

**CITY OF CARO**

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

*YEAR ENDED JUNE 30, 2023*

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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, 2023, and the related notes to the financial statements, which collectively comprise the City of Caro, State of Michigan'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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, is presented for purposes of additional analysis and is 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 14, 2023, 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 14, 2023

# CITY OF CARO, MICHIGAN

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## 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, 2023. 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, 2023:

- The fund balance in the General Fund decreased from \$3,632,322 to \$3,497,114.
- State-shared revenue, the City's second largest General Fund revenue source, increased by \$26,002 from the prior fiscal year. The \$567,148 received from the State of Michigan was above the budgeted projection of \$535,327.
- The government's total net position for the Governmental Activities increased by \$490,423.

### **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, 2023:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 7,188,953	\$ 5,014,443	\$ 216,344	\$ 12,419,740
Noncurrent assets	16,646,071	12,612,092	2,227,895	31,486,058
Total assets	23,835,024	17,626,535	2,444,239	43,905,798
Deferred outflow of resources	101,943	-	-	101,943
Current liabilities	479,971	74,477	1,184	555,632
Long-term liabilities	767,858	2,370,329	-	3,138,187
Total liabilities	1,247,829	2,444,806	1,184	3,693,819
Net position:				
Net investment in capital assets	15,937,125	10,231,742	2,227,895	28,396,762
Restricted	2,552,008	709,639	-	3,261,647
Unrestricted	4,200,005	4,240,348	215,160	8,655,513
Total net position	\$ 22,689,138	\$ 15,181,729	\$ 2,443,055	\$ 40,313,922

The City's combined net position increased from \$40,064,520 a year ago to \$40,313,922.

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 \$4,200,005 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, 2022 were:

	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

# 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, 2023:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Revenues				
Program revenues:				
Charges for services	\$ 894,815	\$ 2,687,924	\$ -	\$ 3,582,739
Operating grants and contributions	234,667	-	33,702	268,369
Capital grants and contributions	327,355	-	-	327,355
General revenue:				
Property taxes	1,813,194	-	154,044	1,967,238
Intergovernmental revenue	1,196,085	-	-	1,196,085
Investment earnings	62,576	51,918	-	114,494
Miscellaneous	259,108	54,383	27,743	341,234
<b>Total revenues</b>	<b>4,787,800</b>	<b>2,794,225</b>	<b>215,489</b>	<b>7,797,514</b>
Program Expenses				
General government	731,700			731,700
Road maintenance and repair	396,673			396,673
Health and sanitation	625,107			625,107
Public safety	1,024,421			1,024,421
Public works	619,998	2,978,486		3,598,484
Culture and recreation	126,271			126,271
Community development	73,344		272,249	345,593
Unallocated depreciation/amortization	689,213			689,213
Interest on long-term debt	10,650			10,650
<b>Total expenses</b>	<b>4,297,377</b>	<b>2,978,486</b>	<b>272,249</b>	<b>7,548,112</b>
Changes in Net Position	490,423	(184,261)	(56,760)	249,402
Net Position - Beginning of Year	22,198,715	15,365,990	2,499,815	40,064,520
Net Position - End of Year	<u>\$ 22,689,138</u>	<u>\$ 15,181,729</u>	<u>\$ 2,443,055</u>	<u>\$ 40,313,922</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, 2022:

	Governmental Activities	Business-Type Activities	Component Unit	Total
<b>Revenues</b>				
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
<b>Total revenues</b>	<b>3,855,071</b>	<b>3,632,536</b>	<b>165,002</b>	<b>7,652,609</b>
<b>Program Expenses</b>				
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
<b>Total expenses</b>	<b>3,706,004</b>	<b>2,390,928</b>	<b>334,927</b>	<b>6,431,859</b>
<b>Changes in Net Position</b>	<b>149,067</b>	<b>1,241,608</b>	<b>(169,925)</b>	<b>1,220,750</b>
<b>Net Position - Beginning of Year</b>	<b>22,049,648</b>	<b>14,124,382</b>	<b>2,669,740</b>	<b>38,843,770</b>
<b>Net Position - End of Year</b>	<b>\$ 22,198,715</b>	<b>\$ 15,365,990</b>	<b>\$ 2,499,815</b>	<b>\$ 40,064,520</b>

### **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 a decrease in net position of \$43,362, and its cash balance increased by \$362,898. Operating revenues for the fund decreased by \$928,434 from last year. The decrease was due to state reimbursement of a water project in the previous year.

The Sewer Fund had a decrease in net position of \$140,899 on operating revenues of \$1,647,931. Revenues were comparable to the prior year. Cash flow for the Sewer Fund decreased by \$130,608.

### **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 \$1,200,000 in the current fiscal year. These costs and approximately \$1,400,000 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 \$2,616,264 and an amended budget of \$2,703,196. The actual General Fund revenues amounted to \$2,794,697. The main difference between the budgeted and actual revenues was due to higher than anticipated intergovernmental and miscellaneous revenue.

The General Fund expenditures reported an original budget of \$3,158,446 and an amended budget of \$2,820,507. The actual General Fund expenditures were \$2,661,377. The main difference between the budgeted and actual expenditures was less than expected public works, public safety, and recreation expenditures.

The Major Street & Trunkline Fund revenue reported an original budget of \$880,615 and an amended budget of \$509,925. The actual Major Street & Trunkline revenues amounted to \$869,993. 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 \$605,051 and an amended budget of \$258,938. The actual Major Street & Trunkline Fund expenditures were \$566,515. The main difference between the budgeted and actual expenditures was more than expected road construction expenditures.

The Local Street Fund revenue reported an original budget of \$318,609 and an amended budget of \$223,869. The actual Local Street revenues amounted to \$229,476. The main difference between the budgeted and actual revenues was due to higher than anticipated intergovernmental and miscellaneous revenue.

The Local Street Fund expenditures reported an original budget of \$659,572 and an amended budget of \$220,172. The actual Local Street Fund expenditures were \$214,520. The main difference between the budgeted and actual expenditures was less than expected road expenditures.

The Refuse/Sanitation Fund revenue reported an original budget of \$432,900 and an amended budget of \$437,843. The actual Refuse/Sanitation revenues amounted to \$439,920.

The Refuse/Sanitation Fund expenditures reported an original budget of \$484,337 and an amended budget of \$526,820. The actual Refuse/Sanitation Fund expenditures were \$523,768. The main difference between the budgeted and actual expenditures was less wages and benefits expenditures than anticipated.

The Fire Fund revenue reported an original budget of \$143,079 and an amended budget of \$170,808. The actual Fire Fund revenues amounted to \$175,858. The main difference between the budgeted and actual revenues was due to higher than anticipated intergovernmental and miscellaneous revenue.

The Fire Fund expenditures reported an original budget of \$637,629 and an amended budget of \$692,888. The actual Fire Fund expenditures were \$289,060. The main difference between the budgeted and actual expenditures was due to the new fire truck purchased not put into service until after year end.

### **Capital Asset and Debt Administration**

As of June 30, 2023, 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.

Overall, bonded and other long-term obligations decreased by \$86,028 for all funds. New debt for a fire truck and leased equipment totaled \$454,067.

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**

Due to a long-term frugality in the budgeting process in the City of Caro, we look towards the future with a healthy fund balance, which allows the City to make long term investments in the infrastructure of the City, which is a key factor in attracting and retaining residents and businesses. Recent projects include a new parking lot at City Hall, the destruction of the Old Police Station and its replacement with an unpaved parking lot, repairs and renovations to both the City Hall and DPW Building and lining of our existing underground infrastructure in order to extend its useful life.

The City of Caro is not immune to the factors which have affected the economic status of the entire United States in a post-Covid-19 world. Inflation, interest rates, and supply chain issues continue to be challenges we wrestle with, however by careful management we can do our best to navigate the uncertain waters we find ourselves in in order to provide the best possible services to the residents and businesses of Caro, at the most efficient price. During times like these, a firm hand is necessary to navigate the economic waters, and the Administration of this City will continue to look for all possible avenues to ensure fiscal responsibility and stability in an uncertain time.

As we exit the Covid-19 era, we find ourselves allocating the last of our ARPA funding on one-time expenditures such as the repairs and renovations to existing facilities. Prudence in spending of one-time dollars is key to ensuring the City does not go down a primrose path which leads to added long-term expenditures without corresponding revenue streams. Increasing our revenue sources is a key factor in the Administration's vision, through such traditional methods such as grants, state and federal dollars, and also by asymmetric options such as the recently implemented Park Pavilion Rental program. As the City moves forward, a diverse set of revenue streams will ensure a hit to one of these streams is not a fatal blow.

A City is only as good as those who dedicate themselves to the City, both elected and appointed. This City does not suffer from a lack of people dedicated to improving the City and sharing a vision of a better Caro for all. During the most recent budget process collaboration within the Administration and between the Administration and Council led to a budget which balanced spending with revenues, did not heavily dip into the fund balance, while accomplishing major goals.

While the City continues to look forward, one must always know the road taken in order to ensure you are on the correct path. This audit gives us all a chance to review what we have done, to see if there are areas to improve, but also to look back on a job well done. As those who are called to public service, we all recognize transparency with the taxpayers of the City is paramount, and this audit ensures we are providing a detailed review of how we are handling public money, which is the humbling responsibility of all of us in the public service.

### **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, 2023**

	<u>Primary Government</u>			<u>Reporting</u>	<u>Entity</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>	
	<u>Activities</u>	<u>Activities</u>		<u>Unit</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 5,215,596	\$ 4,025,337	\$ 9,240,933	\$ 215,823	\$ 9,456,756
Investments	1,001,830		1,001,830		1,001,830
Receivables (net)	233,732	280,090	513,822	245	514,067
Inventories		91,000	91,000		91,000
Prepaid expenses	131,322	22,377	153,699	276	153,975
Restricted cash		709,639	709,639		709,639
Interfund advances	114,000	(114,000)	-		-
Net pension asset	492,473		492,473		492,473
Capital assets, not being depreciated/amortized	962,501	118,436	1,080,937	558,431	1,639,368
Capital assets, net of depreciation/amortization	<u>15,683,570</u>	<u>12,493,656</u>	<u>28,177,226</u>	<u>1,669,464</u>	<u>29,846,690</u>
<b>TOTAL ASSETS</b>	<u>23,835,024</u>	<u>17,626,535</u>	<u>41,461,559</u>	<u>2,444,239</u>	<u>43,905,798</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Related to pensions	<u>101,943</u>	<u>-</u>	<u>101,943</u>	<u>-</u>	<u>101,943</u>
<b><u>LIABILITIES</u></b>					
Accounts payable, accrued & other liabilities	166,528	64,456	230,984	780	231,764
Accrued interest payable	-	10,021	10,021		10,021
Unearned revenue	313,443	-	313,443	404	313,847
Noncurrent liabilities:					
Due within one year	82,295	500,000	582,295		582,295
Due in more than one year	626,651	1,870,329	2,496,980		2,496,980
Accumulated compensated absences	<u>58,912</u>		<u>58,912</u>		<u>58,912</u>
<b>TOTAL LIABILITIES</b>	<u>1,247,829</u>	<u>2,444,806</u>	<u>3,692,635</u>	<u>1,184</u>	<u>3,693,819</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	15,937,125	10,231,742	26,168,867	2,227,895	28,396,762
Restricted for:					
Streets	2,108,612		2,108,612		2,108,612
Refuse	123,421		123,421		123,421
Fire	319,612		319,612		319,612
Drug forfeiture	363		363		363
Water & sewer		709,639	709,639		709,639
Unrestricted	<u>4,200,005</u>	<u>4,240,348</u>	<u>8,440,353</u>	<u>215,160</u>	<u>8,655,513</u>
<b>TOTAL NET POSITION</b>	<u>\$ 22,689,138</u>	<u>\$ 15,181,729</u>	<u>\$ 37,870,867</u>	<u>\$ 2,443,055</u>	<u>\$ 40,313,922</u>

See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position			Component Unit	Reporting Entity Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
<b>Primary Government</b>									
Governmental activities:									
General government	\$ 731,700	\$ 57,628	\$ 208,229	\$ -	\$ (465,843)	\$ -	\$ (465,843)	\$ -	\$ (465,843)
Road maintenance and repair	396,673			327,355	(69,318)		(69,318)		(69,318)
Health and sanitation	625,107	433,962			(191,145)		(191,145)		(191,145)
Public safety	1,024,421	403,225	26,438		(594,758)		(594,758)		(594,758)
Public works	619,998				(619,998)		(619,998)		(619,998)
Culture and recreation	126,271				(126,271)		(126,271)		(126,271)
Community development	73,344				(73,344)		(73,344)		(73,344)
Unallocated depreciation/amortization	689,213				(689,213)		(689,213)		(689,213)
Interest on long-term debt	10,650				(10,650)		(10,650)		(10,650)
Total governmental activities	<u>4,297,377</u>	<u>894,815</u>	<u>234,667</u>	<u>327,355</u>	<u>(2,840,540)</u>	<u>-</u>	<u>(2,840,540)</u>		<u>(2,840,540)</u>
Business-type activities:									
Water	1,169,623	1,090,887				(78,736)	(78,736)		(78,736)
Sewage disposal	1,808,863	1,597,037				(211,826)	(211,826)		(211,826)
Total business-type activities	<u>2,978,486</u>	<u>2,687,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290,562)</u>	<u>(290,562)</u>	<u>-</u>	<u>(290,562)</u>
<b>Total primary government</b>	<u>\$ 7,275,863</u>	<u>\$ 3,582,739</u>	<u>\$ 234,667</u>	<u>\$ 327,355</u>	<u>(2,840,540)</u>	<u>(290,562)</u>	<u>(3,131,102)</u>	<u>-</u>	<u>(3,131,102)</u>
<b>Component unit</b>									
Downtown Development Authority	<u>\$ 272,249</u>	<u>\$ -</u>	<u>\$ 33,702</u>	<u>\$ -</u>				<u>(238,547)</u>	<u>(238,547)</u>
			General revenues:						
					1,688,912		1,688,912	154,044	1,842,956
					124,282		124,282		124,282
					1,196,085	-	1,196,085		1,196,085
					62,576	51,918	114,494		114,494
					259,108	54,383	313,491	27,743	341,234
					<u>3,330,963</u>	<u>106,301</u>	<u>3,437,264</u>	<u>181,787</u>	<u>3,619,051</u>
					490,423	(184,261)	306,162	(56,760)	249,402
					22,198,715	15,365,990	37,564,705	2,499,815	40,064,520
					<u>\$ 22,689,138</u>	<u>\$ 15,181,729</u>	<u>\$ 37,870,867</u>	<u>\$ 2,443,055</u>	<u>\$ 40,313,922</u>

See notes to financial statements.

**CITY OF CARO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<u>GENERAL</u>	<u>MAJOR STREET &amp; TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>	<u>FIRE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>							
Cash and cash equivalents	\$ 2,367,760	\$ 1,709,123	\$ 239,834	\$ 95,792	\$ 404,506	\$ 57,095	\$ 4,874,110
Investments	1,001,830						1,001,830
Accounts receivable, net	20,900	83,194	28,252	45,261	-	24,115	201,722
Taxes receivable	27,572	-	-	639	-	3,799	32,010
Prepaid expenditures	35,471	1,114	1,705	1,615	89,265	612	129,782
Interfund advances	379,498	-	-	-	-	-	379,498
<b>TOTAL ASSETS</b>	<b><u>\$ 3,833,031</u></b>	<b><u>\$ 1,793,431</u></b>	<b><u>\$ 269,791</u></b>	<b><u>\$ 143,307</u></b>	<b><u>\$ 493,771</u></b>	<b><u>\$ 85,621</u></b>	<b><u>\$ 6,618,952</u></b>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>							
Liabilities:							
Accounts payable	\$ 92,120	\$ 2,150	\$ 65	\$ 18,271	\$ 9,664	\$ 10,107	\$ 132,377
Accrued salaries & wages	29,699	-	-	-	-	-	29,699
Unearned revenue	214,098	-	-	-	75,230	24,115	313,443
Total Liabilities	<u>335,917</u>	<u>2,150</u>	<u>65</u>	<u>18,271</u>	<u>84,894</u>	<u>34,222</u>	<u>475,519</u>
Fund Balances:							
Nonspendable for:							
Prepaid	35,471	1,114	1,705	1,615	89,265	612	129,782
Advances	379,498						379,498
Restricted for:							
Streets		1,790,167	268,021			50,424	2,108,612
Refuse				123,421			123,421
Fire					319,612		319,612
Drug forfeiture						363	363
Assigned for:							
Subsequent year expenditures	391,103						391,103
Unassigned	2,691,042						2,691,042
Total Fund Balances	<u>3,497,114</u>	<u>1,791,281</u>	<u>269,726</u>	<u>125,036</u>	<u>408,877</u>	<u>51,399</u>	<u>6,143,433</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,833,031</u></b>	<b><u>\$ 1,793,431</u></b>	<b><u>\$ 269,791</u></b>	<b><u>\$ 143,307</u></b>	<b><u>\$ 493,771</u></b>	<b><u>\$ 85,621</u></b>	<b><u>\$ 6,618,952</u></b>

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, 2023**

<b>Total fund balances for governmental funds</b>	<b>\$ 6,143,433</b>
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	22,270,356
Accumulated depreciation/amortization	(6,409,833)
Net pension asset	492,473
Deferred outflows of resources - related to pensions	101,943
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(58,912)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Notes from direct borrowings and direct placements	(708,946)
Internal service funds are included as part of governmental activities.	858,624
<b>Net position of governmental activities</b>	<b>\$ 22,689,138</b>

See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<u>GENERAL</u>	<u>MAJOR STREET &amp; TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>
REVENUES:				
Taxes	\$ 1,688,912	\$ 82,978	\$ 41,304	\$ -
Licenses & permits	55,168			
Intergovernmental revenue:				
Federal	208,229	327,355		
State	567,148	443,045	185,892	
Charges for services	74,805	-	-	433,962
Fines & forfeitures	18,724			
Miscellaneous	181,711	16,615	2,280	5,958
TOTAL REVENUES	<u>2,794,697</u>	<u>869,993</u>	<u>229,476</u>	<u>439,920</u>
EXPENDITURES:				
Legislative	32,264			
Elections	25,753			
Board of review	2,410			
Assessor	31,522			
Executive	95,083			
Clerk	96,707			
Treasurer	89,127			
Buildings & grounds	772,396			
Historical center	207			
Police department	889,415			
Planning & zoning	62,049			
Fire department				
Public works department	252,328			
Health and sanitation	101,339			523,768
Recreation department	126,271			
Community promotion	73,344			
Streets		566,515	214,520	
Miscellaneous				
Debt Service:				
Principal	11,095			
Interest	67			
TOTAL EXPENDITURES	<u>2,661,377</u>	<u>566,515</u>	<u>214,520</u>	<u>523,768</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>133,320</u>	<u>303,478</u>	<u>14,956</u>	<u>(83,848)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds				
Lease proceeds	54,067			
Transfers in	-	-	101,405	-
Transfers out	(322,595)	(101,405)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(268,528)</u>	<u>(101,405)</u>	<u>101,405</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(135,208)	202,073	116,361	(83,848)
FUND BALANCES - JULY 1	<u>3,632,322</u>	<u>1,589,208</u>	<u>153,365</u>	<u>208,884</u>
FUND BALANCES - JUNE 30	<u>\$ 3,497,114</u>	<u>\$ 1,791,281</u>	<u>\$ 269,726</u>	<u>\$ 125,036</u>

See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<u>FIRE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>	<u>COMPONENT UNITS</u>	<u>JUNE 30, 2023</u>
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,813,194	\$ 154,044	\$ 1,967,238
Licenses & permits			55,168		55,168
Intergovernmental revenue:					
Federal	26,438		562,022	33,702	595,724
State			1,196,085	-	1,196,085
Charges for services	142,361		651,128		651,128
Fines & forfeitures			18,724		18,724
Miscellaneous	7,059	30,895	244,518	27,743	272,261
<b>TOTAL REVENUES</b>	<b>175,858</b>	<b>30,895</b>	<b>4,540,839</b>	<b>215,489</b>	<b>4,756,328</b>
EXPENDITURES:					
Legislative			32,264		32,264
Elections			25,753		25,753
Board of review			2,410		2,410
Assessor			31,522		31,522
Executive			95,083		95,083
Clerk			96,707		96,707
Treasurer			89,127		89,127
Buildings & grounds			772,396		772,396
Historical center			207		207
Police department			889,415		889,415
Planning & zoning			62,049		62,049
Fire department	289,060		289,060		289,060
Public works department			252,328		252,328
Health and sanitation			625,107		625,107
Recreation department			126,271		126,271
Community promotion			73,344		73,344
Streets		222,783	1,003,818		1,003,818
Miscellaneous		-	-	110,394	110,394
Debt Service:					
Principal		39,000	50,095	-	50,095
Interest		10,583	10,650	-	10,650
<b>TOTAL EXPENDITURES</b>	<b>289,060</b>	<b>272,366</b>	<b>4,527,606</b>	<b>110,394</b>	<b>4,638,000</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>(113,202)</b>	<b>(241,471)</b>	<b>13,233</b>	<b>105,095</b>	<b>118,328</b>
OTHER FINANCING SOURCES (USES):					
Loan proceeds	400,000		400,000		400,000
Lease proceeds			54,067		54,067
Transfers in	139,622	101,571	342,598	-	342,598
Transfers out	(49,583)	-	(473,583)	-	(473,583)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>490,039</b>	<b>101,571</b>	<b>323,082</b>	<b>-</b>	<b>323,082</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>376,837</b>	<b>(139,900)</b>	<b>336,315</b>	<b>105,095</b>	<b>441,410</b>
FUND BALANCES - JULY 1	32,040	191,299	5,807,118	110,065	5,917,183
FUND BALANCES - JUNE 30	<b>\$ 408,877</b>	<b>\$ 51,399</b>	<b>\$ 6,143,433</b>	<b>\$ 215,160</b>	<b>\$ 6,358,593</b>

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, 2023**

Net change in fund balances - total governmental funds \$ 336,315

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/amortization expense.

Depreciation/amortization expense	(689,213)
Capital outlay	1,430,002

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	50,095
Issuance of debt/leases	(454,067)

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	48,343
Accrued absences at the end of the year	(58,912)

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.

(134,700)

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	<u>(37,440)</u>
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Change in net position of governmental activities	<u><u>\$ 490,423</u></u>
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See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>
	<u>WATER</u>	<u>SEWAGE DISPOSAL</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>ACTIVITIES INTERNAL SERVICE FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,549,708	\$ 1,475,629	\$ 4,025,337	\$ 341,486
Accounts receivable - net	101,489	178,601	280,090	-
Inventories	53,000	38,000	91,000	-
Prepaid expenses	5,648	16,729	22,377	1,540
Restricted cash	163,651	545,988	709,639	-
Capital assets	10,163,848	22,153,468	32,317,316	1,980,570
Less accumulated depreciation & amortization	(5,458,730)	(14,246,494)	(19,705,224)	(1,195,022)
<b>TOTAL ASSETS</b>	<b><u>\$ 7,578,614</u></b>	<b><u>\$ 10,161,921</u></b>	<b><u>\$ 17,740,535</u></b>	<b><u>\$ 1,128,574</u></b>
<b><u>LIABILITIES &amp; NET POSITION</u></b>				
Liabilities:				
Accounts payable	\$ 22,167	\$ 31,660	\$ 53,827	\$ 4,452
Customer deposits payable	10,629	-	10,629	-
Current maturities of long-term debt	105,000	395,000	500,000	-
Accrued interest payable	1,664	8,357	10,021	-
Interfund advances	-	114,000	114,000	265,498
Revenue bonds payable - long-term	208,215	1,662,114	1,870,329	-
Total Liabilities	<u>347,675</u>	<u>2,211,131</u>	<u>2,558,806</u>	<u>269,950</u>
Net Position:				
Net investment in capital assets	4,390,239	5,841,503	10,231,742	785,548
Restricted	163,651	545,988	709,639	-
Unrestricted	2,677,049	1,563,299	4,240,348	73,076
Total Net Position	<u>7,230,939</u>	<u>7,950,790</u>	<u>15,181,729</u>	<u>858,624</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b><u>\$ 7,578,614</u></b>	<b><u>\$ 10,161,921</u></b>	<b><u>\$ 17,740,535</u></b>	<b><u>\$ 1,128,574</u></b>

See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUSINESS-TYPE ACTIVITIES</b>			<b>GOVERNMENTAL</b>
	<b>WATER</b>	<b>SEWAGE DISPOSAL</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>ACTIVITIES INTERNAL SERVICE FUNDS</b>
<b>OPERATING REVENUES:</b>				
Water & sewer system sales	\$ 1,072,112	\$ 1,571,079	\$ 2,643,191	\$ -
Equipment rent	-	-	-	242,697
Other services, charges & sales	18,775	25,958	44,733	-
Interest & penalties	5,244	-	5,244	-
Miscellaneous	3,489	50,894	54,383	990
<b>TOTAL OPERATING REVENUES</b>	<b>1,099,620</b>	<b>1,647,931</b>	<b>2,747,551</b>	<b>243,687</b>
<b>OPERATING EXPENSES:</b>				
Salaries & wages	179,609	258,008	437,617	17,535
Payroll taxes	12,901	18,404	31,305	1,277
Fringe benefits	51,964	101,873	153,837	4,363
Operating supplies	85,876	125,369	211,245	38,233
General fund administrative	10,000	-	10,000	40,000
Contracted services	261,551	235,303	496,854	56,028
Telephone	1,642	2,846	4,488	678
Insurance	10,541	28,713	39,254	5,704
Heat, light & power	119,004	161,923	280,927	24,616
Depreciation & amortization	320,879	662,170	983,049	109,459
Capital outlay	-	-	-	68,779
Equipment rental	50,354	23,231	73,585	-
Other	58,115	152,841	210,956	998
<b>TOTAL OPERATING EXPENSES</b>	<b>1,162,436</b>	<b>1,770,681</b>	<b>2,933,117</b>	<b>367,670</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(62,816)</b>	<b>(122,750)</b>	<b>(185,566)</b>	<b>(123,983)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earned	26,641	20,033	46,674	3,274
Interest expense	(7,187)	(38,182)	(45,369)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>19,454</b>	<b>(18,149)</b>	<b>1,305</b>	<b>3,274</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(43,362)</b>	<b>(140,899)</b>	<b>(184,261)</b>	<b>(120,709)</b>
<b>OPERATING TRANSFERS IN (OUT)</b>				
Transfers in	-	-	-	130,985
<b>TOTAL OPERATING TRANSFERS IN (OUT)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,985</b>
<b>CHANGES IN NET POSITION</b>	<b>(43,362)</b>	<b>(140,899)</b>	<b>(184,261)</b>	<b>10,276</b>
<b>TOTAL NET POSITION - JULY 1</b>	<b>7,274,301</b>	<b>8,091,689</b>	<b>15,365,990</b>	<b>848,348</b>
<b>TOTAL NET POSITION - JUNE 30</b>	<b>\$ 7,230,939</b>	<b>\$ 7,950,790</b>	<b>\$ 15,181,729</b>	<b>\$ 858,624</b>

See notes to financial statements.

**CITY OF CARO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUSINESS-TYPE ACTIVITIES</b>			<b>GOVERNMENTAL</b>
	<b>WATER</b>	<b>SEWAGE DISPOSAL</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users	\$1,293,762	\$ 1,702,511	\$ 2,996,273	\$ -
Receipts from interfund services provided	-	-	-	439,225
Payments to suppliers	(605,313)	(713,839)	(1,319,152)	(205,586)
Payments to employees	(244,474)	(378,285)	(622,759)	(23,175)
Net cash provided by operating activities	<u>443,975</u>	<u>610,387</u>	<u>1,054,362</u>	<u>210,464</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfer from other funds	-	-	-	130,985
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,985</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases/construction of capital assets	-	(331,262)	(331,262)	(254,435)
Principal paid on debt	(100,000)	(390,000)	(490,000)	-
Interest paid on debt	(7,718)	(39,766)	(47,484)	-
Net cash provided (used) by capital and related financing activities	<u>(107,718)</u>	<u>(761,028)</u>	<u>(868,746)</u>	<u>(254,435)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	26,641	20,033	46,674	3,274
Net cash provided by investing activities	<u>26,641</u>	<u>20,033</u>	<u>46,674</u>	<u>3,274</u>
Net increase in cash and cash equivalents	362,898	(130,608)	232,290	90,288
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,350,461</u>	<u>2,152,225</u>	<u>4,502,686</u>	<u>251,198</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$2,713,359</u>	<u>\$ 2,021,617</u>	<u>\$ 4,734,976</u>	<u>\$ 341,486</u>
Reconciliation of operating income to net cash provided used by operating activities:				
Operating income (loss)	\$ (62,816)	\$ (122,750)	\$ (185,566)	\$ (123,983)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	320,879	662,170	983,049	109,459
(Increase) decrease in accounts receivable	194,142	54,580	248,722	26,640
(Increase) decrease in prepaid expenses	6,621	99,306	105,927	2,974
Increase (decrease) in accounts payable	(14,851)	(42,919)	(57,770)	(164)
Increase (decrease) in interfund advances	-	(10,000)	(10,000)	195,538
Increase (decrease) in unearned revenue	-	(30,000)	(30,000)	-
Total adjustments	<u>506,791</u>	<u>733,137</u>	<u>1,239,928</u>	<u>334,447</u>
Net cash provided by operating activities	<u>\$ 443,975</u>	<u>\$ 610,387</u>	<u>\$ 1,054,362</u>	<u>\$ 210,464</u>

See notes to financial statements.



**CITY OF CARO**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

	<b>Custodial Tax Collection Fund</b>
<b><u>ADDITIONS</u></b>	
Collection of taxes for other governments	\$ 3,216,712
<b><u>DEDUCTIONS</u></b>	
Payment of taxes collected for other governments	3,216,712
Net change in fiduciary net position	-
<b><u>NET POSITION</u></b>	
Beginning of year	-
End of year	\$ -

See notes to financial statements.

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**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, 2023**

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, 2023**

**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, 2023**

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>
<b>General Fund</b>			
Treasurer	\$ 81,907	\$ 89,127	\$ 7,220
Transfers out	322,461	322,595	134
<b>Major Street Fund</b>			
Construction	125,582	452,070	326,488
<b>Refuse Fund</b>			
Contracted services	465,208	465,384	176
<b>Fire Fund</b>			
Contracted services	45,112	50,626	5,514

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 30<sup>th</sup>.

**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, 2023**

- 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, right to use – leased 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 \$15,000 (\$20,000 for infrastructure) 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. Right to use assets of the City are amortized using the straight-line method over the shorter of the lease/subscription period or the estimated useful lives. 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
Right to use - leased equipment	3 - 5
Roads	5 - 20
Parking lots	20
Traffic signals	15

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

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 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.

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 no items that qualify for reporting in this category.

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, 2023**

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. Leases

Lessee: The City is a lessee for a non-cancelable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its lease and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

11. 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.

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

The 2022 taxable valuation of the City totaled \$93,723,075, on which ad valorem taxes consisted of 16.1643 mills for operating purposes. This resulted in \$1,495,638 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, 2023**

**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, 2023, \$4,818,500 of the City's bank balance of \$10,114,213 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of the City's deposits was \$10,166,395.

**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.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
U.S. Treasury Bills	\$ 1,001,830	0.4131
Total fair value	\$ 1,001,830	
Portfolio weighted average maturity		0.4131

One day maturity equals 0.0027, one year equals 1.00.

**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.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Rating</b>	<b>Rating Agency</b>
U.S. Treasury Bills	\$ 1,001,830	AA+	Standard & Poor's
Total	\$ 1,001,830		

**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:

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
U.S. Treasury Bills	\$ 1,001,830	\$ -	\$ -	\$ 1,001,830
 Total	<u>\$ 1,001,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,001,830</u>

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 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.

The following summarizes the categorization of these amounts as of June 30, 2023:

Cash - Governmental Activities	\$ 5,215,596
Investments - Governmental Activities	1,001,830
Cash - Business-Type Activities	4,025,337
Restricted Cash - Business-Type Activities	709,639
Cash - Component Unit	215,823
	<u>\$ 11,168,225</u>

**NOTE 3 – RECEIVABLES – PRIMARY GOVERNMENT:**

Receivables at June 30, 2023 consist of the following:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ENTERPRISE</u>	<u>COMPONENT UNIT</u>	<u>TOTAL</u>
Receivables:					
Accounts	\$ 25,490	\$ 180,822	\$ 307,550	\$ 245	\$ 514,107
Taxes	27,572	4,438			32,010
Allowance for uncollectibles	(4,590)		(27,460)		(32,050)
 TOTAL RECEIVABLES	<u>\$ 48,472</u>	<u>\$ 185,260</u>	<u>\$ 280,090</u>	<u>\$ 245</u>	<u>\$ 514,067</u>

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES:**

Interfund receivable and payable balances for the year ended June 30, 2023 consisted of the following amounts:

		<b>RECEIVABLE</b>	
		<b>General Fund</b>	<b>TOTAL</b>
<b>PAYABLE</b>	<b>Sewage Disposal Fund</b>	\$ 114,000	\$ 114,000
	<b>Internal Service Fund</b>	265,498	265,498
	<b>Total</b>	<b>\$ 379,498</b>	<b>\$ 379,498</b>

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.

**NOTE 5 – CAPITAL ASSETS:**

A summary of property, plant, and equipment at June 30, 2023 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 582,286	\$ -	\$ -	\$ 582,286
Construction-in-progress	-	380,215		380,215
Total capital assets not being depreciated/amortized	582,286	380,215	-	962,501
Capital assets being depreciated/amortized				
Land improvements	5,497,108			5,497,108
Infrastructure	11,188,742	607,145		11,795,887
Buildings, additions and improvements	1,855,488	106,890		1,962,378
Machinery and equipment	1,971,165	27,250		1,998,415
Right to use - leased equipment	-	54,067		54,067
Motor vehicles and related equipment	1,726,135	254,435		1,980,570
Total capital assets being depreciated/amortized	22,238,638	1,049,787	-	23,288,425
Less accumulated depreciation/amortization for				
Land improvements	37,275	18,001		55,276
Infrastructure	4,025,824	402,730		4,428,554
Buildings, additions and improvements	451,075	56,147		507,222
Machinery and equipment	1,315,905	95,240		1,411,145
Right to use - leased equipment	-	7,636		7,636
Motor vehicles and related equipment	1,085,563	109,459		1,195,022
Total accumulated depreciation/amortization	6,915,642	689,213	-	7,604,855
Net capital assets being depreciated/amortized	15,322,996	360,574	-	15,683,570
Governmental activities capital assets, net	\$ 15,905,282	\$ 740,789	\$ -	\$ 16,646,071

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

<b>Business-type activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 118,436	\$ -	\$ -	\$ 118,436
Total capital assets not being depreciated	<u>118,436</u>	<u>-</u>	<u>-</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	331,262		6,616,266
Motor vehicles and related equipment	983,599			983,599
Water system	6,157,016			6,157,016
Sewer system	3,969,801			3,969,801
Total capital assets being depreciated	<u>31,867,618</u>	<u>331,262</u>	<u>-</u>	<u>32,198,880</u>
Less accumulated depreciation for				
Buildings, additions and improvements	8,142,137	308,195		8,450,332
Machinery and equipment	4,868,231	399,526		5,267,757
Motor vehicles and related equipment	729,832	48,066		777,898
Water system	2,327,354	151,040		2,478,394
Sewer system	2,654,621	76,222		2,730,843
Total accumulated depreciation	<u>18,722,175</u>	<u>983,049</u>	<u>-</u>	<u>19,705,224</u>
Net capital assets being depreciated	<u>13,145,443</u>	<u>(651,787)</u>	<u>-</u>	<u>12,493,656</u>
Business-type activities capital assets, net	<u>\$ 13,263,879</u>	<u>\$ (651,787)</u>	<u>\$ -</u>	<u>\$ 12,612,092</u>
<b>Component unit</b>	<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	2,938,775			2,938,775
Machinery and equipment	28,694			28,694
Total capital assets being depreciated	<u>3,649,262</u>	<u>-</u>	<u>-</u>	<u>3,649,262</u>
Less accumulated depreciation for				
Land improvements	190,322	13,307		203,629
Infrastructure	1,610,151	147,017		1,757,168
Machinery and equipment	17,470	1,531		19,001
Total accumulated depreciation	<u>1,817,943</u>	<u>161,855</u>	<u>-</u>	<u>1,979,798</u>
Net capital assets being depreciated	<u>1,831,319</u>	<u>(161,855)</u>	<u>-</u>	<u>1,669,464</u>
Component unit capital assets, net	<u>\$ 2,389,750</u>	<u>\$ (161,855)</u>	<u>\$ -</u>	<u>\$ 2,227,895</u>

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

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

Governmental activities	\$ 689,213
Business-type activities	983,049
Component unit	<u>161,855</u>
 Total depreciation expense	 <u><u>\$ 1,834,117</u></u>

Depreciation/amortization expense for the year ended June 30, 2023 amounted to \$1,834,117. The City determined that it was impractical to allocate governmental activities depreciation to the various governmental activities as the assets serve multiple functions.

**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, 2023:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
Balance July 1, 2022	\$ -	\$ 304,974	\$ 48,343	\$ 353,317
Additions		454,067	10,569	464,636
Deletions		(50,095)		(50,095)
Balance June 30, 2023	<u>-</u>	<u>708,946</u>	<u>58,912</u>	<u>767,858</u>
Due within one year		82,295		82,295
Due in more than one year	<u><u>\$ -</u></u>	<u><u>\$ 626,651</u></u>	<u><u>\$ 58,912</u></u>	<u><u>\$ 685,563</u></u>
 <b><u>BUSINESS-TYPE ACTIVITIES:</u></b>				
Balance July 1, 2022	\$ 2,860,329	\$ -	\$ -	\$ 2,860,329
Additions				-
Deletions	(490,000)			(490,000)
Balance June 30, 2023	<u>2,370,329</u>	<u>-</u>	<u>-</u>	<u>2,370,329</u>
Due within one year	500,000			500,000
Due in more than one year	<u><u>\$ 1,870,329</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,870,329</u></u>

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

Long-term obligations at June 30, 2023 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.	\$ 265,974
Loan payable to Independent Bank dated March 31, 2023 for the purchase of a firetruck. Annual payments carry a rate of 5.05%. Principal payments are due on an annual basis and range from \$31,728 to \$49,431.	400,000
Police vehicle lease due in annual installments of \$10,146 through September 2026, with an implied interest rate of 6.9%.	34,449
Postage machine lease due in quarterly installments of \$508 through December 2027, with an implied interest rate of 3.0%	<u>8,523</u>
Total notes from direct borrowings and direct placements	708,946
Compensated absences	58,912
Total governmental activities long-term obligations	<u><u>\$ 767,858</u></u>

**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%.	\$ 313,215
County revenue bonds, totaling \$7,730,000 with an interest rate of 1.625% for waste treatment plant upgrades.	<u>2,057,114</u>
Total business-type activities long-term obligations	<u><u>\$ 2,370,329</u></u>

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2023 are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>Total</u>
	<u>NOTES FROM DIRECT</u>		<u>GENERAL OBLIGATION</u>		
	<u>BORROWINGS AND DIRECT</u>		<u>BONDS</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 82,295	\$ 32,097	\$ 500,000	\$ 38,968	\$ 653,360
2025	85,488	28,425	510,000	30,318	654,231
2026	88,799	24,656	513,215	21,525	648,195
2027	93,238	20,725	420,000	13,766	547,729
2028	86,643	16,597	427,114	6,940	537,294
2029-2033	<u>272,483</u>	<u>36,794</u>	-	-	<u>309,277</u>
	708,946	159,294	2,370,329	111,517	3,350,086
Compensated absences	58,912				58,912
	<u><u>\$ 767,858</u></u>	<u><u>\$ 159,294</u></u>	<u><u>\$ 2,370,329</u></u>	<u><u>\$ 111,517</u></u>	<u><u>\$ 3,408,998</u></u>

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$708,946 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

Interest expense (all governmental funds) for the year ended June 30, 2023 was \$10,650.

**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, 2022 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, 2022.

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of July 31, 2022 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% (included in long term rate of return)
Salary increases	0.00%, there are no active participants
Investment rate of return	6.12% net of investment expense, including inflation,
Mortality Table	As set forth in IRS Regulations for 2022 (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-2020.

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, 2022 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	38.50%	7.35%
International equity	16.50%	7.45%
Fixed income	35.00%	4.25%
Real assets	8.00%	6.50%
Cash	2.00%	2.75%
	100.0%	

The sum of each target allocation times its long-term expected rate is 6.12%.

**Discount Rate** - The discount rate used to measure the total pension liability was 6.12%. 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 6.89%.

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**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)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Balance at July 31, 2021</b>	\$ 1,056,085	\$ 1,867,467	\$ (811,382)
<b>Changes during the year</b>			
Service cost			-
Interest	70,423		70,423
Experience (gains)/losses	(1,653)		(1,653)
Change of assumptions	67,916		67,916
Contributions - employer			-
Contributions - employee			-
Net investment income		(166,532)	166,532
Benefit payments;			-
Including refunds of employee contributions	(67,944)	(67,944)	-
Administrative expenses		(15,691)	15,691
Other changes			-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total changes	68,742	(250,167)	318,909
<b>Balance at July 31, 2022</b>	<u>\$ 1,124,827</u>	<u>\$ 1,617,300</u>	<u>\$ (492,473)</u>

**Discount Rate Sensitivities** - The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 6.12%, 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 (5.12%) or 1 percentage point higher (7.12%) than the current rate:

	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
Total Pension Liability	\$ 1,223,183	\$ 1,124,827	\$ 1,039,349
Plan Fiduciary Net Position	<u>1,617,300</u>	<u>1,617,300</u>	<u>1,617,300</u>
Net Pension Liability (Asset)	<u>\$ (394,117)</u>	<u>\$ (492,473)</u>	<u>\$ (577,951)</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, 2023, the City recognized pension expense of approximately \$37,440. 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	\$ 101,943	\$ -
	<u>\$ 101,943</u>	<u>\$ -</u>

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

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

<u>Year ended July 31,</u>	<u>Amount</u>
2024	\$ 18,778
2025	10,914
2026	13,789
2027	58,462

**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, 2023, there were 26 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 \$861 and the total employer contributions were \$120,263 for the year ended June 30, 2023. 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 \$1,240,866 were held at June 30, 2023.

**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**  
\$709,639

**CITY OF CARO**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 9 – INTERFUND TRANSFERS:**

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended June 30, 2023 consisted of the following amounts:

		<b>Transfers Out</b>		
		<b>General Fund</b>	<b>Major Street Fund</b>	<b>Fire Fund</b>
<b>Transfers In</b>	<b>Local Street Fund</b>		\$ 101,405	\$ 101,405
	<b>Fire Fund</b>	\$ 139,622		139,622
	<b>Nonmajor Governmental Internal Service Fund</b>	51,988	\$ 49,583	101,571
	<b>Internal Service Fund</b>	130,985		130,985
	<b>Total</b>	<b>\$ 322,595</b>	<b>\$ 101,405</b>	<b>\$ 49,583</b>

**NOTE 10 - SEGMENT INFORMATION:**

The City maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2023, is as follows:

	<b>WATER</b>	<b>SEWAGE DISPOSAL</b>	<b>TOTAL ENTERPRISE FUNDS</b>
	Operating revenue	\$ 1,099,620	\$ 1,647,931
Depreciation & amortization expense	320,878	662,170	983,048
Operating income (loss)	(62,816)	(122,750)	(185,566)
Change in net position	(43,362)	(140,899)	(184,261)
Property, plant & equipment:			
Additions	-	331,262	331,262
Dispositions	-	-	-
Net working capital (deficit)	2,570,385	1,273,942	3,844,327
Total identifiable assets	7,578,614	10,161,921	17,740,535
Total net position	7,230,939	7,950,790	15,181,729

**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, 2023**

**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, 2023, the City's property tax revenue for general operations were reduced by \$123 under this program. There were no significant abatements entered into by other governmental units.

**NOTE 13 – FEDERAL FUNDING:**

The City is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Therefore, these funds are not subject to single audit by the City.

**NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE:**

For the year ended June 30, 2023, the City implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. 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.

There was no material impact on the City's financial statement after the adoption of GASB Statement 96.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CARO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Taxes	\$ 1,563,341	\$ 1,691,236	\$ 1,688,912	\$ (2,324)
Licenses & permits	25,350	40,097	55,168	15,071
Intergovernmental revenue:				
Federal	417,000	208,230	208,229	(1)
State	510,909	535,327	567,148	31,821
Charges for services	43,000	75,484	74,805	(679)
Fines & forfeitures	15,120	12,770	18,724	5,954
Miscellaneous	41,544	140,052	181,711	41,659
<b>TOTAL REVENUES</b>	<b>2,616,264</b>	<b>2,703,196</b>	<b>2,794,697</b>	<b>91,501</b>
<b>EXPENDITURES:</b>				
Legislative	38,034	36,366	32,264	4,102
Elections	33,280	29,415	25,753	3,662
Board of review	2,880	2,506	2,410	96
Assessor	32,096	31,530	31,522	8
Executive	150,743	102,927	95,083	7,844
Clerk	81,290	100,101	96,707	3,394
Treasurer	78,923	81,907	89,127	(7,220)
Buildings & grounds	828,080	818,038	772,396	45,642
Historical center	-	223	207	16
Police department	932,355	943,239	889,415	53,824
Planning & zoning	49,839	67,507	62,049	5,458
Public works department	266,772	262,531	252,328	10,203
Health & wellness	145,000	101,340	101,339	1
Recreation department	172,760	147,191	126,271	20,920
Community promotion	346,394	75,393	73,344	2,049
Debt service:				
Principal	-	14,142	11,095	3,047
Interest	-	6,151	67	6,084
<b>TOTAL EXPENDITURES</b>	<b>3,158,446</b>	<b>2,820,507</b>	<b>2,661,377</b>	<b>159,130</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(542,182)</b>	<b>(117,311)</b>	<b>133,320</b>	<b>250,631</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Lease proceeds	-	44,595	54,067	9,472
Transfers in	33,320	33,320	-	(33,320)
Transfers out	(287,563)	(322,461)	(322,595)	(134)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>(254,243)</b>	<b>(244,546)</b>	<b>(268,528)</b>	<b>(23,982)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (796,425)</b>	<b>\$ (361,857)</b>	<b>(135,208)</b>	<b>\$ 226,649</b>
<b>FUND BALANCE - JULY 1</b>			<b>3,632,322</b>	
<b>FUND BALANCE - JUNE 30</b>			<b>\$ 3,497,114</b>	

**CITY OF CARO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR STREET & TRUNKLINE FUND**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Taxes	\$ 87,615	\$ 82,977	\$ 82,978	\$ 1
Intergovernmental revenue	792,900	425,618	770,400	344,782
Miscellaneous	100	1,330	16,615	15,285
<b>TOTAL REVENUES</b>	<b>880,615</b>	<b>509,925</b>	<b>869,993</b>	<b>360,068</b>
<b>EXPENDITURES:</b>				
Construction	468,750	125,582	452,070	(326,488)
Routine maintenance - street & storm sewers	74,436	79,885	66,022	13,863
Snow & ice controls	16,400	11,827	11,597	230
Sweeping & flushing	6,900	6,900	5,470	1,430
Draining, signs & signals	-	204	202	2
Administrative	38,565	34,540	31,154	3,386
<b>TOTAL EXPENDITURES</b>	<b>605,051</b>	<b>258,938</b>	<b>566,515</b>	<b>(307,577)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>275,564</b>	<b>250,987</b>	<b>303,478</b>	<b>52,491</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(99,475)	(101,405)	(101,405)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 176,089</b>	<b>\$ 149,582</b>	<b>202,073</b>	<b>\$ 52,491</b>
<b>FUND BALANCE - JULY 1</b>			<b>1,589,208</b>	
<b>FUND BALANCE - JUNE 30</b>			<b>\$ 1,791,281</b>	

**CITY OF CARO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOCAL STREET FUND**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
REVENUES:				
Taxes	\$ 43,612	\$ 41,304	\$ 41,304	\$ -
Intergovernmental revenue	274,997	182,440	185,892	3,452
Miscellaneous	-	125	2,280	2,155
<b>TOTAL REVENUES</b>	<b>318,609</b>	<b>223,869</b>	<b>229,476</b>	<b>5,607</b>
EXPENDITURES:				
Routine maintenance - street & storm sewers	620,283	186,324	183,493	2,831
Administrative	39,289	33,848	31,027	2,821
<b>TOTAL EXPENDITURES</b>	<b>659,572</b>	<b>220,172</b>	<b>214,520</b>	<b>5,652</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(340,963)	3,697	14,956	11,259
OTHER FINANCING SOURCES (USES):				
Transfers in	85,876	101,405	101,405	-
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ (255,087)</u></b>	<b><u>\$ 105,102</u></b>	116,361	<b><u>\$ 11,259</u></b>
FUND BALANCE - JULY 1			<u>153,365</u>	
FUND BALANCE - JUNE 30			<u><u>\$269,726</u></u>	

**CITY OF CARO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REFUSE/SANITATION FUND**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
REVENUES:				
Charges for services	\$ 428,400	\$ 432,748	\$ 433,962	\$ 1,214
Miscellaneous	4,500	5,095	5,958	863
TOTAL REVENUES	<u>432,900</u>	<u>437,843</u>	<u>439,920</u>	<u>2,077</u>
EXPENDITURES:				
Sanitation:				
Wages and benefits	45,584	47,403	44,427	2,976
Contracted services	428,400	465,208	465,384	(176)
Miscellaneous	10,353	14,209	13,957	252
TOTAL EXPENDITURES	<u>484,337</u>	<u>526,820</u>	<u>523,768</u>	<u>3,052</u>
NET CHANGE IN FUND BALANCE	<u>\$ (51,437)</u>	<u>\$ (88,977)</u>	(83,848)	<u>\$ 5,129</u>
FUND BALANCE - JULY 1			<u>208,884</u>	
FUND BALANCE - JUNE 30			<u>\$ 125,036</u>	

**CITY OF CARO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE FUND**  
**YEAR ENDED JUNE 30, 2023**

	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Charges for services	\$ 142,179	\$ 142,356	\$ 142,361	\$ 5
Intergovernmental revenue	-	25,040	26,438	1,398
Miscellaneous	900	3,412	7,059	3,647
<b>TOTAL REVENUES</b>	<b>143,079</b>	<b>170,808</b>	<b>175,858</b>	<b>5,050</b>
<b>EXPENDITURES:</b>				
Fire:				
Wages and benefits	110,145	133,320	119,601	13,719
Contracted services	46,117	45,112	50,626	(5,514)
Capital outlay	411,900	411,900	29,803	382,097
Insurance	21,955	34,260	24,780	9,480
Administrative expense	10,000	10,000	10,000	-
Miscellaneous	37,512	58,296	54,250	4,046
<b>TOTAL EXPENDITURES</b>	<b>637,629</b>	<b>692,888</b>	<b>289,060</b>	<b>403,828</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(494,550)</b>	<b>(522,080)</b>	<b>(113,202)</b>	<b>408,878</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	400,000	400,000	400,000	-
Transfers in	143,391	139,623	139,622	(1)
Transfers out	(99,583)	(49,583)	(49,583)	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (50,742)</b>	<b>\$ (32,040)</b>	<b>376,837</b>	<b>\$ 408,877</b>
<b>FUND BALANCE - JULY 1</b>			<b>32,040</b>	
<b>FUND BALANCE - JUNE 30</b>			<b>\$ 408,877</b>	

**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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY:</b>									
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,752
Interest	70,423	69,462	78,595	76,981	74,917	71,285	76,234	75,657	85,869
Difference between expected and actual experience	(1,653)	5,626	(227,751)	2,929	5,859	8,605	7,223	3,626	(722)
Change of assumptions	67,916	(16,631)	(88,405)	(51,854)	43,216	(83,957)	112,409	(24,713)	27,164
Benefit payments (including refunds of employee contributions)	<u>(67,944)</u>	<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>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>68,742</b>	<b>(16,685)</b>	<b>(327,099)</b>	<b>(58,496)</b>	<b>38,435</b>	<b>(89,624)</b>	<b>110,309</b>	<b>(32,473)</b>	<b>46,482</b>
<b>TOTAL PENSION LIABILITY - BEGINNING OF YEAR</b>	<u><b>1,056,085</b></u>	<u><b>1,072,770</b></u>	<u><b>1,399,869</b></u>	<u><b>1,458,365</b></u>	<u><b>1,419,930</b></u>	<u><b>1,509,554</b></u>	<u><b>1,399,245</b></u>	<u><b>1,431,718</b></u>	<u><b>1,385,236</b></u>
<b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>	<b>1,124,827</b>	<b>1,056,085</b>	<b>1,072,770</b>	<b>1,399,869</b>	<b>1,458,365</b>	<b>1,419,930</b>	<b>1,509,554</b>	<b>1,399,245</b>	<b>1,431,718</b>
<b>PLAN FIDUCIARY NET POSITION:</b>									
Contributions - employee	-	-	-	-	-	-	-	-	836
Net investment income	(166,532)	329,611	105,705	54,778	126,051	169,541	25,203	78,375	177,393
Benefit payments (including refunds of employee contributions)	(67,944)	(75,142)	(89,538)	(86,552)	(85,557)	(85,557)	(85,557)	(87,043)	(74,581)
Administrative expenses	<u>(15,691)</u>	<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>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	<b>(250,167)</b>	<b>239,075</b>	<b>1,679</b>	<b>(46,322)</b>	<b>25,539</b>	<b>69,614</b>	<b>(74,568)</b>	<b>(23,683)</b>	<b>88,815</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR</b>	<u><b>1,867,467</b></u>	<u><b>1,628,392</b></u>	<u><b>1,626,713</b></u>	<u><b>1,673,035</b></u>	<u><b>1,647,496</b></u>	<u><b>1,577,882</b></u>	<u><b>1,652,450</b></u>	<u><b>1,676,133</b></u>	<u><b>1,587,318</b></u>
<b>PLAN FIDUCIARY NET POSITION - END OF YEAR (b)</b>	<b>1,617,300</b>	<b>1,867,467</b>	<b>1,628,392</b>	<b>1,626,713</b>	<b>1,673,035</b>	<b>1,647,496</b>	<b>1,577,882</b>	<b>1,652,450</b>	<b>1,676,133</b>
<b>NET PENSION LIABILITY - ENDING (a)-(b)</b>	<u><b>\$ (492,473)</b></u>	<u><b>\$ (811,382)</b></u>	<u><b>\$ (555,622)</b></u>	<u><b>\$ (226,844)</b></u>	<u><b>\$ (214,670)</b></u>	<u><b>\$ (227,566)</b></u>	<u><b>\$ (68,328)</b></u>	<u><b>\$ (253,205)</b></u>	<u><b>\$ (244,415)</b></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	<b>143.78%</b>	<b>176.83%</b>	<b>151.79%</b>	<b>116.20%</b>	<b>114.72%</b>	<b>116.03%</b>	<b>104.53%</b>	<b>118.10%</b>	<b>117.07%</b>
<b>COVERED EMPLOYEE PAYROLL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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>2023</u>	<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	<u>-</u>								
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%	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, 2023

**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, 2023**

	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 56,732	\$ 363	\$ 57,095
Accounts receivable	-	24,115	-	24,115
Taxes receivable	-	3,799	-	3,799
Prepaid expenditures	-	612	-	612
<b>TOTAL ASSETS</b>	<b><u>\$ -</u></b>	<b><u>\$ 85,258</u></b>	<b><u>\$ 363</u></b>	<b><u>\$ 85,621</u></b>
<b><u>LIABILITIES &amp; FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ 10,107	\$ -	\$ 10,107
Unearned revenue	-	24,115	-	24,115
Total Liabilities	-	34,222	-	34,222
Fund Balances:				
Nonspendable for prepaid	-	612	-	612
Restricted for:				
Streets		50,424		50,424
Drug forfeiture			363	363
Total Fund Balances	-	51,036	363	51,399
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ -</u></b>	<b><u>\$ 85,258</u></b>	<b><u>\$ 363</u></b>	<b><u>\$ 85,621</u></b>

**CITY OF CARO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2023**

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>DEBT SERVICE</u>	<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	
REVENUES:				
Miscellaneous	\$ -	\$ 30,891	\$ 4	\$ 30,895
TOTAL REVENUES	<u>-</u>	<u>30,891</u>	<u>4</u>	<u>30,895</u>
EXPENDITURES:				
Streets		222,783		222,783
Debt service:				
Principal	39,000			39,000
Interest	<u>10,583</u>			<u>10,583</u>
TOTAL EXPENDITURES	<u>49,583</u>	<u>222,783</u>	<u>-</u>	<u>272,366</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(49,583)</u>	<u>(191,892)</u>	<u>4</u>	<u>(241,471)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>49,583</u>	<u>51,988</u>	<u>-</u>	<u>101,571</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,583</u>	<u>51,988</u>	<u>-</u>	<u>101,571</u>
NET CHANGE IN FUND BALANCES	-	(139,904)	4	(139,900)
FUND BALANCES - JULY 1	<u>-</u>	<u>190,940</u>	<u>359</u>	<u>191,299</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 51,036</u>	<u>\$ 363</u>	<u>\$ 51,399</u>

**CITY OF CARO**  
**GOVERNMENTAL COMPONENT UNIT**  
**BALANCE SHEET**  
**JUNE 30, 2023**

**DOWNTOWN  
DEVELOPMENT  
AUTHORITY**

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**ASSETS**

Cash and cash equivalents	\$	215,823
Accounts receivable		245
Prepaid expenditures		276
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>216,344</u></u></b>

**LIABILITIES & FUND BALANCE**

Liabilities:		
Accounts payable	\$	780
Unearned revenue		404
		<hr/>
Total Liabilities		<hr/> 1,184
Fund Balance:		
Nonspendable for prepaid		276
Restricted		214,884
		<hr/>
Total Fund Balance		<hr/> 215,160
		<hr/>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$</b>	<b><u><u>216,344</u></u></b>

**CITY OF CARO**  
**GOVERNMENTAL COMPONENT UNIT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2023**

<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>			
	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
REVENUES:			
Taxes	\$ 154,043	\$ 154,044	\$ 1
Federal grants	33,701	33,702	1
Miscellaneous	25,101	27,743	2,642
TOTAL REVENUES	212,845	215,489	2,644
EXPENDITURES:			
Contract services	300	300	-
Miscellaneous	119,249	110,094	9,155
TOTAL EXPENDITURES	119,549	110,394	9,155
NET CHANGE IN FUND BALANCE	\$ 93,296	105,095	\$ 11,799
FUND BALANCE - JULY 1		110,065	
FUND BALANCE - JUNE 30		\$ 215,160	

**CITY OF CARO**  
**MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS**  
**SCHEDULE OF EXPENDITURES**  
**YEAR ENDED JUNE 30, 2023**

	<u>MAJOR STREET &amp; TRUNKLINE</u>	<u>LOCAL STREET</u>
EXPENDITURES:		
Construction - roads, streets & storm sewers:		
Labor	\$ 194	\$ -
Benefits	28	-
Equipment rent	328	-
Contracted services	<u>451,520</u>	<u>-</u>
Total Construction - road, streets & storm sewers	<u>452,070</u>	<u>-</u>
Routine Maintenance - streets & storm sewers		
Labor	14,221	23,812
Benefits	6,516	9,034
Equipment rent	28,779	46,357
Materials	12,385	10,811
Contracted services	4,072	93,479
Miscellaneous	<u>49</u>	<u>-</u>
Total Routine Maintenance - streets & storm sewers	<u>66,022</u>	<u>183,493</u>
Snow & Ice Control:		
Labor	3,534	-
Benefits	287	-
Contracted services	1,714	-
Equipment rent	<u>6,062</u>	<u>-</u>
Total Snow & Ice Control	<u>11,597</u>	<u>-</u>
Sweeping & Flushing:		
Labor	1,246	-
Benefits	176	-
Equipment rent	<u>4,048</u>	<u>-</u>
Total Sweeping & Flushing	<u>5,470</u>	<u>-</u>
Drainage, Signs & Signals:		
Labor	151	-
Benefits	12	-
Equipment rent	<u>39</u>	<u>-</u>
Total Drainage, Signs & Signals	<u>202</u>	<u>-</u>
Administration:		
General fund administration	27,370	27,443
Contracted services	1,806	1,239
Insurance	<u>1,978</u>	<u>2,345</u>
Total Administration	<u>31,154</u>	<u>31,027</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 566,515</u></u>	<u><u>\$214,520</u></u>



**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

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2023.

**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 identified a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2023-001 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 is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2023-001.

**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 14, 2023

**CITY OF CARO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2023**

**Finding 2023-001 – 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, 2023. 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 15 to the financial statements, the City implemented Governmental Accounting Standard Board Statement No. 96, *Subscription-based IT Arrangements*. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. 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. All significant transactions have been recognized in the financial statements in the proper period.

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 financial statement disclosures 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 14, 2023.

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 14, 2023