

CITY OF CARO

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

YEAR ENDED JUNE 30, 2024

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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, 2024, 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, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 December 11, 2024, 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

December 11, 2024

CITY OF CARO, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the City of Caro's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2024. 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, 2024:

- The fund balance in the General Fund increased from \$3,497,114 to \$3,540,757.
- State-shared revenue, the City's second largest General Fund revenue source, increased by \$5,152 from the prior fiscal year. The \$572,300 received from the State of Michigan was above the budgeted projection of \$475,679.
- The government's total net position for the Governmental Activities increased by \$406,448.

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, 2024:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Current assets	\$ 7,426,582	\$ 4,411,555	\$ 224,259	\$ 12,062,396
Noncurrent assets	16,814,725	12,336,402	2,118,485	31,269,612
Total assets	24,241,307	16,747,957	2,342,744	43,332,008
Deferred outflow of resources	93,155	-	-	93,155
Current liabilities	425,375	65,874	1,366	492,615
Long-term liabilities	813,501	1,870,329	-	2,683,830
Total liabilities	1,238,876	1,936,203	1,366	3,176,445
Net position:				
Net investment in capital assets	16,064,270	10,458,215	2,118,485	28,640,970
Restricted	2,715,907	724,943		3,440,850
Unrestricted	4,315,409	3,628,596	222,893	8,166,898
Total net position	\$ 23,095,586	\$ 14,811,754	\$ 2,341,378	\$ 40,248,718

The City's combined net position decreased from \$40,313,922 a year ago to \$40,248,718.

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 \$4,315,409 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, 2023 were:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit</u>	<u>Total</u>
Current assets	\$ 7,188,953	\$ 5,014,443	\$ 216,344	\$ 12,419,740
Noncurrent assets	<u>16,646,071</u>	<u>12,612,092</u>	<u>2,227,895</u>	<u>31,486,058</u>
Total assets	<u>23,835,024</u>	<u>17,626,535</u>	<u>2,444,239</u>	<u>43,905,798</u>
Deferred outflow of resources	<u>101,943</u>	<u>-</u>	<u>-</u>	<u>101,943</u>
Current liabilities	479,971	74,477	1,184	555,632
Long-term liabilities	<u>767,858</u>	<u>2,370,329</u>	<u>-</u>	<u>3,138,187</u>
Total liabilities	<u>1,247,829</u>	<u>2,444,806</u>	<u>1,184</u>	<u>3,693,819</u>
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	<u>4,200,005</u>	<u>4,240,348</u>	<u>215,160</u>	<u>8,655,513</u>
Total net position	<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, 2024:

	Governmental Activities	Business-Type Activities	Component Unit	Total
Revenues				
Program revenues:				
Charges for services	\$ 1,057,879	\$ 2,708,296	\$ -	\$ 3,766,175
Operating grants and contributions	10,646	-	-	10,646
General revenue:				
Property taxes	1,745,927	-	146,217	1,892,144
Intergovernmental revenue	1,378,197	-	-	1,378,197
Investment earnings	185,352	161,668	-	347,020
Sale of assets	34,817	-	-	34,817
Miscellaneous	215,345	1,965	46,556	263,866
Total revenues	4,628,163	2,871,929	192,773	7,692,865
Program Expenses				
General government	544,252			544,252
Road maintenance and repair	459,190			459,190
Health and sanitation	550,102			550,102
Public safety	1,081,365			1,081,365
Public works	577,209	3,241,904		3,819,113
Culture and recreation	165,460			165,460
Community development	44,441		294,450	338,891
Unallocated depreciation	764,439			764,439
Interest on long-term debt	35,257			35,257
Total expenses	4,221,715	3,241,904	294,450	7,758,069
Changes in Net Position	406,448	(369,975)	(101,677)	(65,204)
Net Position - Beginning of Year	22,689,138	15,181,729	2,443,055	40,313,922
Net Position - End of Year	\$ 23,095,586	\$ 14,811,754	\$ 2,341,378	\$ 40,248,718

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
Total revenues	4,787,800	2,794,225	215,489	7,797,514
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
Total expenses	4,297,377	2,978,486	272,249	7,548,112
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>

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 \$173,955, and its cash balance decreased by \$245,359. Operating revenues for the fund increased by \$55,066 from last year.

The Sewer Fund had a decrease in net position of \$196,020 on operating revenues of \$1,566,112. Revenues decreased by \$81,819 compared to the prior year. Cash flow for the Sewer Fund decreased by \$356,151.

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 \$1,360,000 in the current fiscal year. These costs and approximately \$940,000 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 revenues and other financing sources reported an original budget of \$2,879,271 and an amended budget of \$2,987,471. The actual General Fund revenues and other financing sources amounted to \$2,810,730. The main difference between the budgeted and actual was due to lower than anticipated charges for services and miscellaneous revenue.

The General Fund expenditures and other financing sources reported an original budget of \$3,270,374 and an amended budget of \$2,815,734. The actual General Fund expenditures and other financing sources were \$2,767,087. The main difference between the budgeted and actual was less than expected buildings and grounds and transfers out expenditures.

The Major Street & Trunkline Fund revenue reported an original budget of \$532,000 and an amended budget of \$457,310. The actual Major Street & Trunkline revenues amounted to \$589,107. The main difference between the budgeted and actual revenues was due to higher than anticipated intergovernmental revenue.

The Major Street & Trunkline Fund expenditures and other financing sources reported an original budget of \$517,059 and an amended budget of \$334,347. The actual Major Street & Trunkline Fund expenditures and other financing sources were \$341,138. The main difference between the budgeted and actual was more than expected road construction expenditures.

The Local Street Fund revenue and other financing sources reported an original budget of \$353,880 and an amended budget of \$307,625. The actual Local Street revenues and other financing sources amounted to \$373,391. The main difference between the budgeted and actual was due to higher than anticipated intergovernmental and miscellaneous revenue.

The Local Street Fund expenditures reported an original budget of \$325,125 and an amended budget of \$227,884. The actual Local Street Fund expenditures were \$236,831. The main difference between the budgeted and actual expenditures was higher than expected road expenditures.

The Refuse/Sanitation Fund revenue and other financing sources reported an original budget of \$493,910 and an amended budget of \$460,941. The actual Refuse/Sanitation revenues amounted to \$561,010. The main difference between the budgeted and actual was due to higher than anticipated charges for services revenue.

The Refuse/Sanitation Fund expenditures reported an original budget of \$539,528 and an amended budget of \$524,733. The actual Refuse/Sanitation Fund expenditures were \$550,102. The main difference between the budgeted and actual expenditures was more contracted services expenditures than anticipated.

The Fire Fund revenue and other financing sources reported an original budget of \$581,094 and an amended budget of \$623,657. The actual Fire Fund revenues and other financing sources amounted to \$713,140. The main difference between the budgeted and actual was due to higher than anticipated lease proceeds.

The Fire Fund expenditures and other financing sources reported an original budget of \$581,094 and an amended budget of \$936,179. The actual Fire Fund expenditures and other financing sources were \$1,017,883. The main difference between the budgeted and actual was due to higher capital outlay expenditures related to new leases.

Capital Asset and Debt Administration

As of June 30, 2024, 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 \$454,357 for all funds. New debt for leased equipment totaled \$199,885.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 5, 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 repairing the roofs at the DPW Building and City Hall, repaving of the DPW Parking lot, and the resurfacing and improvements made to Columbia Street. The City has also begun a year-long process of upgrades to our wastewater system funded by the Clean Water State Revolving Fund.

The City of Caro continues to wrestle with macroeconomic factors which affect everyone, most acutely price increases and delays in obtaining materials due to continued supply chain issues. However, the Administration is working towards longer-term planning which will allow us to always keep an eye on the future and know where we are going. Integrating our infrastructure plans is a key to this long-term planning as to ensure the continued viability of our water, sewer, and road assets for generations to come.

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 carefully spent fund balance on one-time investments while ensuring our ongoing costs stay within reasonable control as to not turn into long-term issues.

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, 2024

	<u>Primary Government</u>			<u>Reporting Entity</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>	
				<u>Totals</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,481,058	\$ 3,408,523	\$ 9,889,581	\$ 223,983	\$ 10,113,564
Receivables	268,845	369,712	638,557	-	638,557
Prepaid expenses	53,419	22,377	75,796	276	76,072
Restricted cash		724,943	724,943		724,943
Interfund advances	114,000	(114,000)	-		-
Net pension asset	509,260		509,260		509,260
Capital assets, not being depreciated/amortized	633,136	559,845	1,192,981	558,431	1,751,412
Capital assets, net of depreciation/amortization	16,181,589	11,776,557	27,958,146	1,560,054	29,518,200
TOTAL ASSETS	24,241,307	16,747,957	40,989,264	2,342,744	43,332,008
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Related to pensions	93,155	-	93,155	-	93,155
<u>LIABILITIES</u>					
Accounts payable, accrued & other liabilities	111,826	58,016	169,842	1,366	171,208
Accrued interest payable	-	7,858	7,858		7,858
Unearned revenue	313,549	-	313,549	-	313,549
Noncurrent liabilities:					
Due within one year	114,623	510,000	624,623		624,623
Due in more than one year	635,832	1,360,329	1,996,161		1,996,161
Accumulated compensated absences	63,046		63,046		63,046
TOTAL LIABILITIES	1,238,876	1,936,203	3,175,079	1,366	3,176,445
<u>NET POSITION</u>					
Net investment in capital assets	16,064,270	10,458,215	26,522,485	2,118,485	28,640,970
Restricted for:					
Streets	2,491,333		2,491,333		2,491,333
Refuse	134,329		134,329		134,329
Fire	89,869		89,869		89,869
Drug forfeiture	376		376		376
Water & sewer		724,943	724,943		724,943
Unrestricted	4,315,409	3,628,596	7,944,005	222,893	8,166,898
TOTAL NET POSITION	\$ 23,095,586	\$ 14,811,754	\$ 37,907,340	\$ 2,341,378	\$ 40,248,718

See notes to financial statements.

CITY OF CARO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>	<u>FIRE</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 3,404,610	\$ 1,972,378	\$ 412,993	\$ 57,351	\$ 158,888	\$ 45,215	\$ 6,051,435
Accounts receivable	35,118	68,026	27,381	76,675	5,955	23,707	236,862
Taxes receivable	27,545	-	-	639	-	3,799	31,983
Prepaid expenditures	32,569	1,114	1,705	1,615	14,265	612	51,880
Interfund advances	328,818	-	-	-	-	-	328,818
TOTAL ASSETS	<u>\$ 3,828,660</u>	<u>\$ 2,041,518</u>	<u>\$ 442,079</u>	<u>\$ 136,280</u>	<u>\$ 179,108</u>	<u>\$ 73,333</u>	<u>\$ 6,700,978</u>
<u>LIABILITIES & FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 48,749	\$ 2,268	\$ 35,793	\$ 336	\$ 384	\$ 22	\$ 87,552
Accrued salaries & wages	23,902	-	-	-	-	-	23,902
Unearned revenue	215,252	-	-	-	74,590	23,707	313,549
Total Liabilities	<u>287,903</u>	<u>2,268</u>	<u>35,793</u>	<u>336</u>	<u>74,974</u>	<u>23,729</u>	<u>425,003</u>
Fund Balances:							
Nonspendable for:							
Prepaid	32,569	1,114	1,705	1,615	14,265	612	51,880
Advances	328,818						328,818
Restricted for:							
Streets		2,038,136	404,581			48,616	2,491,333
Refuse				134,329			134,329
Fire					89,869		89,869
Drug forfeiture						376	376
Assigned for:							
Subsequent year expenditures	987,645						987,645
Unassigned	2,191,725						2,191,725
Total Fund Balances	<u>3,540,757</u>	<u>2,039,250</u>	<u>406,286</u>	<u>135,944</u>	<u>104,134</u>	<u>49,604</u>	<u>6,275,975</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,828,660</u>	<u>\$ 2,041,518</u>	<u>\$ 442,079</u>	<u>\$ 136,280</u>	<u>\$ 179,108</u>	<u>\$ 73,333</u>	<u>\$ 6,700,978</u>

See notes to financial statements.

CITY OF CARO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2024

Total fund balances for governmental funds	\$ 6,275,975
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	23,148,871
Accumulated depreciation/amortization	(7,039,419)
Net pension asset	509,260
Deferred outflows of resources - related to pensions	93,155
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated absences	(63,046)
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	(750,455)
Internal service funds are included as part of governmental activities.	921,245
Net position of governmental activities	\$ 23,095,586

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	<u>GENERAL</u>	<u>MAJOR STREET & TRUNKLINE</u>	<u>LOCAL STREET</u>	<u>REFUSE/ SANITATION</u>
REVENUES:				
Taxes	\$ 1,616,036	\$ 86,723	\$ 43,168	\$ -
Special assessments				
Licenses & permits	37,986			
Intergovernmental revenue:				
Federal	646	-		
State	752,682	436,222	189,293	
Charges for services	78,257	-	-	498,929
Fines & forfeitures	15,696			
Miscellaneous	231,175	66,162	12,549	12,081
TOTAL REVENUES	<u>2,732,478</u>	<u>589,107</u>	<u>245,010</u>	<u>511,010</u>
EXPENDITURES:				
Legislative	22,941			
Elections	30,534			
Board of review	2,296			
Assessor	35,083			
Executive	89,288			
Clerk	104,731			
Treasurer	110,853			
Buildings & grounds	421,193			
Historical center	241			
Police department	911,381			
Planning & zoning	51,892			
Fire department				
Public works department	287,439			
Health and sanitation	-			550,102
Recreation department	165,460			
Community promotion	44,441			
Streets		212,757	236,831	
Miscellaneous				
Debt Service:				
Principal	22,443			
Interest	2,796			
TOTAL EXPENDITURES	<u>2,303,012</u>	<u>212,757</u>	<u>236,831</u>	<u>550,102</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>429,466</u>	<u>376,350</u>	<u>8,179</u>	<u>(39,092)</u>
OTHER FINANCING SOURCES (USES):				
Sale of assets	3,705			
Lease proceeds	74,547			
Insurance proceeds				
Transfers in	-	-	128,381	50,000
Transfers out	(464,075)	(128,381)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(385,823)</u>	<u>(128,381)</u>	<u>128,381</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCES	43,643	247,969	136,560	10,908
FUND BALANCES - JULY 1	<u>3,497,114</u>	<u>1,791,281</u>	<u>269,726</u>	<u>125,036</u>
FUND BALANCES - JUNE 30	<u>\$ 3,540,757</u>	<u>\$ 2,039,250</u>	<u>\$ 406,286</u>	<u>\$ 135,944</u>

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	FIRE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS	JUNE 30, 2024
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,745,927	\$ 146,217	\$ 1,892,144
Special assessments		31,346	31,346		31,346
Licenses & permits			37,986		37,986
Intergovernmental revenue:					
Federal			646	-	646
State	10,000		1,388,197	-	1,388,197
Charges for services	171,698		748,884		748,884
Fines & forfeitures			15,696		15,696
Miscellaneous	9,349	1,573	332,889	46,556	379,445
TOTAL REVENUES	191,047	32,919	4,301,571	192,773	4,494,344
EXPENDITURES:					
Legislative			22,941		22,941
Elections			30,534		30,534
Board of review			2,296		2,296
Assessor			35,083		35,083
Executive			89,288		89,288
Clerk			104,731		104,731
Treasurer			110,853		110,853
Buildings & grounds			421,193		421,193
Historical center			241		241
Police department			911,381		911,381
Planning & zoning			51,892		51,892
Fire department	849,489		849,489		849,489
Public works department			287,439		287,439
Health and sanitation			550,102		550,102
Recreation department			165,460		165,460
Community promotion			44,441		44,441
Streets		60,452	510,040		510,040
Miscellaneous		-	-	185,040	185,040
Debt Service:					
Principal	63,205	72,728	158,376	-	158,376
Interest	2,976	29,485	35,257	-	35,257
TOTAL EXPENDITURES	915,670	162,665	4,381,037	185,040	4,566,077
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(724,623)	(129,746)	(79,466)	7,733	(71,733)
OTHER FINANCING SOURCES (USES):					
Sale of assets	9,800	-	13,505	-	13,505
Lease proceeds	125,338		199,885		199,885
Insurance proceeds	56,029		56,029		56,029
Transfers in	330,926	127,951	637,258	-	637,258
Transfers out	(102,213)	-	(694,669)	-	(694,669)
TOTAL OTHER FINANCING SOURCES (USES)	419,880	127,951	212,008	-	212,008
NET CHANGE IN FUND BALANCES	(304,743)	(1,795)	132,542	7,733	140,275
FUND BALANCES - JULY 1	408,877	51,399	6,143,433	215,160	6,358,593
FUND BALANCES - JUNE 30	\$ 104,134	\$ 49,604	\$ 6,275,975	\$ 222,893	\$ 6,498,868

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, 2024

Net change in fund balances - total governmental funds \$ 132,542

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	(764,439)
Capital outlay	971,015
Net book value of assets disposed	(37,922)

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	158,376
Issuance of debt/leases	(199,885)

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	58,912
Accrued absences at the end of the year	(63,046)

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.

142,896

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	7,999
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Change in net position of governmental activities	\$ 406,448
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See notes to financial statements.

CITY OF CARO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	<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>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,302,879	\$ 1,105,644	\$ 3,408,523	\$ 429,623
Accounts receivable	136,494	233,218	369,712	-
Prepaid expenses	5,648	16,729	22,377	1,539
Restricted cash	165,121	559,822	724,943	-
Capital assets	10,466,878	22,594,877	33,061,755	2,002,915
Less accumulated depreciation & amortization	(5,795,386)	(14,929,967)	(20,725,353)	(1,297,642)
TOTAL ASSETS	<u>\$ 7,281,634</u>	<u>\$ 9,580,323</u>	<u>\$ 16,861,957</u>	<u>\$ 1,136,435</u>
<u>LIABILITIES & NET POSITION</u>				
Liabilities:				
Accounts payable	\$ 5,314	\$ 42,687	\$ 48,001	\$ 372
Customer deposits payable	10,015	-	10,015	-
Current maturities of long-term debt	105,000	405,000	510,000	-
Accrued interest payable	1,106	6,752	7,858	-
Interfund advances	-	114,000	114,000	214,818
Revenue bonds payable - long-term	103,215	1,257,114	1,360,329	-
Total Liabilities	<u>224,650</u>	<u>1,825,553</u>	<u>2,050,203</u>	<u>215,190</u>
Net Position:				
Net investment in capital assets	4,462,171	5,996,044	10,458,215	705,273
Restricted	165,121	559,822	724,943	-
Unrestricted	2,429,692	1,198,904	3,628,596	215,972
Total Net Position	<u>7,056,984</u>	<u>7,754,770</u>	<u>14,811,754</u>	<u>921,245</u>
TOTAL LIABILITIES & NET POSITION	<u>\$ 7,281,634</u>	<u>\$ 9,580,323</u>	<u>\$ 16,861,957</u>	<u>\$ 1,136,435</u>

See notes to financial statements.

CITY OF CARO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS	ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES:				
Water & sewer system sales	\$ 1,129,804	\$ 1,545,188	\$ 2,674,992	\$ -
Equipment rent	-	-	-	277,649
Other services, charges & sales	12,526	20,778	33,304	-
Interest & penalties	10,537	-	10,537	-
Miscellaneous	1,819	146	1,965	-
TOTAL OPERATING REVENUES	1,154,686	1,566,112	2,720,798	277,649
OPERATING EXPENSES:				
Salaries & wages	176,021	295,538	471,559	25,538
Payroll taxes	12,443	22,975	35,418	1,748
Fringe benefits	54,089	124,946	179,035	7,439
Operating supplies	156,669	195,090	351,759	22,096
General fund administrative	10,000	-	10,000	40,000
Contracted services	446,026	253,499	699,525	62,559
Telephone	1,194	2,536	3,730	710
Insurance	10,849	32,743	43,592	3,109
Heat, light & power	127,393	143,925	271,318	22,487
Depreciation & amortization	336,656	683,473	1,020,129	102,620
Equipment rental	62,157	22,777	84,934	-
Other	13,777	20,323	34,100	1,464
TOTAL OPERATING EXPENSES	1,407,274	1,797,825	3,205,099	289,770
OPERATING INCOME (LOSS)	(252,588)	(231,713)	(484,301)	(12,121)
NON-OPERATING REVENUES (EXPENSES)				
Gain (loss) on sale of fixed assets	-	-	-	3,205
Interest earned	83,615	67,516	151,131	14,126
Interest expense	(4,982)	(31,823)	(36,805)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	78,633	35,693	114,326	17,331
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(173,955)	(196,020)	(369,975)	5,210
OPERATING TRANSFERS IN (OUT)				
Transfers in	-	-	-	57,411
TOTAL OPERATING TRANSFERS IN (OUT)	-	-	-	57,411
CHANGES IN NET POSITION	(173,955)	(196,020)	(369,975)	62,621
TOTAL NET POSITION - JULY 1	7,230,939	7,950,790	15,181,729	858,624
TOTAL NET POSITION - JUNE 30	\$ 7,056,984	\$ 7,754,770	\$ 14,811,754	\$ 921,245

See notes to financial statements.

CITY OF CARO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 1,119,681	\$ 1,511,495	\$ 2,631,176	\$ -
Receipts from interfund services provided	-	-	-	226,969
Payments to suppliers	(792,532)	(621,866)	(1,414,398)	(156,505)
Payments to employees	(242,553)	(443,459)	(686,012)	(34,725)
Net cash provided by operating activities	<u>84,596</u>	<u>446,170</u>	<u>530,766</u>	<u>35,739</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other funds	-	-	-	57,411
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,411</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases/construction of capital assets	(303,030)	(441,409)	(744,439)	(22,344)
Gain on sale of asset	-	-	-	3,205
Principal paid on debt	(105,000)	(395,000)	(500,000)	-
Interest paid on debt	(5,540)	(33,428)	(38,968)	-
Net cash provided (used) by capital and related financing activities	<u>(413,570)</u>	<u>(869,837)</u>	<u>(1,283,407)</u>	<u>(19,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	83,615	67,516	151,131	14,126
Net cash provided by investing activities	<u>83,615</u>	<u>67,516</u>	<u>151,131</u>	<u>14,126</u>
Net increase in cash and cash equivalents	(245,359)	(356,151)	(601,510)	88,137
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,713,359</u>	<u>2,021,617</u>	<u>4,734,976</u>	<u>341,486</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,468,000</u>	<u>\$ 1,665,466</u>	<u>\$ 4,133,466</u>	<u>\$ 429,623</u>
Reconciliation of operating income to net cash provided used by operating activities:				
Operating income (loss)	\$ (252,588)	\$ (231,713)	\$ (484,301)	\$ (12,121)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	336,656	683,473	1,020,129	102,620
(Increase) decrease in accounts receivable	(35,005)	(54,617)	(89,622)	-
(Increase) decrease in inventory	53,000	38,000	91,000	-
Increase (decrease) in accounts payable	(17,467)	11,027	(6,440)	(4,080)
Increase (decrease) in interfund advances	-	-	-	(50,680)
Total adjustments	<u>337,184</u>	<u>677,883</u>	<u>1,015,067</u>	<u>47,860</u>
Net cash provided by operating activities	<u>\$ 84,596</u>	<u>\$ 446,170</u>	<u>\$ 530,766</u>	<u>\$ 35,739</u>

See notes to financial statements.

CITY OF CARO
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024

	Custodial Tax Collection Fund
<u>ADDITIONS</u>	
Collection of taxes for other governments	\$ 3,313,578
<u>DEDUCTIONS</u>	
Payment of taxes collected for other governments	3,313,578
Net change in fiduciary net position	-
<u>NET POSITION</u>	
Beginning of year	-
End of year	\$ -

See notes to financial statements.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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 54 and 55 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, 2024

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, 2024

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, 2024

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

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

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
General Fund			
Legislative	\$ 22,745	\$ 22,941	\$ 196
Elections	29,512	30,534	1,022
Clerk	104,001	104,731	730
Treasurer	92,214	110,853	18,639
Police department	868,710	911,381	42,671
Planning and zoning	49,389	51,892	2,503
Recreation department	162,098	165,460	3,362
Community promotion	43,671	44,441	770
Debt service - principal	20,036	22,443	2,407
Debt service - interest	2,375	2,796	421
Major Street Fund			
Construction	100,530	105,849	5,319
Routine maintenance	57,489	59,460	1,971
Local Street Fund			
Routine maintenance	187,397	196,674	9,277
Refuse Fund			
Wages and benefits	49,206	51,493	2,287
Contracted services	460,019	482,275	22,256
Miscellaneous	15,508	16,334	826
Fire Fund			
Contracted services	56,358	56,396	38
Capital outlay	487,233	571,202	83,969
Debt service - interest	-	2,976	2,976

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

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

1. Cash, cash equivalents, 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.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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.
- 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. Prepaid items

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:

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

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.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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.

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 non-cancelable leases of equipment. The City recognizes lease liabilities and intangible right-to-use lease assets 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.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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.

The 2023 taxable valuation of the City totaled \$95,961,609, on which ad valorem taxes consisted of 16.1643 mills for operating purposes. This resulted in \$1,548,290 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, 2024

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, 2024, \$4,345,428 of the City's bank balance of \$10,911,769 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of the City's deposits was \$10,838,507.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

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

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

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

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

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

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

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

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

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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, 2024:

Cash - Governmental Activities	\$ 6,481,058
Cash - Business-Type Activities	3,408,523
Restricted Cash - Business-Type Activities	724,943
Cash - Component Unit	223,983
	\$ 10,838,507

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances for the year ended June 30, 2024 consisted of the following amounts:

		RECEIVABLE	
		General Fund	TOTAL
PAYABLE	Sewage Disposal Fund	\$ 114,000	\$ 114,000
	Internal Service Fund	214,818	214,818
	Total	\$ 328,818	\$ 328,818

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

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 4 – CAPITAL ASSETS:

A summary of property, plant, and equipment at June 30, 2024 is as follows:

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized				
Land	\$ 582,286	\$ -	\$ -	\$ 582,286
Construction-in-progress	380,215	50,850	380,215	50,850
Total capital assets not being depreciated/amortized	<u>962,501</u>	<u>50,850</u>	<u>380,215</u>	<u>633,136</u>
Capital assets being depreciated/amortized				
Land improvements	5,497,108	601,927		6,099,035
Infrastructure	11,795,887			11,795,887
Buildings, additions and improvements	1,962,378	78,300		2,040,678
Machinery and equipment	1,998,415	397,923	28,786	2,367,552
Right to use - leased equipment	54,067	199,885	41,369	212,583
Motor vehicles and related equipment	1,980,570	22,345		2,002,915
Total capital assets being depreciated/amortized	<u>23,288,425</u>	<u>1,300,380</u>	<u>70,155</u>	<u>24,518,650</u>
Less accumulated depreciation/amortization for				
Land improvements	55,276	37,983		93,259
Infrastructure	4,428,554	416,734		4,845,288
Buildings, additions and improvements	507,222	59,264		566,486
Machinery and equipment	1,411,145	112,469	28,786	1,494,828
Right to use - leased equipment	7,636	35,369	3,447	39,558
Motor vehicles and related equipment	1,195,022	102,620		1,297,642
Total accumulated depreciation/amortization	<u>7,604,855</u>	<u>764,439</u>	<u>32,233</u>	<u>8,337,061</u>
Net capital assets being depreciated/amortized	<u>15,683,570</u>	<u>535,941</u>	<u>37,922</u>	<u>16,181,589</u>
Governmental activities capital assets, net	<u>\$ 16,646,071</u>	<u>\$ 586,791</u>	<u>\$ 418,137</u>	<u>\$ 16,814,725</u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Business-type activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 118,436	\$ -	\$ -	\$ 118,436
Construction-in-progress	-	441,409		441,409
Total capital assets not being depreciated	<u>118,436</u>	<u>441,409</u>	<u>-</u>	<u>559,845</u>
Capital assets being depreciated				
Buildings, additions and improvements	14,472,198			14,472,198
Machinery and equipment	6,616,266	286,414		6,902,680
Motor vehicles and related equipment	983,599			983,599
Water system	6,157,016	16,616		6,173,632
Sewer system	3,969,801			3,969,801
Total capital assets being depreciated	<u>32,198,880</u>	<u>303,030</u>	<u>-</u>	<u>32,501,910</u>
Less accumulated depreciation for				
Buildings, additions and improvements	8,450,332	292,454		8,742,786
Machinery and equipment	5,267,757	427,596		5,695,353
Motor vehicles and related equipment	777,898	23,055		800,953
Water system	2,478,394	191,043		2,669,437
Sewer system	2,730,843	85,981		2,816,824
Total accumulated depreciation	<u>19,705,224</u>	<u>1,020,129</u>	<u>-</u>	<u>20,725,353</u>
Net capital assets being depreciated	<u>12,493,656</u>	<u>(717,099)</u>	<u>-</u>	<u>11,776,557</u>
Business-type activities capital assets, net	<u>\$ 12,612,092</u>	<u>\$ (275,690)</u>	<u>\$ -</u>	<u>\$ 12,336,402</u>
Component unit	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 558,431	\$ -	\$ -	\$ 558,431
Total capital assets not being depreciated	<u>558,431</u>	<u>-</u>	<u>-</u>	<u>558,431</u>
Capital assets being depreciated				
Land improvements	681,793			681,793
Infrastructure	2,938,775			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	203,629	13,307		216,936
Infrastructure	1,757,168	94,572		1,851,740
Machinery and equipment	19,001	1,531		20,532
Total accumulated depreciation	<u>1,979,798</u>	<u>109,410</u>	<u>-</u>	<u>2,089,208</u>
Net capital assets being depreciated	<u>1,669,464</u>	<u>(109,410)</u>	<u>-</u>	<u>1,560,054</u>
Component unit capital assets, net	<u>\$ 2,227,895</u>	<u>\$ (109,410)</u>	<u>\$ -</u>	<u>\$ 2,118,485</u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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	\$ 764,439
Business-type activities	1,020,129
Component unit	<u>109,410</u>
 Total depreciation expense	 <u><u>\$ 1,893,978</u></u>

Depreciation/amortization expense for the year ended June 30, 2024 amounted to \$1,893,978. The City determined that it was impractical to allocate governmental activities depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - 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, 2024:

	General obligation bonds	Notes from direct borrowings and direct placements	Compensated absences	Total
<u>GOVERNMENTAL ACTIVITIES:</u>				
Balance July 1, 2023	\$ -	\$ 708,946	\$ 58,912	\$ 767,858
Additions		199,885	4,134	204,019
Deletions		<u>(158,376)</u>		<u>(158,376)</u>
Balance June 30, 2024	-	750,455	63,046	813,501
Due within one year		114,623		114,623
Due in more than one year	<u>\$ -</u>	<u>\$ 635,832</u>	<u>\$ 63,046</u>	<u>\$ 698,878</u>
 <u>BUSINESS-TYPE ACTIVITIES:</u>				
Balance July 1, 2023	\$ 2,370,329	\$ -	\$ -	\$ 2,370,329
Additions				-
Deletions	<u>(500,000)</u>			<u>(500,000)</u>
Balance June 30, 2024	1,870,329	-	-	1,870,329
Due within one year	510,000			510,000
Due in more than one year	<u>\$ 1,360,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360,329</u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Long-term obligations at June 30, 2024 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.	\$ 224,974
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.	368,272
Police vehicle lease due in annual installments of \$10,146 through September 2026, with an implied interest rate of 6.9%.	26,678
Postage machine lease due in quarterly installments of \$508 through December 2027, with an implied interest rate of 3.0%	6,727
Copy machine lease due in monthly installments of \$398 through April 2029, with an implied interest rate of 5.3%	20,312
Police vehicle lease due in annual installments of \$12,265 through September 2027, with an implied interest rate of 7.2%.	41,359
Fire Department vehicle lease due in annual installments of \$11,617 through November 2026, with an interest rate of 9.19%.	29,307
Fire Department vehicle lease due in annual installments of \$10,219 through January 2028, with an interest rate of 9.39%.	32,826
	<hr/>
Total notes from direct borrowings and direct placements	750,455
Compensated absences	63,046
Total governmental activities long-term obligations	<hr/> <hr/> \$ 813,501

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%.	\$ 208,215
County revenue bonds, totaling \$7,730,000 with an interest rate of 1.625% for waste treatment plant upgrades.	1,662,114
Total business-type activities long-term obligations	<hr/> <hr/> \$ 1,870,329

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2024 are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>NOTES FROM DIRECT</u>		<u>GENERAL OBLIGATION</u>		
	<u>BORROWINGS AND DIRECT</u>		<u>BONDS</u>		
	<u>PLACEMENTS</u>				
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 114,622	\$ 38,168	\$ 510,000	\$ 30,318	\$ 693,108
2026	120,299	32,034	513,215	21,525	687,073
2027	127,300	25,541	420,000	13,766	586,607
2028	111,865	18,635	427,114	6,940	564,554
2029	92,450	13,098	-	-	105,548
2030-2033	183,919	23,792	-	-	207,711
	750,455	151,268	1,870,329	72,549	2,844,601
Compensated absences	63,046				63,046
	<u>\$ 813,501</u>	<u>\$ 151,268</u>	<u>\$ 1,870,329</u>	<u>\$ 72,549</u>	<u>\$ 2,907,647</u>

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$750,455 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, 2024 was \$35,257.

NOTE 6 - 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, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	7
Inactive members entitled to, not yet receiving benefits	3
Active plan members	0
Total participants	<u>10</u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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, 2023.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 31, 2023 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	6.35% net of investment expense, including inflation,
Mortality Table	As set forth in IRS Regulations for 2023 (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, 2023 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	38.50%	7.65%
International equity	16.50%	7.65%
Fixed income	35.00%	5.25%
Multi-manager alternatives	8.00%	3.00%
Cash	2.00%	3.00%
	100.0%	

The sum of each target allocation times its long-term expected rate is 6.35%.

Discount Rate - The discount rate used to measure the total pension liability was 6.35%. 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 6.12%.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Net Pension Liability

Changes in the Net Pension Liability (Asset) -

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
Balance at July 31, 2022	\$ 1,124,827	\$ 1,617,300	\$ (492,473)
Changes during the year			
Service cost			-
Interest	66,719		66,719
Experience (gains)/losses	2,263		2,263
Change of assumptions	(15,982)		(15,982)
Contributions - employer			-
Contributions - employee			-
Net investment income		83,938	(83,938)
Benefit payments;	(69,267)	(69,267)	-
Including refunds of employee contributions		(14,151)	14,151
Administrative expenses			-
Other changes			-
Total changes	<u>(16,267)</u>	<u>520</u>	<u>(16,787)</u>
Balance at July 31, 2023	<u><u>\$ 1,108,560</u></u>	<u><u>\$ 1,617,820</u></u>	<u><u>\$ (509,260)</u></u>

Discount Rate Sensitivities - The following presents the net pension liability (NPL) of the City, calculated using the discount rate of 6.35%, 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 (5.35%) or 1 percentage point higher (7.35%) than the current rate:

	<u>1% Lower</u>	<u>Discount Rate</u>	<u>1% Higher</u>
Total Pension Liability	\$ 1,200,807	\$ 1,108,560	\$ 1,028,026
Plan Fiduciary Net Position	1,617,820	1,617,820	1,617,820
Net Pension Liability (Asset)	<u><u>\$ (417,013)</u></u>	<u><u>\$ (509,260)</u></u>	<u><u>\$ (589,794)</u></u>

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

Deferred Inflows and Outflows of Resources Related to Pension Plan -For the year ended June 30, 2024, the City recognized pension benefit of approximately \$8,000. 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	\$ 93,155	\$ -
	<u><u>\$ 93,155</u></u>	<u><u>\$ -</u></u>

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

Year ended June 30,	Amount
2025	\$ 13,410
2026	16,285
2027	60,962
2028	2,498

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, 2024, 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 \$0 and the total employer contributions were \$124,829 for the year ended June 30, 2024. 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 \$1,445,985 were held at June 30, 2024.

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 7 – RESTRICTED CASH:

Restricted cash for debt retirement and maintenance.

PROPRIETARY
\$724,943

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE 8 – INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended June 30, 2024 consisted of the following amounts:

		Transfers Out		
		General Fund	Major Street & Trunkline Fund	Fire Fund
Transfers In	Local Street Fund		\$ 128,381	\$ 128,381
	Fire Fund	\$ 330,926		330,926
	Refuse/Sanitation Fund	50,000		50,000
	Nonmajor Governmental	25,738		127,951
	Internal Service Fund	57,411	\$ 102,213	57,411
	Total	<u>\$ 464,075</u>	<u>\$ 128,381</u>	<u>\$ 102,213</u>

NOTE 9 - SEGMENT INFORMATION:

The City maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2024, is as follows:

	WATER	SEWAGE DISPOSAL	TOTAL ENTERPRISE FUNDS
Operating revenue	\$ 1,154,686	\$ 1,566,112	\$ 2,720,798
Depreciation & amortization expense	336,656	683,473	1,020,129
Operating income (loss)	(252,588)	(231,713)	(484,301)
Change in net position	(173,955)	(196,020)	(369,975)
Property, plant & equipment:			
Additions	303,030	441,409	744,439
Dispositions	-	-	-
Net working capital (deficit)	2,323,586	901,152	3,224,738
Total identifiable assets	7,281,634	9,580,323	16,861,957
Total net position	7,056,984	7,754,770	14,811,754

NOTE 10 – 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, 2024

NOTE 11 – RISK MANAGEMENT:

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, data breach, and auto losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

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, 2024, the City's property tax revenue for general operations were reduced by \$508 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. 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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

CITY OF CARO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- a. Management’s discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

NOTE 15 – SUBSEQUENT EVENT:

In September 2024, the City approved the Wastewater System Revenue Bond, Series 2024 (Junior Lien) in the amount of \$11,140,000 for sewer system upgrades.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 1,698,076	\$ 1,623,769	\$ 1,616,036	\$ (7,733)
Licenses & permits	45,050	32,964	37,986	5,022
Intergovernmental revenue:				
Federal	309,895	646	646	-
State	572,320	656,061	752,682	96,621
Charges for services	75,250	213,467	78,257	(135,210)
Fines & forfeitures	3,000	15,226	15,696	470
Miscellaneous	79,600	389,553	231,175	(158,378)
TOTAL REVENUES	2,783,191	2,931,686	2,732,478	(199,208)
EXPENDITURES:				
Legislative	31,035	22,745	22,941	(196)
Elections	65,280	29,512	30,534	(1,022)
Board of review	3,885	2,296	2,296	-
Assessor	31,590	35,083	35,083	-
Executive	123,585	89,732	89,288	444
Clerk	111,190	104,001	104,731	(730)
Treasurer	86,934	92,214	110,853	(18,639)
Buildings & grounds	730,014	489,177	421,193	67,984
Historical center	-	241	241	-
Police department	991,577	868,710	911,381	(42,671)
Planning & zoning	71,956	49,389	51,892	(2,503)
Public works department	314,542	289,699	287,439	2,260
Recreation department	207,486	162,098	165,460	(3,362)
Community promotion	39,245	43,671	44,441	(770)
Debt service:				
Principal	-	20,036	22,443	(2,407)
Interest	-	2,375	2,796	(421)
TOTAL EXPENDITURES	2,808,319	2,300,979	2,303,012	(2,033)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,128)	630,707	429,466	(201,241)
OTHER FINANCING SOURCES (USES):				
Sale of fixed assets	-	3,705	3,705	-
Lease proceeds	45,000	-	74,547	74,547
Transfers in	51,080	52,080	-	(52,080)
Transfers out	(462,055)	(514,755)	(464,075)	50,680
TOTAL OTHER FINANCING SOURCES (USES):	(365,975)	(458,970)	(385,823)	73,147
NET CHANGE IN FUND BALANCE	\$ (391,103)	\$ 171,737	43,643	\$ (128,094)
FUND BALANCE - JULY 1			3,497,114	
FUND BALANCE - JUNE 30			\$ 3,540,757	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET & TRUNKLINE FUND
YEAR ENDED JUNE 30, 2024

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes	\$ 87,000	\$ 86,723	\$ 86,723	\$ -
Intergovernmental revenue	437,000	334,436	436,222	101,786
Miscellaneous	8,000	36,151	66,162	30,011
TOTAL REVENUES	<u>532,000</u>	<u>457,310</u>	<u>589,107</u>	<u>131,797</u>
EXPENDITURES:				
Construction	250,000	100,530	105,849	(5,319)
Routine maintenance - street & storm sewers	78,832	57,489	59,460	(1,971)
Snow & ice controls	16,400	4,985	4,985	-
Sweeping & flushing	6,900	3,204	3,094	110
Draining, signs & signals	-	77	77	-
Administrative	39,827	39,681	39,292	389
TOTAL EXPENDITURES	<u>391,959</u>	<u>205,966</u>	<u>212,757</u>	<u>(6,791)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>140,041</u>	<u>251,344</u>	<u>376,350</u>	<u>125,006</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(125,100)</u>	<u>(128,381)</u>	<u>(128,381)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 14,941</u>	<u>\$ 122,963</u>	247,969	<u>\$ 125,006</u>
FUND BALANCE - JULY 1			<u>1,791,281</u>	
FUND BALANCE - JUNE 30			<u>\$ 2,039,250</u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2024

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 43,600	\$ 43,168	\$ 43,168	\$ -
Intergovernmental revenue	183,180	129,810	189,293	59,483
Miscellaneous	2,000	6,266	12,549	6,283
TOTAL REVENUES	228,780	179,244	245,010	65,766
EXPENDITURES:				
Routine maintenance - street & storm sewers	284,890	187,397	196,674	(9,277)
Administrative	40,235	40,487	40,157	330
TOTAL EXPENDITURES	325,125	227,884	236,831	(8,947)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(96,345)	(48,640)	8,179	56,819
OTHER FINANCING SOURCES (USES):				
Transfers in	125,100	128,381	128,381	-
NET CHANGE IN FUND BALANCE	\$ 28,755	\$ 79,741	136,560	\$ 56,819
FUND BALANCE - JULY 1			269,726	
FUND BALANCE - JUNE 30			\$ 406,286	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REFUSE/SANITATION FUND
YEAR ENDED JUNE 30, 2024

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Charges for services	\$ 488,210	\$ 405,181	\$ 498,929	\$ 93,748
Miscellaneous	<u>5,700</u>	<u>5,760</u>	<u>12,081</u>	<u>6,321</u>
TOTAL REVENUES	<u>493,910</u>	<u>410,941</u>	<u>511,010</u>	<u>100,069</u>
EXPENDITURES:				
Sanitation:				
Wages and benefits	47,343	49,206	51,493	(2,287)
Contracted services	481,665	460,019	482,275	(22,256)
Miscellaneous	<u>10,520</u>	<u>15,508</u>	<u>16,334</u>	<u>(826)</u>
TOTAL EXPENDITURES	<u>539,528</u>	<u>524,733</u>	<u>550,102</u>	<u>(25,369)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(45,618)</u>	<u>(113,792)</u>	<u>(39,092)</u>	<u>74,700</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (45,618)</u></u>	<u><u>\$ (63,792)</u></u>	10,908	<u><u>\$ 74,700</u></u>
FUND BALANCE - JULY 1			<u>125,036</u>	
FUND BALANCE - JUNE 30			<u><u>\$ 135,944</u></u>	

CITY OF CARO
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
YEAR ENDED JUNE 30, 2024

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES:				
Charges for services	\$ 155,822	\$ 171,593	\$ 171,698	\$ 105
Intergovernmental revenue	-	10,000	10,000	-
Miscellaneous	4,346	6,940	9,349	2,409
TOTAL REVENUES	160,168	188,533	191,047	2,514
EXPENDITURES:				
Fire:				
Wages and benefits	175,179	140,976	140,856	120
Contracted services	56,535	56,358	56,396	(38)
Capital outlay	140,050	487,233	571,202	(83,969)
Insurance	23,065	28,842	28,842	-
Administrative expense	10,000	10,000	10,000	-
Miscellaneous	54,052	44,376	42,193	2,183
Debt service:				
Principal	14,000	66,181	63,205	2,976
Interest	6,000	-	2,976	(2,976)
TOTAL EXPENDITURES	478,881	833,966	915,670	(81,704)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(318,713)	(645,433)	(724,623)	(79,190)
OTHER FINANCING SOURCES (USES):				
Lease proceeds	90,000	41,369	125,338	83,969
Insurance proceeds	-	56,029	56,029	-
Sale of assets	-	6,800	9,800	3,000
Transfers in	330,926	330,926	330,926	-
Transfers out	(102,213)	(102,213)	(102,213)	-
NET CHANGE IN FUND BALANCE	\$ -	\$ (312,522)	(304,743)	\$ 7,779
FUND BALANCE - JULY 1			408,877	
FUND BALANCE - JUNE 30			\$ 104,134	

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>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>	<u>2014</u>
TOTAL PENSION LIABILITY:										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,752
Interest	66,719	70,423	69,462	78,595	76,981	74,917	71,285	76,234	75,657	85,869
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	2,263	(1,653)	5,626	(227,751)	2,929	5,859	8,605	7,223	3,626	(722)
Change of assumptions	(15,982)	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>(69,267)</u>	<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>
NET CHANGE IN TOTAL PENSION LIABILITY	(16,267)	68,742	(16,685)	(327,099)	(58,496)	38,435	(89,624)	110,309	(32,473)	46,482
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,124,827	1,056,085	1,072,770	1,399,869	1,458,365	1,419,930	1,509,554	1,399,245	1,431,718	1,385,236
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,108,560	1,124,827	1,056,085	1,072,770	1,399,869	1,458,365	1,419,930	1,509,554	1,399,245	1,431,718
PLAN FIDUCIARY NET POSITION:										
Contributions - employee	-	-	-	-	-	-	-	-	-	836
Net investment income	83,938	(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)	(69,267)	(67,944)	(75,142)	(89,538)	(86,552)	(85,557)	(85,557)	(85,557)	(87,043)	(74,581)
Administrative expenses	<u>(14,151)</u>	<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>
NET CHANGE IN FIDUCIARY NET POSITION	520	(250,167)	239,075	1,679	(46,322)	25,539	69,614	(74,568)	(23,683)	88,815
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,617,300	1,867,467	1,628,392	1,626,713	1,673,035	1,647,496	1,577,882	1,652,450	1,676,133	1,587,318
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	1,617,820	1,617,300	1,867,467	1,628,392	1,626,713	1,673,035	1,647,496	1,577,882	1,652,450	1,676,133
NET PENSION LIABILITY - ENDING (a)-(b)	<u>\$ (509,260)</u>	<u>\$ (492,473)</u>	<u>\$ (811,382)</u>	<u>\$ (555,622)</u>	<u>\$ (226,844)</u>	<u>\$ (214,670)</u>	<u>\$ (227,566)</u>	<u>\$ (68,328)</u>	<u>\$ (253,205)</u>	<u>\$ (244,415)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	145.94%	143.78%	176.83%	151.79%	116.20%	114.72%	116.03%	104.53%	118.10%	117.07%
COVERED EMPLOYEE PAYROLL	-	-	-	-						
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	N/A	N/A	N/A	N/A						

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>2024</u>	<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	-	-	-	-	-	-	-	-	-	-
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%	0.00%

CITY OF CARO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024

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, 2024

	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u> <u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 44,839	\$ 376	\$ 45,215
Accounts receivable	-	23,707	-	23,707
Taxes receivable	-	3,799	-	3,799
Prepaid expenditures	-	612	-	612
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 72,957</u>	<u>\$ 376</u>	<u>\$ 73,333</u>
<u>LIABILITIES & FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 22	\$ -	\$ 22
Unearned revenue	-	23,707	-	23,707
Total Liabilities	-	23,729	-	23,729
Fund Balances:				
Nonspendable for prepaid	-	612	-	612
Restricted for:				
Streets		48,616		48,616
Drug forfeiture			376	376
Total Fund Balances	-	49,228	376	49,604
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 72,957</u>	<u>\$ 376</u>	<u>\$ 73,333</u>

CITY OF CARO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2024

	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
		<u>MUNICIPAL STREET</u>	<u>DRUG FORFEITURE</u>	
REVENUES:				
Special assessments	\$ -	\$ 31,346	\$ -	\$ 31,346
Miscellaneous		1,560	13	1,573
TOTAL REVENUES	<u>-</u>	<u>32,906</u>	<u>13</u>	<u>32,919</u>
EXPENDITURES:				
Streets		60,452		60,452
Debt service:				
Principal	72,728			72,728
Interest	29,485			29,485
TOTAL EXPENDITURES	<u>102,213</u>	<u>60,452</u>	<u>-</u>	<u>162,665</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(102,213)</u>	<u>(27,546)</u>	<u>13</u>	<u>(129,746)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	102,213	25,738	-	127,951
TOTAL OTHER FINANCING SOURCES (USES)	<u>102,213</u>	<u>25,738</u>	<u>-</u>	<u>127,951</u>
NET CHANGE IN FUND BALANCES	-	(1,808)	13	(1,795)
FUND BALANCES - JULY 1	<u>-</u>	<u>51,036</u>	<u>363</u>	<u>51,399</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 49,228</u>	<u>\$ 376</u>	<u>\$ 49,604</u>

CITY OF CARO
GOVERNMENTAL COMPONENT UNIT
BALANCE SHEET
JUNE 30, 2024

**DOWNTOWN
DEVELOPMENT
AUTHORITY**

ASSETS

Cash and cash equivalents	\$	223,983
Prepaid expenditures		276
		223,983
TOTAL ASSETS	\$	224,259
		224,259

LIABILITIES & FUND BALANCE

Liabilities:		
Accounts payable		1,366
		1,366
Total Liabilities		1,366
Fund Balance:		
Nonspendable for prepaid		276
Restricted		222,617
		222,893
Total Fund Balance		222,893
TOTAL LIABILITIES & FUND BALANCE	\$	224,259
		224,259

CITY OF CARO
GOVERNMENTAL COMPONENT UNIT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2024

DOWNTOWN DEVELOPMENT AUTHORITY			
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:			
Taxes	\$ 146,218	\$ 146,217	\$ (1)
Miscellaneous	39,319	46,556	7,237
TOTAL REVENUES	185,537	192,773	7,236
EXPENDITURES:			
Contract services	1,000	1,000	-
Miscellaneous	181,227	184,040	(2,813)
TOTAL EXPENDITURES	182,227	185,040	(2,813)
NET CHANGE IN FUND BALANCE	\$ 3,310	7,733	\$ 4,423
FUND BALANCE - JULY 1		215,160	
FUND BALANCE - JUNE 30		\$ 222,893	

CITY OF CARO
MAJOR STREET AND TRUNKLINE AND LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2024

	MAJOR STREET & TRUNKLINE	LOCAL STREET
EXPENDITURES:		
Construction - roads, streets & storm sewers:		
Labor	\$ 94	\$ -
Benefits	14	-
Contracted services	105,741	-
Total Construction - road, streets & storm sewers	105,849	-
Routine Maintenance - streets & storm sewers		
Labor	13,420	33,609
Benefits	6,301	9,834
Equipment rent	31,142	61,188
Materials	7,661	7,143
Contracted services	936	84,900
Total Routine Maintenance - streets & storm sewers	59,460	196,674
Snow & Ice Control:		
Labor	1,263	-
Benefits	131	-
Equipment rent	3,591	-
Total Snow & Ice Control	4,985	-
Sweeping & Flushing:		
Labor	541	-
Benefits	76	-
Equipment rent	2,477	-
Total Sweeping & Flushing	3,094	-
Drainage, Signs & Signals:		
Labor	46	-
Benefits	7	-
Equipment rent	24	-
Total Drainage, Signs & Signals	77	-
Administration:		
General fund administration	34,928	34,691
Contracted services	2,292	2,179
Insurance	2,072	3,287
Total Administration	39,292	40,157
TOTAL EXPENDITURES	\$ 212,757	\$ 236,831



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Thomas B. Doran, CPA
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**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, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 11, 2024.

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 certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

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 2024-001.

CITY OF CARO'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City of Caro's response to the findings 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

December 11, 2024

CITY OF CARO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

Finding 2024-001 – 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.

CITY OF CARO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024

Finding 2024-002 – Considered a significant deficiency in internal control over financial reporting.

Criteria:

Professional standards requires auditors to evaluate entries posted subsequent to year-end and assess whether the entries are period-end closing, cut-off entries, or entries that should have been recorded throughout the year.

Condition:

Adjustments were made to the general ledger subsequent to year-end, which resulted in several changes to the final trial balances. Timely review and reconciliation of accounts was not consistently performed during the year.

Cause:

The majority of adjustments and corrections proposed resulted from lack of timely review of account reconciliations.

Effect:

Adjustments that were identified during the audit, either by management or as a result of audit procedures, impacted expenditures, revenues, assets, and liabilities within the governmental funds. These adjustments were corrected by management and are reflected in the financial statements.

Recommendation:

General ledger accounts should be reconciled on a regular basis in order to present accurate financial statements to management and City Council.

Corrective Action Response:

We will review our year-end entry procedures and work to make sure accounts are reconciled throughout the year.



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

Certified Public Accountants

Valerie J. Hartel, CPA
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.....

.....
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Kendra K. Bednarski, CPA

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, 2024. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2024. 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:

Management's estimate of the net pension asset and the related deferred outflows of resources are based on an actuarial study, which utilized certain actuarial assumptions. We evaluated the methods, assumptions, and data used to develop the balance of the net pension asset and related deferred outflows of resources in determining that they are 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 current hourly rates and policies regarding payment of sick and vacation banks. We evaluated the methods, assumptions, and data 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's estimate of depreciation expense is based on an estimate of the useful lives of capital assets. We evaluated the methods, assumptions, and data used by management to develop the estimated life span of 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 December 11, 2024.

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 information and 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

December 11, 2024