transfers out	-	-	-	(116,600)
TOTAL OPERATING TRANSFERS IN (OUT)	-	-	-	(116,600)
CHANGES IN NET POSITION	1,175,583	66,025	1,241,608	(164,666)
TOTAL NET POSITION - JULY 1	6,098,718	8,025,664	14,124,382	1,013,014
TOTAL NET POSITION - JUNE 30	\$ 7,274,301	\$ 8,091,689	\$ 15,365,990	\$ 848,348

See notes to financial statements.

CITY OF CARO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,448,854	\$ 1,528,616	\$ 3,977,470	\$ -
Receipts from interfund services provided	-	-	-	173,748
Payments to suppliers	(1,031,928)	(507,307)	(1,539,235)	(171,821)
Payments to employees	(210,466)	(339,121)	(549,587)	(39,764)
Net cash provided by operating activities	<u>1,206,460</u>	<u>682,188</u>	<u>1,888,648</u>	<u>(37,837)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other funds	-	-	-	(116,600)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases/construction of capital assets	(819,365)	-	(819,365)	(150,488)
Gain on sale of asset	-	-	-	26,640
Principal paid on debt	(100,000)	(380,000)	(480,000)	-
Interest paid on debt	(9,843)	(45,941)	(55,784)	-
Net cash provided (used) by capital and related financing activities	<u>(929,208)</u>	<u>(425,941)</u>	<u>(1,355,149)</u>	<u>(123,848)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	9,511	9,068	18,579	2,188
Net cash provided by investing activities	<u>9,511</u>	<u>9,068</u>	<u>18,579</u>	<u>2,188</u>
Net increase in cash and cash equivalents	286,763	265,315	552,078	(276,097)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,063,698</u>	<u>1,886,910</u>	<u>3,950,608</u>	<u>527,295</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,350,461</u>	<u>\$ 2,152,225</u>	<u>\$ 4,502,686</u>	<u>\$ 251,198</u>
Reconciliation of operating income to net cash provided used by operating activities:				
Operating income (loss)	\$ 1,175,384	\$ 101,354	\$ 1,276,738	\$ (76,894)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	251,118	654,227	905,345	85,414
(Increase) decrease in accounts receivable	420,800	(57,287)	363,513	(26,640)
(Increase) decrease in prepaid expenses	(9,469)	(110,685)	(120,154)	(1,013)
Increase (decrease) in accounts payable	(631,373)	74,579	(556,794)	4,616
Increase (decrease) in interfund advances	-	(10,000)	(10,000)	(23,320)
Increase (decrease) in unearned revenue	-	30,000	30,000	-
Total adjustments	<u>31,076</u>	<u>580,834</u>	<u>611,910</u>	<u>39,057</u>
Net cash provided by operating activities	<u>\$ 1,206,460</u>	<u>\$ 682,188</u>	<u>\$ 1,888,648</u>	<u>\$ (37,837)</u>

See notes to financial statements.

CITY OF CARO
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	<u>Custodial Tax Collection Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
<u>LIABILITIES</u>	
Due to other governmental units	-
<u>NET POSITION</u>	
Restricted	\$ -

See notes to financial statements.

CITY OF CARO
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	Custodial Tax Collection Fund
<u>ADDITIONS</u>	
Collection of taxes for other governments	\$ 3,190,092
<u>DEDUCTIONS</u>	
Payment of taxes collected for other governments	3,190,092
Net change in fiduciary net position	-
<u>NET POSITION</u>	
Beginning of year	-
End of year	\$ -

See notes to financial statements.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 activities of the City. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. *Business-type activities* are supported by fees and charges.

REPORTING ENTITY:

The City of Caro is governed by an elected council with a city manager, who oversees the daily operations. The City receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The City provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The component unit discussed below included in the City's financial reporting entity because of the significance of its operational or financial relationship is with the City.

The following is a description of the component unit:

Discretely Presented Component Unit:

The component unit columns in the combined financial statements include the financial data of the Downtown Development Authority. These financial statements are reported on pages 47 and 48 to emphasize that they are legally separate from the City.

The Downtown Development Authority of the City of Caro is an Authority created pursuant to Public Act 197 of 1975. The purpose of the Authority is to analyze the impact of economic changes and growth in the Downtown District and develop plans to promote orderly economic growth in the "Downtown Development District."

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component unit as a whole. All nonfiduciary activities of the primary government are included (i.e. fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operation or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental and enterprise funds. 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 CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The City reports the following major governmental funds:

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 *major street & trunkline fund* accounts for the maintenance and improvement activities for streets designated as major within the City. Funding is primarily through state trunkline maintenance and through state shared gas and weight taxes.

The *local street fund* accounts for the maintenance and construction activities for streets designated as local within the City. Funding is primarily through state shared gas and weight taxes.

The *refuse/sanitation fund* accounts for the tax levy for the purpose of operating the refuse collection.

The *fire fund* accounts for the activities of the fire department including charges for fire service and operating expenses.

The government reports the following major proprietary funds:

The *sewage disposal fund* accounts for the activities of the sewage collection system.

The *water fund* accounts for the activities of the water distribution system.

The City reports the following other non-major funds:

The nonmajor *special revenue funds* account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements. The City reports the *municipal street fund* and the *drug forfeiture fund* as its nonmajor special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

Internal service funds account for machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Also, the government reports as a fiduciary fund, the *tax collection fund* (custodial fund).

The *fiduciary fund* accounts for assets held by the City in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The *custodial tax collection fund* consists of assets for the benefit of other governmental units and the City does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the City's provision of goods or services to those other governmental units. These funds are used to account for assets that the City holds for others in an agency capacity (primarily the collection of taxes).

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 transfers to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

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, they are eliminated in the preparation of the government-wide financial statements.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

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

Property taxes, state and federal revenue 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. 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 generally 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*.

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 water and sewer funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The City does not utilize encumbrance accounting.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A budget is submitted to the Council for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Council resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. During the year, the City incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund			
Executive	\$ 154,729	\$ 179,483	\$ 24,754
Historical center	-	55	55
Community promotion	56,868	134,303	77,435
Local Street Fund			
Routine maintenance	521,795	624,512	102,717
Fire Fund			
Capital outlay	23,000	33,552	10,552
Miscellaneous	39,080	53,978	14,898

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Council.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30th.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and investments

The City's cash includes amounts in petty cash and demand deposits with original maturities of three months or less from the date of acquisition. Investments include certificates of deposit which are allowed by state statute, as subsequently described. Certificates of deposit are carried at amortized cost which approximates fair value.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

- e. Banker's acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

2. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Restricted assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, etc.) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress, if any, are not depreciated. The other capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	50
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	20
Traffic Signals	15

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

5. Defined benefit plan

For purposes of measuring the Net Pension Asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Caro Retirement Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City of Caro. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows/inflows of resources

Deferred outflow:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

Deferred inflow:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

7. Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund balance flow assumptions

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 balances in the governmental 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 consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Council is the highest level of decision-making authority for the City that can, by adoption of a council action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Council action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes, but do not meet the criteria to be classified as committed. The Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Use of estimates

The process of preparing financial statements in conformity with accounting principles of generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REVENUES AND EXPENDITURES/EXPENSES:

1. 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 that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The City bills and collects its own property taxes. City tax revenues are recognized in the year of levy. The City also bills and collects the property taxes for the county, intermediate school district and local school district.

The 2021 taxable valuation of the City totaled \$90,726,999, on which ad valorem taxes consisted of 16.1643 mills for operating purposes. This resulted in \$1,464,578 for operating expenses.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year which they are incurred.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS:

The City maintains a pooled account for substantially all of its cash. Each fund type's portion of this pool is maintained through the use of separate accounts within the pooled account. This cash is shown in their respective funds for financial reporting purposes.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2022, \$6,606,087 of the City's bank balance of \$11,102,039 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of the City's deposits was \$11,074,706.

Custodial credit risk - investments. For an investment, this 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.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

Interest rate risk. In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk. The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

Fair value measurement. The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City does not have any investments subject to the fair value measurement.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions on the financial statements, based upon criteria disclosed in Note 1.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The following summarizes the categorization of these amounts as of June 30, 2022:

Cash - Governmental Activities	\$ 6,461,751
Cash - Business-Type Activities	3,798,435
Restricted Cash - Business-Type Activities	704,251
Cash - Component Unit	110,269
	\$ 11,074,706

NOTE 3 – RECEIVABLES – PRIMARY GOVERNMENT:

Receivables at June 30, 2022 consist of the following:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>INTERNAL SERVICE</u>	<u>ENTERPRISE</u>	<u>COMPONENT UNIT</u>	<u>TOTAL</u>
Receivables:						
Accounts	\$ 24,410	\$ 168,345	\$ 26,640	\$ 556,272	\$ 1,120	\$ 776,787
Taxes	27,655	4,438				32,093
Allowance for uncollectibles	(5,000)			(27,460)		(32,460)
TOTAL RECEIVABLES	\$ 47,065	\$ 172,783	\$ 26,640	\$ 528,812	\$ 1,120	\$ 776,420

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances for the year ended June 30, 2022 consisted of the following amounts:

		<u>RECEIVABLE</u>	
		<u>General Fund</u>	<u>TOTAL</u>
PAYABLE	Sewage Disposal Fund	\$ 124,000	\$ 124,000
	Internal Service Fund	69,960	69,960
	Total	\$ 193,960	\$ 193,960

The amount owed from the sewage disposal fund and internal service fund to the general fund is considered noncurrent and is reported as interfund advances.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS:

A summary of property, plant, and equipment at June 30, 2022 is as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 582,286	\$ -	\$ -	\$ 582,286
Total capital assets not being depreciated	<u>582,286</u>	<u>-</u>	<u>-</u>	<u>582,286</u>
Capital assets being depreciated				
Land improvements	5,497,108			5,497,108
Infrastructure	10,435,230	753,512		11,188,742
Buildings, additions and improvements	1,825,741	29,747		1,855,488
Machinery and equipment	1,960,370	10,795		1,971,165
Motor vehicles and related equipment	1,723,820	150,488	148,173	1,726,135
Total capital assets being depreciated	<u>21,442,269</u>	<u>944,542</u>	<u>148,173</u>	<u>22,238,638</u>
Less accumulated depreciation for				
Land improvements	19,274	18,001		37,275
Infrastructure	3,667,547	358,277		4,025,824
Buildings, additions and improvements	398,519	52,556		451,075
Machinery and equipment	1,221,082	94,823		1,315,905
Motor vehicles and related equipment	1,148,322	85,414	148,173	1,085,563
Total accumulated depreciation	<u>6,454,744</u>	<u>609,071</u>	<u>148,173</u>	<u>6,915,642</u>
Net capital assets being depreciated	<u>14,987,525</u>	<u>335,471</u>	<u>-</u>	<u>15,322,996</u>
Governmental activities capital assets, net	<u>\$ 15,569,811</u>	<u>\$ 335,471</u>	<u>\$ -</u>	<u>\$ 15,905,282</u>
Business-type activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 118,436	\$ -	\$ -	\$ 118,436
Construction-in-progress	780,779		780,779	-
Total capital assets not being depreciated	<u>899,215</u>	<u>-</u>	<u>780,779</u>	<u>118,436</u>
Capital assets being depreciated				
Buildings, additions and improvements	14,472,198			14,472,198
Machinery and equipment	6,285,004			6,285,004
Motor vehicles and related equipment	983,599			983,599
Water system	4,556,872	1,600,144		6,157,016
Sewer system	3,969,801			3,969,801
Total capital assets being depreciated	<u>30,267,474</u>	<u>1,600,144</u>	<u>-</u>	<u>31,867,618</u>
Less accumulated depreciation for				
Buildings, additions and improvements	7,863,279	278,858		8,142,137
Machinery and equipment	4,494,721	373,510		4,868,231
Motor vehicles and related equipment	729,832			729,832
Water system	2,171,531	155,823		2,327,354
Sewer system	2,557,467	97,154		2,654,621
Total accumulated depreciation	<u>17,816,830</u>	<u>905,345</u>	<u>-</u>	<u>18,722,175</u>
Net capital assets being depreciated	<u>12,450,644</u>	<u>694,799</u>	<u>-</u>	<u>13,145,443</u>
Business-type activities capital assets, net	<u>\$ 13,349,859</u>	<u>\$ 694,799</u>	<u>\$ 780,779</u>	<u>\$ 13,263,879</u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Component unit	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 558,431	\$ -	\$ -	\$ 558,431
Total capital assets not being depreciated	<u>558,431</u>	<u>-</u>	<u>-</u>	<u>558,431</u>
Capital assets being depreciated				
Land improvements	681,793			681,793
Infrastructure	2,818,592	120,183		2,938,775
Machinery and equipment	41,544		12,850	28,694
Total capital assets being depreciated	<u>3,541,929</u>	<u>120,183</u>	<u>12,850</u>	<u>3,649,262</u>
Less accumulated depreciation for				
Land improvements	177,015	13,307		190,322
Infrastructure	1,465,137	145,014		1,610,151
Machinery and equipment	28,789	1,531	12,850	17,470
Total accumulated depreciation	<u>1,670,941</u>	<u>159,852</u>	<u>12,850</u>	<u>1,817,943</u>
Net capital assets being depreciated	<u>1,870,988</u>	<u>(39,669)</u>	<u>-</u>	<u>1,831,319</u>
Component unit capital assets, net	<u>\$ 2,429,419</u>	<u>\$ (39,669)</u>	<u>\$ -</u>	<u>\$ 2,389,750</u>

All depreciation is computed using the straight-line method. Equipment Rental Fund assets are combined with Governmental Activities assets on the Statement of Net Position. Depreciation expense was recorded as follows:

Governmental activities	\$ 609,071
Business-type activities	905,345
Component unit	<u>159,852</u>
Total depreciation expense	<u>\$ 1,674,268</u>

Depreciation expense for the year ended June 30, 2022 amounted to \$1,674,268. The City determined that it was impractical to allocate governmental activities depreciation to the various governmental activities as the assets serve multiple functions.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 6 - LONG-TERM OBLIGATIONS:

The City issues general obligation bonds to provide funds for the acquisition, construction, and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of long-term obligations for the City for the year ended June 30, 2022:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
<u>GOVERNMENTAL ACTIVITIES:</u>				
Balance July 1, 2021	\$ -	\$ 342,974	\$ 49,650	\$ 392,624
Additions				-
Deletions		(38,000)	(1,307)	(39,307)
Balance June 30, 2022	-	304,974	48,343	353,317
Due within one year		39,000		39,000
Due in more than one year	\$ -	\$ 265,974	\$ 48,343	\$ 314,317
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Balance July 1, 2021	\$ 3,340,329	\$ -	\$ -	\$ 3,340,329
Additions				-
Deletions	(480,000)			(480,000)
Balance June 30, 2022	2,860,329	-	-	2,860,329
Due within one year	490,000			490,000
Due in more than one year	\$ 2,370,329	\$ -	\$ -	\$ 2,370,329

Long-term obligations at June 30, 2022 is comprised of the following issues:

GOVERNMENTAL ACTIVITIES:

Notes from direct borrowings and direct placements:

Loan payable to Huntington National Bank dated February 13, 2019 for the purchase of a firetruck. Annual payments carry a rate of 3.47%. Principal payments are due on an annual basis and range from \$36,000 to \$47,974.

\$ 304,974

Total notes from direct borrowings and direct placements

304,974

Compensated absences

48,343

Total governmental activities long-term obligations

\$ 353,317

BUSINESS-TYPE ACTIVITIES

General obligation bonds:

Revenue bonds dated September 22, 2005, in an amount not to exceed \$1,780,000 for the purpose of the arsenic removal project. The loan has an interest rate of 2.125%.

\$ 413,215

County revenue bonds, totaling \$7,730,000 with an interest rate of 1.625% for waste treatment plant upgrades.

2,447,114

Total business-type activities long-term obligations

\$ 2,860,329

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2022 are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>NOTES FROM DIRECT</u>		<u>GENERAL OBLIGATION</u>		
	<u>BORROWINGS AND DIRECT</u>		<u>BONDS</u>		
	<u>PLACEMENTS</u>				
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 39,000	\$ 10,583	\$ 490,000	\$ 47,484	\$ 587,067
2024	41,000	9,229	500,000	38,968	589,197
2025	42,000	7,807	510,000	30,318	590,125
2026	43,000	6,349	513,215	21,525	584,089
2027	45,000	4,857	420,000	13,766	483,623
2028-2029	94,974	4,960	427,114	6,940	533,988
	304,974	43,785	2,860,329	159,001	3,368,089
Compensated absences	48,343				48,343
	<u>\$ 353,317</u>	<u>\$ 43,785</u>	<u>\$ 2,860,329</u>	<u>\$ 159,001</u>	<u>\$ 3,416,432</u>

NOTE 7 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

Plan Description - City of Caro administers the City of Caro Retirement Plan - a single-employer defined benefit pension plan that provides pensions for participants as defined by the plan document. The plan is currently closed to new participants. Management of the plan is the responsibility of the City Clerk/Treasurer.

Benefits Provided - The Plan provides retirement and death benefits. Retirement benefits for plan members are calculated as 1.5% of the member's average compensation of the final 5 consecutive 12-month periods ending June 30 preceding the participant's normal retirement date multiplied by the member's years of service after June 1, 1966, plus accrued benefits at May 31, 1966. Plan members are eligible to retire at age 62, or with reduced benefits, as early as age 55 with 10 years of service. Death benefits consist of a return of employee contributions with interest or the spouse's portion of the joint and 50% survivor benefit payable at the participant's normal retirement age.

Summary of Plan Participants - At the July 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	5
Inactive members entitled to, not yet receiving benefits	5
Active plan members	<u>0</u>
Total participants	<u><u>10</u></u>

Contributions - Article 9, section 24 of the Regulations of the State of Michigan constitution requires the financial benefits arising on account of service rendered each year be funded during that year. The City retains an actuary to determine the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the actuarially determined amount.

Assumptions and Methods

The City's pension liability was measured as of July 31, 2021.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 31, 2021 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% (included in long term rate of return)
Salary increases	0.00%, there are no active participants
Investment rate of return	6.89% net of investment expense, including inflation,
Mortality Table	As set forth in IRS Regulations for 2021 (1.430(h)(3)) for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on RP-2014 Tables with improvement scale MP-2019.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense 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. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of July 31, 2021 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	38.50%	6.60%
International equity	16.50%	6.80%
Fixed income	35.00%	1.75%
Real assets	8.00%	4.20%
Cash	2.00%	1.20%
	<u>100.0%</u>	

The sum of target allocation times its long term expected real rate is 4.64%. The long-term expected rate of return is 6.89%.

Discount Rate - The discount rate used to measure the total pension liability was 6.89%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total Pension Liability. The discount rate used in last year's reporting was 6.71%.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Net Pension Liability

Changes in the Net Pension Liability (Asset) -

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balance at July 31, 2020	\$ 1,072,770	\$ 1,628,392	\$ (555,622)
Changes during the year			
Service cost			-
Interest	69,462		69,462
Experience (gains)/losses	5,626		5,626
Change of assumptions	(16,631)		(16,631)
Contributions - employer			-
Contributions - employee			-
Net investment income		329,611	(329,611)
Benefit payments;			-
Including refunds of employee contributions	(75,142)	(75,142)	-
Administrative expenses		(15,394)	15,394
Other changes			-
Total changes	<u>(16,685)</u>	<u>239,075</u>	<u>(255,760)</u>
Balance at July 31, 2021	<u><u>\$ 1,056,085</u></u>	<u><u>\$ 1,867,467</u></u>	<u><u>\$ (811,382)</u></u>

Discount Rate Sensitivities - The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 6.89%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.89%) or 1 percentage point higher (7.89%) than the current rate:

	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
Total Pension Liability	\$ 1,147,433	\$ 1,056,085	\$ 976,637
Plan Fiduciary Net Position	<u>1,867,467</u>	<u>1,867,467</u>	<u>1,867,467</u>
Net Pension Liability (Asset)	<u><u>\$ (720,034)</u></u>	<u><u>\$ (811,382)</u></u>	<u><u>\$ (890,830)</u></u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report.

Deferred Inflows and Outflows of Resources Related to Pension Plan -For the year ended June 30, 2022, the City recognized pension benefit of approximately \$97,276. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual plan investment earnings	\$ -	\$ (179,526)
	<u><u>\$ -</u></u>	<u><u>\$ (179,526)</u></u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended July 31,	Amount
2023	\$ (47,615)
2024	(39,686)
2025	(47,550)
2026	(44,675)

DEFINED CONTRIBUTION PENSION PLAN:

The City of Caro Money Purchase Plan is a defined contribution pension plan established by the City of Caro to provide benefits at retirement to certain City officials. At June 30, 2022, there were 22 plan members. The City is required to contribute 6% to 10% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the City Council. The total employee contributions were \$4,377 and the total employer contributions were \$92,352 for the year ended June 30, 2022. Employees are 100% vested in the 401a plan.

BASIS OF ACCOUNTING:

The financial statements of the City of Caro Money Purchase Plan are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VALUATION OF INVESTMENTS:

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$1,069,324 were held at June 30, 2022.

DEFERRED COMPENSATION PLAN:

The City of Caro offers City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for 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 32, plan balances and activities are not reflected in the City of Caro's financial statements.

NOTE 8 – RESTRICTED CASH:

Restricted cash for debt retirement and maintenance.

PROPRIETARY
\$704,251

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 9 – INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended June 30, 2022 consisted of the following amounts:

		Transfers Out				
		General Fund	Major Street Fund	Fire Fund	Internal Service Fund	TOTAL
Transfers In	General Fund				\$ 116,600	\$ 116,600
	Local Street Fund		\$ 99,340			99,340
	Fire Fund	\$ 79,854				79,854
	Nonmajor Governmental			\$ 49,901		49,901
	Total	\$ 79,854	\$ 99,340	\$ 49,901	\$ 116,600	\$ 345,695

NOTE 10 - SEGMENT INFORMATION:

The City maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2022, is as follows:

	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS
Operating revenue	\$ 2,028,054	\$ 1,585,903	\$ 3,613,957
Depreciation & amortization expense	251,118	654,227	905,345
Operating income (loss)	1,175,384	101,354	1,276,738
Change in net position	1,175,583	66,025	1,241,608
Property, plant & equipment:			
Additions	1,600,144	-	1,600,144
Dispositions	780,779	-	780,779
Net working capital (deficit)	2,398,388	1,369,801	3,768,189
Total identifiable assets	7,737,358	10,777,323	18,514,681
Total net position	7,274,301	8,091,689	15,365,990

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 12 - TAX ABATEMENTS:

INDUSTRIAL FACILITIES EXEMPTION

Municipalities within the City's boundaries entered into property tax abatement agreements with local business under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term for 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended June 30, 2022, the City's property tax revenue for general operations were reduced by \$588 under this program. There were no significant abatements entered into by other governmental units.

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENT:

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended June 30, 2022, the City implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the City's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 1,402,939	\$ 1,516,629	\$ 1,537,025	\$ 20,396
Licenses & permits	25,700	30,351	30,411	60
Intergovernmental revenue:				
State	404,000	552,895	557,271	4,376
Charges for services	45,750	70,711	11,564	(59,147)
Fines & forfeitures	3,370	3,667	7,836	4,169
Miscellaneous	31,010	107,347	121,701	14,354
TOTAL REVENUES	1,912,769	2,281,600	2,265,808	(15,792)
EXPENDITURES:				
Legislative	38,071	24,991	24,702	289
Elections	13,900	9,282	8,367	915
Board of review	2,877	6,030	6,005	25
Assessor	32,161	38,007	36,818	1,189
Executive	173,641	154,729	179,483	(24,754)
Clerk	62,765	79,953	72,764	7,189
Treasurer	92,597	80,347	74,629	5,718
Buildings & grounds	559,978	144,454	143,367	1,087
Historical center	-	-	55	(55)
Police department	753,052	809,198	796,868	12,330
Planning & zoning	59,192	79,887	79,577	310
Public works department	237,913	252,121	200,918	51,203
Recreation department	215,269	216,852	156,487	60,365
Community promotion	103,555	56,868	134,303	(77,435)
TOTAL EXPENDITURES	2,344,971	1,952,719	1,914,343	38,376
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(432,202)	328,881	351,465	22,584
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	-	41	41
Transfers in	33,320	33,320	116,600	83,280
Transfers out	(503,158)	(81,526)	(79,854)	1,672
TOTAL OTHER FINANCING SOURCES (USES):	(469,838)	(48,206)	36,787	84,993
NET CHANGE IN FUND BALANCE	\$ (902,040)	\$ 280,675	388,252	\$ 107,577
FUND BALANCE - JULY 1			3,244,070	
FUND BALANCE - JUNE 30			<u>\$ 3,632,322</u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET & TRUNKLINE FUND
YEAR ENDED JUNE 30, 2022

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 87,615	\$ 80,336	\$ 80,335	\$ (1)
Intergovernmental revenue	725,000	404,000	418,258	14,258
Miscellaneous	100	100	6,035	5,935
TOTAL REVENUES	812,715	484,436	504,628	20,192
EXPENDITURES:				
Construction	550,142	56,154	56,056	98
Routine maintenance - street & storm sewers	73,046	54,255	35,782	18,473
Snow & ice controls	23,742	13,152	12,752	400
Sweeping & flushing	9,609	9,609	6,869	2,740
Administrative	45,205	45,916	35,517	10,399
TOTAL EXPENDITURES	701,744	179,086	146,976	32,110
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	110,971	305,350	357,652	52,302
OTHER FINANCING SOURCES (USES):				
Transfers out	(82,500)	(102,500)	(99,340)	3,160
NET CHANGE IN FUND BALANCE	\$ 28,471	\$202,850	258,312	\$ 55,462
FUND BALANCE - JULY 1			1,330,896	
FUND BALANCE - JUNE 30			\$1,589,208	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2022

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 43,612	\$ 39,989	\$ 39,989	\$ -
Intergovernmental revenue	148,000	185,103	178,875	(6,228)
Miscellaneous	100	100	1,570	1,470
TOTAL REVENUES	<u>191,712</u>	<u>225,192</u>	<u>220,434</u>	<u>(4,758)</u>
EXPENDITURES:				
Routine maintenance - street & storm sewers	868,595	521,795	624,512	(102,717)
Administrative	44,738	44,738	34,154	10,584
TOTAL EXPENDITURES	<u>913,333</u>	<u>566,533</u>	<u>658,666</u>	<u>(92,133)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(721,621)</u>	<u>(341,341)</u>	<u>(438,232)</u>	<u>(96,891)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	484,451	104,171	99,340	(4,831)
NET CHANGE IN FUND BALANCE	<u><u>\$ (237,170)</u></u>	<u><u>\$ (237,170)</u></u>	(338,892)	<u><u>\$ (101,722)</u></u>
FUND BALANCE - JULY 1			<u>492,257</u>	
FUND BALANCE - JUNE 30			<u><u>\$ 153,365</u></u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REFUSE/SANITATION FUND
YEAR ENDED JUNE 30, 2022

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Charges for services	\$ 420,000	\$ 427,053	\$ 427,436	\$ 383
Miscellaneous	4,500	5,538	5,931	393
TOTAL REVENUES	<u>424,500</u>	<u>432,591</u>	<u>433,367</u>	<u>776</u>
EXPENDITURES:				
Sanitation:				
Wages and benefits	43,594	43,594	42,111	1,483
Contracted services	411,753	505,235	446,022	59,213
Miscellaneous	14,699	14,699	13,066	1,633
TOTAL EXPENDITURES	<u>470,046</u>	<u>563,528</u>	<u>501,199</u>	<u>62,329</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(45,546)</u>	<u>(130,937)</u>	<u>(67,832)</u>	<u>63,105</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	45,546	45,546	-	(45,546)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (85,391)</u>	(67,832)	<u>\$ 17,559</u>
FUND BALANCE - JULY 1			<u>276,716</u>	
FUND BALANCE - JUNE 30			<u>\$ 208,884</u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
YEAR ENDED JUNE 30, 2022

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Charges for services	\$ 139,543	\$ 139,543	\$ 139,543	\$ -
Miscellaneous	900	20,633	25,221	4,588
TOTAL REVENUES	<u>140,443</u>	<u>160,176</u>	<u>164,764</u>	<u>4,588</u>
EXPENDITURES:				
Fire:				
Wages and benefits	117,291	117,291	106,466	10,825
Contracted services	48,136	43,167	36,551	6,616
Capital outlay	18,500	23,000	33,552	(10,552)
Insurance	21,373	21,373	15,177	6,196
Administrative expense	10,000	10,000	10,000	-
Miscellaneous	39,080	39,080	53,978	(14,898)
TOTAL EXPENDITURES	<u>254,380</u>	<u>253,911</u>	<u>255,724</u>	<u>(1,813)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(113,937)</u>	<u>(93,735)</u>	<u>(90,960)</u>	<u>2,775</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	-	-	217	217
Transfers in	79,854	79,854	79,854	-
Transfers out	(49,901)	(49,901)	(49,901)	-
NET CHANGE IN FUND BALANCE	<u>\$ (83,984)</u>	<u>\$ (63,782)</u>	(60,790)	<u>\$ 2,992</u>
FUND BALANCE - JULY 1			<u>92,830</u>	
FUND BALANCE - JUNE 30			<u>\$ 32,040</u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CITY OF CARO RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 7/31 OF EACH FISCAL YEAR)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,752
Interest	69,462	78,595	76,981	74,917	71,285	76,234	75,657	85,869
Difference between expected and actual experience	5,626	(227,751)	2,929	5,859	8,605	7,223	3,626	(722)
Change of assumptions	(16,631)	(88,405)	(51,854)	43,216	(83,957)	112,409	(24,713)	27,164
Benefit payments (including refunds of employee contributions)	<u>(75,142)</u>	<u>(89,538)</u>	<u>(86,552)</u>	<u>(85,557)</u>	<u>(85,557)</u>	<u>(85,557)</u>	<u>(87,043)</u>	<u>(74,581)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(16,685)	(327,099)	(58,496)	38,435	(89,624)	110,309	(32,473)	46,482
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	<u>1,072,770</u>	<u>1,399,869</u>	<u>1,458,365</u>	<u>1,419,930</u>	<u>1,509,554</u>	<u>1,399,245</u>	<u>1,431,718</u>	<u>1,385,236</u>
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,056,085	1,072,770	1,399,869	1,458,365	1,419,930	1,509,554	1,399,245	1,431,718
PLAN FIDUCIARY NET POSITION:								
Contributions - employee	-	-	-	-	-	-	-	836
Net investment income	329,611	105,705	54,778	126,051	169,541	25,203	78,375	177,393
Benefit payments (including refunds of employee contributions)	(75,142)	(89,538)	(86,552)	(85,557)	(85,557)	(85,557)	(87,043)	(74,581)
Administrative expenses	<u>(15,394)</u>	<u>(14,488)</u>	<u>(14,548)</u>	<u>(14,955)</u>	<u>(14,370)</u>	<u>(14,214)</u>	<u>(15,015)</u>	<u>(14,833)</u>
NET CHANGE IN FIDUCIARY NET POSITION	239,075	1,679	(46,322)	25,539	69,614	(74,568)	(23,683)	88,815
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>1,628,392</u>	<u>1,626,713</u>	<u>1,673,035</u>	<u>1,647,496</u>	<u>1,577,882</u>	<u>1,652,450</u>	<u>1,676,133</u>	<u>1,587,318</u>
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	<u>1,867,467</u>	<u>1,628,392</u>	<u>1,626,713</u>	<u>1,673,035</u>	<u>1,647,496</u>	<u>1,577,882</u>	<u>1,652,450</u>	<u>1,676,133</u>
NET PENSION LIABILITY - ENDING (a)-(b)	<u><u>\$ (811,382)</u></u>	<u><u>\$ (555,622)</u></u>	<u><u>\$ (226,844)</u></u>	<u><u>\$ (214,670)</u></u>	<u><u>\$ (227,566)</u></u>	<u><u>\$ (68,328)</u></u>	<u><u>\$ (253,205)</u></u>	<u><u>\$ (244,415)</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	176.83%	151.79%	116.20%	114.72%	116.03%	104.53%	118.10%	117.07%
COVERED EMPLOYEE PAYROLL	-	-	-	-	-	-	-	-
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City presents information for those years for which information is available.

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CITY OF CARO RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined total contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer contribution	-	-	-	-	-	-	-	-
Employee contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>							
Covered employee payroll	-	-	-	-	-	-	-	-
Employer contribution as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the City presents information for those years for which information is available.

CITY OF CARO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: Mortality table changed for post-retirement as in IRS regulations 1.430(h)(3). Mortality improvements will be reflected annually.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF CARO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2022

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 256,500	\$ 359	\$ 256,859
Accounts receivable	-	20,196	-	20,196
Taxes receivable	-	3,799	-	3,799
Prepaid expenditures	-	971	-	971
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 281,466</u>	<u>\$ 359</u>	<u>\$ 281,825</u>
<u>LIABILITIES & FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 70,330	\$ -	\$ 70,330
Unearned revenue	-	20,196	-	20,196
Total Liabilities	-	90,526	-	90,526
Fund Balances:				
Nonspendable for prepaid	-	971	-	971
Restricted for:				
Streets		189,969		189,969
Drug forfeiture			359	359
Total Fund Balances	-	190,940	359	191,299
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 281,466</u>	<u>\$ 359</u>	<u>\$ 281,825</u>

CITY OF CARO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	
REVENUES:				
Miscellaneous	\$ -	\$ 39,915	\$ 1	\$ 39,916
TOTAL REVENUES	<u>-</u>	<u>39,915</u>	<u>1</u>	<u>39,916</u>
EXPENDITURES:				
Streets		312,215		312,215
Debt Service:				
Principal	38,000			38,000
Interest	11,901			11,901
TOTAL EXPENDITURES	<u>49,901</u>	<u>312,215</u>	<u>-</u>	<u>362,116</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,901)</u>	<u>(272,300)</u>	<u>1</u>	<u>(322,200)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	49,901	-	-	49,901
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,901</u>	<u>-</u>	<u>-</u>	<u>49,901</u>
NET CHANGE IN FUND BALANCES	-	(272,300)	1	(272,299)
FUND BALANCES - JULY 1	<u>-</u>	<u>463,240</u>	<u>358</u>	<u>463,598</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 190,940</u>	<u>\$ 359</u>	<u>\$ 191,299</u>

CITY OF CARO
GOVERNMENTAL COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2022

**DOWNTOWN
DEVELOPMENT
AUTHORITY**

ASSETS

Cash and cash equivalents	\$	110,269
Accounts receivable		1,120
Prepaid expenditures		1,359
		<hr/>
TOTAL ASSETS	\$	<u><u>112,748</u></u>

LIABILITIES & FUND BALANCE

Liabilities:		
Accounts payable	\$	2,279
Unearned revenue		404
		<hr/>
Total Liabilities		<u>2,683</u>
Fund Balance:		
Nonspendable for prepaid		1,359
Restricted		108,706
		<hr/>
Total Fund Balance		<u>110,065</u>
TOTAL LIABILITIES & FUND BALANCE	\$	<u><u>112,748</u></u>

CITY OF CARO
GOVERNMENTAL COMPONENT UNIT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022

DOWNTOWN DEVELOPMENT AUTHORITY

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:			
Taxes	\$ 143,409	\$ 143,409	\$ -
Federal grants	1,306	1,540	234
Miscellaneous	<u>17,897</u>	<u>20,053</u>	<u>2,156</u>
TOTAL REVENUES	<u>162,612</u>	<u>165,002</u>	<u>2,390</u>
EXPENDITURES:			
Contract services	126,076	126,075	1
Miscellaneous	133,793	123,748	10,045
Future projects	<u>45,435</u>	<u>45,435</u>	<u>-</u>
TOTAL EXPENDITURES	<u>305,304</u>	<u>295,258</u>	<u>10,046</u>
NET CHANGE IN FUND BALANCE	<u><u>\$(142,692)</u></u>	(130,256)	<u><u>\$ 12,436</u></u>
FUND BALANCE - JULY 1		<u>240,321</u>	
FUND BALANCE - JUNE 30		<u><u>\$ 110,065</u></u>	

CITY OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2022

	MAJOR STREET & TRUNKLINE	LOCAL STREET
EXPENDITURES:		
Construction - roads, streets & storm sewers:		
Labor	\$ 35	\$ -
Benefits	11	-
Contracted services	56,010	-
Total Construction - road, streets & storm sewers	56,056	-
Routine Maintenance - streets & storm sewers		
Labor	7,373	35,427
Benefits	2,552	11,620
Equipment rent	17,943	47,917
Materials	7,914	9,230
Contracted services	-	520,318
Total Routine Maintenance - streets & storm sewers	35,782	624,512
Snow & Ice Control:		
Labor	2,329	-
Benefits	863	-
Contracted services	3,825	-
Equipment rent	5,735	-
Total Snow & Ice Control	12,752	-
Sweeping & Flushing:		
Labor	1,270	-
Benefits	421	-
Equipment rent	5,178	-
Total Sweeping & Flushing	6,869	-
Administration:		
General fund administration	32,726	31,998
Contracted services	1,304	1,384
Insurance	1,487	772
Total Administration	35,517	34,154
TOTAL EXPENDITURES	\$ 146,976	\$658,666



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Chelsie M. Peruski, CPA

Kendra K. Bednarski, CPA

**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 Members of the Council
City of Caro
Caro, MI 48723

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 unit, each major fund, and the aggregate remaining fund information of the City of Caro, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 11, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City of Caro'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 opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described as 2022-001 in the accompanying schedule of findings and responses, that we consider to be a significant deficiency.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Caro'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

CITY OF CARO'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the City of Caro's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Caro's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

November 11, 2022

CITY OF CARO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Finding 2022-001 – Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.

Criteria:

At the close of the year, the City had some unfavorable variances in their budget to actual expenditures.

Condition:

Some expenditures were in excess of the amounts that the council had approved in its budget. PA 2 of 1968 requires that a deviation from the original general appropriations act shall not be made without amending the budget.

Cause:

The budget was not amended to reflect additional expenditures incurred during the year.

Effect:

This condition can reduce the effectiveness of budget controls by the council. If the budget as approved by the council is not followed, then it can no longer function to control expenditures of the government.

Recommendation:

We recommend that the City closely monitor expenditures throughout the year and amend the budget when necessary to avoid unfavorable variances.

Corrective Action Response:

We will closely monitor the budget to actual comparison throughout the year to identify variances and take appropriate action when necessary.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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To the Members of the Council
City of Caro

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Caro for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Caro are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the City implemented Governmental Accounting Standard Board Statement No. 87, *Leases*. The application of existing policies was not changed during 2022. We noted no transactions entered into by the City of Caro during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension asset. It is based on an actuarial study which utilized certain actuarial assumptions. We evaluated the key factors and assumptions used to develop the calculation of the net pension asset in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability of the payout of employee compensated absences upon their retirement is based on an expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the lives of capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed adjustments that we consider to be significant and have communicated this to management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Caro's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the additional supplementary information, which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

A separate management letter was not issued.

Restriction on Use

This information is intended solely for the use of the Members of the Council and management of the City of Caro and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants
Caro, Michigan

November 11, 2022