

CITY OF EVART, MICHIGAN

JUNE 30, 2022



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF EVART, MICHIGAN
JUNE 30, 2022

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September 29, 2022

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ewart
Osceola County
Ewart, Michigan

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ewart, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Ewart Housing Commission, which represent 77% , 77%, and 91%, respectively of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ewart Housing Commission is based solely on the report of the other auditors.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, on pages iv through xiii and 48-51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ewart, Michigan's basic financial statements. The accompanying combining financial statements and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and component unit financial statements are 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 September 29, 2022, on our consideration of the City of Ewart, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ewart, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ewart, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Management's Discussion and Analysis

The management of the City of Evart, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$22,875,510 (*Net Position*). Of this amount, \$5,694,774 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,464,065, of which \$1,236,892 is unassigned.
- At the end of the current fiscal year, unrestricted fund balance (the total of nonspendable, assigned and unassigned components of fund balance) for the general fund was \$1,289,574.
- The City's total outstanding long-term obligations, including lease liabilities, compensated absences and the net pension liability, increased by \$13,300 during the current fiscal year.

Overview of the Financial Statements

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

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two being reported as the 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 fiscal 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 for some items that will only result in cash flows in future periods.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

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

The government-wide financial statements include not only the City of Evart itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Evart Housing Commission 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.

The government-wide financial statements can be found on pages 1-3 of this report.

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 of Evart, 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 fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual budget for the General Fund, Major Street Fund, and Local Street Fund. The Library Fund and Fire Fund did not have an adopted budget for this fiscal year, but will going forward. Budgetary comparisons for the major funds have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Proprietary Funds The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of their equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer activity, both of which are considered to be major funds of the City of Evart.

The basic proprietary fund financial statements can be found on pages 8-14 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs. The City maintains one type of fiduciary fund. The custodial fund reports resources held by the City in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary financial statements can be found on pages 15-16 of this report.

Component Units The City's financial statements include reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Downtown Development Authority and Evart Housing Commission.

Notes to Financial Statements The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 21-47 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$22,875,510 at the close of the most recent fiscal year.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to include the new GASB No. 87 Standard – Leases:

**City of Evart
Net Position as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current Assets	\$ 3,508,053	\$ 2,553,957	\$ 5,001,858	\$ 4,050,284	\$ 8,509,911	\$ 6,604,241
Non Current Assets	6,230,542	6,577,762	10,034,586	10,267,246	16,265,128	16,845,008
Total Assets	9,738,595	9,131,719	15,036,444	14,317,530	24,775,039	23,449,249
Deferred Outflows of Resources	149,575	149,494	92,958	89,886	242,533	239,380
Current Liabilities	757,118	334,903	(48,220)	(54,405)	708,898	280,498
Non Current Liabilities	874,439	867,130	387,793	396,147	1,262,232	1,263,277
Total Liabilities	1,631,557	1,202,033	339,573	341,742	1,971,130	1,543,775
Deferred Inflows of Resources	105,416	45,905	65,516	27,601	170,932	73,506
Net Position:						
Net Investment in Capital Assets	6,001,770	6,577,762	10,034,586	10,267,246	16,036,356	16,845,008
Restricted	1,144,380	1,063,075	0	0	1,144,380	1,063,075
Unrestricted	1,005,047	392,438	4,689,727	3,770,827	5,694,774	4,163,265
Total Net Position	\$ 8,151,197	\$ 8,033,275	\$ 14,724,313	\$ 14,038,073	\$ 22,875,510	\$ 22,071,348

The most significant portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City uses these capital assets to provide services to citizens; consequently, 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position \$1,144,380, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,694,774, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all 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 fiscal year.

The total net position of the City increased \$826,731 in this fiscal year, which is an indicator that the City experienced positive financial growth during the year. As a result, the City ended the fiscal year in better condition than when the year started.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

The following table illustrates the results of the changes in the net position for the City for the year ended June 30. The prior year has not been restated to include the new GASB No. 87 Standard – Leases:

City of Evart						
Change in Net Position						
for the Fiscal Year Ended June 30,						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 225,404	\$ 185,922	\$ 2,171,778	\$ 2,059,660	\$ 2,397,182	\$ 2,245,582
Operating Grants and Contributions	330,102	341,270	0	115,856	330,102	457,126
General Revenues						
Taxes	689,292	643,039	0	0	689,292	643,039
State Grants	438,060	421,357	0	0	438,060	421,357
License and Permits	38,167	43,664	0	0	38,167	43,664
Interest Earnings	18,399	14,273	33,532	20,189	51,931	34,462
Gain on Sale of Capital Assets	209,586	0	0	0	209,586	0
Other Revenues	65,647	24,952	60,749	67,733	126,396	92,685
Total Revenues	2,014,657	1,674,477	2,266,059	2,263,438	4,280,716	3,937,915
<u>Expenses</u>						
General Government	277,435	222,620	0	0	277,435	222,620
Public Safety	358,223	377,071	0	0	358,223	377,071
Public Works	916,852	679,682	0	0	916,852	679,682
Recreation and Culture	153,573	147,074	0	0	153,573	147,074
Community and Economic Development	17,504	17,917	0	0	17,504	17,917
Other Functions	150,579	198,200	0	0	150,579	198,200
Water and Sewer	0	0	1,579,819	1,500,584	1,579,819	1,500,584
Total Expenses	1,874,166	1,642,564	1,579,819	1,500,584	3,453,985	3,143,148
Change in Net Position	140,491	31,913	686,240	762,854	826,731	794,767
Beginning Net Position (As Restated)	8,010,706	8,001,362	14,038,073	13,275,219	22,048,779	21,276,581
Ending Net Position	\$ 8,151,197	\$ 8,033,275	\$ 14,724,313	\$ 14,038,073	\$ 22,875,510	\$ 22,071,348

CITY OF EVART, MICHIGAN

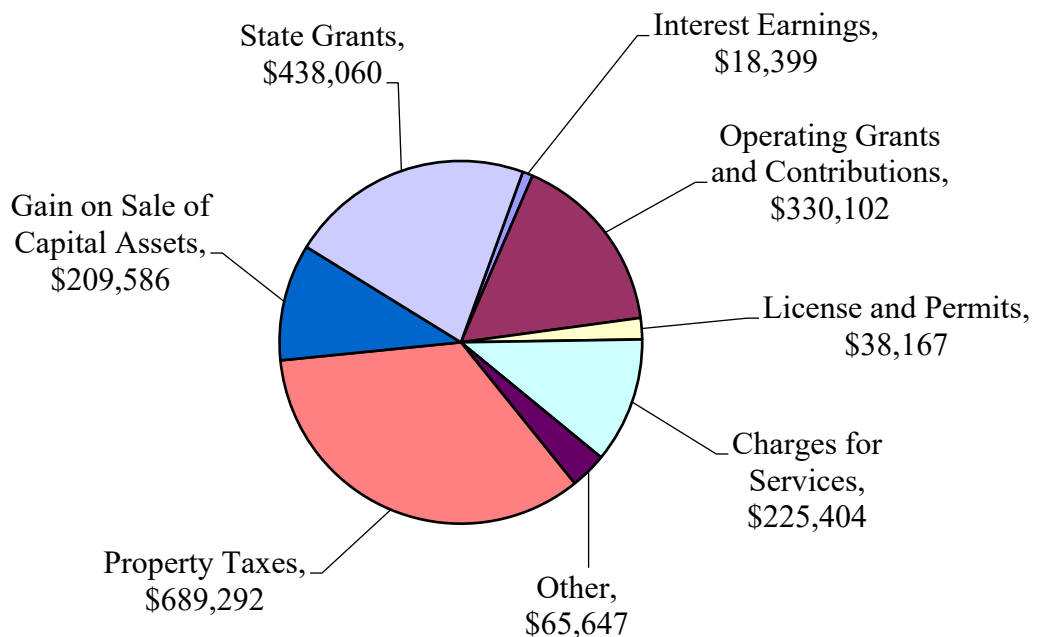
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2022:

**Revenues - Governmental Activities
Fiscal Year Ended June 30, 2022**



A significant portion of the revenue for all governmental activities of the City of Ewart comes from Property Taxes. The City's operating, public safety, library, and fire millage remained the same for the 2021 tax roll at 14.5539, 1.8000, 0.9702, and 2.0000 mills. The City's charter allows the City to levy up to 15.00 mills for operations. Due to state statutes, the City is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax and motor fuel and weight taxes. In 2022, the amount of state-shared revenue received by the City remained steady.

The City's governmental activities expenses are dominated by the Public Works expenses that total \$916,852 in FY 2022. Public Safety represented the next largest expense at \$358,223.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Business-Type Activities

The City's business-type activities accounted for an increase of \$686,240 in the City's net position, leaving the City's net position from business-type activities for the fiscal year ended June 30, 2022, at \$14,724,313.

The business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

A significant part of the revenue for all business-type activities is charges for services. This amount comes from water and sewer utility billings.

Financial Analysis of the Government's 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 Council.

At the completion of the City's fiscal year ended June 30, 2022, its governmental funds reported fund balances of \$2,464,065, an increase of \$503,926 in comparison with the prior year. \$1,236,892 of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$2,698), 2) legally required to be maintained intact (\$137,900), 3) restricted for particular purposes (\$1,006,480), 4) committed for particular purposes, or 5) assigned for particular purposes (\$80,095).

General Fund – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$439,741, bringing the balance to \$1,317,735. This is primarily due to the revenue received from the sale of a building during the fiscal year.

Major Street Fund – The Major Street Fund increased its fund balance in this fiscal year by \$86,252, bringing the balance to \$761,953, which is restricted for street improvements. The primary reason for this increase is due to state grants being greater than public works expenditures and transfers out to the local street fund.

Local Street Fund – The Local Street Fund decreased its fund balance in this fiscal year by \$28,294, bringing the balance to \$198,427 which is restricted for street improvements. The primary reason for this decrease is due to state grants being less than public works expenditures because of a paving project.

Proprietary Funds – The City's proprietary funds provide virtually the same information as the government-wide statements; however, more detail may be found in the fund financial statements.

CITY OF EVART, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Water Fund – The Water Fund ended this fiscal year with \$3,250,577 in unrestricted net position. The net position of the fund increased by \$524,376. The primary reason for the increase is due to increased charges for services revenue and conservative spending.

Sewer Fund – The Sewer Fund ended this fiscal year with \$1,340,741 in unrestricted net position. The net position of the fund increased by \$154,451 due to increased sewer rates and usage and miscellaneous income.

General Fund Budgetary Highlights

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget, and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 1,192,400</u>	<u>\$ 1,286,925</u>	<u>\$ 1,355,885</u>
Total Expenditures	<u>\$ 1,153,900</u>	<u>\$ 1,247,493</u>	<u>\$ 1,334,142</u>

The difference in the original and final budgeted revenues is due to the City anticipating to receive more in other revenue than originally budgeted for. The difference in the original and final budgeted expenditures is due to the City anticipating more expenditures for department of public works, trees, refuse service, and parks and recreation than originally budgeted for.

The difference between final budgeted revenues compared to actual is primarily due to the City not budgeting for additional taxes, state grants, and charges for services. The differences in actual expenditures compared to final budget were primarily due to the City not budgeting for additional costs in General Government, Public Works, and Recreation and Culture.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

Capital and Right to Use Assets and Debt Administration

Capital Assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2022, amounted to \$16,265,128 (net of accumulated depreciation/amortization). Capital and right to use assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital and right to use assets, as detailed below:

**City of Evart
Capital and Right to Use Assets as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,486,134	\$ 1,670,434	\$ 500,591	\$ 500,591	\$ 1,986,725	\$ 2,171,025
Buildings	2,642,454	2,668,093	393,653	393,653	3,036,107	3,061,746
Intangibles	125,000	125,000	125,267	125,267	250,267	250,267
Land Improvements	4,821,197	4,821,197	67,146	67,146	4,888,343	4,888,343
Machinery and Equipment	1,220,477	1,364,457	718,463	718,463	1,938,940	2,082,920
Right To Use - Machinery and Equipment	277,917	0	0	0	277,917	0
Office Equipment	21,159	21,159	0	0	21,159	21,159
Vehicles	79,402	79,402	0	0	79,402	79,402
Paved Roads	5,205,460	5,093,790	0	0	5,205,460	5,093,790
Sewer Connection Lines	0	0	4,471,831	4,380,392	4,471,831	4,380,392
Treatment System	0	0	2,357,025	2,357,025	2,357,025	2,357,025
Mains and Connections	0	0	5,630,720	5,539,281	5,630,720	5,539,281
Meters	0	0	394,964	394,964	394,964	394,964
Tower	0	0	1,766,464	1,766,464	1,766,464	1,766,464
Wells and Control Building	0	0	4,000,333	4,000,333	4,000,333	4,000,333
Subtotal	15,879,200	15,843,532	20,426,457	20,243,579	36,305,657	36,087,111
Accumulated Depreciation/ Amortization	(9,648,658)	(9,265,770)	(10,391,871)	(9,976,333)	(20,040,529)	(19,242,103)
Net Capital Assets	\$ 6,230,542	\$ 6,577,762	\$ 10,034,586	\$ 10,267,246	\$ 16,265,128	\$ 16,845,008

Major capital asset events during fiscal year 2022 included the following:

- Cemetery Building addition for \$4,190 in addition to \$4,190 of prior year construction in progress.
- Paved roads in the amount of \$111,670.
- Sewer and water connection lines in the amount of \$182,878.
- Right to use leased backhoe with a present value of \$101,288.
- Chevy Silverado 2500 for \$32,649.

CITY OF EVART, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2022

The City has also committed to the purchase of a truck utility bed for \$18,895.

Additional information regarding the City’s capital assets can be found in the Notes to Financial Statements section.

Long-Term Obligations. As of June 30, 2022, the City had total debt outstanding of \$1,292,206.

**City of Evart
Long-Term Obligations
as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Compensated Absences	\$ 51,667	\$ 69,416	\$ 0	\$ 0	\$ 51,667	\$ 69,416
Lease Liability	228,772	154,478	0	0	228,772	154,478
Net Pension Liability	623,974	658,865	387,793	396,147	1,011,767	1,055,012
Total	<u>\$ 904,413</u>	<u>\$ 882,759</u>	<u>\$ 387,793</u>	<u>\$ 396,147</u>	<u>\$ 1,292,206</u>	<u>\$ 1,278,906</u>

Total long-term obligations increased by \$13,300. More information on the City’s long-term obligations is available in the Notes to Financial Statements section of this document.

Economic Outlook and Condition

The City expects property taxes to remain at a fairly steady rate, along with other revenues. The City is constantly monitoring expenditures in order to keep a balanced budget and not overspend. The City also continues to search for grant money to fund any future projects.

The City received approximately \$197,000 for its first tranche of ARPA funding and expects to receive an additional \$197,000 in 2022-2023. The City Council is evaluating how to best utilize these funds to provide the optimal benefits to the City residents. These funds need to be spent by December 2024.

Contacting the City’s Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City’s finances and demonstrate the City’s accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Evart, 200 S Main St, Evart, Michigan 49631, or call us at (231) 734-2181.

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CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 3,234,954	\$ 4,486,910	\$ 7,721,864	\$ 333,604
Cash and Cash Equivalents - Restricted	155,852	0	155,852	1,495
Cash and Cash Equivalents - Security Deposits	0	0	0	39,536
Receivables				
Accounts	40,704	285,272	325,976	4,940
Due from Other Governments	92,122	0	92,122	0
Special Assessments	80,132	130,077	210,209	0
Investments	0	0	0	249,017
Internal Balances	(98,409)	98,409	0	0
Prepaid Expenses	2,698	1,190	3,888	6,920
Total Current Assets	3,508,053	5,001,858	8,509,911	635,512
<u>Non-Current Assets</u>				
Capital/Right to Use Assets	15,879,200	20,426,457	36,305,657	5,862,530
Less Accumulated Depreciation/Amortization	(9,648,658)	(10,391,871)	(20,040,529)	(5,368,313)
Total Non Current Assets	6,230,542	10,034,586	16,265,128	494,217
TOTAL ASSETS	9,738,595	15,036,444	24,775,039	1,129,729
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to Pensions	149,575	92,958	242,533	0
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	160,965	11,066	172,031	44,048
Due to Other Governments	45,797	0	45,797	0
Accrued Payroll and Liabilities	5,117	4,920	10,037	18,060
Tenant Security Deposits	0	0	0	39,536
Customer Deposits	0	3,150	3,150	0
Unearned Revenue	447,909	0	447,909	41,399
Internal Balances	67,356	(67,356)	0	0
Current Portion of Non Current Liabilities	29,974	0	29,974	10,921
Total Current Liabilities	757,118	(48,220)	708,898	153,964

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2022

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Non Current Liabilities</u>				
Lease Liability	228,772	0	228,772	0
Compensated Absences	51,667	0	51,667	15,248
Net Pension Liability	623,974	387,793	1,011,767	0
Less Current Portion of Non Current Liabilities	(29,974)	0	(29,974)	(10,921)
 Total Non Current Liabilities	 874,439	 387,793	 1,262,232	 4,327
 TOTAL LIABILITIES	 1,631,557	 339,573	 1,971,130	 158,291
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to Pensions	105,416	65,516	170,932	0
 <u>NET POSITION</u>				
Net Investment in Capital Assets	6,001,770	10,034,586	16,036,356	494,217
Restricted for:				
Street Improvements	960,380	0	960,380	0
Cemetery Improvements:				
Permanently Restricted	137,900	0	137,900	0
Temporarily Restricted	17,939	0	17,939	0
Administration and Legal and Law Enforcement of Marihuana	28,161	0	28,161	0
Health and Welfare	0	0	0	1,495
Unrestricted	1,005,047	4,689,727	5,694,774	475,726
 TOTAL NET POSITION	 \$ 8,151,197	 \$ 14,724,313	 \$ 22,875,510	 \$ 971,438

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<u>Primary Government</u>								
Governmental Activities								
General Government	\$ 277,435	\$ 63,431	\$ 0	\$ 0	\$ (214,004)	\$ 0	\$ (214,004)	\$ 0
Public Safety	358,223	4,012	2,500	0	(351,711)	0	(351,711)	0
Public Works	916,852	130,578	316,466	0	(469,808)	0	(469,808)	0
Recreation and Culture	153,573	2,383	11,136	0	(140,054)	0	(140,054)	0
Community and Economic Development	17,504	25,000	0	0	7,496	0	7,496	0
Other Functions	150,579	0	0	0	(150,579)	0	(150,579)	0
Total Governmental Activities	1,874,166	225,404	330,102	0	(1,318,660)	0	(1,318,660)	0
Business-Type Activities								
Water Supply	940,222	1,426,418	0	0	0	486,196	486,196	0
Sewage Disposal	639,597	745,360	0	0	0	105,763	105,763	0
Total Business-Type Activities	1,579,819	2,171,778	0	0	0	591,959	591,959	0
TOTAL PRIMARY GOVERNMENT	\$ 3,453,985	\$ 2,397,182	\$ 330,102	\$ 0	(1,318,660)	591,959	(726,701)	0
<u>Component Units</u>								
Governmental Activities								
Downtown Development Authority	\$ 48,603	\$ 750	\$ 21,306	\$ 0	0	0	0	(26,547)
Business-Type Activities								
Downtown Development Authority	3,104	4,933	194	0	0	0	0	2,023
Ewart Housing Commission	946,432	360,917	398,850	0	0	0	0	(186,665)
Total Business-Type Activities	949,536	365,850	399,044	0	0	0	0	(184,642)
TOTAL COMPONENT UNITS	\$ 998,139	\$ 366,600	\$ 420,350	\$ 0	0	0	0	(211,189)
<u>General Revenues</u>								
Taxes					689,292	0	689,292	0
State Grants					438,060	0	438,060	52,343
License and Permits					38,167	0	38,167	0
Interest Earnings					18,399	33,532	51,931	570
Gain on Sale of Capital Assets					209,586	0	209,586	0
Other Revenues					65,647	60,749	126,396	35,163
Total General Revenues					1,459,151	94,281	1,553,432	88,076
Change in Net Position					140,491	686,240	826,731	(123,113)
<u>NET POSITION</u> - Beginning of Year - As Restated					8,010,706	14,038,073	22,048,779	1,094,551
<u>NET POSITION</u> - End of Year					<u>\$ 8,151,197</u>	<u>\$ 14,724,313</u>	<u>\$ 22,875,510</u>	<u>\$ 971,438</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,751,275	\$ 827,749	\$ 208,669	\$ 30,111	\$ 2,817,804
Restricted Cash	0	0	0	155,852	155,852
Receivables (Net, Where Applicable of Allowances for Uncollectibles)					
Special Assessments	0	53,832	26,300	0	80,132
Accounts	39,205	225	150	0	39,580
Due from Other Governments	45,465	34,962	11,695	0	92,122
Due from Other Funds	144	235,410	33,437	28,601	297,592
Prepaid Expenditures	2,698	0	0	0	2,698
TOTAL ASSETS	\$ 1,838,787	\$ 1,152,178	\$ 280,251	\$ 214,564	\$ 3,485,780
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 43,986	\$ 58,767	\$ 55,289	\$ 0	\$ 158,042
Accrued Payroll and Liabilities	4,765	208	46	0	5,019
Due to Other Governments	17,196	0	0	28,601	45,797
Due to Other Funds	285,105	79,641	189	13	364,948
Unearned Revenue	170,000	251,609	26,300	0	447,909
Total Liabilities	521,052	390,225	81,824	28,614	1,021,715
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenditures	2,698	0	0	0	2,698
Endowment	0	0	0	137,900	137,900
Restricted					
Street Improvements	0	761,953	198,427	0	960,380
Cemetery Improvements	0	0	0	17,939	17,939
Administration and Legal and Law Enforcement of Marihuana	28,161	0	0	0	28,161
Assigned					
Capital Projects Fund	0	0	0	30,111	30,111
Skate Park	23,771	0	0	0	23,771
Community Recreation	13,844	0	0	0	13,844
Police Vehicle Purchase	5,000	0	0	0	5,000
Fire Vehicle Purchase	5,000	0	0	0	5,000
Subsequent Year Budget Shortfall	2,369	0	0	0	2,369
Unassigned	1,236,892	0	0	0	1,236,892
Total Fund Balance	1,317,735	761,953	198,427	185,950	2,464,065
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,838,787	\$ 1,152,178	\$ 280,251	\$ 214,564	\$ 3,485,780

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

JUNE 30, 2022

Total Governmental Fund Balances	\$ 2,464,065
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Adjustment to reflect the consolidation of Internal Service Fund activities, related to governmental activities fund.	729,166
Capital and right to use assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital and right to use assets is	\$ 14,674,366
Accumulated depreciation/amortization is	<u>(8,986,509)</u>
	5,687,857
Internal service funds are used by management to charge costs of certain activities, such as equipment rental, to individual funds. The net result of the look-back adjustment as it relates to enterprise fund customers are treated as interfund payables and receivables between governmental activities and business-type activities.	(98,409)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Compensated Absences	(51,667)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds	
Net Pension Liability	(623,974)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pension	149,575
Deferred Inflows of Resources Related to Pensions	<u>(105,416)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 8,151,197</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 595,971	\$ 0	0	\$ 93,321	\$ 689,292
Special Assessments	0	3,113	1,521	0	4,634
Licenses and Permits	38,167	0	0	0	38,167
State Grants	412,005	234,368	76,964	28,555	751,892
Charges for Services	187,762	0	0	0	187,762
Fines and Forfeits	2,783	0	0	0	2,783
Interest and Rents	44,451	2,493	1,587	4,727	53,258
Other Revenue	74,746	377	660	1,500	77,283
Total Revenues	1,355,885	240,351	80,732	128,103	1,805,071
<u>EXPENDITURES</u>					
General Government	238,227	0	0	0	238,227
Public Safety	278,825	0	0	77,908	356,733
Public Works	605,824	134,099	129,026	0	868,949
Community Economic and Development	4,141	0	0	0	4,141
Recreation and Culture	56,546	0	0	43,968	100,514
Other Functions	150,579	0	0	0	150,579
Total Expenditures	1,334,142	134,099	129,026	121,876	1,719,143
Excess (Deficiency) of Revenues Over Expenditures	21,743	106,252	(48,294)	6,227	85,928
<u>OTHER FINANCING SOURCES (USES)</u>					
Sale of Capital Assets	417,998	0	0	0	417,998
Transfers In	0	0	20,000	0	20,000
Transfers Out	0	(20,000)	0	0	(20,000)
Total Other Financing Sources (Uses)	417,998	(20,000)	20,000	0	417,998
Net Change in Fund Balance	439,741	86,252	(28,294)	6,227	503,926
FUND BALANCE - Beginning of Year	877,994	675,701	226,721	179,723	1,960,139
FUND BALANCE - End of Year	\$ 1,317,735	\$ 761,953	\$ 198,427	\$ 185,950	\$ 2,464,065

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances Total Governmental Funds	\$	503,926
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Amounts reported for governmental activities are different because:

Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.	9,399
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Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as

Depreciation Expense	(273,492)
Capital Outlay	115,860
Net Cost of Assets Sold	(208,412)

Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences - Beginning of Year	69,416
Compensated Absences - End of Year	(51,667)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Changes in Net Pension Liability	34,891
Change in Pension Related Items	(59,430)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>140,491</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 3,091,606	\$ 1,395,304	\$ 4,486,910	\$ 417,150
Receivables (Net, Where Applicable, of Allowances for Uncollectibles):				
Accounts	165,321	119,951	285,272	1,124
Special Assessments	116,276	13,801	130,077	0
Due from Other Funds	63,840	3,647	67,487	0
Prepaid Expenses	595	595	1,190	0
 Total Current Assets	 <u>3,437,638</u>	 <u>1,533,298</u>	 <u>4,970,936</u>	 <u>418,274</u>
<u>Capital Assets</u>				
Land	42,500	458,091	500,591	0
Land Improvements and Additions	67,146	0	67,146	0
Buildings	393,653	0	393,653	0
Machinery and Equipment	198,710	519,753	718,463	926,917
Right To Use - Machinery and Equipment	0	0	0	277,917
Intangibles	125,267	0	125,267	0
Water and Sewer Systems	11,792,481	6,828,856	18,621,337	0
	<u>12,619,757</u>	<u>7,806,700</u>	<u>20,426,457</u>	<u>1,204,834</u>
Less Accumulated Depreciation/Amortization	5,742,780	4,649,091	10,391,871	662,149
 Total Capital Assets, Net of Accumulated Depreciation/Amortization	 <u>6,876,977</u>	 <u>3,157,609</u>	 <u>10,034,586</u>	 <u>542,685</u>
 TOTAL ASSETS	 <u>10,314,615</u>	 <u>4,690,907</u>	 <u>15,005,522</u>	 <u>960,959</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	46,764	46,194	92,958	0

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>		<u>Fund</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	58	11,008	11,066	2,923
Accrued Payroll and Liabilities	2,530	2,390	4,920	98
Customer Deposits	3,150	0	3,150	0
Due to Other Funds	42	89	131	0
Current Portion of Long-Term Debt	0	0	0	29,974
Total Current Liabilities	5,780	13,487	19,267	32,995
<u>Non-Current Liabilities</u>				
Lease Liability	0	0	0	228,772
Net Pension Liability	195,086	192,707	387,793	0
Less Current Portion of Lease Liability	0	0	0	(29,974)
Total Non-Current Liabilities	195,086	192,707	387,793	198,798
TOTAL LIABILITIES	200,866	206,194	407,060	231,793
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	32,959	32,557	65,516	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	6,876,977	3,157,609	10,034,586	313,913
Unrestricted	3,250,577	1,340,741	4,591,318	415,253
TOTAL NET POSITION	\$ 10,127,554	\$ 4,498,350	\$ 14,625,904	\$ 729,166

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF NET POSITION OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2022

Total Net Position - Total Proprietary Funds \$ 14,625,904

Amounts reported for proprietary activities in the Statement of Net Position are different because:

Internal service funds are used by management to charge costs of equipment rental to individual funds. The assets and liabilities of the internal service funds are allocated to governmental type activities. This creates an internal balance referred to as the crossover amount which needs to be adjusted for.

98,409

NET POSITION OF PROPRIETARY FUNDS

\$ 14,724,313

The notes to the financial statements are an integral part of this document.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			Internal Service Fund
	Water Supply	Sewage Disposal	Totals	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 1,411,218	\$ 745,360	\$ 2,156,578	\$ 0
Rental	15,200	0	15,200	187,790
Total Operating Revenues	<u>1,426,418</u>	<u>745,360</u>	<u>2,171,778</u>	<u>187,790</u>
<u>OPERATING EXPENSES</u>				
Personal Services	192,240	183,619	375,859	9,383
Employee Benefits	105,925	99,610	205,535	6,084
Professional Services	43,716	48,525	92,241	4,573
Office Supplies and Expense	15,241	9,423	24,664	0
Communications	6,017	6,752	12,769	0
Insurance	5,536	18,452	23,988	6,920
Operating Supplies and Expense	199,524	39,119	238,643	46,912
Heat, Light and Power	84,923	47,935	132,858	0
Depreciation/Amortization	249,719	165,819	415,538	92,544
Rentals	42,182	22,955	65,137	0
Total Operating Expenses	<u>945,023</u>	<u>642,209</u>	<u>1,587,232</u>	<u>166,416</u>
Operating Income (Loss)	<u>481,395</u>	<u>103,151</u>	<u>584,546</u>	<u>21,374</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	26,828	6,704	33,532	2,516
Interest Expense	0	0	0	(8,202)
Miscellaneous Income	16,153	44,596	60,749	1,124
Total Nonoperating Revenues (Expenses)	<u>42,981</u>	<u>51,300</u>	<u>94,281</u>	<u>(4,562)</u>
Change in Net Position	524,376	154,451	678,827	16,812
<u>NET POSITION</u> - Beginning of Year - As Restated	<u>9,603,178</u>	<u>4,343,899</u>	<u>13,947,077</u>	<u>712,354</u>
<u>NET POSITION</u> - End of Year	<u>\$ 10,127,554</u>	<u>\$ 4,498,350</u>	<u>\$ 14,625,904</u>	<u>\$ 729,166</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION TO THE STATEMENT OF ACTIVITIES
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

Net Change in Fund Net Position - Total Proprietary Funds	\$ 678,827
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Amounts reported for proprietary activities in the Statement of Activities are different because:

Internal service funds are used by management to charge costs of equipment rental to individual funds. The net revenue (expense) of internal service fund is reported with governmental type activities. This creates an internal balance referred to as the crossover amount that needs to be adjusted for.

7,413

CHANGE IN NET POSITION OF PROPRIETARY FUNDS	<u><u>\$ 686,240</u></u>
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The notes to the financial statements are integral part of this document.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2022

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			<u>Internal Service</u>
<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Fund</u>	
	<u>Supply</u>	<u>Disposal</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 1,398,836	\$ 725,793	\$ 2,124,629	\$ 0
Receipts from Interfund Services Provided	0	0	0	188,310
Payments to Suppliers	(485,352)	(269,062)	(754,414)	(63,718)
Payments to Employees	(191,604)	(183,060)	(374,664)	(9,412)
Net Cash Provided (Used) by Operating Activities	<u>721,880</u>	<u>273,671</u>	<u>995,551</u>	<u>115,180</u>
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital and Right to Use Assets	(91,439)	(91,439)	(182,878)	(32,649)
Principal Paid on Lease Liability	0	0	0	(26,994)
Special Assessment Revenue	7,180	1,254	8,434	0
Miscellaneous Revenue Received	16,153	44,596	60,749	1,124
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(68,106)</u>	<u>(45,589)</u>	<u>(113,695)</u>	<u>(58,519)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	26,828	6,704	33,532	2,516
Interest Paid	0	0	0	(8,202)
Net Cash Flows from Investing Activities	<u>26,828</u>	<u>6,704</u>	<u>33,532</u>	<u>(5,686)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	680,602	234,786	915,388	50,975
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>2,411,004</u>	<u>1,160,518</u>	<u>3,571,522</u>	<u>366,175</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 3,091,606</u>	<u>\$ 1,395,304</u>	<u>\$ 4,486,910</u>	<u>\$ 417,150</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2022

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			<u>Internal Service</u>
<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Fund</u>	
	<u>Supply</u>	<u>Disposal</u>		
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>				
<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 481,395	\$ 103,151	\$ 584,546	\$ 21,374
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization	249,719	165,819	415,538	92,544
(Increase) Decrease in Current Assets				
Accounts Receivable	(24,376)	(16,813)	(41,189)	520
Due from Other Funds	(3,306)	(2,754)	(6,060)	0
Prepaid Expense	1,797	2,185	3,982	0
Increase (Decrease) in Current Liabilities				
Accounts Payable	0	10,950	10,950	771
Accrued Payroll and Liabilities	636	559	1,195	(29)
Customer Deposits	100	0	100	0
Increase (Decrease) in Net Pension Obligation	15,915	10,574	26,489	0
Total Adjustments	240,485	170,520	411,005	93,806
NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES	\$ 721,880	\$ 273,671	\$ 995,551	\$ 115,180

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2022

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ASSETS</u>	
Due from Other Governments	\$ 6,906
<u>LIABILITIES</u>	
Due to Other Governments	<u> 6,906</u>
<u>NET POSITION</u>	<u><u> \$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

FIDUCIARY FUND

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

	<u>CUSTODIAL FUND</u> <u>TAX COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected and Miscellaneous	\$ 1,542,645
<u>DEDUCTIONS</u>	
Property Taxes Distributed and Miscellaneous	<u>1,542,645</u>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION - Beginning of Year</u>	<u>0</u>
<u>NET POSITION - End of Year</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
COMPONENT UNITS

JUNE 30, 2022

	GOVERNMENTAL	BUSINESS-TYPE		Total
	ACTIVITIES	ACTIVITIES		
	Downtown Development Authority - General Fund	Downtown Development Authority - Market Fund	Evart Housing Commission	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 220,502	\$ 7,134	\$ 105,968	\$ 333,604
Cash and Cash Equivalents - Restricted	0	0	1,495	1,495
Cash and Cash Equivalents - Security Deposits	0	0	39,536	39,536
Accounts Receivable	0	0	4,940	4,940
Investments	0	0	249,017	249,017
Prepaid Expenses	0	0	6,920	6,920
Total Current Assets	220,502	7,134	407,876	635,512
<u>Non Current Assets</u>				
Capital Assets	40,433	0	5,822,097	5,862,530
Less Accumulated Depreciation	(6,418)	0	(5,361,895)	(5,368,313)
Total Non Current Assets	34,015	0	460,202	494,217
TOTAL ASSETS	254,517	7,134	868,078	1,129,729
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	0	1,849	42,199	44,048
Accrued Expenses	608	0	17,452	18,060
Tenant Security Deposits	0	0	39,536	39,536
Unearned Revenue	32,335	0	9,064	41,399
Current Portion of Non Current Liabilities	0	0	10,921	10,921
Total Current Liabilities	32,943	1,849	119,172	153,964
<u>Non Current Liabilities</u>				
Compensated Absences - Net	0	0	4,327	4,327
TOTAL LIABILITIES	32,943	1,849	123,499	158,291
<u>NET POSITION</u>				
Net Investment in Capital Assets	34,015	0	460,202	494,217
Restricted - Health and Welfare	0	0	1,495	1,495
Unrestricted	187,559	5,285	282,882	475,726
TOTAL NET POSITION	\$ 221,574	\$ 5,285	\$ 744,579	\$ 971,438

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

COMPONENT UNITS

JUNE 30, 2022

Total Governmental Fund Balances \$ 187,559

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

Capital assets used in governmental activities are not financial resources and are not
reported in the funds.

The cost of the capital assets is	\$	40,433	
Accumulated depreciation is		(6,418)	34,015

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 221,574

No reconciling items for Business-Type Activities

The notes to the financial statements are an integral part of this statement.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority - General Fund	Downtown Development Authority - Market Fund	Evart Housing Commission	
<u>Governmental Activities</u>								
Downtown Development Authority	\$ 48,603	\$ 750	\$ 21,306	\$ 0	\$ (26,547)	\$ 0	\$ 0	\$ (26,547)
<u>Business-Type Activities</u>								
Downtown Development Authority	3,104	4,933	194	0	0	2,023	0	2,023
Evart Housing Commission	946,432	360,917	398,850	0	0	0	(186,665)	(186,665)
Total Business-Type Activities	949,536	365,850	399,044	0	0	2,023	(186,665)	(184,642)
TOTAL	\$ 998,139	\$ 366,600	\$ 420,350	\$ 0	(26,547)	2,023	(186,665)	(211,189)
<u>General Revenues</u>								
State Sources					52,343	0	0	52,343
Interest Earnings					44	0	526	570
Other Revenues					365	933	33,865	35,163
Total General Revenues					52,752	933	34,391	88,076
Change in Net Position					26,205	2,956	(152,274)	(123,113)
<u>NET POSITION</u> - Beginning of Year - As Restated					195,369	2,329	896,853	1,094,551
<u>NET POSITION</u> - End of Year					\$ 221,574	\$ 5,285	\$ 744,579	\$ 971,438

CITY OF EVART
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

COMPONENT UNITS

YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances Total Governmental Funds	\$	27,630
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as

Depreciation Expense	<u>(1,425)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>26,205</u>
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No reconciling items for Business-Type Activities

The notes to the financial statements are an integral part of this statement.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

The governmental-wide financial statements (i.e., *The Statement of Net Position* and *The Statement of Activities*) report the information on all of 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 governmental is financially accountable.

B. Reporting Entity

The City of Evert, Michigan, was incorporated under the laws of the State of Michigan and operates under a Council-Manager form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government. The Downtown Development Authority has a June 30th year-end. The Evert Housing Commission has a December 31st year-end.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The members of the governing council of the Downtown Development Authority are appointed by the Evert City Council. The Authority’s operational and capital budgets and bonded debt must be approved by the City Council.

Evert Housing Commission – The members of the governing council of the Evert Housing Commission are appointed by the Evert City Council. The Housing Commission has a different fiscal year-end of December 31st and issues a separate financial report.

Financial statements of the DDA are included as supplemental information in the annual financial report of the City of Evert, Michigan. Both component units can also be found under the Component Units section of the Basic Financial Statements.

C. Basis of Presentation – Government-Wide Financial Statements

While separate governmental-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds, while business-type activities incorporate data from the government’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 government has two discretely presented component units. The DDA and Evert Housing Commission are considered to be major component units and are shown in separate columns in the government-wide financial statements.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations 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 government'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 funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City of Evert reports the following major governmental funds:

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

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines. It accounts for all construction, maintenance, traffic services and snow and ice control of all streets designated as major.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The City of Evert reports the following major proprietary funds:

The *Water Supply* records financial activity of the water system which provides water to customers.

The *Sewage Disposal* records financial activity of the sewage disposal services to its customers.

Additionally, the City of Evert reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The *permanent funds* are accounted for using the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

The *custodial fund* accounts for property taxes, trailer taxes, and dog licenses collected by the City on behalf of other governments as well as the City's General Fund.

During the course of operations, the government 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, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business-type activities column.

E. 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 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 government 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 are reported as other financing sources.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Property taxes, licenses, interest, and special assessments 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 resource (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 government.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year. The City does not use encumbrance accounting.

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

1. Prior to June 30, the City Manager submits, to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget various times during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

7. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
City Council	\$ 9,257	\$ 12,636
City Manager	32,423	38,474
Treasurer	21,994	23,109
Attorney	14,697	23,117
Building and Grounds	33,136	40,294
Cemetery	54,312	55,609
Public Works		
Department of Public Works	151,974	226,309
Airport	28,656	97,045
Trees	99,267	108,122
Refuse Service	111,172	123,705
Recreation and Culture		
Parks and Recreation	38,858	56,546
Major Street Fund		
Public Works		
Street Department	120,001	134,099
Library Fund		
Recreation and Culture		
Library	0	43,968
Fire Fund		
Public Safety		
Fire Protection	0	77,908

These overages were funded by available fund balance and greater than anticipated revenues. No budget was adopted for the Library Fund or Fire Fund.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The City considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

2. *Investments*

The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers' acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a fund's portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities. Some investments authorized by state law are shown as cash on the financial statements.

3. *Inventories and Prepaid Items*

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Inventories held by the General, Water and Internal Service Funds are not considered material and are not included in these financial statements.

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

4. *Restricted Assets*

The restricted assets of the Cemetery Perpetual Care Fund consist of donations related to keeping up with the cemetery care.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair market value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest was incurred for the current year's acquisitions and improvements.

Land and construction in progress, if any, are not depreciated. Right to use assets of the City are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Property, plant, and equipment are depreciated in all funds of the government using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5
Land Improvements	10-20
Vehicles	5

6. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Unearned Revenue*

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City has unearned revenue related to special assessments, donations from local businesses, and American Rescue Plan Act (ARPA) funds that were received but not yet spent as of June 30, 2022.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote IV.A.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The 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 government has one item that qualifies for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote IV.A.

10. *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

12. Fund Balance Flow Assumptions

Sometimes the government 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. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

13. Fund Balance Policies

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

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

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

14. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

15. Leases

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

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

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

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue 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.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection Fund. A portion of county and school taxes are billed and due December 1 and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2021 summer roll has been recognized in these statements. City taxes and the remainder of county taxes are billed and due July 1 and become delinquent after August 10. City tax collections are accounted for in the Current Tax Collection Fund. The school 6 mill tax levy is also collected on the summer tax roll.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The 2021 taxable valuation of the City totaled \$31,724,098 on which ad valorem taxes levied consisted of 14.5539 mills for City operating purposes, 0.9702 mills for the Library, 1.8000 mills for Public Safety, and 2.0000 for Fire Protection. The levy raised approximately \$457,800 for City operating purposes, \$30,500 for the Library, \$56,800 for Public Safety purposes, and \$63,100 for Fire Protection. These amounts are recognized in the General Fund, Library Fund, and Fire Fund as tax revenue.

3. *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 water fund, sewer fund, and internal service fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal services fund 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2022. It also explains the provision provided by law that was used to remedy the violation. In addition, the City did not adopt a budget for the Library Fund or Fire Fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

As of June 30, 2022, the City had deposits subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, \$6,689,375 of the government's bank balance of \$7,939,375 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the June 30, 2022, none of the \$229,975 bank balance of the DDA was exposed to custodial credit risk because it was all insured. Additionally, as of December 31, 2021, none of the Evart Housing Commission's cash and equivalents were exposed to credit risk due to them being fully insured. As of June 30, 2022, deposits of \$8,501,003 and petty cash of \$365, are reported on the financial statements as cash and cash equivalents or investments (which are certificates of deposit).

The deposits and investments (certificates of deposit) referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

	Primary Government	Component Units	Reporting Entity
Cash & Cash Equivalents	\$ 7,721,864	\$ 333,604	\$ 8,055,468
Cash & Cash Equivalents - Restricted	155,852	1,495	157,347
Cash & Cash Equivalents - Security Deposits	0	39,536	39,536
Investments (Certificates of Deposit)	0	249,017	249,017
	\$ 7,877,716	\$ 623,652	\$ 8,501,368

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

Receivables as of June 30, 2022, for the government’s individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Street Fund	Local Street Fund	Water Supply	Sewage Disposal	Internal Service Fund	Total
Receivables							
Accounts	\$ 39,205	\$ 225	\$ 150	\$ 165,321	\$ 119,951	\$ 1,124	\$ 325,976
Special Assessments	0	53,832	26,300	116,276	13,801	0	210,209
Due from Other Governments	45,465	34,962	11,695	0	0	0	92,122
Total Receivables	\$ 84,670	\$89,019	\$38,145	\$ 281,597	\$133,752	\$ 1,124	\$ 628,307

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital and Right to Use Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets, Not Being Depreciated/Amortized				
Land	\$ 1,670,434	\$ 0	\$ 184,300	\$ 1,486,134
Capital and Right to Use Assets, Being Depreciated/Amortized				
Buildings	2,668,093	4,190	29,829	2,642,454
Intangibles	125,000	0	0	125,000
Land Improvements	4,821,197	0	0	4,821,197
Machinery and Equipment	293,560	0	0	293,560
Office Equipment	21,159	0	0	21,159
Vehicles	79,402	0	0	79,402
Paved Roads	5,093,790	111,670	0	5,205,460
Total Capital and Right to Use Assets, Being Depreciated/Amortized	13,102,201	115,860	29,829	13,188,232
Less Accumulated Depreciation/Amortization for:				
Buildings	696,694	66,751	5,717	757,728
Intangibles	125,000	0	0	125,000
Land Improvements	3,031,439	127,239	0	3,158,678
Machinery and Equipment	187,837	25,150	0	212,987
Office Equipment	21,160	0	0	21,160
Vehicles	79,400	0	0	79,400
Paved Roads	4,577,204	54,352	0	4,631,556
Total Accumulated Depreciation/Amortization	8,718,734	273,492	5,717	8,986,509
Total Capital and Right to Use Assets, Being Amortized, Net	4,383,467	(157,632)	24,112	4,201,723
Governmental Activities Capital and Right to Use Assets, Net	\$ 6,053,901	\$ (157,632)	\$ 208,412	5,687,857
Internal Service Fund Net Capital and Right to Use Assets				542,685
Net Capital and Right to Use Assets per Statement of Net Position				\$ 6,230,542

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Business – Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewage Disposal</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 458,091	\$ 0	\$ 0	\$ 458,091
Capital Assets, Being Depreciated				
Machinery and Equipment	519,753	0	0	519,753
Sewer Connection Lines	4,380,392	91,439	0	4,471,831
Treatment System	2,357,025	0	0	2,357,025
Total Capital Assets, Sewer, Being Depreciated	7,257,170	91,439	0	7,348,609
Less Accumulated Depreciation for:				
Machinery and Equipment	458,744	20,035	0	478,779
Sewer Connection Lines	2,186,782	87,204	0	2,273,986
Treatment System	1,837,746	58,580	0	1,896,326
Total Accumulated Depreciation, Sewer	4,483,272	165,819	0	4,649,091
Total Capital Assets, Sewer, Being Depreciated, Net	2,773,898	(74,380)	0	2,699,518
Sewer Capital Assets, Net	3,231,989	(74,380)	0	3,157,609
<u>Water Supply</u>				
Capital Assets, Not Being Depreciated				
Land	42,500	0	0	42,500
Capital Assets, Being Depreciated				
Land Improvements	67,146	0	0	67,146
Buildings	393,653	0	0	393,653
Machinery and Equipment	198,710	0	0	198,710
Intangibles	125,267	0	0	125,267
Mains and Connections	5,539,281	91,439	0	5,630,720
Meters	394,964	0	0	394,964
Tower	1,766,464	0	0	1,766,464
Wells and Control Building	4,000,333	0	0	4,000,333
Total Capital Assets, Water, Being Depreciated	12,485,818	91,439	0	12,577,257

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water Supply</u>				
Less Accumulated Depreciation for:				
Buildings	133,748	7,214	0	140,962
Intangible	125,267	0	0	125,267
Land Improvements	34,632	3,357	0	37,989
Machinery and Equipment	174,288	7,613	0	181,901
Mains and Connections	2,054,786	109,204	0	2,163,990
Meters	175,443	22,663	0	198,106
Tower	1,298,650	22,138	0	1,320,788
Wells and Control Building	1,496,247	77,530	0	1,573,777
Total Accumulated Depreciation, Water	5,493,061	249,719	0	5,742,780
Total Capital Assets, Water, Being Depreciated, Net	6,992,757	(158,280)	0	6,834,477
Water Capital Assets, Net	7,035,257	(158,280)	0	6,876,977
Total Capital Assets, Net Business-Type Activities	\$ 10,267,246	\$ (232,660)	\$ 0	\$ 10,034,586

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 28,509
Public Safety	6,531
Public Works	172,030
Recreation and Culture	53,059
Community and Economic Development	13,363
Total Depreciation Expense - Governmental Activities	<u>\$ 273,492</u>

Business-Type Activities:

Sewer	\$ 165,819
Water	249,719
Total Depreciation Expense - Business-Type Activities	<u>\$ 415,538</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Discretely Presented Component Units

<u>Evert Housing Commission</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 35,851	\$ 0	\$ 0	\$ 35,851
Capital Assets Being Depreciated				
Land Improvements	849,568	0	0	849,568
Building and Improvements	4,626,769	12,525	9,265	4,630,029
Equipment	320,697	1,976	16,024	306,649
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,797,034	14,501	25,289	5,786,246
Less Accumulated Depreciation	5,204,925	182,259	25,289	5,361,895
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	592,109	(167,758)	0	424,351
Evert Housing Commission Capital Assets, Net	627,960	(167,758)	0	460,202
<u>Downtown Development Authority</u>				
Capital Assets Being Depreciated				
Buildings	23,850	0	0	23,850
Building Improvements	16,583	0	0	16,583
Total Capital Assets, DDA, Being Depreciated	40,433	0	0	40,433
Less Accumulated Depreciation for:				
Buildings	894	596	0	1,490
Building Improvements	4,099	829	0	4,928
Total Accumulated Depreciation, DDA	4,993	1,425	0	6,418
Total Capital Assets, DDA, Being Depreciated, Net	35,440	(1,425)	0	34,015
Total Capital Assets, Net, Component Units	\$ 663,400	\$ (169,183)	\$ 0	\$ 494,217

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Community and Economic Development	<u>\$ 1,425</u>
Business-Type Activities:	
Housing Commission	<u>\$ 182,259</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

D. Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at June 30, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cemetery Perpetual Care Fund	\$ 13
Major Street Fund	General Fund	235,221
Local Street Fund	General Fund	13,437
Library Fund	General Fund	14,187
Water Supply Fund	General Fund	4,199
Sewage Disposal Fund	General Fund	3,647
Fire Fund	General Fund	14,414
Local Street Fund	Major Street Fund	20,000
Water Supply Fund	Major Street Fund	59,641
Major Street Fund	Local Street Fund	189
General Fund	Sewage Disposal Fund	89
General Fund	Water Supply Fund	42
		\$ 365,079

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2022, are expected to be repaid within one year.

Individual fund transfers at June 30, 2022, were:

<u>Funds Transferred To</u>	<u>Funds Transferred From</u>	
Local Street Fund	Major Street Fund	\$ 20,000

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

E. Long-Term Obligations

1. Primary Government

The following is a summary of long-term debt obligation transactions of the City of Evart for the year ended June 30, 2022:

Governmental Activities:

	COMPENSATED ABSENCES	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	NET PENSION LIABILITY	TOTAL
Balance July 1, 2021	\$ 69,416	\$ 154,478	\$ 658,865	\$ 882,759
Additions	2,863	101,288	40,082	144,233
Deletions	(20,612)	(26,994)	(74,973)	(122,579)
Balance June 30, 2022	51,667	228,772	623,974	904,413
Less current portion	Unknown	(29,974)	Unknown	(29,974)
Total Due after one year	\$ 51,667	\$ 198,798	\$ 623,974	\$ 874,439

The City's debt obligations at June 30, 2022, are comprised of the following issues:

Governmental Activities

Compensated Absences

Vested sick and vacation pay owed to City employees under various contracts and agreements (this debt is payable from the General Fund and various Special Revenue Funds) \$ 51,667

Notes From Direct Borrowings and Direct Placements

Loader lease due in annual installments of \$22,040 to \$110,000, with interest at 4.15% 138,849

Backhoe lease due in annual installments of \$2,382 to \$15,787 with interest at 2.50% 89,923

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 623,974

Total Governmental Activities Long-Term Obligations \$ 904,413

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$228,772 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2022, including interest payments of \$22,415 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>NOTES FROM DIRECT BORROWINGS AND</u> <u>DIRECT PLACEMENTS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 29,974	\$ 7,854	\$ 37,828
2024	30,996	6,833	37,829
2025	120,014	5,773	125,787
2026	14,761	1,026	15,787
2027	15,135	653	15,788
2028-2029	17,892	276	18,168
	<u>\$ 228,772</u>	<u>\$ 22,415</u>	251,187
Net Pension Liability			623,974
Compensated Absences			51,667
			<u>\$ 926,828</u>

Interest expense for the year ended June 30, 2022, was \$8,202.

The annual requirements to amortize vested sick and vacation pay, and net pension liability is uncertain because it is unknown when the repayments will be made.

Business-Type Activities:

	<u>NET PENSION</u> <u>LIABILITY</u>
Balance July 1, 2021	\$ 396,147
Additions	38,604
Deletions	<u>(46,958)</u>
Balance June 30, 2022	387,793
Less current portion	<u>Unknown</u>
Total Due after one year	<u>\$ 387,793</u>

The City's debt obligations at June 30, 2022, are comprised of the following issues:

Business-Type Activities:

Net Pension Liability

The difference between the total pension liability for the business-type activities and the pension investment net position

\$ 387,793

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The annual requirements to amortize net pension liability is uncertain because it is unknown when the repayments will be made.

2. *Discretely Presented Component Units*

The following is a summary of the long-term obligation transactions of the Evert Housing Commission for the year ended June 30, 2022:

	<u>COMPENSATED ABSENCES</u>
Balance July 1, 2021	\$ 22,448
Additions	0
Deletions	<u>(7,200)</u>
Balance June 30, 2022	15,248
Less current portion	<u>10,921</u>
Total Due after one year	<u>\$ 4,327</u>

The Evert Housing Commission's debt obligations at June 30, 2022, are comprised of the following issues:

Compensated Absences

Vested sick and vacation pay owed to employees under various contracts and agreements

\$ 15,248

IV. OTHER INFORMATION

A. Employee Retirement Systems

Primary Government

Plan Description:

The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and their beneficiaries. The City participates in the Michigan 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 for the system. This report may be obtained by accessing the MERS website at www.mersofmich.com or by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Benefits Provided

	<u>2021 Valuation</u>	
	<u>01-General: Closed to new hires, linked to Division HA</u>	<u>HA-New Hires & Tmstr214 af 11/1/11: Open Division, linked to Division 01</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/20	-
Early Retirement (Reduced):	50/25	-
	55/15	-
Final Average Compensation:	5 years	3 years
Employee Contributions:	5%	0%
Act 88:	No	No

	<u>2021 Valuation</u>
	<u>10-Evart LDFA-General: Closed to new hires</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2021, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	12
Active Employees	<u>11</u>
Total employees covered by MERS	<u><u>38</u></u>

Contributions

MERS members are required to contribute 5% of their gross wages to the plan. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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 may establish contribution rates to be paid by its covered employees.

City contributions were 8.24% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount which is based on an amount instead of a percentage.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, 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, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary Increases	3.00%	In the long term
Investment rate of return	7.00%	Net of administrative and investment expense

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-Term Expected Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
Total	100.00%		7.00%		4.50%

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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.

Changes in Net Pension Liability

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2020	\$ 3,226,531	\$ 2,171,519	\$ 1,055,012
Service cost	45,925	0	45,925
Interest	238,918	0	238,918
Difference between expected and actual experience	(23,891)	0	(23,891)
Change in assumptions	127,603	0	127,603
Contributions - employer	0	121,871	(121,871)
Contributions - employee	0	11,366	(11,366)
Net investment income	0	302,031	(302,031)
Benefit payments, including refunds	(211,672)	(211,672)	0
Administrative expenses	0	(3,468)	3,468
Other Changes	0	0	0
Net changes	176,883	220,128	(43,245)
Balance at December 31, 2021	\$ 3,403,414	\$ 2,391,647	\$ 1,011,767

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
\$ 1,426,223	\$ 1,011,767	\$ 667,786

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

For the year ended June 30, 2022, the City recognized total pension expense of \$121,571.

At June 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 170,932
Employer contributions to the plan subsequent to the measurement date	70,745	0
Changes of assumptions in pension plan	151,540	0
Difference between expected and actual experience	20,248	0
Total	<u>\$ 242,533</u>	<u>\$ 170,932</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, 2023.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 79,391
2024	(3,349)
2025	(47,165)
2026	(28,021)
	<u>\$ 856</u>

B. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

The City participates in a distinct pool of Governmental Entities within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

The pool is considered a public entity risk pool. The City pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City continues to carry commercial insurance for other risks of loss, including worker's compensation. The City has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

C. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

D. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the City.

The City collects and disburses taxes, payments in lieu of taxes, and other receipts to various other units of government. Occasionally, chargebacks, tax tribunals, and various other situations occur where the City is directed to change the way collections have been previously disbursed. These changes could include money the City has previously recognized as income in its own various funds. There is no reasonable estimate of potential costs, if any.

Prior to June 30, 2022, the City approved the purchase of a truck utility bed for \$18,895.

The DDA has an agreement with Michigan State University for a \$7,500 study over a three-year period. As of June 30, 2022, \$5,000 has been paid.

E. Joint Venture - Evert Area Joint Fire Department

The City is a member of the Evert Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evert, and the townships of Evert, Orient, Osceola, and Sylvan. The City levied a millage this year in the Fire Fund, resulting in \$77,908 of tax dollars paid to the Fire Department.

A copy of these audited financial statements may be obtained upon request from the Fire Department treasurer.

F. GASB Statement No. 77

It has been determined that the City has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$3,000 and it has been determined they are not significant enough to warrant disclosure.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

V. CHANGE IN ACCOUNTING PRINCIPLE

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

Summary:

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

The change to net position and capital and right to use assets is as follows:

	<u>Net Position</u>	
	<u>Internal Service Fund</u>	<u>Governmental Activities</u>
Fund Balances as of July 1, 2021, as previously stated	\$ 734,923	8,033,275
Adoption of GASB Statement 87	<u>(22,569)</u>	<u>(22,569)</u>
Fund Balance as of July 1, 2021, as restated	<u>\$ 712,354</u>	<u>\$ 8,010,706</u>
	<u>Capital and Right to Use Assets</u>	
Balances as of July 1, 2021, as previously stated	\$ 6,577,762	
Adoption of GASB Statement 87		<u>(22,569)</u>
Balances as of July 1, 2021, as restated	<u>\$ 6,555,193</u>	

VI. PRIOR PERIOD ADJUSTMENT

In the prior year, the Downtown Development Authority (DDA) accounted for the farmers market activity in its general fund. During the current fiscal year the farmers market was moved to its own business-type activity fund to conform with the State of Michigan chart of accounts.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

	Fund Balance
	DDA - General Fund
Fund Balances as of July 1, 2021, as previously	\$ 162,258
Farmer's Market Fund	(2,329)
Fund Balance as of July 1, 2021, as restated	\$ 159,929

	Net Position		
	DDA - Market Fund	Governmental Activities	Business-Type Activities
Net Position as of July 1, 2021, as previously stated	\$ 0	\$ 197,698	\$ 896,853
Farmer's Market Fund	2,329	(2,329)	2,329
Net Position as of July 1, 2021, as restated	\$ 2,329	\$ 195,369	\$ 899,182

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<u>Revenues</u>									
Taxes	\$ 570,700	\$ 570,700	\$ 595,971	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	0	0	0	4,200	4,200	3,113	4,600	4,600	1,521
Licenses and Permits	51,100	51,100	38,167	0	0	0	0	0	0
State Grants	298,000	298,000	412,005	240,600	240,600	234,368	77,600	77,600	76,964
Charges for Services	123,000	123,000	187,762	0	0	0	0	0	0
Fines and Forfeits	3,400	3,400	2,783	0	0	0	0	0	0
Interest and Rents	41,100	42,125	44,451	300	300	2,493	100	100	1,587
Other Revenue	105,100	198,600	74,746	500	500	377	0	0	660
Total Revenues	1,192,400	1,286,925	1,355,885	245,600	245,600	240,351	82,300	82,300	80,732
<u>Expenditures</u>									
General Government									
City Council	11,400	9,257	12,636	0	0	0	0	0	0
Mayor	1,000	2,021	2,021	0	0	0	0	0	0
City Manager	38,600	32,423	38,474	0	0	0	0	0	0
Elections	10,500	1,348	1,332	0	0	0	0	0	0
Professional Services	8,300	11,159	11,158	0	0	0	0	0	0
Treasurer	23,700	21,994	23,109	0	0	0	0	0	0
Assessor	17,100	16,346	16,080	0	0	0	0	0	0
Attorney	13,800	14,697	23,117	0	0	0	0	0	0
Clerk	11,500	13,731	13,722	0	0	0	0	0	0
Board of Review	1,000	675	675	0	0	0	0	0	0
Building and Grounds	29,800	33,136	40,294	0	0	0	0	0	0
Cemetery	51,400	54,312	55,609	0	0	0	0	0	0
Public Safety									
Police	376,500	371,850	278,825	0	0	0	0	0	0
Fire Protection	5,000	5,000	0	0	0	0	0	0	0
Public Works									
Department of Public Works	140,000	151,974	226,309	0	0	0	0	0	0
Downtown Development Authority	20,000	20,000	20,000	0	0	0	0	0	0

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Airport	28,900	28,656	97,045	0	0	0	0	0	0
Trees	22,600	99,267	108,122	0	0	0	0	0	0
Street Lighting	25,700	30,645	30,643	0	0	0	0	0	0
Refuse Service	95,700	111,172	123,705	0	0	0	0	0	0
Street Department	0	0	0	120,000	120,001	134,099	131,900	131,899	129,026
Community and Economic Development									
Planning and Zoning	16,700	5,343	4,141	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	31,800	38,858	56,546	0	0	0	0	0	0
Other Functions									
Fringe Benefits	166,700	164,338	141,289	0	0	0	0	0	0
Liability Insurance	3,500	5,501	5,501	0	0	0	0	0	0
Special Events	2,700	3,790	3,789	0	0	0	0	0	0
Total Expenditures	1,153,900	1,247,493	1,334,142	120,000	120,001	134,099	131,900	131,899	129,026
Excess (Deficiency) of Revenues									
Over Expenditures	38,500	39,432	21,743	125,600	125,599	106,252	(49,600)	(49,599)	(48,294)
<u>Other Financing Sources (Uses)</u>									
Sale of Capital Assets	0	0	417,998	0	0	0	0	0	0
Transfers In	58,400	59,425	0	0	0	0	50,000	50,000	20,000
Transfers Out	(58,700)	(59,725)	0	(50,000)	(50,000)	(20,000)	0	0	0
Total Other Financing Sources (Uses)	(300)	(300)	417,998	(50,000)	(50,000)	(20,000)	50,000	50,000	20,000
Net Change in Fund Balance	38,200	39,132	439,741	75,600	75,599	86,252	400	401	(28,294)
<u>FUND BALANCE</u> - Beginning of Year	872,524	872,524	877,994	675,702	675,702	675,701	226,721	226,721	226,721
<u>FUND BALANCE</u> - End of Year	\$ 910,724	\$ 911,656	\$ 1,317,735	\$ 751,302	\$ 751,301	\$ 761,953	\$ 227,121	\$ 227,122	\$ 198,427

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS -
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

FOR PLAN YEAR ENDED DECEMBER 31,
(ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 45,925	\$ 47,877	\$ 42,616	\$ 50,133	\$ 47,932	\$ 41,621	\$ 47,156	\$ 41,938
Interest	238,918	185,613	181,299	169,703	163,284	164,942	150,951	148,744
Difference Between Expected and Actual Experience	(23,891)	24,058	38,587	74,220	(6,558)	(98,523)	11,917	0
Change in Assumptions	127,603	93,841	78,203	0	0	0	83,057	0
Change in Benefits	0	0	0	0	0	(11,775)	0	0
Benefit Payments	(211,672)	(177,411)	(157,193)	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Other Changes	0	0	0	0	0	0	4,718	0
Net Change in Total Pension Liability	176,883	173,978	183,512	160,558	87,120	(26,489)	180,261	89,513
Total Pension Liability - Beginning (2020 includes LDFA)	3,226,531	3,052,553	2,323,531	2,162,973	2,075,853	2,102,342	1,922,081	1,832,568
Total Pension Liability - Ending	<u>\$ 3,403,414</u>	<u>\$ 3,226,531</u>	<u>\$ 2,507,043</u>	<u>\$ 2,323,531</u>	<u>\$ 2,162,973</u>	<u>\$ 2,075,853</u>	<u>\$ 2,102,342</u>	<u>\$ 1,922,081</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 121,871	\$ 150,233	\$ 69,730	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 76,127	\$ 65,091
Contributions - Employee	11,366	11,039	11,173	15,269	15,526	43,402	0	0
Net Investment Income	302,031	243,965	212,467	(65,855)	206,189	168,829	(23,257)	95,150
Benefit Payments Including Employee Refunds	(211,672)	(203,516)	(157,193)	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Administrative Expense	(3,468)	(3,903)	(3,661)	(3,294)	(3,271)	(3,333)	(3,409)	(3,493)
Other Changes	0	0	(1)	(103)	0	0	0	0
Net Change in Plan Fiduciary Net Position	220,128	197,818	132,515	(122,592)	159,320	53,975	(68,077)	55,579
Plan Fiduciary Net Position - Beginning (2020 includes LDFA)	2,171,519	1,973,701	1,588,059	1,710,651	1,551,231	1,497,256	1,565,333	1,509,755
Plan Fiduciary Net Position - Ending	<u>\$ 2,391,647</u>	<u>\$ 2,171,519</u>	<u>\$ 1,720,574</u>	<u>\$ 1,588,059</u>	<u>\$ 1,710,551</u>	<u>\$ 1,551,231</u>	<u>\$ 1,497,256</u>	<u>\$ 1,565,334</u>
Employer Net Pension Liability	<u>\$ 1,011,767</u>	<u>\$ 1,055,012</u>	<u>\$ 786,469</u>	<u>\$ 735,472</u>	<u>\$ 452,422</u>	<u>\$ 524,622</u>	<u>\$ 605,086</u>	<u>\$ 356,747</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70%	67%	69%	68%	79%	75%	71%	81%
Covered Payroll	566,565	629,534	521,296	577,173	519,248	464,691	522,587	440,709
Employer's Net Pension Liability as a Percentage of Covered Payroll	179%	168%	151%	127%	87%	113%	116%	81%

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Primary Government										
Actuarial Determined Contributions	\$ 128,832	\$ 117,155	\$ 73,346	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 74,259	\$ 65,091	\$ 66,183	\$ 69,830
Contributions in Relation to the Actuarially Determined Contribution	128,832	117,155	73,346	64,889	58,414	(32,169)	74,259	65,091	66,183	69,830
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 602,630	\$ 640,974	\$ 556,990	\$ 577,173	\$ 519,248	\$ 464,691	\$ 522,587	\$ 440,709	\$ 581,523	\$ 513,593
Contributions as a Percentage of Covered Payroll	21%	18%	13%	11%	11%	-7%	14%	15%	11%	14%

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	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Retirement Age	Varies Depending on Plan Adoption
Mortality	Pub-2010 and fully generational MP-2019

CITY OF EVART
EVART, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2022

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Library</u>	<u>Fire</u>	<u>Police Vehicle</u>	<u>Fire Vehicle</u>	<u>Cemetery</u>	
					<u>Perpetual Care</u>	
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 2	\$ 30,109	\$ 0	\$ 30,111
Restricted Cash	0	0	0	0	155,852	155,852
Due from Other Funds	14,187	14,414	0	0	0	28,601
TOTAL ASSETS	\$ 14,187	\$ 14,414	\$ 2	\$ 30,109	\$ 155,852	\$ 214,564
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13	\$ 13
Due to Other Governments	14,187	14,414	0	0	0	28,601
TOTAL LIABILITIES	14,187	14,414	0	0	13	28,614
<u>FUND BALANCE</u>						
Nonspendable:						
Endowment	0	0	0	0	137,900	137,900
Restricted:						
Cemetery Improvements	0	0	0	0	17,939	17,939
Assigned						
Police Vehicle Replacement	0	0	2	0	0	2
Fire Vehicle Replacement	0	0	0	30,109	0	30,109
Total Fund Balance	0	0	2	30,109	155,839	185,950
TOTAL LIABILITIES AND FUND BALANCE	\$ 14,187	\$ 14,414	\$ 2	\$ 30,109	\$ 155,852	\$ 214,564

CITY OF EVART
EVART, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2022

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Library</u>	<u>Fire</u>	<u>Police</u>	<u>Fire</u>	<u>Cemetery Perpetual Care</u>	
			<u>Vehicle</u>	<u>Vehicle</u>		
<u>REVENUES</u>						
Taxes	\$ 30,405	\$ 62,916	\$ 0	\$ 0	\$ 0	\$ 93,321
State Grants	13,563	14,992	0	0	0	28,555
Interest and Rents	0	0	0	842	3,885	4,727
Other	0	0	0	0	1,500	1,500
Total Revenues	<u>43,968</u>	<u>77,908</u>	<u>0</u>	<u>842</u>	<u>5,385</u>	<u>128,103</u>
<u>EXPENDITURES</u>						
Public Safety						
Fire Protection	0	77,908	0	0	0	77,908
Recreation and Culture						
Library	<u>43,968</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,968</u>
Total Expenditures	<u>43,968</u>	<u>77,908</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,876</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	842	5,385	6,227
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>0</u>	<u>2</u>	<u>29,267</u>	<u>150,454</u>	<u>179,723</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 30,109</u>	<u>\$ 155,839</u>	<u>\$ 185,950</u>

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 220,502</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accrued Payroll and Liabilities	\$ 608
Unearned Revenue	<u>32,335</u>
Total Liabilities	32,943
<u>FUND BALANCE</u>	
Unassigned	<u>187,559</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 220,502</u>

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	General Fund	
	Budget	Actual
<u>REVENUES</u>		
Local Contributions	\$ 20,000	\$ 7,342
Interest and Rents	2,150	794
State Sources	62,250	52,343
Other Sources		
Donations	31,300	13,964
Other Revenues	5,500	365
	121,200	74,808
Total Revenues		
<u>EXPENDITURES</u>		
Operating		
Wages	35,000	19,077
Employee Benefits		
Health Insurance	10,500	0
Payroll Taxes	4,000	1,464
Workers Compensation	950	353
Office Expense	1,410	783
Professional Fees	7,219	6,568
Utilities	4,678	4,615
Community Promotion	14,740	6,448
Repairs and Maintenance	200	56
Memberships and Dues	375	375
Fundraisers	14,260	2,791
Grants	10,000	231
Travel	3,153	25
Technology	1,500	1,497
Education and Training	395	395
Project Costs	7,500	2,500
Miscellaneous	540	0
	116,420	47,178
Total Expenditures		
Excess (Deficiency) of Revenues		
Over Expenditures	4,780	27,630
<u>FUND BALANCE</u> - Beginning of Year - As Restated	162,259	159,929
<u>FUND BALANCE</u> - End of Year	\$ 167,039	\$ 187,559

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2022

	<u>Market Fund</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 7,134
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	<u>1,849</u>
 <u>NET POSITION</u>	
Unrestricted	<u><u>\$ 5,285</u></u>

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	<u>Market Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 4,933
Miscellaneous Income	<u>1,127</u>
Total Operating Revenues	<u>6,060</u>
 <u>OPERATING EXPENSES</u>	
Office Supplies and Expense	503
Operating Supplies and Expenses	201
Contracted Services	<u>2,400</u>
Total Operating Expenses	<u>3,104</u>
Operating Income (Loss)	2,956
 <u>NET POSITION</u> - Beginning of Year - As Restated	<u>2,329</u>
 <u>NET POSITION</u> - End of Year	<u><u>\$ 5,285</u></u>

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2022

	<u>Market Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 6,060
Payments to Suppliers	<u>(3,562)</u>
Net Cash Provided (Used) by Operating Activities	2,498
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>4,636</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 7,134</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 2,956
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>(458)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,498</u>

