

**CITY OF EVART, MICHIGAN**

**JUNE 30, 2023**



CITY OF EVART, MICHIGAN

JUNE 30, 2023

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-13
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	14-15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21-22
Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Fund Net Position	24
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position to the Statement of Activities	25
Statement of Cash Flows	26-27
Fiduciary Fund	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Component Units	
Statement of Net Position	30
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	31
Statement of Activities	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Notes to Financial Statements	34-58
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – Major Governmental Funds	59-60
Schedule of Changes in Employer's Net Pension Liability and Related Ratios – Municipal Employees' Retirement System	61
Schedule of Employer Contributions – Municipal Employees' Retirement System	62

CITY OF EVART, MICHIGAN

JUNE 30, 2023

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Combining Financial Statements</b>	
Nonmajor Governmental Fund Types	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
<b>Component Unit</b>	
Governmental Funds	
<u>Downtown Development Authority</u>	
Balance Sheet	65
Statement of Revenues, Expenditures and Changes in Fund Balances –	
Budget to Actual	66
Proprietary Fund	
<u>Downtown Development Authority</u>	
Statement of Net Position	67
Statement of Revenues, Expenses and Changes in Fund Net Position	68
Statement of Cash Flows	69

INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Evart  
Osceola County  
Evart, 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 units, each major fund, and the aggregate remaining fund information of the City of Evart, Osceola County, Evart, Michigan as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 units, each major fund, and the aggregate remaining fund information of the City of Evart, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Evart Housing Commission, which represent 76%, 75%, and 85%, respectively of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2023, 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 Evart 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 Evart and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of 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 4-13 and 59-62 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 Evart, 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 November 3, 2023, on our consideration of the City of Evart, 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 Evart, 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 Evart, Michigan's internal control over financial reporting and compliance.

The logo for UHY LLP, featuring the letters "UHY" in a large, stylized, cursive font, with "LLP" in a smaller, simpler font to the right.

Cadillac, Michigan  
November 3, 2023

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

**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, 2023, 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 \$23,414,724 (*Net Position*). Of this amount, \$5,982,894 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 \$2,837,204, of which \$1,222,476 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 \$1,501,517.
- The City's total outstanding long-term obligations, including installment purchase agreements, compensated absences and the net pension liability, increased by \$366,930 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.

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 OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

City include general government, public safety, public works, recreation and culture, and community and economic development.

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 14-16 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, Local Street Fund, Library Fund, and Fire Fund. 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 17-20 of this report.

**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.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

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 21-27 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 28-29 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 34-58 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 and deferred outflows exceeded liabilities and deferred inflows by \$23,414,724 at the close of the most recent fiscal year.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

The following schedule summarizes the net position at fiscal year ended June 30.

<p align="center"><b>City of Evart</b> <b>Net Position as of June 30,</b></p>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2022</b>		<b>2022</b>		<b>2022</b>	
	<b>2023</b>	<b>Restated</b>	<b>2023</b>	<b>Restated</b>	<b>2023</b>	<b>Restated</b>
Current Assets	\$ 3,758,948	\$3,508,053	\$ 6,372,205	\$ 5,001,858	\$10,131,153	\$ 8,509,911
Net Capital Assets	6,031,404	6,268,338	10,294,678	10,034,586	16,326,082	16,302,924
<b>Total Assets</b>	<b>9,790,352</b>	<b>9,776,391</b>	<b>16,666,883</b>	<b>15,036,444</b>	<b>26,457,235</b>	<b>24,812,835</b>
Deferred Outflows of Resources	73,749	149,575	72,292	92,958	146,041	242,533
Current Liabilities	644,338	757,118	423,036	(48,220)	1,067,374	708,898
Non Current Liabilities	938,121	874,655	690,240	387,793	1,628,361	1,262,448
<b>Total Liabilities</b>	<b>1,582,459</b>	<b>1,631,773</b>	<b>1,113,276</b>	<b>339,573</b>	<b>2,695,735</b>	<b>1,971,346</b>
Deferred Inflows of Resources	248,865	105,416	243,952	65,516	492,817	170,932
Net Position:						
Net Investment in Capital Assets	5,832,384	6,039,350	10,294,678	10,034,586	16,127,062	16,073,936
Restricted	1,304,768	1,144,380	0	0	1,304,768	1,144,380
Unrestricted	895,625	1,005,047	5,087,269	4,689,727	5,982,894	5,694,774
<b>Total Net Position</b>	<b>\$ 8,032,777</b>	<b>\$8,188,777</b>	<b>\$15,381,947</b>	<b>\$14,724,313</b>	<b>\$23,414,724</b>	<b>\$22,913,090</b>

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 \$1,304,768, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$5,982,894, 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.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

The total net position of the City increased \$501,634 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.

The following table illustrates the results of the changes in the net position for the City for the year ended June 30.

<p align="center"><b>City of Evart</b>  <b>Change in Net Position</b>  <b>for the Fiscal Year Ended June 30,</b></p>						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 195,966	\$ 225,404	\$ 2,441,789	\$ 2,171,778	\$ 2,637,755	\$ 2,397,182
Operating Grants and Contributions	355,866	330,102	0	0	355,866	330,102
<b>General Revenues</b>						
Taxes	762,473	689,292	0	0	762,473	689,292
State Grants	499,956	438,060	230,309	0	730,265	438,060
License and Permits	36,309	38,167	0	0	36,309	38,167
Interest Earnings	21,781	18,399	51,991	33,532	73,772	51,931
Gain on Sale of Capital Assets	0	209,586	0	0	0	209,586
Other Revenues	15,676	65,647	59,089	60,749	74,765	126,396
<b>Total Revenues</b>	<b>1,888,027</b>	<b>2,014,657</b>	<b>2,783,178</b>	<b>2,266,059</b>	<b>4,671,205</b>	<b>4,280,716</b>
<b>Expenses</b>						
General Government	639,346	277,435	0	0	639,346	277,435
Public Safety	416,673	358,223	0	0	416,673	358,223
Public Works	747,403	879,272	0	0	747,403	879,272
Recreation and Culture	202,605	153,573	0	0	202,605	153,573
Community and Economic Development	38,000	17,504	0	0	38,000	17,504
Other Functions	0	150,579	0	0	0	150,579
Water and Sewer	0	0	2,125,544	1,579,819	2,125,544	1,579,819
<b>Total Expenses</b>	<b>2,044,027</b>	<b>1,836,586</b>	<b>2,125,544</b>	<b>1,579,819</b>	<b>4,169,571</b>	<b>3,416,405</b>
Change in Net Position	(156,000)	178,071	657,634	686,240	501,634	864,311
Beginning Net Position (As Restated)	8,188,777	8,010,706	14,724,313	14,038,073	22,913,090	22,048,779
Ending Net Position	\$ 8,032,777	\$ 8,188,777	\$ 15,381,947	\$ 14,724,313	\$ 23,414,724	\$ 22,913,090

CITY OF EVART, MICHIGAN

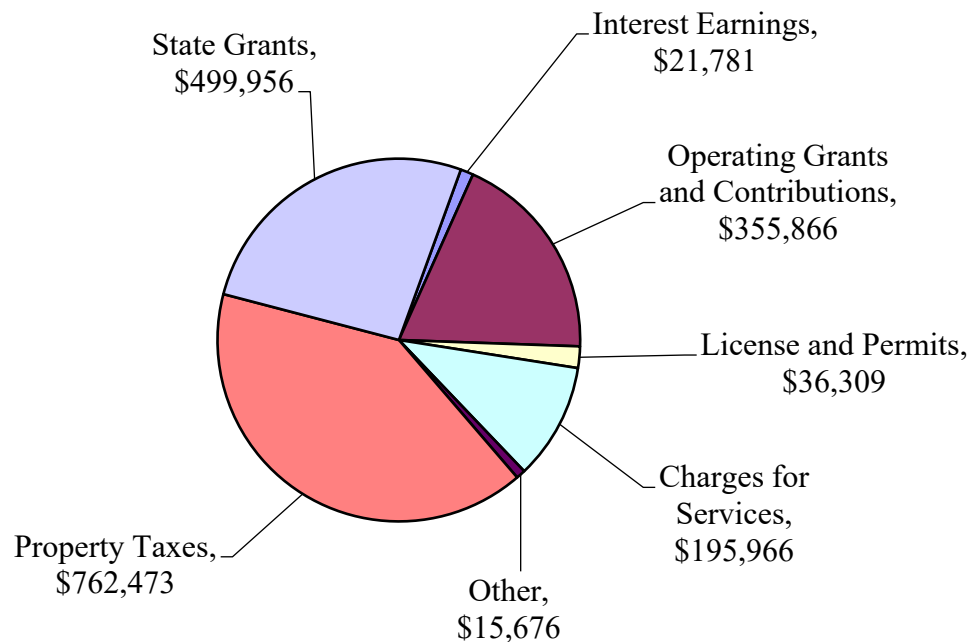
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

**Governmental Activities**

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2023:

**Revenues - Governmental Activities  
Fiscal Year Ended June 30, 2023**



A significant portion of the revenue for all governmental activities of the City of Evart comes from Property Taxes. The City's operating, public safety, library, and fire millage for the 2022 tax roll were 13.9761, 1.7285, 0.9316, 1.9206 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 2023, 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 \$747,403 in FY 2023. General Government represented the next largest expense at \$639,346, followed by Public Safety at \$416,673.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

**Business-Type Activities**

The City's business-type activities accounted for an increase of \$657,634 in the City's net position, leaving the City's net position from business-type activities for the fiscal year ended June 30, 2023, at \$15,381,947.

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, 2023, its governmental funds reported fund balances of \$2,837,204, an increase of \$373,139 in comparison with the prior year. \$1,222,476 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 (\$3,171), 2) legally required to be maintained intact (\$138,600), 3) restricted for particular purposes (\$1,166,168), 4) committed for particular purposes, or 5) assigned for particular purposes (\$306,789).

**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 \$228,567, bringing the balance to \$1,546,302. This is primarily due to the increase in taxes, state grants, and charges for services coupled with the decrease in overall expenditures.

**Major Street Fund** – The Major Street Fund increased its fund balance in this fiscal year by \$69,496, bringing the balance to \$831,449, 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 increased its fund balance in this fiscal year by \$69,795, bringing the balance to \$268,222 which is restricted for street improvements. The primary reason for this increase is due to state grants and transfers in from the major street fund being greater than public works expenditures.

**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, 2023

**Water Fund** – The Water Fund ended this fiscal year with \$3,792,591 in unrestricted net position. The net position of the fund increased by \$356,915. 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 \$1,201,305 in unrestricted net position. The net position of the fund increased by \$305,755. The primary reason for the increase is due to increased charges for services and state grants revenue and conservative spending.

**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:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 1,189,125	\$ 1,188,676	\$ 1,401,842
Total Expenditures	\$ 1,402,088	\$ 1,403,639	\$ 1,173,275

The difference in the original and final budgeted revenues and expenditures is minimal.

The difference between final budgeted revenues compared to actual is primarily due to the City not budgeting for additional state grants, charges for services, and interest and rents. The differences in actual expenditures compared to final budget were primarily due to the City budgeting for worst case scenario in most activities, especially parks and recreation and police.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for the governmental and business-type activities as of June 30, 2023, amounted to \$16,326,082 (net of accumulated depreciation). Capital 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 assets, as detailed below:

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

**City of Evart  
Capital Assets as of June 30,**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2022</b>		<b>2022</b>		<b>2022</b>	
	<b>2023</b>	<b>Restated</b>	<b>2023</b>	<b>Restated</b>	<b>2023</b>	<b>Restated</b>
Land	\$ 1,486,134	\$ 1,486,134	\$ 500,591	\$ 500,591	\$ 1,986,725	\$ 1,986,725
Construction in Progress	45,119	0	474,242	0	519,361	0
Buildings	2,631,846	2,642,454	365,670	393,653	2,997,516	3,036,107
Intangibles	125,000	125,000	125,267	125,267	250,267	250,267
Land Improvements	4,428,525	4,821,197	67,146	67,146	4,495,671	4,888,343
Machinery and Equipment	930,726	1,498,606	647,524	718,463	1,578,250	2,217,069
Office Equipment	0	21,159	0	0	0	21,159
Vehicles	559,014	79,402	0	0	559,014	79,402
Paved Roads	5,205,460	5,205,460	0	0	5,205,460	5,205,460
Sewer Connection Lines	0	0	4,487,702	4,471,831	4,487,702	4,471,831
Treatment System	0	0	2,343,163	2,357,025	2,343,163	2,357,025
Mains and Connections	0	0	5,655,291	5,630,720	5,655,291	5,630,720
Meters	0	0	256,438	394,964	256,438	394,964
Tower	0	0	1,674,772	1,766,464	1,674,772	1,766,464
Wells and Control Building	0	0	3,741,091	4,000,333	3,741,091	4,000,333
Subtotal	15,411,824	15,879,412	20,338,897	20,426,457	35,750,721	36,305,869
Accumulated Depreciation	(9,380,420)	(9,611,074)	(10,044,219)	(10,391,871)	(19,424,639)	(20,002,945)
Net Capital Assets	<u>\$ 6,031,404</u>	<u>\$ 6,268,338</u>	<u>\$ 10,294,678</u>	<u>\$ 10,034,586</u>	<u>\$ 16,326,082</u>	<u>\$ 16,302,924</u>

Major capital asset events during fiscal year 2023 included the following:

- River street improvements (CIP) in the amount of \$45,119.
- Leaf vacuum in the amount of \$17,500.
- Dodge Ram 2500 in the amount of \$50,000.
- Truck bed for 2021 chevy Silverado in the amount of \$20,110.
- Hydrant replacement in the amount of \$55,606.
- Aerators for wastewater treatment plant in the amount of \$70,891.
- Lift station improvements in the amount of \$51,920.
- Sewer infrastructure improvements (CIP) in the amount of \$474,242.

The City has also committed \$601,017 for the completion of the water and sewer infrastructure improvement project.

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



CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2023

**Long-Term Obligations.** As of June 30, 2023, the City had total debt outstanding of \$1,659,352.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Compensated Absences	\$ 65,952	\$ 51,667	\$ 0	\$ 0	\$ 65,952	\$ 51,667
Installment Purchase Agreement Payable	199,020	228,988	0	0	199,020	228,988
Net Pension Liability	704,140	623,974	690,240	387,793	1,394,380	1,011,767
Total	<u>\$969,112</u>	<u>\$904,629</u>	<u>\$690,240</u>	<u>\$387,793</u>	<u>\$1,659,352</u>	<u>\$ 1,292,422</u>

Total long-term obligations increased by \$366,930. 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 American Rescue Plan Act of 2021 allocated \$644 million to Michigan non-entitlement units (NEUs), which are townships, villages, and nonmetropolitan cities. The funding is based off the 2019 population and will be a significant amount of funding for each NEU, which will be passed through the Michigan Department of Treasury. The City received approximately \$198,000 of funding, all of which remains to be spent as of June 30, 2023. The remaining amount will be spent in future years.

**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.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 3,372,353	\$ 5,470,295	\$ 8,842,648	\$ 425,480
Cash and Cash Equivalents - Restricted	160,312	0	160,312	5,751
Cash and Cash Equivalents - Security Deposits	0	0	0	40,174
Receivables				
Accounts	136,067	455,664	591,731	6,421
Due from Other Governments	105,106	230,309	335,415	0
Special Assessments	75,312	121,306	196,618	0
Investments	0	0	0	309,184
Internal Balances	(93,373)	93,373	0	0
Prepaid Expenses	3,171	1,258	4,429	8,033
Total Current Assets	3,758,948	6,372,205	10,131,153	795,043
<u>Capital Assets, Net of Accumulated Depreciation</u>				
Capital Assets Not Being Depreciated	1,531,253	974,833	2,506,086	35,851
Capital Assets Being Depreciated	4,500,151	9,319,845	13,819,996	497,025
Net Capital Assets	6,031,404	10,294,678	16,326,082	532,876
TOTAL ASSETS	9,790,352	16,666,883	26,457,235	1,327,919
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to Pensions	73,749	72,292	146,041	0
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	58,035	432,716	490,751	58,052
Accrued Payroll and Liabilities	8,418	6,125	14,543	20,166
Tenant Security Deposits	0	0	0	40,174
Customer Deposits	0	3,000	3,000	0
Unearned Revenue	528,089	0	528,089	46,211
Internal Balances	18,805	(18,805)	0	0
Current Portion of Non-Current Liabilities	30,991	0	30,991	9,094
Total Current Liabilities	644,338	423,036	1,067,374	173,697

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

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2023

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-Type</u>		<u>Units</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	
<u>Non-Current Liabilities</u>				
Installment Purchase Agreement Payable	199,020	0	199,020	0
Compensated Absences	65,952	0	65,952	13,987
Net Pension Liability	704,140	690,240	1,394,380	0
Less Current Portion of Non-Current Liabilities	(30,991)	0	(30,991)	(9,094)
Total Non-Current Liabilities	938,121	690,240	1,628,361	4,893
TOTAL LIABILITIES	1,582,459	1,113,276	2,695,735	178,590
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to Pensions	248,865	243,952	492,817	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	5,832,384	10,294,678	16,127,062	532,876
Restricted for:				
Street Improvements	1,099,671	0	1,099,671	0
Cemetery Improvements:				
Permanently Restricted	138,600	0	138,600	0
Temporarily Restricted	21,712	0	21,712	0
Administration and Legal and Law				
Enforcement of Marihuana	44,785	0	44,785	0
Health and Welfare	0	0	0	5,751
Unrestricted	895,625	5,087,269	5,982,894	610,702
TOTAL NET POSITION	\$ 8,032,777	\$ 15,381,947	\$ 23,414,724	\$ 1,149,329

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, 2023

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	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<u>Primary Government</u>								
Governmental Activities								
General Government	\$ 639,346	\$ 40,008	\$ 0	\$ 0	\$ (599,338)	\$ 0	\$ (599,338)	\$ 0
Public Safety	416,673	5,156	2,896	0	(408,621)	0	(408,621)	0
Public Works	747,403	139,586	333,952	0	(273,865)	0	(273,865)	0
Recreation and Culture	202,605	11,216	19,018	0	(172,371)	0	(172,371)	0
Community and Economic Development	38,000	0	0	0	(38,000)	0	(38,000)	0
Total Governmental Activities	2,044,027	195,966	355,866	0	(1,492,195)	0	(1,492,195)	0
Business-Type Activities								
Water Supply	1,186,194	1,488,012	0	0	0	301,818	301,818	0
Sewage Disposal	939,350	953,777	0	0	0	14,427	14,427	0
Total Business-Type Activities	2,125,544	2,441,789	0	0	0	316,245	316,245	0
TOTAL PRIMARY GOVERNMENT	\$ 4,169,571	\$ 2,637,755	\$ 355,866	\$ 0	(1,492,195)	316,245	(1,175,950)	0
<u>Component Units</u>								
Governmental Activities								
Downtown Development Authority	\$ 99,565	\$ 600	\$ 24,904	\$ 63,000	0	0	0	(11,061)
Business-Type Activities								
Downtown Development Authority	3,341	3,767	124	0	0	0	0	550
Evart Housing Commission (December 31, 2022)	820,466	434,533	477,890	1,415	0	0	0	93,372
Total Business-Type Activities	823,807	438,300	478,014	1,415	0	0	0	93,922
TOTAL COMPONENT UNITS	\$ 923,372	\$ 438,900	\$ 502,918	\$ 64,415	0	0	0	82,861
<u>General Revenues</u>								
Taxes					762,473	0	762,473	0
State Grants					499,956	230,309	730,265	53,790
License and Permits					36,309	0	36,309	0
Interest Earnings					21,781	51,991	73,772	1,340
Gain on Sale of Capital Assets					0	0	0	8,140
Other Revenues					15,676	59,089	74,765	31,760
Total General Revenues					1,336,195	341,389	1,677,584	95,030
Change in Net Position					(156,000)	657,634	501,634	177,891
<u>NET POSITION</u> - Beginning of Year - As Restated					8,188,777	14,724,313	22,913,090	971,438
<u>NET POSITION</u> - End of Year					\$ 8,032,777	\$ 15,381,947	\$ 23,414,724	\$ 1,149,329

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

CITY OF EVART  
EVART, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,678,912	\$ 1,044,725	\$ 216,647	\$ 30,919	\$ 2,971,203
Restricted Cash and Cash Equivalents	0	0	0	160,312	160,312
Receivables (Net, Where Applicable of Allowances for Uncollectibles)					
Special Assessments	0	50,594	24,718	0	75,312
Accounts	132,322	190	127	0	132,639
Due from Other Governments	42,229	49,555	13,322	0	105,106
Due from Other Funds	25,334	984	45,544	0	71,862
Prepaid Expenditures	3,171	0	0	0	3,171
 TOTAL ASSETS	 \$ 1,881,968	 \$ 1,146,048	 \$ 300,358	 \$ 191,231	 \$ 3,519,605
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 52,235	\$ 1,497	\$ 672	\$ 0	\$ 54,404
Accrued Payroll and Liabilities	7,160	923	220	0	8,303
Due to Other Funds	21,271	63,808	6,526	0	91,605
Unearned Revenue	255,000	248,371	24,718	0	528,089
 Total Liabilities	 335,666	 314,599	 32,136	 0	 682,401
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenditures	3,171	0	0	0	3,171
Endowment	0	0	0	138,600	138,600
Restricted					
Street Improvements	0	831,449	268,222	0	1,099,671
Cemetery Improvements	0	0	0	21,712	21,712
Administration and Legal and Law Enforcement of Marihuana	44,785	0	0	0	44,785
Assigned					
Capital Projects Fund	0	0	0	30,919	30,919
Skate Park	23,771	0	0	0	23,771
Community Recreation	195,940	0	0	0	195,940
Police Vehicle Purchase	5,000	0	0	0	5,000
Fire Vehicle Purchase	5,000	0	0	0	5,000
Subsequent Year Budget Shortfall	46,159	0	0	0	46,159
Unassigned	1,222,476	0	0	0	1,222,476
 Total Fund Balance	 1,546,302	 831,449	 268,222	 191,231	 2,837,204
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 1,881,968	 \$ 1,146,048	 \$ 300,358	 \$ 191,231	 \$ 3,519,605

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, 2023

Total Governmental Fund Balances			\$ 2,837,204
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.			
			767,014
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is	\$ 13,093,002		
Accumulated depreciation is	<u>(7,625,862)</u>	5,467,140	
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.			
			(93,373)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.			
Compensated Absences			(65,952)
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			(704,140)
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			73,749
Deferred Inflows of Resources Related to Pensions			<u>(248,865)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 8,032,777</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, 2023

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 659,113	\$ 0	0	\$ 103,360	\$ 762,473
Special Assessments	0	3,238	1,582	0	4,820
Licenses and Permits	38,469	0	0	0	38,469
State Grants	463,371	250,628	78,504	36,585	829,088
Charges for Services	182,401	0	0	0	182,401
Fines and Forfeits	2,349	0	0	0	2,349
Interest and Rents	21,726	4,761	1,929	4,581	32,997
Other Revenue	34,413	190	127	700	35,430
Total Revenues	1,401,842	258,817	82,142	145,226	1,888,027
<u>EXPENDITURES</u>					
General Government	308,689	0	0	0	308,689
Public Safety	324,015	0	0	85,335	409,350
Public Works	418,819	144,321	57,347	0	620,487
Community Economic and Development	26,716	0	0	0	26,716
Recreation and Culture	95,036	0	0	54,610	149,646
Total Expenditures	1,173,275	144,321	57,347	139,945	1,514,888
Excess (Deficiency) of Revenues Over Expenditures	228,567	114,496	24,795	5,281	373,139
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	45,000	0	45,000
Transfers Out	0	(45,000)	0	0	(45,000)
Total Other Financing Sources (Uses)	0	(45,000)	45,000	0	0
Net Change in Fund Balance	228,567	69,496	69,795	5,281	373,139
<u>FUND BALANCE</u> - Beginning of Year	1,317,735	761,953	198,427	185,950	2,464,065
<u>FUND BALANCE</u> - End of Year	\$ 1,546,302	\$ 831,449	\$ 268,222	\$ 191,231	\$ 2,837,204

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, 2023

Net Change in Fund Balances Total Governmental Funds	\$	373,139
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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.		5,304
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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.

Depreciation Expense		(265,836)
Capital Outlay		45,119

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		51,667
Compensated Absences - End of Year		(65,952)

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		(80,166)
Change in Pension Related Items		(219,275)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(156,000)
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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, 2023

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>		<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 3,924,013	\$ 1,546,282	\$ 5,470,295	\$ 401,150
Receivables (Net, Where Applicable, of Allowances for Uncollectibles):				
Accounts	202,560	253,104	455,664	3,428
Special Assessments	108,809	12,497	121,306	0
Due from Other Funds	14,087	4,718	18,805	938
Due from Other Governments	0	230,309	230,309	0
Prepaid Expenses	629	629	1,258	0
Total Current Assets	4,250,098	2,047,539	6,297,637	405,516
<u>Capital Assets, Net of Accumulated Depreciation</u>				
Capital Assets Not Being Depreciated	42,500	932,333	974,833	0
Capital Assets Being Depreciated	6,649,378	2,670,467	9,319,845	564,264
Net Capital Assets	6,691,878	3,602,800	10,294,678	564,264
TOTAL ASSETS	10,941,976	5,650,339	16,592,315	969,780
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	36,140	36,152	72,292	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, 2023

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>		<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	20,503	412,213	432,716	3,631
Accrued Payroll and Liabilities	3,132	2,993	6,125	115
Customer Deposits	3,000	0	3,000	0
Current Portion of Non-Current Liabilities	0	0	0	30,991
Total Current Liabilities	26,635	415,206	441,841	34,737
<u>Non-Current Liabilities</u>				
Installment Purchase Agreement Payable	0	0	0	199,020
Net Pension Liability	345,058	345,182	690,240	0
Less Current Portion of Installment Purchase Agreement	0	0	0	(30,991)
Total Non-Current Liabilities	345,058	345,182	690,240	168,029
TOTAL LIABILITIES	371,693	760,388	1,132,081	202,766
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	121,954	121,998	243,952	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	6,691,878	3,602,800	10,294,678	365,244
Unrestricted	3,792,591	1,201,305	4,993,896	401,770
TOTAL NET POSITION	\$ 10,484,469	\$ 4,804,105	\$ 15,288,574	\$ 767,014

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, 2023

Total Net Position - Total Proprietary Funds	\$ 15,288,574
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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.

93,373

NET POSITION OF PROPRIETARY FUNDS	<u>\$ 15,381,947</u>
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CITY OF EVART  
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2023

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			Internal Service
	Water Supply	Sewage Disposal	Totals	
<u>OPERATING REVENUES</u>				
Charges for Services	\$ 1,472,912	\$ 953,777	\$ 2,426,689	\$ 0
Rental	15,100	0	15,100	160,243
Total Operating Revenues	1,488,012	953,777	2,441,789	160,243
<u>OPERATING EXPENSES</u>				
Personal Services	217,558	207,711	425,269	9,549
Employee Benefits	358,304	358,650	716,954	4,351
Professional Services	54,751	38,772	93,523	13,900
Office Supplies and Expense	22,086	16,153	38,239	0
Communications	5,728	5,766	11,494	0
Insurance	4,894	18,598	23,492	6,362
Operating Supplies and Expense	157,003	66,313	223,316	64,032
Heat, Light and Power	92,460	45,835	138,295	0
Depreciation	250,760	161,917	412,677	83,717
Rentals	19,952	17,297	37,249	0
Total Operating Expenses	1,183,496	937,012	2,120,508	181,911
Operating Income (Loss)	304,516	16,765	321,281	(21,668)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State Grants	0	230,309	230,309	0
Interest Income	35,940	16,051	51,991	3,114
Interest Expense	0	0	0	(7,860)
Miscellaneous Income	16,459	42,630	59,089	26,682
Total Nonoperating Revenues (Expenses)	52,399	288,990	341,389	21,936
Change in Net Position	356,915	305,755	662,670	268
<u>NET POSITION - Beginning of Year - As Restated</u>	10,127,554	4,498,350	14,625,904	766,746
<u>NET POSITION - End of Year</u>	\$ 10,484,469	\$ 4,804,105	\$ 15,288,574	\$ 767,014

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, 2023

Net Change in Fund Net Position - Total Proprietary Funds	\$	662,670
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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.

(5,036)

CHANGE IN NET POSITION OF PROPRIETARY FUNDS

\$ 657,634

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2023

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>		<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 1,500,376	\$ 819,553	\$ 2,319,929	\$ 0
Receipts from Interfund Services Provided	0	0	0	157,001
Payments to Suppliers	(445,218)	85,656	(359,562)	(87,937)
Payments to Employees	(216,956)	(207,108)	(424,064)	(9,532)
Net Cash Provided (Used) by Operating Activities	838,202	698,101	1,536,303	59,532
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital Assets	(65,661)	(607,108)	(672,769)	(67,500)
Principal Paid on Installment Purchase Agreement Payable	0	0	0	(29,968)
Special Assessment Revenue	7,467	1,304	8,771	0
Miscellaneous Revenue Received	16,459	42,630	59,089	26,682
Net Cash Provided (Used) by Capital and Related Financing Activities	(41,735)	(563,174)	(604,909)	(70,786)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	35,940	16,051	51,991	3,114
Interest Paid	0	0	0	(7,860)
Net Cash Flows from Investing Activities	35,940	16,051	51,991	(4,746)
Net Increase (Decrease) in Cash and Cash Equivalents	832,407	150,978	983,385	(16,000)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>3,091,606</u>	<u>1,395,304</u>	<u>4,486,910</u>	<u>417,150</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 3,924,013</u>	<u>\$ 1,546,282</u>	<u>\$ 5,470,295</u>	<u>\$ 401,150</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, 2023

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>		<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>				
<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 304,516	\$ 16,765	\$ 321,281	\$ (21,668)
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation	250,760	161,917	412,677	83,717
(Increase) Decrease in Current Assets				
Accounts Receivable	(37,239)	(133,153)	(170,392)	(2,304)
Due from Other Funds	49,753	(1,071)	48,682	(938)
Prepaid Expense	(34)	(34)	(68)	0
Increase (Decrease) in Current Liabilities				
Accounts Payable	20,445	401,205	421,650	708
Accrued Payroll and Liabilities	602	603	1,205	17
Customer Deposits	(150)	0	(150)	0
Due to Other Funds	(42)	(89)	(131)	0
Increase (Decrease) in Net Pension Obligation	249,591	251,958	501,549	0
Total Adjustments	533,686	681,336	1,215,022	81,200
NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES	\$ 838,202	\$ 698,101	\$ 1,536,303	\$ 59,532

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, 2023

	<u>CUSTODIAL FUND</u>
	<u>TAX</u>
	<u>COLLECTION</u>
	<u>FUND</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$                  115
<u>LIABILITIES</u>	
Due to Other Governments	<u>                          115</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, 2023

	<u>CUSTODIAL FUND</u> <u>TAX COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected and Miscellaneous	\$ 1,840,957
<u>DEDUCTIONS</u>	
Property Taxes Distributed and Miscellaneous	<u>1,840,957</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

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>		<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	
	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Downtown</u> <u>Development</u> <u>Authority -</u> <u>General Fund</u>	<u>Downtown</u> <u>Development</u> <u>Authority -</u> <u>Market Fund</u>	<u>Evart</u> <u>Housing</u> <u>Commission</u>	<u>Total</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 244,471	\$ 6,834	\$ 174,175	\$ 425,480
Cash and Cash Equivalents - Restricted	0	0	5,751	5,751
Cash and Cash Equivalents - Security Deposits	0	0	40,174	40,174
Accounts Receivable	0	0	6,421	6,421
Investments	0	0	309,184	309,184
Prepaid Expenses	0	0	8,033	8,033
Total Current Assets	244,471	6,834	543,738	795,043
<u>Capital Assets, Net of Accumulated Depreciation</u>				
Capital Assets Not Being Depreciated	0	0	35,851	35,851
Capital Assets Being Depreciated	71,200	0	425,825	497,025
Net Capital Assets	71,200	0	461,676	532,876
TOTAL ASSETS	315,671	6,834	1,005,414	1,327,919
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	29	999	57,024	58,052
Accrued Expenses	902	0	19,264	20,166
Tenant Security Deposits	0	0	40,174	40,174
Unearned Revenue	36,796	0	9,415	46,211
Current Portion of Non-Current Liabilities	0	0	9,094	9,094
Total Current Liabilities	37,727	999	134,971	173,697
<u>Non-Current Liabilities</u>				
Compensated Absences - Net of Current Portion	0	0	4,893	4,893
TOTAL LIABILITIES	37,727	999	139,864	178,590
<u>NET POSITION</u>				
Net Investment in Capital Assets	71,200	0	461,676	532,876
Restricted - Health and Welfare	0	0	5,751	5,751
Unrestricted	206,744	5,835	398,123	610,702
TOTAL NET POSITION	\$ 277,944	\$ 5,835	\$ 865,550	\$ 1,149,329

CITY OF EVART  
EVART, MICHIGAN

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

COMPONENT UNITS

JUNE 30, 2023

Total Governmental Fund Balances	\$	206,744
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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	\$	79,583	
Accumulated depreciation is		(8,383)	71,200

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>277,944</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  
EVART, MICHIGAN

STATEMENT OF ACTIVITIES  
COMPONENT UNITS

FOR THE YEAR ENDED

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	June 30, 2023		December 31, 2022	
					Downtown Development Authority - General Fund	Downtown Development Authority - Market Fund	Evart Housing Commission	
<u>Governmental Activities</u>								
Downtown Development Authority	\$ 99,565	\$ 600	\$ 24,904	\$ 63,000	\$ (11,061)	\$ 0	\$ 0	\$ (11,061)
<u>Business-Type Activities</u>								
Downtown Development Authority	3,341	3,767	124	0	0	550	0	550
Evart Housing Commission	820,466	434,533	477,890	1,415	0	0	93,372	93,372
Total Business-Type Activities	823,807	438,300	478,014	1,415	0	550	93,372	93,922
 TOTAL	 \$ 923,372	 \$ 438,900	 \$ 502,918	 \$ 64,415	 (11,061)	 550	 93,372	 82,861
<u>General Revenues</u>								
State Sources					53,790	0	0	53,790
Interest Earnings					530	0	810	1,340
Gain on Sale of Capital Assets					7,840	0	300	8,140
Other Revenues					5,271	0	26,489	31,760
Total General Revenues					67,431	0	27,599	95,030
 Change in Net Position					56,370	550	120,971	177,891
<u>NET POSITION - Beginning of Year - As Restated</u>					221,574	5,285	744,579	971,438
<u>NET POSITION - End of Year</u>					\$ 277,944	\$ 5,835	\$ 865,550	\$ 1,149,329

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, 2023

Net Change in Fund Balances Total Governmental Funds	\$	19,185
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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.

Depreciation Expense		(3,554)
Net Cost of Assets Sold		(22,261)

Governmental funds do not report donated capital assets under the modified accrual basis of accounting but are capitalized over their estimated useful lives in the Statement of Activities.

Donated Building		<u>63,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>56,370</u></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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 Evart, 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 30<sup>th</sup> year-end. The Evart Housing Commission has a December 31<sup>st</sup> 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 Evart City Council. The Authority's operational and capital budgets and bonded debt must be approved by the City Council.

**Evart Housing Commission** – The members of the governing council of the Evart Housing Commission are appointed by the Evart City Council. The Housing Commission has a different fiscal year-end of December 31<sup>st</sup> 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 Evart, 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 Evart Housing Commission are considered to be major component units and are shown in separate columns in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

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.



NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

The appropriated budget is prepared by fund and activity. The City Council exercises budgetary control over expenditures.

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, 2023

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		
Assessor	\$ 17,536	\$ 17,932
Public Works		
Cemetery	64,475	68,696
Airport	30,773	30,836
Refuse Service	116,382	127,108
Library Fund		
Recreation and Culture		
Library	50,000	54,610
Fire Fund		
Public Safety		
Fire Protection	83,000	85,335

These overages were funded by available fund balance and greater than anticipated revenues.

**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.

**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.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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 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.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Land and construction in progress, if any, are not depreciated. 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.

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, 2023.

**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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

**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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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.

**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 2022 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.

The 2022 taxable valuation of the City totaled \$36,133,460 on which ad valorem taxes levied consisted of 13.9761 mills for City operating purposes, 0.9316 mills for the Library, 1.7285 mills for Public Safety, and 1.9206 for Fire Protection. The levy raised approximately \$505,600 for City operating purposes, \$33,700 for the Library, \$62,700 for Public Safety purposes, and \$69,700 for Fire Protection. These amounts are recognized in the General Fund, Library Fund, and Fire Fund as tax revenue.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2023**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, 2023. It also explains the provision provided by law that was used to remedy the violation.

**III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS****A. Cash Deposits with Financial Institutions**

As of June 30, 2023, 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, 2023, \$7,628,244 of the government's bank balance of \$8,190,720 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the June 30, 2023, \$233 of the \$250,233 bank balance of the DDA was exposed to custodial credit risk because it was uninsured and uncollateralized. Additionally, as of December 31, 2022, 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, 2023, deposits of \$9,783,419 and petty cash of \$245, 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.

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

	Primary Government	Fiduciary Fund	Component Units	Reporting Entity
Cash & Cash Equivalents	\$ 8,842,648	\$ 115	\$ 425,480	\$ 9,268,243
Cash & Cash Equivalents - Restricted	160,312	0	5,751	166,063
Cash & Cash Equivalents - Security Deposits	0	0	40,174	40,174
Investments (Certificates of Deposit)	0	0	309,184	309,184
	<u>\$ 9,002,960</u>	<u>\$ 115</u>	<u>\$ 780,589</u>	<u>\$ 9,783,664</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

*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, 2023, 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	\$ 132,322	\$ 190	\$ 127	\$ 202,560	\$ 253,104	\$ 3,428	\$ 591,731
Special Assessments	0	50,594	24,718	108,809	12,497	0	196,618
Due from Other Governments	42,229	49,555	13,322	0	230,309	0	335,415
Total Receivables	<u>\$ 174,551</u>	<u>\$ 100,339</u>	<u>\$ 38,167</u>	<u>\$ 311,369</u>	<u>\$ 495,910</u>	<u>\$ 3,428</u>	<u>\$ 1,123,764</u>

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.



## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

## C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets, Not Being Depreciated				
Land	\$ 1,486,134	\$ 0	\$ 0	\$ 1,486,134
Construction in Progress	0	45,119	0	45,119
Total Capital Assets, Not Being Depreciated	1,486,134	45,119	0	1,531,253
Capital Assets, Being Depreciated/Amortized				
Buildings	2,642,454	0	10,608	2,631,846
Intangibles	125,000	0	0	125,000
Land Improvements	4,821,197	0	392,672	4,428,525
Machinery and Equipment	293,560	0	22,896	270,664
Office Equipment	21,159	0	21,159	0
Vehicles	79,402	0	0	79,402
Paved Roads	5,205,460	0	0	5,205,460
Total Capital Assets, Being Depreciated/Amortized	13,188,232	0	447,335	12,740,897
Less Accumulated Depreciation/Amortization for:				
Buildings	757,728	64,515	10,608	811,635
Intangibles	125,000	0	0	125,000
Land Improvements	3,158,678	118,436	392,672	2,884,442
Machinery and Equipment	212,986	24,811	22,896	214,901
Office Equipment	21,159	0	21,159	0
Vehicles	79,402	0	0	79,402
Paved Roads	4,631,556	58,074	0	4,689,630
Total Accumulated Depreciation/Amortization	8,986,509	265,836	447,335	8,805,010
Total Capital Assets, Being Depreciated/Amortized, Net	4,201,723	(265,836)	0	3,935,887
Governmental Activities Capital Assets, Net	\$ 5,687,857	\$ (220,717)	\$ 0	5,467,140
Internal Service Fund Net Capital Assets				564,264
Net Capital Assets per Statement of Net Position				\$ 6,031,404

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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
Construction in Progress	0	474,242	0	474,242
Total Capital Assets, Sewer, Not Being Depreciated	458,091	474,242	0	932,333
Capital Assets, Being Depreciated				
Machinery and Equipment	519,753	80,946	71,508	529,191
Sewer Connection Lines	4,471,831	51,920	36,049	4,487,702
Treatment System	2,357,025	0	13,862	2,343,163
Total Capital Assets, Sewer, Being Depreciated	7,348,609	132,866	121,419	7,360,056
Less Accumulated Depreciation for:				
Machinery and Equipment	478,779	15,178	71,508	422,449
Sewer Connection Lines	2,273,986	88,160	36,049	2,326,097
Treatment System	1,896,326	58,579	13,862	1,941,043
Total Accumulated Depreciation, Sewer	4,649,091	161,917	121,419	4,689,589
Total Capital Assets, Sewer, Being Depreciated, Net	2,699,518	(29,051)	0	2,670,467
Sewer Capital Assets, Net	3,157,609	445,191	0	3,602,800

Water Supply

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	27,983	365,670
Machinery and Equipment	198,710	10,055	90,432	118,333
Intangibles	125,267	0	0	125,267
Mains and Connections	5,630,720	55,606	31,035	5,655,291
Meters	394,964	0	138,526	256,438
Tower	1,766,464	0	91,692	1,674,772
Wells and Control Building	4,000,333	0	259,242	3,741,091
Total Capital Assets, Water, Being Depreciated	12,577,257	65,661	638,910	12,004,008

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water Supply</u>				
Less Accumulated Depreciation for:				
Buildings	140,962	7,214	27,983	120,193
Intangible	125,267	0	0	125,267
Land Improvements	37,989	3,357	0	41,346
Machinery and Equipment	181,901	7,448	90,432	98,917
Mains and Connections	2,163,990	110,555	31,035	2,243,510
Meters	198,106	22,518	138,526	82,098
Tower	1,320,788	22,138	91,692	1,251,234
Wells and Control Building	1,573,777	77,530	259,242	1,392,065
Total Accumulated Depreciation, Water	5,742,780	250,760	638,910	5,354,630
Total Capital Assets, Water, Being Depreciated, Net	6,834,477	(185,099)	0	6,649,378
Water Capital Assets, Net	6,876,977	(185,099)	0	6,691,878
Total Capital Assets, Net Business-Type Activities	\$ 10,034,586	\$ 260,092	\$ 0	\$ 10,294,678

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

Governmental Activities:

General Government	\$ 19,807
Public Safety	6,531
Public Works	175,255
Recreation and Culture	11,284
Community and Economic Development	52,959
Total Depreciation Expense - Governmental Activities	<u>\$ 265,836</u>

Business-Type Activities:

Sewer	\$ 161,917
Water	250,760
Total Depreciation Expense - Business-Type Activities	<u>\$ 412,677</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Discretely Presented Component Units

Evert Housing Commission

	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	4,630,029	96,456	0	4,726,485
Equipment	306,649	12,455	12,127	306,977
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,786,246	108,911	12,127	5,883,030
Less Accumulated Depreciation	5,361,895	107,437	12,127	5,457,205
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	424,351	1,474	0	425,825
Evert Housing Commission Capital Assets, Net	460,202	1,474	0	461,676

Downtown Development Authority

Capital Assets Being Depreciated				
Buildings	23,850	63,000	23,850	63,000
Building Improvements	16,583	0	0	16,583
Total Capital Assets, DDA, Being Depreciated	40,433	63,000	23,850	79,583
Less Accumulated Depreciation for:				
Buildings	1,490	2,724	1,589	2,625
Building Improvements	4,928	830	0	5,758
Total Accumulated Depreciation, DDA	6,418	3,554	1,589	8,383
Total Capital Assets, DDA, Being Depreciated, Net	34,015	59,446	22,261	71,200
Total Capital Assets, Net, Component Units	\$ 494,217	\$ 60,920	\$ 22,261	\$ 532,876

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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

Governmental Activities:

Community and Economic Development	\$ 3,554
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Business-Type Activities:

Housing Commission	\$ 107,437
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During the year, there was a building donated to the Downtown Development Authority (DDA). This was recorded at fair market value on the government-wide financial statements in the amount of \$63,000.

**D. Interfund Receivables and Payables and Transfers**

Interfund receivable and payable balances at June 30, 2023, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 18,808
General Fund	Local Street Fund	6,526
Sewage Disposal Fund	General Fund	4,718
Water Supply Fund	General Fund	14,087
Internal Service Fund	General Fund	938
Major Street Fund	General Fund	984
Local Street Fund	General Fund	544
Local Street Fund	Major Street Fund	45,000
		<u>\$ 91,605</u>

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, 2023, are expected to be repaid within one year.

Individual fund transfers at June 30, 2023, were:

<u>Funds Transferred To</u>	<u>Funds Transferred From</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	\$ 45,000

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.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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, 2023:

Governmental Activities:

	COMPENSATED ABSENCES	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS	NET PENSION LIABILITY	TOTAL
Balance July 1, 2022, As Restated	\$ 51,667	\$ 228,988	\$ 623,974	\$ 904,629
Additions	18,584	0	182,223	200,807
Deletions	(4,299)	(29,968)	(102,057)	(136,324)
Balance June 30, 2023	65,952	199,020	704,140	969,112
Less current portion	Unknown	(30,991)	Unknown	(30,991)
Total Due after one year	\$ 65,952	\$ 168,029	\$ 704,140	\$ 938,121

The City's debt obligations at June 30, 2023, are comprised of the following issues:

Governmental ActivitiesCompensated 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) \$ 65,952

Notes From Direct Borrowings and Direct Placements

Loader lease installment purchase agreement due in annual installments of \$22,040 to \$110,000, with interest at 4.15% 122,571

Backhoe lease installment purchase agreement due in annual installments of \$2,632 to \$15,788 with interest at 2.50% 76,449

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 704,140

Total Governmental Activities Long-Term Obligations \$ 969,112

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$199,020 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize all long-term obligations outstanding as of June 30, 2023, including interest payments of \$14,592 are as follows:

YEAR ENDING JUNE 30,	NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS		
	PRINCIPAL	INTEREST	TOTAL
2024	\$ 30,991	\$ 6,839	\$ 37,830
2025	120,009	5,779	125,788
2026	14,755	1,032	15,787
2027	15,129	659	15,788
2028	15,511	276	15,787
2029	2,625	7	2,632
	<u>\$ 199,020</u>	<u>\$ 14,592</u>	<u>213,612</u>
Net Pension Liability			704,140
Compensated Absences			65,952
			<u>\$ 983,704</u>

Interest expense for the year ended June 30, 2023, was \$7,860.

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:

	NET PENSION LIABILITY
Balance July 1, 2022	\$ 387,793
Additions	402,484
Deletions	<u>(100,037)</u>
Balance June 30, 2023	690,240
Less current portion	<u>Unknown</u>
Total Due after one year	<u>\$ 690,240</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The City's debt obligations at June 30, 2023, 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

\$ 690,240

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, 2023:

	COMPENSATED ABSENCES
Balance July 1, 2022	\$ 15,248
Additions	0
Deletions	(1,261)
	<hr/>
Balance June 30, 2023	13,987
Less current portion	9,094
	<hr/>
Total Due after one year	<u>\$ 4,893</u>

The Evert Housing Commission's debt obligations at June 30, 2023, are comprised of the following issues:

Compensated Absences

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

\$ 13,987

**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



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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](http://www.mersofmich.com) or by writing to the System at:

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

**Benefits Provided**

	2022 Valuation	
	01-General: Closed to new hires, linked to Division HA	HA-New Hires & Tmst 11/1/11: Open Division, linked to Division 01
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

	2022 Valuation
	10-Evart LDFA-General: Closed to new hires
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

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2023**Employees Covered by Benefit Terms**

At the December 31, 2022, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	14
Active Employees	13
	<hr/>
Total employees covered by MERS	43
	<hr/>

**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 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 8.58% 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, 2022, 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, 2022 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

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 Allocation Gross Rate of Return	Long-Term Expected Gross 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%

**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**

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2021</b>	<b>\$ 3,403,414</b>	<b>\$ 2,391,647</b>	<b>\$ 1,011,767</b>
Service cost	60,813	0	60,813
Interest	241,025	0	241,025
Difference between expected and actual experience	(20,632)	0	(20,632)
Contributions - employer	0	140,256	(140,256)
Contributions - employee	0	10,113	(10,113)
Net investment income	0	(247,403)	247,403
Benefit payments, including refunds	(218,682)	(218,682)	0
Administrative expenses	0	(4,374)	4,374
Other Changes	(1)	0	(1)
Net changes	62,523	(320,090)	382,613
<b>Balance at December 31, 2022</b>	<b>\$ 3,465,937</b>	<b>\$ 2,071,557</b>	<b>\$ 1,394,380</b>

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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%
\$ 1,811,412	\$ 1,394,380	\$ 1,050,213

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.

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

For the year ended June 30, 2023, the City recognized total pension expense of \$202,094.

At June 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 477,114
Employer contributions to the plan subsequent to the measurement date	80,045	0
Changes of assumptions in pension plan	65,996	0
Difference between expected and actual experience	0	15,703
Total	\$ 146,041	\$ 492,817

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, 2024.

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

Years Ending June 30,	Amount
2024	\$ (93,858)
2025	(137,676)
2026	(111,654)
2027	(83,633)
	\$ (426,821)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

**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. 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.

The City has committed to spend approximately \$929,311 for a water and sewer infrastructure improvement project. As of June 30, 2023, \$328,294 has been completed and expensed which leaves \$601,017 to be completed in the next fiscal year.

The Downtown Development Authority (DDA) has committed to spend approximately \$9,866 on signage, of which \$8,264 will be covered by grant funding and the remaining will be DDA cost.

**E. Joint Venture - Evart Area Joint Fire Department**

The City is a member of the Evart Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evart, and the townships of Evart, Orient, Osceola, and Sylvan. The City levied a millage this year in the Fire Fund, resulting in \$69,670 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.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2023**F. Subsequent Events**

After June 30, 2023, the City entered into an agreement for a parking lot paving project for approximately \$62,600. No adjustments were made to the financial statements as a result of the subsequent event.

**G. Related Party Transaction**

During the year, the City contributed \$20,000 to the Downtown Development Authority (DDA), a component unit of the City.

**H. 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.

**I. GASB Statement No. 87 – Leases**

It has been determined that the City has leases as defined by GASB Statement No. 87. However, the total of these leases has been determined they are not significant enough to warrant disclosure.

**J. GASB Statement No. 96 – Subscription-based Information Technology Arrangements**

The City adopted GASB-96 during the current fiscal year. However, it has been determined that the City does not have any subscription-based information technology arrangements as defined by GASB Statement No. 96.

**V. PRIOR PERIOD ADJUSTMENT**

In the prior year, the equipment leases in the internal service fund were treated as leases under GASB Statement No. 87 when they should have been treated as notes from direct borrowing and direct placements, which was corrected this year. Net position was restated as follows:

	Net Position	
	Internal Service Fund	Governmental Activities
Net Position as of July 1, 2022, as previously stated	\$ 729,166	\$ 8,151,197
Lease Adjustment	37,580	37,580
Net Position as of July 1, 2022, as restated	<u>\$ 766,746</u>	<u>\$ 8,188,777</u>

**VI. UPCOMING ACCOUNTING PRONOUNCEMENTS**

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

CITY OF EVART  
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	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	\$ 687,550	\$ 687,550	\$ 659,113	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Special Assessments	0	0	0	4,400	4,400	3,238	4,500	4,500	1,582
Licenses and Permits	39,400	39,400	38,469	0	0	0	0	0	0
State Grants	284,000	284,000	463,371	200,600	200,600	250,628	70,000	70,000	78,504
Charges for Services	143,300	143,300	182,401	0	0	0	0	0	0
Fines and Forfeits	2,575	2,575	2,349	0	0	0	0	0	0
Interest and Rents	3,800	3,800	21,726	100	100	4,761	150	150	1,929
Other Revenue	28,500	28,051	34,413	500	500	190	550	550	127
Total Revenues	1,189,125	1,188,676	1,401,842	205,600	205,600	258,817	75,200	75,200	82,142
<u>Expenditures</u>									
General Government									
City Council	11,405	11,433	11,430	0	0	0	0	0	0
Mayor	3,185	2,442	1,442	0	0	0	0	0	0
City Manager	40,780	38,380	35,999	0	0	0	0	0	0
Elections	10,900	9,734	8,206	0	0	0	0	0	0
Professional Services	11,625	11,651	11,651	0	0	0	0	0	0
Treasurer	23,050	20,331	18,555	0	0	0	0	0	0
Assessor	17,845	17,536	17,932	0	0	0	0	0	0
Attorney	15,000	11,000	10,370	0	0	0	0	0	0
Clerk	12,600	12,170	12,168	0	0	0	0	0	0
Board of Review	1,000	825	825	0	0	0	0	0	0
Building and Grounds	40,700	34,756	30,539	0	0	0	0	0	0
Other General Government	151,300	154,194	149,572	0	0	0	0	0	0
Public Safety									
Police	396,738	396,093	324,015	0	0	0	0	0	0
Fire Protection	5,000	5,000	0	0	0	0	0	0	0
Public Works									
Cemetery	64,500	64,475	68,696	0	0	0	0	0	0
Department of Public Works	134,550	144,715	140,668	0	0	0	0	0	0

CITY OF EVART  
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Airport	28,410	30,773	30,836	0	0	0	0	0	0
Trees	27,600	24,407	23,099	0	0	0	0	0	0
Street Lighting	27,050	29,142	28,412	0	0	0	0	0	0
Refuse Service	110,000	116,382	127,108	0	0	0	0	0	0
Street Department	0	0	0	608,620	608,620	144,321	200,820	200,820	57,347
Community and Economic Development									
Planning and Zoning	11,700	11,050	6,716	0	0	0	0	0	0
Economic Development	20,000	20,000	20,000	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	237,150	237,150	95,036	0	0	0	0	0	0
Total Expenditures	1,402,088	1,403,639	1,173,275	608,620	608,620	144,321	200,820	200,820	57,347
Excess (Deficiency) of Revenues									
Over Expenditures	(212,963)	(214,963)	228,567	(403,020)	(403,020)	114,496	(125,620)	(125,620)	24,795
<u>Other Financing Sources (Uses)</u>									
Transfers In	265,150	265,150	0	0	0	0	45,000	45,000	45,000
Transfers Out	(265,150)	(265,150)	0	(45,000)	(45,000)	(45,000)	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(45,000)	(45,000)	(45,000)	45,000	45,000	45,000
Net Change in Fund Balance	(212,963)	(214,963)	228,567	(448,020)	(448,020)	69,496	(80,620)	(80,620)	69,795
<u>FUND BALANCE - Beginning of Year</u>	1,312,248	1,312,248	1,317,735	761,954	761,954	761,953	198,426	198,426	198,427
<u>FUND BALANCE - End of Year</u>	<u>\$ 1,099,285</u>	<u>\$ 1,097,285</u>	<u>\$ 1,546,302</u>	<u>\$ 313,934</u>	<u>\$ 313,934</u>	<u>\$ 831,449</u>	<u>\$ 117,806</u>	<u>\$ 117,806</u>	<u>\$ 268,222</u>



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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 60,813	\$ 45,925	\$ 47,877	\$ 42,616	\$ 50,133	\$ 47,932	\$ 41,621	\$ 47,156	\$ 41,938
Interest	241,025	238,918	185,613	181,299	169,703	163,284	164,942	150,951	148,744
Difference Between Expected and Actual Experience	(20,632)	(23,891)	24,058	38,587	74,220	(6,558)	(98,523)	11,917	0
Change in Assumptions	0	127,603	93,841	78,203	0	0	0	83,057	0
Change in Benefits	0	0	0	0	0	0	(11,775)	0	0
Benefit Payments	(218,682)	(211,672)	(177,411)	(157,193)	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Other Changes	(1)	0	0	0	0	0	0	4,718	0
Net Change in Total Pension Liability	62,523	176,883	173,978	183,512	160,558	87,120	(26,489)	180,261	89,513
Total Pension Liability - Beginning (2020 includes LDFA)	3,403,414	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>\$ 3,465,937</u>	<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	\$ 140,256	\$ 121,871	\$ 150,233	\$ 69,730	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 76,127	\$ 65,091
Contributions - Employee	10,113	11,366	11,039	11,173	15,269	15,526	43,402	0	0
Net Investment Income	(247,403)	302,031	243,965	212,467	(65,855)	206,189	168,829	(23,257)	95,150
Benefit Payments Including Employee Refunds	(218,682)	(211,672)	(203,516)	(157,193)	(133,498)	(117,538)	(122,754)	(117,538)	(101,169)
Administrative Expense	(4,374)	(3,468)	(3,903)	(3,661)	(3,294)	(3,271)	(3,333)	(3,409)	(3,493)
Other Changes	0	0	0	(1)	(103)	0	0	0	0
Net Change in Plan Fiduciary Net Position	(320,090)	220,128	197,818	132,515	(122,592)	159,320	53,975	(68,077)	55,579
Plan Fiduciary Net Position - Beginning (2020 includes LDFA)	2,391,647	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>\$ 2,071,557</u>	<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>\$ 1,394,380</u>	<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	60%	70%	67%	69%	68%	79%	75%	71%	81%
Covered Payroll	687,657	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	203%	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,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Primary Government</b>										
Actuarial Determined Contributions	\$ 150,081	\$ 128,832	\$ 117,155	\$ 73,346	\$ 64,889	\$ 58,414	\$ (32,169)	\$ 74,259	\$ 65,091	\$ 66,183
Contributions in Relation to the Actuarially Determined Contribution	150,081	128,832	117,155	73,346	64,889	58,414	(32,169)	74,259	65,091	66,183
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 691,971	\$ 602,630	\$ 640,974	\$ 556,990	\$ 577,173	\$ 519,248	\$ 464,691	\$ 522,587	\$ 440,709	\$ 581,523
Contributions as a Percentage of Covered Payroll	22%	21%	18%	13%	11%	11%	-7%	14%	15%	11%
<b>Notes to Schedule</b>										
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, 2023

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>Library</u>	<u>Fire</u>	<u>Police Vehicle</u>	<u>Fire Vehicle</u>	<u>Cemetery Perpetual Care</u>	<u>Non-Major Governmental Funds</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 2	\$ 30,917	\$ 0	\$ 30,919
Restricted Cash and Cash Equivalents	0	0	0	0	160,312	160,312
 TOTAL ASSETS	 \$ 0	 \$ 0	 \$ 2	 \$ 30,917	 \$ 160,312	 \$ 191,231
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>						
Nonspendable:						
Endowment	0	0	0	0	138,600	138,600
Restricted:						
Cemetery Improvements	0	0	0	0	21,712	21,712
Assigned						
Police Vehicle Replacement	0	0	2	0	0	2
Fire Vehicle Replacement	0	0	0	30,917	0	30,917
 Total Fund Balance	 0	 0	 2	 30,917	 160,312	 191,231
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 0	 \$ 0	 \$ 2	 \$ 30,917	 \$ 160,312	 \$ 191,231

CITY OF EVART  
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2023

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	<u>Library</u>	<u>Fire</u>	<u>Police</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Non-Major</u>
			<u>Vehicle</u>	<u>Vehicle</u>	<u>Perpetual</u>	<u>Governmental</u>
					<u>Care</u>	<u>Funds</u>
<u>REVENUES</u>						
Taxes	\$ 33,690	\$ 69,670	\$ 0	\$ 0	\$ 0	\$ 103,360
State Grants	20,920	15,665	0	0	0	36,585
Interest and Rents	0	0	0	808	3,773	4,581
Other	0	0	0	0	700	700
Total Revenues	54,610	85,335	0	808	4,473	145,226
<u>EXPENDITURES</u>						
Public Safety						
Fire Protection	0	85,335	0	0	0	85,335
Recreation and Culture						
Library	54,610	0	0	0	0	54,610
Total Expenditures	54,610	85,335	0	0	0	139,945
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	808	4,473	5,281
<u>FUND BALANCE</u> - Beginning of Year	0	0	2	30,109	155,839	185,950
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 2	\$ 30,917	\$ 160,312	\$ 191,231

CITY OF EVART  
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 244,471</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 29
Accrued Payroll and Liabilities	902
Unearned Revenue	<u>36,796</u>
Total Liabilities	37,727
<u>FUND BALANCE</u>	
Unassigned	<u>206,744</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 244,471</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, 2023

	General Fund	
	Budget	Actual
<u>REVENUES</u>		
Local Contributions	\$ 31,000	\$ 23,803
Interest and Rents	2,150	1,130
State Sources	41,000	53,790
Other Sources		
Donations	30,800	1,101
Other Revenues	8,580	5,271
Total Revenues	113,530	85,095
<u>EXPENDITURES</u>		
Community and Economic Development		
Personnel Services	58,110	57,493
Supplies	665	665
Other Services and Charges	58,485	37,853
Total Expenditures	117,260	96,011
Excess (Deficiency) of Revenues		
Over Expenditures	(3,730)	(10,916)
<u>OTHER FINANCING SOURCES (USES)</u>		
Sale of Capital Assets	0	30,101
Net Change in Fund Balance	(3,730)	19,185
<u>FUND BALANCE - Beginning of Year</u>	187,560	187,559
<u>FUND BALANCE - End of Year</u>	\$ 183,830	\$ 206,744

CITY OF EVART  
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

JUNE 30, 2023

	<u>Market Fund</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$        6,834
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Accounts Payable	<u>999</u>
 <u>NET POSITION</u>	
Unrestricted	<u><u>\$        5,835</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, 2023

	<u>Market Fund</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 3,767
Miscellaneous Income	<u>124</u>
Total Operating Revenues	<u>3,891</u>
<u>OPERATING EXPENSES</u>	
Office Supplies and Expense	276
Operating Supplies and Expenses	265
Contracted Services	<u>2,800</u>
Total Operating Expenses	<u>3,341</u>
Operating Income (Loss)	550
<u>NET POSITION</u> - Beginning of Year	<u>5,285</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 5,835</u></u>



CITY OF EVART  
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2023

	Market Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 3,891
Payments to Suppliers	<u>(4,191)</u>
Net Cash Provided (Used) by Operating Activities	(300)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>7,134</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 6,834</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ 550
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Increase (Decrease) in Current Liabilities	
Accounts Payable	<u>(850)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (300)</u>



