

Audited Financial Statements

City of Clare
Clare and Isabella Counties, Michigan

*Year Ended June 30, 2018
with Report of Independent Auditors*



City of Clare

Audited Financial Statements

Year Ended June 30, 2018

Contents

Report of Independent Auditors.....1

Required Supplementary Information

Management’s Discussion and Analysis4

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position12

Statement of Activities.....13

Fund Financial Statements

Governmental Funds Balance Sheet14

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position15

Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances16

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities.....17

Proprietary Funds Statement of Net Position.....18

Reconciliation of the Net Position on the Statement of Net
Position for Enterprise Funds to the Net Position of
Business-Type Activities on the Statement of Net Position19

Proprietary Funds Statement of Revenues, Expenses, and
Changes in Net Position.....20

Reconciliation of the Statement of Revenues, Expenses, and
Changes in Net Position of Enterprise Funds to the
Statement of Activities.....21

Proprietary Funds Statement of Cash Flows.....22

Statement of Fiduciary Net Position23

Component Units Statement of Net Position24

Reconciliation of the Component Units Balance Sheet
to the Component Units Statement of Net Position25

City of Clare

Audited Financial Statements

Year Ended June 30, 2018

Contents

Component Units Statement of Activities26
Reconciliation of the Component Units Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Component Units Statement of Activities.....27

Notes to Financial Statements.....28

Required Supplementary Information

Defined Benefit Pension Plan (MERS)
Schedule of Changes in the Employer’s Net Pension Liability and Related Ratios.....55
Schedule of Employer’s Contributions.....56
Budgetary Comparison Schedule – General Fund.....57
Budgetary Comparison Schedule – Major Streets Fund.....59

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds60
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds61
Combining Statement of Net Position – Internal Service Funds62
Combining Statement of Revenues, Expenses, and
Changes in Net Position – Internal Service Funds.....63
Combining Statement of Cash Flows – Internal Service Funds64
Combining Balance Sheet – Fiduciary Funds.....65
Combining Balance Sheet – Component Units66
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Component Units.....67

Reports Required by *Government Auditing Standards*

Independent Auditors’ Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*.....68

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clare's basic financial statements. The other supplementary information (identified in the table of contents) is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the City of Clare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clare's internal control over financial reporting and compliance.

Andrews Hooper Paulik PLC

Midland, Michigan
December 3, 2018

City of Clare

Management's Discussion and Analysis

June 30, 2018

This discussion and analysis of the City of Clare's financial performance provides an overview of the City's financial activities for the year that ended on June 30, 2018. Please read it in conjunction with the financial statements following this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$17,523,562 (net position). Of this amount, \$1,531,673 represents negative unrestricted net position. The negative unrestricted net position results from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- The City's total net position increased by \$1,351,048.
- At the close of the current year, the City's governmental funds reported combined fund balances of \$1,405,629, a decrease of \$209,250 in comparison with the prior year. Approximately 29% of this amount, which is \$405,370, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the General Fund was \$881,994, or approximately 20% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

City of Clare

Management's Discussion and Analysis

June 30, 2018

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and recreation and culture. The business-type activities of the City include sewer and water operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Local Development Financing Authority, Downtown Development Authority, and Brownfield Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

City of Clare

Management's Discussion and Analysis

June 30, 2018

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for its General and special revenue funds. Budgetary comparison schedules for each major fund have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to the City's other programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund and Water Fund, each of which is considered to be a major fund of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund. The agency funds report resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Clare

Management's Discussion and Analysis

June 30, 2018

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information related to the City's employee benefit plan and the General Fund's and Major Street Fund's performance compared to their budgets.

The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the aforementioned required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$17,523,562 at the close of the most recent year.

City of Clare's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current assets	\$ 1,490,751	\$ 1,834,726	\$ 1,486,611	\$ 1,449,245	\$ 2,977,362	\$ 3,283,971
Capital assets, net	14,022,631	12,356,608	9,730,684	9,908,786	23,753,315	22,265,394
Total assets	15,513,382	14,191,334	11,217,295	11,358,031	26,730,677	25,549,365
Deferred outflows of resources	241,268	411,924	54,042	75,560	295,310	487,484
Liabilities						
Current liabilities	390,750	476,454	180,433	220,273	571,183	696,727
Long-term liabilities	4,730,312	5,047,035	3,963,129	4,002,406	8,693,441	9,049,441
Total liabilities	5,121,062	5,523,489	4,143,562	4,222,679	9,264,624	9,746,168
Deferred inflows of resources	194,284	99,851	43,517	18,316	237,801	118,167
Net position						
Invested in capital assets, net of related debt	11,901,461	10,147,245	6,270,730	6,335,832	18,172,191	16,483,077
Restricted	702,084	553,331	180,960	148,376	883,044	701,707
Unrestricted	(2,164,241)	(1,720,658)	632,568	708,388	(1,531,673)	(1,012,270)
Total net position	\$10,439,304	\$ 8,979,918	\$ 7,084,258	\$ 7,192,596	\$17,523,562	\$16,172,514

By far, the largest portion of the City's net position 104% reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Clare

Management's Discussion and Analysis

June 30, 2018

An additional portion of the City's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining amount of (\$1,531,673) represents negative unrestricted net position created by the recording the net pension obligation as required by GASB 68.

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

City of Clare's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 878,621	\$ 874,457	1,521,780	\$ 1,480,824	2,400,401	\$ 2,355,281
Operating grants and contributions	573,793	610,666	147,577	132,647	721,370	743,313
Capital grants and contributions	1,239,129	130,023	105,196	-	1,344,325	130,023
General revenues:						
Property taxes and fees	1,806,275	1,541,114	-	-	1,806,275	1,541,114
Grants and contributions not restricted to programs	464,713	462,408	-	-	464,713	462,408
Interest earnings	13,343	7,925	5,610	3,503	18,953	11,428
Gain on sale of assets	30,650	173,787	-	-	30,650	173,787
Miscellaneous	14,401	21,457	11,259	13,682	25,660	35,139
Total revenues	5,020,925	3,821,837	1,791,422	1,630,656	6,812,347	5,452,493
Expenses						
General government	1,106,395	1,080,683	-	-	1,106,395	1,080,683
Public safety	1,107,575	1,113,056	-	-	1,107,575	1,113,056
Public works	727,112	741,156	-	-	727,112	741,156
Community development	21,059	22,865	-	-	21,059	22,865
Recreation and culture	532,067	582,334	-	-	532,067	582,334
Interest on long-term debt	67,331	45,820	-	-	67,331	45,820
Sewer	-	-	1,161,073	1,014,055	1,161,073	1,014,055
Water	-	-	738,687	676,865	738,687	676,865
Total expenses	3,561,539	3,585,914	1,899,760	1,690,920	5,461,299	5,276,834
Change in net position	1,459,386	235,923	(108,338)	(60,264)	1,351,048	175,659
Net position-beginning	8,979,918	8,743,995	7,192,596	7,252,860	16,172,514	15,996,855
Net position-ending	10,439,304	\$8,979,918	7,084,258	\$ 7,192,596	17,523,562	\$16,172,514

City of Clare

Management's Discussion and Analysis

June 30, 2018

Governmental Activities. During the current year, net position for governmental activities increased \$1,459,386 from the prior year for an ending balance of \$10,439,304. This increase was the result of a variety of factors.

Business-Type Activities. During the current year, net position for business-type activities decreased \$108,338 from the prior year for an ending balance of \$7,084,258. The current year decrease was due primarily to an increase in personnel, operating and repair expenses, and pension liabilities as well as debt reduction of \$113,000.

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At June 30, 2018, the City's governmental funds reported combined fund balances of \$1,405,629, a decrease of \$209,250 in comparison with the prior year. Approximately 29% of this amount constitutes unassigned fund balance of \$405,370, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$101,239), 2) legally required to be maintained intact (\$483,413), 3) restricted for particular purposes (\$218,671), or 4) assigned for particular purposes (\$196,936).

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$405,370, while total fund balance decreased to \$881,994. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 9% of total General Fund expenditures, while total fund balance represents approximately 20% of that same amount.

The fund balance of the City's General Fund decreased by \$352,362 during the current year. This decrease was due primarily to completion of the airport parallel taxiway, the South Multi-Purpose Recreational Complex, the first-phase rehabilitation of the historical Clare Union Railroad Depot, along with several other smaller capital improvement projects as well as debt reduction of \$88,194. Overall revenues increased \$557,121 and expenditures increased by \$995,729 compared to the prior year.

City of Clare

Management's Discussion and Analysis

June 30, 2018

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Sewer Fund at the end of the year was \$610,307 and for the Water Fund was \$356,601. The total decrease in net position for the Sewer Fund was \$156,585; while the Water Fund's net position increased by \$133,992. As noted earlier in the discussion of business-type activities, the change in net position for the Sewer Fund and Water Fund results from increased costs and reduction of debt.

General Fund Budgetary Highlights

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

Final Budget Compared to Actual Results. The most significant differences between estimated revenues and actual revenues were in the categories of state revenue, donations and contributions, and proceeds from sale of assets due to timing of grant funding and donations received for various projects. The most significant differences between estimated expenditures and actual expenditures were in the following categories: police department, fire department, street lights, parks and recreation, airport, and capital outlay and resulted from efforts to keep staffing levels reasonable based on needs and the timing and completion of projects.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$23,753,315 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the sewer and water systems. The total increase in capital assets for the current fiscal year was approximately 10%.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,387,599	\$ 4,422,399	\$ 53,389	\$ 53,389	\$ 4,440,988	\$ 4,475,788
Land improvements	4,162,674	3,682,028	31,540	33,181	4,194,215	3,715,209
Buildings	1,521,432	1,591,574	1,440,756	1,554,956	2,962,188	3,146,530
Equipment	446,820	460,363	1,163,303	1,202,794	1,610,123	1,663,157
Vehicles	1,050,763	1,034,046	-	-	1,050,763	1,034,046
System	-	-	7,003,044	7,061,966	7,003,045	7,061,966
Construction in progress	2,453,343	1,166,198	38,652	2,500	2,491,993	1,168,698
	\$14,022,631	\$12,356,608	\$ 9,730,684	\$ 9,908,786	\$23,753,315	\$22,265,394

City of Clare

Management's Discussion and Analysis

June 30, 2018

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$5,581,124. Of this amount, \$4,834,954 is debt backed by the full faith and credit of the government. The remainder of the City's long-term obligations comprises installment purchase contracts.

City of Clare's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$1,375,000	\$1,429,000	\$1,114,000	\$1,182,000	\$ 2,489,000	\$ 2,611,000
Revenue bonds	-	-	2,345,954	2,390,954	2,345,954	2,390,954
Special assessment bonds	-	-	-	-	-	-
Installment purchase contracts	746,170	780,363	-	-	746,170	780,363
	\$2,121,170	\$2,209,363	\$3,459,954	\$3,572,954	\$5,581,124	\$5,782,317

The City's total debt decreased by \$201,192, or 3.4%, during the current year. The reason for the decrease is due to the City paying off the MMCAA Installment loan related to the railroad. Also, the principal payments made in the current year were greater than the addition of a new installment loan for the purchase of a Freightliner Dump Truck.

Economic Factors and Next Year's Budgets and Rates

Revenues and expenditures for 2017-2019 are projected to increase 2% per year in each category within General Governmental Activities, slightly more within Business-Type Activities. These assumptions are based upon historical revenue and expense data that has been accumulated and extensively analyzed including changes in property taxation laws, state revenue sharing, and other regulatory changes affecting the City. The City has also, since the start of the Great Recession, actively pursued cost containment efforts and simultaneously expanded its property tax base. The economic challenges of the past decade have limited and severely hampered municipal governmental entities. However, during this timeframe, the City has renegotiated all of its outstanding debt to take advantage of historically-low interest rates saving hundreds of thousands in interest expenses and simultaneously and strategically implemented growth initiatives to be fully prepared to grow with the recovering economy.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to either: Mr. Ken Hibl, City Manager, Email: khibl@cityofclare.org or Mr. Steven J. Kingsbury, MBA, CPFA, MiCPT, City Treasurer, Finance and Technology Director, Email: skingsbury@cityofclare.org.

City of Clare

Statement of Net Position

June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 275,662	\$ 41,511	\$ 317,173	\$ 34,142
Investments	920,000	680,000	1,600,000	-
Investments held by trustee	203,048	-	203,048	-
Accounts receivable, net	74,467	249,815	324,282	-
Accrued interest receivable	2,588	1,913	4,501	-
Assessments receivable, net	18,193	2,930	21,123	-
Internal balances	(268,310)	268,310	-	-
Due from other governmental units	128,261	-	128,261	-
Inventory	60,331	47,134	107,465	-
Prepaid items	76,511	14,038	90,549	-
Restricted cash and cash equivalents	-	180,960	180,960	-
Capital assets, net:				
Assets not being depreciated	6,840,942	92,041	6,932,983	108,126
Assets being depreciated	7,181,689	9,638,643	16,820,332	253,558
Total assets	15,513,382	11,217,295	26,730,677	395,826
Deferred outflows of resources				
Related to pension	241,268	54,042	295,310	-
Liabilities				
Accounts payable	97,649	22,173	119,822	1,406
Accrued liabilities	49,198	15,562	64,760	-
Accrued interest payable	27,558	15,298	42,856	1,668
Due to other governmental units	559	-	559	-
Deposits and other liabilities	900	17,400	18,300	-
Unearned revenue	86,519	-	86,519	-
Long-term debt:				
Due in one year	128,367	110,000	238,367	27,000
Due in more than one year	1,992,803	3,349,954	5,342,757	200,000
Net pension liability	2,737,509	613,175	3,350,684	-
Total liabilities	5,121,062	4,143,562	9,264,624	230,074
Deferred inflows of resources				
Related to pension	194,284	43,517	237,801	-
Net position				
Invested in capital assets, net of related debt	11,901,461	6,270,730	18,172,191	134,684
Restricted for:				
Landfill postclosure care	203,048	-	203,048	-
Cemetery perpetual care	280,365	-	280,365	-
Streets and highways	218,671	-	218,671	-
Debt service	-	180,960	180,960	26,468
Community development	-	-	-	4,600
Unrestricted	(2,164,241)	632,568	(1,531,673)	-
Total net position	\$ 10,439,304	\$ 7,084,258	\$ 17,523,562	\$ 165,752

See accompanying notes.

City of Clare

Statement of Activities

Year Ended June 30, 2018

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Governmental activities:								
General government	\$ 1,106,395	\$ 264,510	\$ -	\$ -	\$ (841,885)		\$ (841,885)	
Public safety	1,107,575	251,299	5,932	2,500	(847,844)		(847,844)	
Public works	727,112	205,156	438,214	305,997	222,255		222,255	
Community development	21,059	-	-	-	(21,059)		(21,059)	
Recreation and culture	532,067	157,656	129,647	930,632	685,868		685,868	
Interest on long-term debt	67,331	-	-	-	(67,331)		(67,331)	
Total governmental activities	3,561,539	878,621	573,793	1,239,129	(869,996)		(869,996)	
Business-type activities:								
Sewer	1,161,073	907,125	-	-		\$ (253,948)	(253,948)	
Water	738,687	614,655	147,577	105,196		128,741	128,741	
Total business-type activities	1,899,760	1,521,780	147,577	105,196		(125,207)	(125,207)	
Total primary government	\$ 5,461,299	\$ 2,400,401	\$ 721,370	\$ 1,344,325		(125,207)	(995,203)	
Component units:								
Downtown Development Authority	196,474	-	3,164	-				\$ (193,310)
Local Development Finance Authority	4,145	-	-	-				(4,145)
Brownfield Redevelopment Authority	-	-	-	-				-
Total component units	\$ 200,619	\$ -	\$ 3,164	\$ -				(197,455)
General revenues:								
Property taxes and related fees					1,806,275	-	1,806,275	89,907
Grants and contributions not restricted to specific programs					464,713	-	464,713	106,563
Interest earnings					13,343	5,610	18,953	55
Gain on sale of assets					30,650	-	30,650	-
Miscellaneous					14,401	11,259	25,660	-
Total general revenues					2,329,382	16,869	2,346,251	196,525
Change in net position					1,459,386	(108,338)	1,351,048	(930)
Net position-beginning					8,979,918	7,192,596	16,172,514	166,682
Net position-ending					\$ 10,439,304	\$ 7,084,258	\$ 17,523,562	\$ 165,752

See accompanying notes.

City of Clare

Governmental Funds Balance Sheet

June 30, 2018

	General	Major Street	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 196,789	\$ 16,270	\$ 40,716	\$ 253,775
Investments	480,000	110,000	275,000	865,000
Investments held by trustee	203,048	-	-	203,048
Accounts receivable, net	72,107	-	-	72,107
Accrued interest receivable	1,350	310	774	2,434
Assessments receivable, net	14,850	-	3,343	18,193
Due from other governmental units	59,212	51,061	17,988	128,261
Inventory	28,096	-	-	28,096
Prepaid items	55,629	7,057	10,457	73,143
Total assets	<u>\$ 1,111,081</u>	<u>\$ 184,698</u>	<u>\$ 348,278</u>	<u>\$ 1,644,057</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 84,029	\$ 123	\$ 1,329	\$ 85,481
Accrued liabilities	42,230	1,848	2,698	46,776
Due to other governmental units	559	-	-	559
Deposits and other liabilities	900	-	-	900
Unearned revenue	86,519	-	-	86,519
Total liabilities	<u>214,237</u>	<u>1,971</u>	<u>4,027</u>	<u>220,235</u>
Deferred inflows of resources:				
Unavailable revenue - long-term special assessments	14,850	-	3,343	18,193
Total deferred inflows of resources	<u>14,850</u>	<u>-</u>	<u>3,343</u>	<u>18,193</u>
Fund balances:				
Nonspendable - inventory	28,096	-	-	28,096
Nonspendable - prepaid items	55,629	7,057	10,457	73,143
Nonspendable - landfill postclosure care	203,048	-	-	203,048
Nonspendable - cemetery perpetual care	-	-	280,365	280,365
Restricted - streets and highways	-	175,670	43,001	218,671
Assigned - fire department	189,516	-	-	189,516
Assigned - sidewalk replacement	335	-	-	335
Assigned - cemetery	-	-	7,085	7,085
Assigned - subsequent year's budget	-	-	-	-
Unassigned	405,370	-	-	405,370
Total fund balances	<u>881,994</u>	<u>182,727</u>	<u>340,908</u>	<u>1,405,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,111,081</u>	<u>\$ 184,698</u>	<u>\$ 348,278</u>	<u>\$ 1,644,057</u>

See accompanying notes.

City of Clare

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

June 30, 2018

Total fund balances for governmental funds \$ 1,405,629

Total net position reported for governmental activities in the statement of net position is different because:

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

Capital assets 16,734,491
Accumulated depreciation (3,350,808)

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.

Long-term special assessments receivable 18,193

Deferred outflows represent financial uses, but are deferred expenses in the government-wide financial statements

241,268

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

(194,284)

The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

471,052

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

Accrued interest payable (27,558)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2018 are:

Installment purchase contracts (90,228)
General obligation limited tax bonds (2,030,942)
Net pension liability (2,737,509)

Total net position of governmental activities \$ 10,439,304

City of Clare

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

Year Ended June 30, 2018

	General	Major Streets	Other Governmental Funds	Total
Revenues				
Property taxes and related fees	\$ 1,558,521	\$ -	\$ 247,754	\$ 1,806,275
Licenses and permits	17,356	-	-	17,356
Federal grants	930,632	284,997	-	1,215,629
State grants	473,145	315,905	122,309	911,359
Charges for services	678,368	-	12,200	690,568
Interest earnings	10,188	343	2,493	13,024
Rents and royalties	120,516	-	-	120,516
Fines and forfeits	8,463	-	285	8,748
Special assessments, net	24,042	1,004	2,286	27,332
Donations	151,352	500	1,000	152,852
Proceeds from sale of assets	27,400	-	-	27,400
Miscellaneous	13,152	2,190	622	15,964
Total revenues	4,013,135	604,939	388,949	5,007,023
Expenditures				
General government	841,944	-	400	842,344
Public safety	1,010,000	-	-	1,010,000
Public works	352,520	163,477	386,169	902,166
Community development	21,059	-	-	21,059
Recreation and culture	468,793	-	-	468,793
Capital outlay	1,480,928	290,224	813	1,771,965
Debt service	182,984	-	48,962	231,946
Total expenditures	4,358,228	453,701	436,344	5,248,273
Excess (deficiency) of revenues over expenditures	(345,093)	151,238	(47,395)	(241,250)
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Transfers in	452,784	-	147,269	600,053
Transfers out	(460,053)	(102,000)	(6,000)	(568,053)
Total other financing sources (uses)	(7,269)	(102,000)	141,269	32,000
Net change in fund balances	(352,362)	49,238	93,874	(209,250)
Fund balances-beginning	1,234,356	133,489	247,035	1,614,880
Fund balances-ending	\$ 881,994	\$ 182,727	\$ 340,909	\$ 1,405,630

See accompanying notes.

City of Clare

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (209,250)

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

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

Add: capital outlay	1,921,201
Subtract: depreciation expense	(361,698)

Revenue in the statement of activities that represents new levies for long-term special assessments and does not affect revenue at the fund level.	(10,316)
--	----------

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

Add: decrease in accrued interest payable	1,546
Subtract: increase in net pension liability net of related deferred outflows and inflows	(133,009)

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

Add: repayments of installment purchase contract	163,069
--	---------

The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within governmental activities.

Net operating income (loss) from governmental activities in internal service funds	(95,480)
Interest earnings from governmental internal service funds	319
Other revenue from governmental internal service funds	115,000
Gain (loss) on sale of capital assets in governmental internal service funds	3,250
Transfers out	(12,000)
Capital contributions from governmental internal service funds	21,000
Other reconciling items	55,754
Change in net position of governmental activities	\$ 1,459,386

City of Clare

Proprietary Funds Statement of Net Position

Year Ended June 30, 2018

	Sewer Fund	Water Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 24,377	\$ 17,134	\$ 41,511	\$ 21,887
Investments	460,000	220,000	680,000	55,000
Accounts receivable, net	130,019	119,796	249,815	2,360
Accrued interest receivable	1,294	619	1,913	154
Assessments receivable, net	2,930	-	2,930	-
Inventory	41,268	5,866	47,134	32,235
Prepaid items	6,554	7,484	14,038	3,368
Restricted current assets:				
Cash and cash equivalents	155,445	25,515	180,960	-
Total current assets	821,887	396,414	1,218,301	115,004
Noncurrent assets:				
Capital assets:				
Land	10,757	42,632	53,389	85,000
Construction in progress	4,471	34,181	38,652	-
Land improvements, net	31,540	-	31,540	-
Buildings and improvements, net	1,386,751	54,004	1,440,755	168,919
Equipment, net	1,163,303	-	1,163,303	53,631
Vehicles, net	-	-	-	331,398
Sewer and water system infrastructure, net	3,305,805	3,697,240	7,003,045	-
Total noncurrent assets	5,902,627	3,828,057	9,730,684	638,948
Total assets	6,724,514	4,224,471	10,948,985	753,952
Liabilities				
Current liabilities:				
Accounts payable	18,578	3,595	22,173	12,168
Accrued expenses	8,007	7,555	15,562	2,422
Accrued interest payable	12,150	3,148	15,298	-
Deposits and other liabilities	17,400	-	17,400	-
Bonds and loans payable	77,000	33,000	110,000	11,500
Total current liabilities	133,135	47,298	180,433	26,090
Noncurrent liabilities:				
Bonds and loans payable	2,711,954	638,000	3,349,954	103,500
Total liabilities	2,845,089	685,298	3,530,387	129,590
Net position				
Invested in capital assets, net of related debt	3,113,673	3,157,057	6,270,730	523,948
Restricted for debt service	155,445	25,515	180,960	-
Unrestricted	610,307	356,601	966,908	100,414
Total net position	\$ 3,879,425	\$ 3,539,173	\$ 7,418,598	\$ 624,362

See accompanying notes.

City of Clare

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

Year Ended June 30, 2018

Net position - total enterprise funds \$ 7,418,598

Total net position reported for business-type activities in the statement of net position is different because:

The internal service funds are used by the City to charge the cost of operating a data processing service and a mobile equipment service to individual funds. A portion of the assets and liabilities of the internal service funds are included in the business-type activities in the statement of net position. 268,310

Net pension liability and related deferred outflows applicable to the City's business type activities are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. (602,650)

Total net position of business-type activities \$ 7,084,258

City of Clare

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

Year Ended June 30, 2018

	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues				
Charges for services	\$ 907,125	\$ 614,634	\$ 1,521,759	\$ 372,175
Miscellaneous	7,772	3,487	11,259	13,746
Total operating revenues	914,897	618,121	1,533,018	385,921
Operating expenses				
Salaries and wages	197,056	188,905	385,961	73,131
Payroll taxes	15,395	14,648	30,043	5,385
Employee benefits	48,572	47,127	95,699	19,897
Retirement	39,868	38,294	78,162	16,312
Supplies	72,619	60,925	133,544	87,126
Postage	3,095	2,545	5,640	-
Professional and contracted services	13,051	26,676	39,727	33,515
Insurance	11,950	4,327	16,277	12,430
Telephone and communications	7,243	9,838	17,081	3,820
Professional development	1,683	2,565	4,248	2,228
Utilities	108,373	83,472	191,845	18,505
Repair and maintenance	39,797	21,959	61,756	59,822
Equipment rental	102,000	73,600	175,600	-
Miscellaneous	5,939	1,625	7,564	474
Depreciation	325,678	131,102	456,780	117,058
Total operating expenses	992,319	707,608	1,699,927	449,703
Operating income (loss)	(77,422)	(89,487)	(166,909)	(63,782)
Nonoperating revenues (expenses)				
Special assessments	-	21	21	-
Interest earnings	3,967	1,643	5,610	319
Other revenue	-	147,577	147,577	-
Proceeds from sale of assets	-	-	-	3,250
Interest expense	(73,130)	(20,958)	(94,088)	-
Net nonoperating revenues (expenses)	(69,163)	128,283	59,120	3,569
Income (loss) before transfers	(146,585)	38,796	(107,789)	(60,213)
Transfers				
Transfers out	(10,000)	(10,000)	(20,000)	(12,000)
Total transfers	(10,000)	(10,000)	(20,000)	(12,000)
Capital contributions	-	105,196	105,196	21,000
Total capital contributions	-	105,196	105,196	21,000
Changes in net position	(156,585)	133,992	(22,593)	(51,213)
Total net position-beginning	4,036,011	3,405,181	7,441,192	675,575
Total net position-ending	\$ 3,879,426	\$ 3,539,173	\$ 7,418,599	\$ 624,362

See accompanying notes.

City of Clare

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

Year Ended June 30, 2018

Net change in net position - total enterprise funds	\$ (22,593)
The change in net position reported for business-type activities in the statement of activities is different because:	
Certain expenses reported in the statement of activities are not reported as expenditures in the funds.	
Subtract: increase in net pension liability net of related deferred outflows	(29,793)
The internal service funds are used by the City to charge the costs of operating a data processing service and a mobile equipment service to individual funds. Some of the net revenue (expense) attributable to those funds is reported within business-type activities.	
	31,698
Other reconciling items	<u>(87,650)</u>
Change in net position of business-type activities	<u><u>\$ (108,338)</u></u>

City of Clare

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Sewer Fund	Water Fund	Total	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 901,504	\$ 605,943	\$ 1,507,447	\$ 385,844
Payments to suppliers	(334,883)	(354,890)	(689,773)	(189,624)
Payments to employees	(305,439)	(292,749)	(598,188)	(114,968)
Net cash from operating activities	261,182	(41,696)	219,486	81,252
Cash flows from noncapital financing activities				
Transfers out	(10,000)	(10,000)	(20,000)	(12,000)
Proceeds from equipment loan	-	-	-	115,000
Other revenue	-	147,577	147,577	-
Net cash from noncapital financing activities	(10,000)	137,577	127,577	103,000
Cash flows from capital and related financing activities				
Purchases and construction of capital assets	(28,679)	(213,848)	(242,527)	(180,595)
Capital contributions	-	105,196	105,196	21,000
Proceeds from the sale of capital assets	-	-	-	3,250
Proceeds from special assessments	4,918	374	5,292	-
Principal paid on capital debt	(80,000)	(33,000)	(113,000)	-
Interest paid on capital debt	(73,599)	(21,168)	(94,767)	-
Net cash from capital and related financing activities	(177,360)	(162,446)	(339,806)	(156,345)
Cash flows from investing activities				
Purchases of investments	(50,000)	-	(50,000)	(55,000)
Proceeds from the sale of investments	-	70,000	70,000	-
Interest earnings	3,830	1,843	5,673	163
Net cash from investing activities	(46,170)	71,843	25,673	(54,837)
Net change in cash and cash equivalents	27,652	5,278	32,930	(26,930)
Balances-beginning of year	152,170	37,371	189,541	48,817
Balances-end of year	\$ 179,822	\$ 42,649	\$ 222,471	\$ 21,887
Displayed as:				
Cash and cash equivalents	\$ 24,377	\$ 17,134	\$ 41,511	\$ 21,887
Restricted cash and cash equivalents	155,445	25,515	180,960	-
	\$ 179,822	\$ 42,649	\$ 222,471	\$ 21,887
Reconciliation of operating loss to net cash from operating activities:				
Operating loss	\$ (77,422)	\$ (89,487)	\$ (166,909)	\$ (63,782)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation expense	325,678	131,102	456,780	117,058
Change in assets and liabilities:				
Accounts receivable, net	(13,393)	(12,178)	(25,571)	(77)
Inventory	3,066	(53)	3,013	3,213
Prepaid items	17,165	8,493	25,658	14,561
Accounts payable	11,736	(46,303)	(34,567)	10,522
Accrued expenses	(4,548)	(3,775)	(8,323)	(243)
Deposits and other liabilities	(1,100)	(29,495)	(30,595)	-
Net cash from operating activities	\$ 261,182	\$ (41,696)	\$ 219,486	\$ 81,252

See accompanying notes.

City of Clare

Statement of Fiduciary Net Position

Year Ended June 30, 2018

	<u>Funds</u>
Assets	
Cash and cash equivalents	\$ 38,942
Total assets	<u>\$ 38,942</u>
Liabilities	
Accrued expenses	\$ 29,712
Due to other governmental units	9,230
Total liabilities	<u>\$ 38,942</u>

City of Clare

Component Units Statement of Net Position

June 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 29,542	\$ -	\$ 4,600	\$ 34,142
Capital assets, net:				
Assets not being depreciated	108,126	-	-	108,126
Assets being depreciated	196,328	57,230	-	253,558
Total assets	<u>333,996</u>	<u>57,230</u>	<u>4,600</u>	<u>395,826</u>
Liabilities				
Accounts payable	1,406	-	-	1,406
Accrued interest payable	1,668	-	-	1,668
Long-term liabilities:				
Due in one year	27,000	-	-	27,000
Due in more than one year	200,000	-	-	200,000
Total liabilities	<u>230,074</u>	<u>-</u>	<u>-</u>	<u>230,074</u>
Net position				
Invested in capital assets, net of related debt	77,454	57,230	-	134,684
Restricted - debt service	26,468	-	-	26,468
Restricted - community development	-	-	4,600	4,600
Total net position	<u>\$ 103,922</u>	<u>\$ 57,230</u>	<u>\$ 4,600</u>	<u>\$ 165,752</u>

City of Clare

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

June 30, 2018

Total fund balances for component units	\$ 32,736
Total net position reported for component units in the statement of net position is different because:	
Capital assets used in the component units' governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Capital assets	796,415
Accumulated depreciation	(434,731)
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest payable	(1,668)
Long-term liabilities applicable to the component units' governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2018 are:	
DDA bonds	<u>(227,000)</u>
Total net position of component units	<u><u>\$ 165,752</u></u>

City of Clare

Component Units Statement of Activities

June 30, 2018

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
		Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Brownfield Redevelopment Authority		
Downtown Development Authority:								
Community and economic development	\$ 196,474	\$ 3,164	\$ -	\$ (193,310)	\$ -	\$ -	\$ (193,310)	
Local Development Finance Authority:								
Community and economic development	4,145	-	-	-	(4,145)	-	(4,145)	
Brownfield Redevelopment Authority:								
Community and economic development	-	-	-	-	-	-	-	
	<u>\$ 200,619</u>	<u>\$ 3,164</u>	<u>\$ -</u>	<u>(193,310)</u>	<u>(4,145)</u>	<u>-</u>	<u>(197,455)</u>	
General revenues:								
Property taxes and related fees				89,907	-	-	89,907	
Federal revenue				106,563	-	-	106,563	
Interest earnings				51	-	4	55	
Total general revenues				<u>196,521</u>	<u>-</u>	<u>4</u>	<u>196,525</u>	
Change in net position				3,211	(4,145)	4	(930)	
Net position-beginning				100,711	61,375	4,596	166,682	
Net position-ending				<u>\$ 103,922</u>	<u>\$ 57,230</u>	<u>\$ 4,600</u>	<u>\$ 165,752</u>	

See accompanying notes.

City of Clare

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

June 30, 2018

Net change in fund balances - component units \$ (867)

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

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

Subtract: depreciation expense (26,247)

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

Add: decrease in accrued interest payable 184

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

Add: repayments of DDA bonds 26,000

Change in net position of component units \$ (930)

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

The accounting policies of the City of Clare (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City:

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City is governed by an elected five-member commission. The City provides services to its various residents in many areas, including general government, public safety, public works, recreation and culture, and sewer and water utilities. As required by GAAP, these financial statements present the City and its component units. The component units discussed below are included in the City's reporting entity because they are entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Units

Downtown Development Authority (DDA) – The DDA was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of twelve members, is selected by the City Commission. The City Commission approves the annual budget of the DDA. The DDA does not issue separate financial statements.

Local Development Finance Authority (LDFA) – The LDFA was created to help finance local industrial development projects. The LDFA's governing body, which consists of nine members, is selected by the City Commission. In addition, the LDFA's budget is subject to approval by the City Commission. The LDFA does not issue separate financial statements.

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Discretely Presented Component Units (continued)

Brownfield Redevelopment Authority (BRDA) – The BRDA was created to develop and implement brownfield projects. The BRDA’s governing body is selected by the City Commission. The City Commission approves the annual budget of the BRDA. The BRDA does not issue separate financial statements.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has three discretely presented component units. Although all may not be considered major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and other charges between the City’s water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

The City reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Sewer Fund* is used to record the revenues and expenses for the operation of a sewer system.

The *Water Fund* is used to record the revenues and expenses for the operation of a water system.

Additionally, the City reports the following fund types:

Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as data processing services provided to other departments of the City on a cost reimbursement basis.

Agency Funds account for assets held for other governments and other city funds in an agency capacity, including tax collections and payroll and benefit administration.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

E. Use of Estimates

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

F. Measurement Focus and Basis of Accounting

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

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

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

F. Measurement Focus and Basis of Accounting (continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

G. Budgetary Information

Budgets and Budgetary Accounting—The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

- Annual budgets are legally adopted, and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Annual Informational Budget Summaries are prepared for Debt Service Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds.
- Budgets can be amended during the year by a majority vote of the City Commission. The activity level in the General Fund and the fund level in the Special Revenue Funds are the legal level of control.
- Budgets for the General Fund and Special Revenue Funds are prepared on a modified accrual basis. Also, informational budgets for the Debt Service Funds and Capital Projects Funds are prepared on the modified accrual basis, while the Enterprise Fund and Internal Service Fund informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with GAAP.
- Budget appropriations lapse at year-end.

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Interest incurred, if any, during the construction of capital assets of business-type activities is included in the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

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

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

Deferred outflows of resources consist of net outflows related to the City's multiple-employer net pension obligation and totaled \$295,310 as of June 30, 2018. Net pension obligation amounts are amortized over the actuarial calculated expected remaining service life of the members. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

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

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

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported inclusive of the applicable bond premium or net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds or donations) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The City's policy is that when multiple classifications are available and appropriate for a specific purpose, fund balance will be used first from the most restrictive category in order to the least restrictive.

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

I. Revenues and Expenditures/Expenses

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

City of Clare

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies (continued)

I. Revenues and Expenditures/Expenses (continued)

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

The 2017 net taxable valuation of the City totaled \$86,894,304, on which ad valorem taxes levied consisted of 17.5000 mills for City operating purpose, 0.7500 mills for parks, and 3.0000 mills for streets. These amounts are recognized in the General Fund (operating and parks) and Local Street Fund (streets) as property taxes and related fees.

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

2. Deposits and Investments

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

	Deposits	Investments	Total
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	\$ 317,173	\$ -	\$ 317,173
Investments	-	1,600,000	1,600,000
Investments held by trustee	203,048	-	203,048
Restricted cash and cash equivalents	180,960	-	180,960
Component Units:			
Cash and cash equivalents	34,142	-	34,142
Fiduciary Funds:			
Cash and cash equivalents	38,942	-	38,942
	<u>\$ 774,265</u>	<u>\$ 1,600,000</u>	<u>\$ 2,374,265</u>

City of Clare

Notes to Financial Statements

June 30, 2018

2. Deposits and Investments (continued)

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

As of June 30, 2018, the City had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity
Repurchase agreements	\$ 1,600,000	<1 year

Investment and Deposit Risk

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

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

Custodial Credit Risk – Deposits—Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State law does not require, and the City does not have, a policy for deposit custodial credit risk. As of year-end, \$237,520 of the City’s bank balances of \$592,855 was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Clare

Notes to Financial Statements

June 30, 2018

2. Deposits and Investments (continued)

Investment and Deposit Risk (continued)

Custodial Credit Risk – Investments—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the City does not have, a policy for investment custodial credit risk. The City’s funds are not exposed to custodial credit risk because they are repurchase agreements with an agency of the United States government as the underlying issuer.

Concentration of Credit Risk—The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The City’s investments include \$1,600,000 of repurchase agreements with Chemical Bank.

City of Clare

Notes to Financial Statements

June 30, 2018

3. Capital Assets

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,422,399	\$ -	\$ (34,800)	\$ 4,387,599
Construction in progress	1,166,198	1,287,145	-	2,453,343
Total capital assets not being depreciated	5,588,597	1,287,145	(34,800)	6,840,942
Capital assets being depreciated:				
Land improvements	4,276,335	653,807	-	4,930,142
Buildings and improvements	3,243,167	20,899	-	3,264,066
Equipment	2,135,999	52,219	-	2,188,218
Vehicles	2,510,713	165,509	-	2,676,222
Total capital assets being depreciated	12,166,214	892,434	-	13,058,648
Less accumulated depreciation:				
Land improvements	(594,307)	(173,161)	-	(767,468)
Buildings and improvements	(1,651,593)	(91,041)	-	(1,742,634)
Equipment	(1,675,636)	(65,762)	-	(1,741,398)
Vehicles	(1,476,667)	(148,792)	-	(1,625,459)
Total accumulated depreciation	(5,398,203)	(478,756)	-	(5,876,959)
Total capital assets being depreciated, net	6,768,011	413,678	-	7,181,689
Governmental activities capital assets, net	\$12,356,608	\$ 1,700,823	\$ (34,800)	\$ 14,022,631

City of Clare

Notes to Financial Statements

June 30, 2018

3. Capital Assets (continued)

Business-type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 53,389	\$ -	\$ -	\$ 53,389
Construction in progress	2,500	36,152	-	38,652
Total capital assets not being depreciated	55,889	36,152	-	92,041
Capital assets being depreciated:				
Land improvements	412,516	-	-	412,516
Buildings and improvements	5,381,199	-	-	5,381,199
Equipment	1,901,737	18,929	-	1,920,666
Infrastructure	11,759,616	223,598	-	11,983,214
Total capital assets being depreciated	19,455,068	242,527	-	19,697,595
Less accumulated depreciation:				
Land improvements	(379,335)	(1,641)	-	(380,976)
Buildings and improvements	(3,826,243)	(114,200)	-	(3,940,443)
Equipment	(698,943)	(58,420)	-	(757,363)
Infrastructure	(4,697,650)	(282,520)	-	(4,980,170)
Total accumulated depreciation	(9,602,171)	(456,781)	-	(10,058,952)
Total capital assets being depreciated, net	9,852,897	(214,254)	-	9,638,643
Business-type activities capital assets, net	\$9,908,786	\$ (178,102)	\$ -	\$9,730,684

City of Clare

Notes to Financial Statements

June 30, 2018

3. Capital Assets (continued)

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

Governmental Activities	
General government	\$ 121,480
Public safety	106,513
Public works	65,268
Recreation and culture	68,437
Internal Service Fund depreciation	117,058
	<u>\$ 478,756</u>
Business-Type Activities	
Sewer	\$ 325,678
Water	131,102
	<u>\$ 456,780</u>

Discretely Presented Component Units

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 108,126	\$ -	\$ -	\$ 108,126
Total capital assets not being depreciated	108,126	-	-	108,126
Capital assets being depreciated:				
Land improvements	456,072	-	-	456,072
Equipment	138,200	-	-	138,200
Total capital assets being depreciated	594,272	-	-	594,272
Less accumulated depreciation:				
Land improvements	(237,644)	(22,100)	-	(259,744)
Equipment	(138,200)	-	-	(138,200)
Total accumulated depreciation	(375,844)	(22,100)	-	(397,944)
Total capital assets being depreciated, net	218,428	(22,100)	-	196,328
DDA capital assets, net	<u>\$ 326,554</u>	<u>\$ (22,100)</u>	<u>\$ -</u>	<u>\$ 304,454</u>

City of Clare

Notes to Financial Statements

June 30, 2018

3. Capital Assets (continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Land improvements	\$ 94,016	\$ -	\$ -	\$ 94,016
Total capital assets being depreciated	94,016	-	-	94,016
Less accumulated depreciation:				
Land improvements	(32,641)	(4,147)	-	(36,788)
Total accumulated depreciation	(32,641)	(4,147)	-	(36,788)
LDFA capital assets, net	<u>\$ 61,375</u>	<u>\$ (4,147)</u>	<u>\$ -</u>	<u>\$ 57,228</u>

Construction Commitments

The City's active construction projects as of June 30, 2018 included the following contractor commitments:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Airport – Parallel Taxiway	\$ 1,141,829	\$ 7,281
Soccer Complex Project	74,671	5,025
WWTP Outfall Rehab	4,471	6,579
	<u>\$ 1,220,971</u>	<u>\$ 18,885</u>

City of Clare

Notes to Financial Statements

June 30, 2018

4. Interfund Receivables, Payables, and Transfers

As of June 30, 2018, there were no interfund receivables or payables between the funds. The composition of interfund transfers out and in is as follows:

Fund	Transfers Out	Fund	Transfers In
General	\$ 460,053	General	\$ 452,784
Major Street	102,000	Local Street	100,000
Local Street	2,000	Public Safety	47,269
Cemetery Perpetual Care	4,000		
Internal Service	12,000		
Sewer	10,000		
Water	10,000		
	\$ 600,053		\$ 600,053

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

5. Long-Term Debt

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

City of Clare

Notes to Financial Statements

June 30, 2018

5. Long-Term Debt (continued)

Bond and contractual agreements can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Public safety building – 2012 refunding bonds	3.37%	2035	\$ 550,000	\$ (30,000)	\$ 520,000	\$35,000
Railroad depot installment purchase	4.00%	2022	54,471	(54,471)	-	-
Soccer complex installment purchase	2.69%	2023	107,044	(16,816)	90,228	17,127
North Industrial Park	4.00%	2044	534,000	(11,000)	523,000	12,000
Fire truck purchase	3.09%	2030	496,958	(69,200)	427,758	31,034
Sidewalk LED lighting	2.24%	2031	121,890	(8,706)	113,184	8,706
Recreational Complex Construction	2.60%	2037	345,000	(13,000)	332,000	13,000
2018 Freightliner Blade Truck	2.05%	2028	-	115,000	115,000	11,500
			<u>\$ 2,209,363</u>	<u>\$ (88,193)</u>	<u>\$2,121,170</u>	<u>\$128,367</u>
Business-Type Activities						
Sewage system revenue bonds	2.50%	2051	\$ 2,390,954	\$ (45,000)	\$2,345,954	\$47,000
Water – 2012 refunding bonds	2.23%	2023	165,000	(25,000)	140,000	25,000
Sewer – 2012 refunding bonds	2.15%	2023	155,000	(30,000)	125,000	25,000
Water – 2014 rural development bonds	3.25%	2054	539,000	(8,000)	531,000	8,000
Sewer – 2014 rural development bonds	3.25%	2054	323,000	(5,000)	318,000	5,000
			<u>\$ 3,572,954</u>	<u>\$ (113,000)</u>	<u>\$3,459,954</u>	<u>\$110,000</u>
Component Units						
2006 DDA bonds	3.95 to 4.55%	2025	\$ 253,000	\$ (26,000)	\$ 227,000	\$27,000

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

Year Ending June 30,	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	128,367	66,433	110,000	92,469	27,000	9,440
2020	130,799	62,972	116,000	89,726	29,000	8,243
2021	133,261	59,421	112,000	86,885	30,000	6,967
2022	134,767	55,735	119,000	83,937	32,000	5,611
2023	138,179	51,938	120,000	80,789	35,000	4,128
2024-2028	576,295	207,003	358,000	372,983	74,000	3,404
2029-2033	434,502	119,969	407,000	322,554	-	-
2034-2038	272,000	56,276	467,000	265,116	-	-
2039-2043	140,000	23,800	534,000	199,091	-	-
2044-2048	33,000	1,320	609,000	123,496	-	-
2049-2053	-	-	465,954	33,429	-	-
2054	-	-	42,000	-	-	-
	<u>\$ 2,121,170</u>	<u>\$ 704,867</u>	<u>\$ 3,459,954</u>	<u>\$ 1,750,475</u>	<u>\$ 227,000</u>	<u>\$ 37,793</u>

City of Clare

Notes to Financial Statements

June 30, 2018

6. Segment Information—Enterprise Funds

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

7. Risk Management

The City participates in a public entity risk (insurance) pool with other local units of government in the Michigan Municipal Liability and Property Pool. This self-insurance plan provides members with loss protection for property damage and general liability.

The City paid the annual premium for this insurance policy before June 30, 2018.

When a claim is incurred and/or paid, the member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

The plan does not maintain separate funds for members and consequently the City's share of total assets and total equity is unknown. Audited financial statements of the plan are available.

8. Deferred Compensation Plan

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

City of Clare

Notes to Financial Statements

June 30, 2018

8. Deferred Compensation Plan (continued)

A summary of the plan's investment activity for the year ended June 30, 2018, follows:

Balance – July 1, 2017	\$ 584,145
Employee contributions	35,758
Transfers	320,523
Current withdrawals	(356,557)
Interest and market losses	51,883
Adjustments/fees	(9,465)
Balance – June 30, 2018	<u>\$ 626,287</u>

9. Pension Plan

Defined Benefit Pension Plan

General Information about the Pension Plan

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

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's contribution rate during the 2017 calendar valuation period was 27.72% of annual covered payroll for general employees and 19.40% of annual covered payroll for police employees. The City's contributions to the plan for the year ended June 30, 2018 were \$269,096 which equaled the City's required contribution.

The City may establish contribution rates to be paid by its covered employees. General employees are required to contribute 4% of their annual covered payroll; police employees contribute 8%. Employee contributions for the year ended June 30, 2018 were \$69,746.

City of Clare

Notes to Financial Statements

June 30, 2018

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

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

<u>01 – General: Open Division</u>	<u>2017 Valuation</u>
Benefit Multiplier	2.25% Multiplier (80% max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	3 years
COLA for Future Retirees	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)
Employee Contributions	4%
Act 88	Yes (Adopted 6/6/2005)
<u>02 – Police: Open Division</u>	<u>2017 Valuation</u>
Benefit Multiplier	2.50% Multiplier (80% max) Frozen FAC; to 2.25% Multiplier
Bridged Benefit Date	06/30/2016
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	55/25 50/25
Early Retirement (Reduced)	55/15
Final Average Compensation	3 years
Employee Contributions	8%
Act 88	Yes (Adopted 6/6/2005)

City of Clare

Notes to Financial Statements

June 30, 2018

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Employees covered by benefit terms. As of the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>27</u>
	<u>61</u>

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation.
- Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.
- Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend
- The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013

City of Clare

Notes to Financial Statements

June 30, 2018

9. Detailed Notes on All Activities and Funds (continued)

Defined Benefit Pension Plan (continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate. The discount rate used to measure the total pension liability is 8% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Clare

Notes to Financial Statements

June 30, 2018

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) – (b)
Balances as of December 31, 2016	\$ 8,633,270	\$ 5,133,579	\$ 3,499,691
Changes for the year			
Service Cost	144,430	-	144,430
Interest on total pension liability	675,187	-	675,187
Changes in benefits	40,916	-	40,916
Difference between expected and actual experience	(26,763)	-	(26,763)
Changes in assumptions	-	-	-
Employer contributions	-	256,765	(256,765)
Employee contributions	-	67,274	(67,274)
Net investment income	-	669,346	(669,346)
Benefit payments, including employee refunds	(531,306)	(531,306)	-
Administrative expense	-	(10,609)	10,609
Other changes	(1)	-	(1)
Net changes	302,463	451,470	(149,007)
Balances as of December 31, 2017	\$ 8,935,733	\$ 5,585,049	\$ 3,350,684

City of Clare

Notes to Financial Statements

June 30, 2018

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower (7.0%) or 1% higher (9.0%) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	<u>\$4,401,881</u>	<u>\$3,350,684</u>	<u>\$2,468,616</u>

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

For the year ended June 30, 2018 the employer recognized pension expense of \$431,899. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	-	\$ 102,842
Differences in assumptions	\$ 157,963	-
Excess (Deficit) Investment Returns	-	134,959
Contributions subsequent to the measurement date*	<u>137,347</u>	<u>-</u>
Total	<u>\$ 295,310</u>	<u>\$ 237,801</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2018.

City of Clare

Notes to Financial Statements

June 30, 2018

9. Pension Plan (continued)

Defined Benefit Pension Plan (continued)

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

Year Ended June 30	
2018	\$ 30,003
2019	48,385
2020	(99,400)
2021	(58,827)
	<u>\$ (79,839)</u>

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

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

City of Clare

Notes to Financial Statements

June 30, 2018

10. Contingencies

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

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

11. Landfill Post-Closure Care

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

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

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

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

12. Tax Abatements

The City receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by the City. Industrial Facility Tax exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. For the fiscal year ended June 30, 2018, the City's property tax revenues were reduced by \$23,097 under these agreements. There are no significant abatements made by the City.

City of Clare

Required Supplementary Information
Defined Benefit Pension Plan (MERS)

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability									
Service Cost	\$ 144,430	\$ 163,000	\$ 158,301	\$ 154,504					
Interest	675,187	669,009	628,374	607,608					
Changes of benefit terms	40,916	(173,929)	(12,417)	-					
Difference between expected and actual experience	(26,763)	(39,835)	(143,831)	-					
Changes of assumptions	-	-	394,907	-					
Benefit payments including employee refunds	(531,306)	(532,186)	(546,575)	(500,277)					
Other	(1)	1	19,637	18,988					
Net change in total pension liability	302,463	86,060	498,396	280,823					
Total pension liability, beginning	8,633,270	8,547,210	8,048,814	7,767,991					
Total pension liability, ending	\$8,935,733	\$ 8,633,270	\$ 8,547,210	\$ 8,048,814	\$ 7,883,371	\$ 7,880,941	\$ 7,497,994	\$ 7,159,959	\$ 6,932,072
Plan fiduciary net position									
Contributions-employer	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646					
Contributions-employee	67,274	90,212	94,551	75,078					
Net Investment income	669,346	538,864	(75,565)	314,166					
Benefit payments including employee refunds	(531,306)	(532,186)	(546,575)	(500,277)					
Administrative expense and other changes	(10,609)	(10,640)	(11,048)	(11,501)					
Net change in plan fiduciary net position	451,470	332,492	(317,188)	78,112					
Plan fiduciary net position, beginning	5,133,579	4,801,087	5,118,275	5,040,163					
Plan fiduciary net position, ending	\$5,585,049	\$ 5,133,579	\$ 4,801,087	\$ 5,118,275	\$ 5,351,846	\$ 5,194,914	\$ 5,106,348	\$ 4,979,097	\$ 4,834,944
Employer net pension liability	\$3,350,684	\$ 3,499,691	\$ 3,746,123	\$ 2,930,539	\$ 2,531,525	\$ 2,686,027	\$ 2,391,646	\$ 2,180,862	\$ 2,097,128
Plan fiduciary net position as a percentage of the total pension liability	62.5%	59.5%	56.2%	63.6%	67.9%	65.9%	68.1%	69.5%	69.7%
Covered employee payroll	\$1,266,188	\$ 1,284,529	\$ 1,257,889	\$ 1,238,862	\$ 1,164,366	\$ 1,252,982	\$ 1,214,372	\$ 1,168,257	\$ 1,198,526
Employer's net pension liability as a percentage of covered employee payroll	264.6%	272.4%	297.8%	236.6%	217.4%	214.4%	196.9%	186.7%	175.0%

Notes to schedule:

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

Changes in assumptions:

For 2016: 1) The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%. 2) The asset smoothing period was changed from 10 years to 5 years, effective in 2016. There were no changes in actuarial assumptions or methods for 2017.

The information above is based on the December 31 valuation date.

These totals and ratios for years 2009 through 2013 are shown for comparative purposes and reflect the actuarial accrued liability, actuarial value of assets, unfunded actuarial accrued liability, and covered payroll as reported in previous years' financial statements.

City of Clare

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

	2017	2016	2015	2014	2013	2012	2011
Actuarial determined contributions	\$ 256,765	\$ 246,242	\$ 221,449	\$ 200,646	\$ 203,749	\$ 220,462	\$ 214,241
Contributions in relation to the actuarially determined contribution	256,765	246,242	221,449	200,646	203,749	220,462	214,241
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,266,188	\$ 1,284,529	\$ 1,257,889	\$ 1,238,862	\$ 1,164,366	\$ 1,252,982	\$ 1,214,372
Contributions as a percentage of covered employee payroll	20%	19%	18%	16%	17%	18%	18%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male RP-2014 Annuity Mortality Table

Above dates are based on the actuarial measurement date

City of Clare

Budgetary Comparison Schedule - General Fund

June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and related fees	\$ 1,570,214	\$ 1,570,214	\$ 1,558,521	\$ (11,693)
Licenses and permits	1,750	1,750	17,356	15,606
Federal revenue	917,017	917,017	930,632	13,615
State revenue	411,237	411,237	473,145	61,908
Charges for services	735,259	735,259	678,368	(56,891)
Interest earnings	5,975	5,975	10,188	4,213
Rents and royalties	74,350	74,350	120,516	46,166
Fines and forfeitures	5,100	5,100	8,463	3,363
Special assessments, net	23,500	23,500	24,042	542
Donations and contributions	11,175	111,175	151,352	40,177
Proceeds from sale of assets	-	27,400	27,400	-
Miscellaneous	2,500	2,500	13,152	10,652
Total revenues	3,758,077	3,885,477	4,013,135	127,658
Expenditures				
General government:				
City commission	43,750	42,050	39,367	2,683
City manager	112,046	113,746	112,648	1,098
Assessor	104,032	101,132	92,272	8,860
Clerk	201,221	201,186	195,528	5,658
Elections	8,570	8,370	3,050	5,320
Board of review	1,594	1,819	1,607	212
Cemetery	78,871	84,571	83,583	988
Buildings and grounds	68,356	69,906	68,056	1,850
Fiscal services	153,304	153,304	150,446	2,858
All other general government	50,610	96,670	95,387	1,283
Public safety:				
Police department	892,821	875,896	834,142	41,754
Fire department	254,834	254,834	175,508	79,326
Building inspection and regulation activities	250	650	350	300
Public works:				
Solid waste	193,763	214,487	211,051	3,436
Sidewalk replacement	340	340	-	340
Landfill closure	55,606	55,606	27,716	27,890
Department of public works	48,567	55,017	54,042	975
Drains	2,500	4,000	3,979	21
Street lights	43,224	55,899	55,732	167
Community development:				
Planning and zoning	34,500	25,150	21,059	4,091

City of Clare

Budgetary Comparison Schedule - General Fund (continued)

June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued)				
Recreation and culture:				
Parks and recreation	\$ 327,012	\$ 327,112	\$ 314,559	\$ 12,553
Airport	241,287	234,738	154,234	80,504
Capital outlay:				
General government	5,000	15,894	12,769	3,125
Public safety	24,100	39,378	29,833	9,545
Recreation and culture	982,027	1,464,326	1,438,326	26,000
Debt service:				
Principal	89,566	133,069	133,069	-
Interest and fiscal charges	53,100	52,798	49,915	2,883
Total expenditures	<u>4,070,851</u>	<u>4,681,948</u>	<u>4,358,228</u>	<u>323,720</u>
Excess (deficiency) of revenues over expenditures	<u>(312,774)</u>	<u>(796,471)</u>	<u>(345,093)</u>	<u>451,378</u>
Other financing sources (uses)				
Issuance of long-term debt	-	-	-	-
Transfers in	219,416	262,616	452,784	190,168
Transfers out	(416,852)	(460,052)	(460,053)	(1)
Total other financing sources (uses)	<u>(197,436)</u>	<u>(197,436)</u>	<u>(7,269)</u>	<u>190,167</u>
Net change in fund balances	(510,210)	(993,907)	(352,362)	641,545
Fund balances-beginning	1,234,356	1,234,356	1,234,356	-
Fund balances-ending	<u>\$ 724,146</u>	<u>\$ 240,449</u>	<u>\$ 881,994</u>	<u>\$ 641,545</u>

City of Clare

Budgetary Comparison Schedule - Major Streets Fund

June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Federal revenue	\$ -	\$ 284,997	\$ 284,997	\$ -
State revenue	297,444	297,444	315,905	18,461
Interest earnings	400	400	343	(57)
Special assessments, net	1,002	1,002	1,004	2
Donations and contributions	-	-	500	500
Miscellaneous	-	-	2,190	2,190
Total revenues	298,846	583,843	604,939	21,096
Expenditures				
Public works:				
Wages	50,156	54,656	54,520	136
Payroll taxes	3,837	4,087	4,022	65
Fringe benefits	17,261	21,261	21,182	79
Retirement	11,165	11,915	11,801	114
Internal service fund - mobile	50,600	50,600	50,600	-
Operating supplies	11,500	10,650	9,395	1,255
Road salt	13,500	10,000	8,390	1,610
Professional and contractual services	6,200	3,550	2,966	584
Electricity	500	150	101	49
Professional services - trees	2,500	500	500	-
Miscellaneous	300	150	-	150
Capital Outlay	7,380	290,271	290,224	47
Debt service:				
Interest	1,125	1,125	-	1,125
Total expenditures	176,024	458,915	453,701	5,214
Excess (deficiency) of revenues over expenditures	122,822	124,928	151,238	26,310
Other financing sources (uses)				
Transfers out	(102,000)	(102,000)	(102,000)	-
Total other financing sources (uses)	(102,000)	(102,000)	(102,000)	-
Net change in fund balances	20,822	22,928	49,238	26,310
Fund balances-beginning	133,489	133,489	133,489	-
Fund balances-ending	\$ 154,311	\$ 156,417	\$ 182,727	\$ 26,310

City of Clare

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

	Special Revenue			Debt Service	Permanent	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Cemetery Perpetual Care	
Assets						
Cash and cash equivalents	\$ 7,808	\$ 19,791	\$ 1,441	\$ -	\$ 11,676	\$ 40,716
Investments	-	-	-	-	275,000	275,000
Accrued interest receivable	-	-	-	-	774	774
Assessments receivable, net	3,343	-	-	-	-	3,343
Due from other governmental units	17,988	-	-	-	-	17,988
Prepaid items	10,457	-	-	-	-	10,457
Total assets	<u>\$ 39,596</u>	<u>\$ 19,791</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 287,450</u>	<u>\$ 348,278</u>
Liabilities, deferred inflows of resources, and fund balances						
Liabilities:						
Accounts payable	\$ 1,186	\$ 143	\$ -	\$ -	\$ -	\$ 1,329
Accrued liabilities	2,698	-	-	-	-	2,698
Total liabilities	<u>3,884</u>	<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,027</u>
Deferred inflows of resources:						
Unavailable revenue - long-term special assessments	3,343	-	-	-	-	3,343
Total deferred inflows of resources	<u>3,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,343</u>
Fund balances:						
Nonspendable - prepaid items	10,457	-	-	-	-	10,457
Nonspendable - cemetery perpetual care	-	-	-	-	280,365	280,365
Restricted - streets and highways	21,912	19,648	1,441	-	-	43,001
Assigned - cemetery	-	-	-	-	7,085	7,085
Total fund balances	<u>32,369</u>	<u>19,648</u>	<u>1,441</u>	<u>-</u>	<u>287,450</u>	<u>340,908</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,596</u>	<u>\$ 19,791</u>	<u>\$ 1,441</u>	<u>\$ -</u>	<u>\$ 287,450</u>	<u>\$ 348,278</u>

See accompanying notes.

City of Clare

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

June 30, 2018

	Special Revenue			Debt Service	Permanent	Total
	Local Street	Municipal Street	Drug Forfeiture	Public Safety	Cemetery Perpetual Care	
Revenues						
Property taxes and related fees	\$ 34	\$ 247,720	\$ -	\$ -	\$ -	\$ 247,754
State revenue	122,309	-	-	-	-	122,309
Charges for services	-	-	-	-	12,200	12,200
Interest earnings	5	80	1	-	2,407	2,493
Fines and forfeitures	-	-	285	-	-	285
Special assessments, net	2,286	-	-	-	-	2,286
Donations	1,000	-	-	-	-	1,000
Miscellaneous	622	-	-	-	-	622
Total revenues	126,256	247,800	286	-	14,607	388,949
Expenditures						
General government	-	-	-	-	400	400
Public works	158,017	228,152	-	-	-	386,169
Capital outlay	813	-	-	-	-	813
Debt service:						
Principal	-	-	-	30,000	-	30,000
Interest and fiscal charges	1,694	-	-	17,268	-	18,962
Total expenditures	160,524	228,152	-	47,268	400	436,344
Excess (deficiency) of revenues over expenditures	(34,268)	19,648	286	(47,268)	14,207	(47,395)
Other financing sources (uses)						
Transfers in	100,000	-	-	47,269	-	147,269
Transfers out	(2,000)	-	-	-	(4,000)	(6,000)
Total other financing sources (uses)	98,000	-	-	47,269	(4,000)	141,269
Net change in fund balances	63,732	19,648	286	1	10,207	93,874
Fund balances-beginning	(31,363)	-	1,155	-	277,243	247,035
Fund balances-ending	\$ 32,369	\$ 19,648	\$ 1,441	\$ 1	\$ 287,450	\$ 340,909

See accompanying notes.

City of Clare

Combining Statement of Net Position - Internal Service Funds

June 30, 2018

	Data	Mobile	Total
	Processing	Equipment	
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,727	\$ 11,160	\$ 21,887
Investments	20,000	35,000	55,000
Accounts receivable, net	-	2,360	2,360
Accrued interest receivable	56	98	154
Inventory	-	32,235	32,235
Prepaid items	-	3,368	3,368
Total current assets	30,783	84,221	115,004
Noncurrent assets:			
Capital assets:			
Land	-	85,000	85,000
Buildings and improvements, net	-	168,919	168,919
Equipment, net	37,150	16,481	53,631
Vehicles, net	-	331,398	331,398
Total noncurrent assets	37,150	601,798	638,948
Total assets	67,933	686,019	753,952
Liabilities			
Current liabilities:			
Accounts payable	202	11,966	12,168
Accrued expenses	-	2,422	2,422
Long-term liabilities:			
Due in one year	-	11,500	11,500
Due in more than one year	-	103,500	103,500
Total liabilities	202	129,388	129,590
Net position			
Invested in capital assets	37,150	601,798	523,948
Unrestricted	30,581	(45,167)	100,414
Total net position	\$ 67,731	\$ 556,631	\$ 624,362

City of Clare

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

June 30, 2018

	Data	Mobile	Total
	Processing	Equipment	
Operating revenues			
Charges for services	\$ 65,200	\$ 306,975	\$ 372,175
Miscellaneous	108	13,638	13,746
Total operating revenues	<u>65,308</u>	<u>320,613</u>	<u>385,921</u>
Operating expenses			
Salaries and wages	-	73,131	73,131
Payroll taxes	-	5,385	5,385
Employee benefits	-	19,897	19,897
Retirement	-	16,312	16,312
Supplies	2,736	84,390	87,126
Professional and contracted services	26,558	6,957	33,515
Insurance	1,028	11,402	12,430
Telephone and communications	-	3,820	3,820
Professional development	-	2,228	2,228
Utilities	-	18,505	18,505
Repair and maintenance	1,433	58,389	59,822
Miscellaneous	-	474	474
Depreciation	6,664	110,394	117,058
Total operating expenses	<u>38,419</u>	<u>411,284</u>	<u>449,703</u>
Operating income (loss)	26,889	(90,671)	(63,782)
Nonoperating revenues (expenses)			
Interest earnings	103	216	319
Gain on sale of assets	-	3,250	3,250
Total nonoperating revenues (expenses)	<u>103</u>	<u>3,466</u>	<u>3,569</u>
Income (loss) before transfers	26,992	(87,205)	(60,213)
Transfers			
Transfers out	(11,000)	(1,000)	(12,000)
Total transfers	<u>(11,000)</u>	<u>(1,000)</u>	<u>(12,000)</u>
Capital contributions	-	21,000	21,000
Total capital contributions	<u>-</u>	<u>21,000</u>	<u>21,000</u>
Changes in net position	15,992	(67,205)	(51,213)
Total net position-beginning	51,739	623,836	675,575
Total net position-ending	<u>\$ 67,731</u>	<u>\$ 556,631</u>	<u>\$ 624,362</u>

City of Clare

Combining Statement of Cash Flows - Internal Service Funds

June 30, 2018

	Data	Mobile	Total
	Processing	Equipment	
Cash flows from operating activities			
Receipts from customers	\$ 65,308	\$ 320,536	\$ 385,844
Payments to suppliers	(31,143)	(158,481)	(189,624)
Payments to employees	-	(114,968)	(114,968)
Net cash from operating activities	<u>34,165</u>	<u>47,087</u>	<u>81,252</u>
Cash flows from noncapital financing activities			
Transfers out	(11,000)	(1,000)	(12,000)
Proceeds from equipment loan	-	115,000	115,000
Net cash from noncapital financing activities	<u>(11,000)</u>	<u>114,000</u>	<u>103,000</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(15,086)	(165,509)	(180,595)
Capital contributions	-	21,000	21,000
Proceeds from the sale of capital assets	-	3,250	3,250
Net cash from capital and related financing activities	<u>(15,086)</u>	<u>(141,259)</u>	<u>(156,345)</u>
Cash flows from investing activities			
Interest earnings	46	117	163
Purchase of investments	(20,000)	(35,000)	(55,000)
Net cash from investing activities	<u>(19,954)</u>	<u>(34,883)</u>	<u>(54,837)</u>
Net change in cash and cash equivalents	(11,875)	(15,055)	(26,930)
Cash and cash equivalents at beginning of year	22,602	26,215	48,817
Cash and cash equivalents at end of year	<u>\$ 10,727</u>	<u>\$ 11,160</u>	<u>\$ 21,887</u>
Reconciliation of operating loss to net cash from operating activities:			
Operating income (loss)	\$ 26,889	\$ (90,671)	\$ (63,782)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	6,664	110,394	117,058
Change in assets and liabilities:			
Accounts receivable, net	-	(77)	(77)
Interest receivable			
Inventory	-	3,213	3,213
Prepaid items	1,270	13,291	14,561
Accounts payable	(658)	11,180	10,522
Accrued expenses	-	(243)	(243)
Net cash from operating activities	<u>\$ 34,165</u>	<u>\$ 47,087</u>	<u>\$ 81,252</u>

City of Clare

Combining Balance Sheet - Fiduciary Funds

June 30, 2018

	General Agency Fund	Current Tax Collection Fund	Payroll Imprest Fund	Total
Assets				
Cash and cash equivalents	\$ 195	\$ 2,435	\$ 36,312	\$ 38,942
Total assets	<u>\$ 195</u>	<u>\$ 2,435</u>	<u>\$ 36,312</u>	<u>\$ 38,942</u>
Liabilities				
Accrued expenses	\$ -	\$ -	\$ 29,712	\$ 29,712
Due to other governmental units	195	2,435	6,600	9,230
Total liabilities	<u>\$ 195</u>	<u>\$ 2,435</u>	<u>\$ 36,312</u>	<u>\$ 38,942</u>

City of Clare

Combining Balance Sheet - Component Units

June 30, 2018

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 29,542	\$ 4,600	\$ 34,142
Total assets	<u>\$ 29,542</u>	<u>\$ 4,600</u>	<u>\$ 34,142</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 1,406	\$ -	\$ 1,406
Total liabilities	<u>1,406</u>	<u>-</u>	<u>1,406</u>
Fund balances:			
Restricted - debt service	28,136	-	28,136
Restricted - community development	-	4,600	4,600
Total fund balances	<u>28,136</u>	<u>4,600</u>	<u>32,736</u>
Total liabilities and fund balances	<u>\$ 29,542</u>	<u>\$ 4,600</u>	<u>\$ 34,142</u>

City of Clare

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

June 30, 2018

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Revenues			
Property taxes and related fees	\$ 89,907	\$ -	\$ 89,907
Federal revenue	106,563	-	106,563
Interest earnings	51	4	55
Reimbursements	3,164	-	3,164
Total revenues	<u>199,685</u>	<u>4</u>	<u>199,689</u>
Expenditures			
Community development	163,996	-	163,996
Debt service:			
Principal	26,000	-	26,000
Interest and related fees	10,560	-	10,560
Total expenditures	<u>200,556</u>	<u>-</u>	<u>200,556</u>
Net change in fund balances	(871)	4	(867)
Fund balances-beginning	29,007	4,596	33,603
Fund balances-ending	<u>\$ 28,136</u>	<u>\$ 4,600</u>	<u>\$ 32,736</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clare (City) as of and for the year ended June 30, 2018, 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 3, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Andrews Hooper Paulik PLC

Midland, Michigan
December 3, 2018