

# CITY OF CARSON CITY, MICHIGAN

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016



*Vredeveld Haefner LLC*

# CITY OF CARSON CITY

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## INDEPENDENT AUDITORS' REPORT

November 8, 2016

Honorable Mayor and Members of the City Council  
City of Carson City, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carson City, Michigan as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carson City, Michigan, as of June 30, 2016, and the respective changes in financial position, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and required information on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson City, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 and individual nonmajor fund 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 8, 2016, on our consideration of the City of Carson City, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson City, Michigan's internal control over financial reporting and compliance..

*Uredewald Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Carson City, we offer readers of the City of Carson City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Repairs were made to the City Hall roof for \$35,000
- Well house roof was replaced
- Chip sealed and fogged numerous streets
- Assisted in coordinating the MEDC CDBG grant at 110 Main St. (two apartments are now completed and rented)

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Carson City's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Carson City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The business-type activities of the City include sewer and water services.

**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 Carson City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating 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 five 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 and library funds, both of which are considered to be major funds of the City.

Data is combined into a single aggregated presentation for the other three governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**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 sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis as well as major fund budget and actual schedules and schedules related to the City's pension plan.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Carson City, assets exceeded liabilities by \$10,061,102 at the close of the most recent fiscal year.

A portion of the City's net position reflects unrestricted net position which are available for future operation while a significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its 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.

### Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$1,665,934	\$1,548,606	\$3,039,808	\$2,751,613	\$4,705,742	\$4,300,219
Capital assets	1,953,113	2,095,607	6,147,625	6,322,651	8,100,738	8,418,258
<b>Total assets</b>	<b>3,619,047</b>	<b>3,644,213</b>	<b>9,187,433</b>	<b>9,074,264</b>	<b>12,806,480</b>	<b>12,718,477</b>
Deferred outflows	12,224	13,896	17,590	19,997	29,814	33,893
Long-term liabilities	103,977	107,567	2,619,652	2,748,687	2,723,629	2,856,254
Other liabilities	30,510	34,278	21,053	17,652	51,563	51,930
<b>Total liabilities</b>	<b>134,487</b>	<b>141,845</b>	<b>2,640,705</b>	<b>2,766,339</b>	<b>2,775,192</b>	<b>2,908,184</b>
Net position						
Net investment in						
Capital assets	1,953,113	2,095,607	3,648,625	3,722,651	5,601,738	5,818,258
Restricted	960,440	887,826	-	-	960,440	887,826
Unrestricted	583,231	532,831	2,915,693	2,605,271	3,498,924	3,138,102
<b>Total net position</b>	<b>\$3,496,784</b>	<b>\$3,516,264</b>	<b>\$6,564,318</b>	<b>\$6,327,922</b>	<b>\$10,061,102</b>	<b>\$9,844,186</b>

Net position of the City increased by \$216,916. The business-type activities increase in net position of \$236,396 was primarily the result of water and sewer rates. The governmental activities decreased net position by \$19,480.



## Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>						
Program revenue						
Charges for Services	\$ 122,083	\$ 163,213	\$ 944,830	\$ 859,195	\$ 1,066,913	\$1,022,408
Operating grants and contributions	224,776	225,908	97,045	272,113	321,821	498,021
Capital grants and contributions	2,873	13,275	-	-	2,873	13,275
	<u>349,732</u>	<u>402,396</u>	<u>1,041,875</u>	<u>1,131,308</u>	<u>1,391,607</u>	<u>1,533,704</u>
General revenue						
Property taxes	483,529	479,527	-	-	483,529	479,527
Other governmental sources	117,634	117,603	-	-	117,634	117,603
Other	2,274	1,841	16,521	5,125	18,795	6,966
<b>Total revenues</b>	<u>953,169</u>	<u>1,001,367</u>	<u>1,058,396</u>	<u>1,136,433</u>	<u>2,011,565</u>	<u>2,137,800</u>
<b>Expenses</b>						
Legislative	44,411	35,733	-	-	44,411	35,733
General government	152,752	209,109	-	-	152,752	209,109
Public safety	218,193	164,040	-	-	218,193	164,040
Public works	278,596	207,832	-	-	278,596	207,832
Culture and recreation	278,697	279,939	-	-	278,697	279,939
Sewer	-	-	429,161	577,986	429,161	577,986
Water	-	-	392,839	387,596	392,839	387,596
<b>Total expenses</b>	<u>972,649</u>	<u>896,653</u>	<u>822,000</u>	<u>965,582</u>	<u>1,794,649</u>	<u>1,862,235</u>
Increase (decrease) before transfers	(19,480)	104,714	236,396	170,851	216,916	275,565
Transfers	-	-	-	-	-	-
<b>Increase (decrease) in net position</b>	<u>(19,480)</u>	<u>104,714</u>	<u>236,396</u>	<u>170,851</u>	<u>216,916</u>	<u>275,565</u>
<b>Net position, beginning of year</b>	<u>3,516,264</u>	<u>3,411,550</u>	<u>6,327,922</u>	<u>6,157,071</u>	<u>9,844,186</u>	<u>9,568,621</u>
<b>Net position, end of year</b>	<u>\$3,496,784</u>	<u>\$3,516,264</u>	<u>\$6,564,318</u>	<u>\$6,327,922</u>	<u>\$10,061,102</u>	<u>\$9,844,186</u>

**Governmental Activities.** During the year the City invested \$218,193 or 23% of governmental activities expenses in public safety. Culture and recreation expense, which includes library operations was \$278,697 or 29% of governmental activities expenses while legislative, general government, and public works, made up the remaining 48% of governmental activities expenses.

**Business-type Activities.** Business-type activities increased the City's net position by \$236,396. By comparison, business-type activities reported an increase in net position the previous fiscal year of \$170,851.

## 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 spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,365,684, an increase of \$72,149 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$155,608. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 26% of total general fund expenditures.

The fund balance of the City's general fund decreased \$28,113 during the current fiscal year after considering transfers to the capital projects fund of \$39,500 for future projects.

The library fund has a total fund balance of \$451,797, which increased by \$7,558 during the year. The balance of this fund is restricted for library operations.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$1,985,980 and \$929,713 respectively. The sewer and water funds had an increase in net position for the year of \$21,268 and \$215,128 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## Budgetary Highlights

Public works expense in the general fund exceeded budget due a higher level of general fund activities which was budgeted for in street and utility funds.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounted to \$8,100,738 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of building improvements.

The City's Capital Assets (net of depreciation) are summarized as follows:

<b>Capital Assets</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 153,996	\$ 64,814	\$ 218,810
Construction in progress	-	-	-
Buildings, equipment and Infrastructure	1,799,117	6,082,811	7,881,928
<b>Total</b>	<b>\$1,953,113</b>	<b>\$6,147,625</b>	<b>\$8,100,738</b>

Additional information on the City of Carson City capital assets can be found in Note 5 of these financial statements.

**Debt.** At the end of the current fiscal year, the City had total debt outstanding as follows:

<b>Debt</b>			
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Accrued employee benefits	\$27,236	\$ 52,851	\$ 80,087
Net pension liability	76,741	67,801	144,542
Bonds payable	-	2,499,000	2,499,000
<b>Total</b>	<b>\$103,977</b>	<b>\$2,619,652</b>	<b>\$2,723,629</b>

The City made payments of \$101,000 during the year on outstanding bonds.

Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2016-17 fiscal year:

- Increased sewer and water rates 3% and 5.5% respectively
- Increase in property tax revenue resulting from renaissance zone expiration (25%, 25% the following year and 50% in fiscal year 2020)
- Following asset management plan for sewer and water funds

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 123 East Main St., Carson City, Michigan, 48811.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CARSON CITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets</b>			
Cash and pooled investments	\$ 1,600,750	\$ 2,872,761	\$ 4,473,511
Accounts receivable	6,163	106,511	112,674
Due from other governments	40,258	-	40,258
Prepaid items	9,644	-	9,644
Land contract receivable	9,119	-	9,119
Restricted cash	-	60,536	60,536
Capital assets, net			
Land	153,996	64,814	218,810
Buildings, equipment and infrastructure	1,799,117	6,082,811	7,881,928
<b>Total assets</b>	<b>3,619,047</b>	<b>9,187,433</b>	<b>12,806,480</b>
<b>Deferred outflow</b>			
Pension related	12,224	17,590	29,814
<b>Liabilities</b>			
Accounts payable and accrued expenses	30,510	18,837	49,347
Customer deposits	-	2,216	2,216
Noncurrent liabilities			
Compensated absences	27,236	52,851	80,087
Net pension liability	76,741	67,801	144,542
Due within one year	-	106,000	106,000
Due in more than one year	-	2,393,000	2,393,000
<b>Total liabilities</b>	<b>134,487</b>	<b>2,640,705</b>	<b>2,775,192</b>
<b>Net Position</b>			
Net investment in capital assets	1,953,113	3,648,625	5,601,738
Restricted for			
Library	451,797	-	451,797
Major streets	259,372	-	259,372
Local streets	194,036	-	194,036
Parks	55,235	-	55,235
Unrestricted	583,231	2,915,693	3,498,924
<b>Total net position</b>	<b>\$ 3,496,784</b>	<b>\$ 6,564,318</b>	<b>\$ 10,061,102</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Legislative	\$ 44,411	\$ -	\$ -	\$ -	\$ (44,411)
General government	152,752	50,442	-	-	(102,310)
Public safety	218,193	62,493	9,244	2,873	(143,583)
Public works	278,596	3,836	119,886	-	(154,874)
Culture and recreation	<u>278,697</u>	<u>5,312</u>	<u>95,646</u>	<u>-</u>	<u>(177,739)</u>
Total governmental activities	<u>972,649</u>	<u>122,083</u>	<u>224,776</u>	<u>2,873</u>	<u>(622,917)</u>
Business-type activities					
Sewer	429,161	341,523	97,045	-	9,407
Water	<u>392,839</u>	<u>603,307</u>	<u>-</u>	<u>-</u>	<u>210,468</u>
Total business-type activities	<u>822,000</u>	<u>944,830</u>	<u>97,045</u>	<u>-</u>	<u>219,875</u>
<b>Total primary government</b>	<u>\$ 1,794,649</u>	<u>\$ 1,066,913</u>	<u>\$ 321,821</u>	<u>\$ 2,873</u>	<u>\$ (403,042)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Changes in net assets</b>			
<b>Net (expense) revenue</b>	(622,917)	219,875	(403,042)
General revenues			
Property taxes			
General operating	371,408	-	371,408
Library	112,121	-	112,121
State shared revenues	117,634	-	117,634
Interest earnings	2,274	16,521	18,795
Total general revenues and transfers	603,437	16,521	619,958
Change in net position	(19,480)	236,396	216,916
<b>Net position, beginning of year</b>	3,516,264	6,327,922	9,844,186
<b>Net position, end of year</b>	\$ 3,496,784	\$ 6,564,318	\$ 10,061,102

(Concluded)

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 202,255	\$ 457,557	\$ 677,904	\$ 1,337,716
Accounts receivable	6,163	-	-	6,163
Due from other governments	19,205	-	21,053	40,258
Land contract receivable	9,119	-	-	9,119
Prepaid expenditures	9,644	-	-	9,644
Due from other funds	545	-	1,085	1,630
<b>Total assets</b>	<u>\$ 246,931</u>	<u>\$ 457,557</u>	<u>\$ 700,042</u>	<u>\$ 1,404,530</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 22,862	\$ 5,760	\$ 20	\$ 28,642
Due to other funds	-	-	1,085	1,085
<b>Total liabilities</b>	<u>22,862</u>	<u>5,760</u>	<u>1,105</u>	<u>29,727</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - long-term receivables	9,119	-	-	9,119
<b>Fund balances</b>				
Nonspendable				
Prepaid	9,644	-	-	9,644
Restricted for				
Streets	-	-	453,408	453,408
Parks	-	-	55,235	55,235
Library	-	451,797	-	451,797
Committed				
Compensated absences	49,698	-	-	49,698
Fire equipment	-	-	138,651	138,651
Building improvements	-	-	14,500	14,500
Police equipment	-	-	3,202	3,202
Master plan	-	-	19,393	19,393
Downtown development	-	-	14,548	14,548
Assigned	-	-	-	-
Unassigned	155,608	-	-	155,608
<b>Total fund balances</b>	<u>214,950</u>	<u>451,797</u>	<u>698,937</u>	<u>1,365,684</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 246,931</u>	<u>\$ 457,557</u>	<u>\$ 700,042</u>	<u>\$ 1,404,530</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF CARSON CITY**

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

**JUNE 30, 2016**

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<b>Fund balances - total governmental funds</b>	<b>\$ 1,365,684</b>
Amounts reported for <i>governmental activities</i> in the statement of net position	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	1,871,537
Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred inflows in the funds.	
Add - land contract deferred inflows	9,119
An internal service fund is used by management to charge the costs of centralized services to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities.	
Add - net position of governmental activities accounted for in the internal service fund	342,197
Certain balances are not due and payable in the in the current period or will be amortized to expense infuture periods and therefore are not reported in the funds.	
Deduct - compensated absences payable	(27,236)
Add - deferred outflows related to pensions	12,224
Deduct - net pension liability	<u>(76,741)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,496,784</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ 371,408	\$ 112,121	\$ -	\$ 483,529
Intergovernmental revenues	117,884	77,418	122,442	317,744
Fees and service charges	108,527	11,782	-	120,309
Interest	1,067	5,312	1,280	7,659
Contributions	2,873	6,446	-	9,319
Miscellaneous	18,947	-	300	19,247
<b>Total revenues</b>	<u>620,706</u>	<u>213,079</u>	<u>124,022</u>	<u>957,807</u>
<b>Expenditures</b>				
Current				
Legislative	44,411	-	-	44,411
General government	174,172	-	1,579	175,751
Public safety	179,808	-	10,573	190,381
Public works	167,841	-	58,666	226,507
Recreation and culture	43,087	205,521	-	248,608
<b>Total expenditures</b>	<u>609,319</u>	<u>205,521</u>	<u>70,818</u>	<u>885,658</u>
Revenues over (under) expenditures	<u>11,387</u>	<u>7,558</u>	<u>53,204</u>	<u>72,149</u>
Other financing sources (uses)				
Transfers in	-	-	54,274	54,274
Transfers out	(39,500)	-	(14,774)	(54,274)
Total other financing sources (uses)	<u>(39,500)</u>	<u>-</u>	<u>39,500</u>	<u>-</u>
Net changes in fund balances	(28,113)	7,558	92,704	72,149
<b>Fund balances, beginning of year</b>	<u>243,063</u>	<u>444,239</u>	<u>606,233</u>	<u>1,293,535</u>
<b>Fund balances, end of year</b>	<u>\$ 214,950</u>	<u>\$ 451,797</u>	<u>\$ 698,937</u>	<u>\$ 1,365,684</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Net changes in fund balances - total governmental funds</b>	\$ 72,149
Amounts reported for <i>governmental activities</i> in the statement of activities	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	46,880
Deduct - depreciation expense	(122,212)
Deduct - net book value of capital asset disposals	(19,430)
The land contract receivable is long-term in nature and is collectable over several years. However the current receipts are reflected as revenues on the fund statements.	
Deduct - land contract receipts	(565)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	3,590
Deduct - decrease in deferred outflows related to pensions	(1,672)
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net position of this fund is reported with governmental activities.	
Add - income from governmental activities in the internal service fund	<u>1,780</u>
<b>Change in net position of governmental activities</b>	<u>\$ (19,480)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<b>Business-Type Activities</b>		<b>Enterprise Fund Total</b>	<b>Governmental Activities Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>		
<b>Assets</b>				
Current assets				
Cash and pooled investments	\$ 2,024,038	\$ 848,723	\$ 2,872,761	\$ 263,034
Accounts receivable	38,243	68,268	106,511	-
Restricted cash and pooled investments	-	60,536	60,536	-
	<u>2,062,281</u>	<u>977,527</u>	<u>3,039,808</u>	<u>263,034</u>
Total current assets				
Capital assets				
Land	64,814	-	64,814	3,996
Buildings	-	80,576	80,576	67,975
Plant, mains and equipment	2,533,594	6,232,913	8,766,507	490,611
Accumulated depreciation	<u>(1,242,387)</u>	<u>(1,521,885)</u>	<u>(2,764,272)</u>	<u>(481,006)</u>
Net capital assets	<u>1,356,021</u>	<u>4,791,604</u>	<u>6,147,625</u>	<u>81,576</u>
<b>Total assets</b>	<u>3,418,302</u>	<u>5,769,131</u>	<u>9,187,433</u>	<u>344,610</u>
<b>Deferred outflow</b>				
Pension related	<u>10,200</u>	<u>7,390</u>	<u>17,590</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	11,386	7,451	18,837	1,868
Due to other funds	-	-	-	545
Current portion of long-term debt	-	106,000	106,000	-
	<u>11,386</u>	<u>113,451</u>	<u>124,837</u>	<u>2,413</u>
Total current liabilities				
Long-term liabilities				
Compensated absences	33,073	19,778	52,851	-
Net pension liability	41,007	26,794	67,801	-
Long-term debt	-	2,393,000	2,393,000	-
Customer deposits	<u>1,035</u>	<u>1,181</u>	<u>2,216</u>	<u>-</u>
Total long-term liabilities	<u>75,115</u>	<u>2,440,753</u>	<u>2,515,868</u>	<u>-</u>
<b>Total liabilities</b>	<u>86,501</u>	<u>2,554,204</u>	<u>2,640,705</u>	<u>2,413</u>
<b>Net position</b>				
Net investments in capital assets	1,356,021	2,292,604	3,648,625	81,576
Unrestricted	<u>1,985,980</u>	<u>929,713</u>	<u>2,915,693</u>	<u>260,621</u>
<b>Total net position</b>	<u>\$ 3,342,001</u>	<u>\$ 3,222,317</u>	<u>\$ 6,564,318</u>	<u>\$ 342,197</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities</u>		<u>Fund</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Activities</u>
				<u>Internal</u>
				<u>Service</u>
				<u>Fund</u>
<b>Operating revenue</b>				
Charges for services	\$ 341,523	\$ 603,307	\$ 944,830	\$ 100,440
<b>Operating expense</b>				
Salaries and wages	156,873	126,690	283,563	15,115
Supplies	15,484	9,316	24,800	16,516
Professional services	146,967	5,163	152,130	-
Insurance and bonds	1,158	1,158	2,316	-
Utilities	14,060	31,172	45,232	-
Equipment rentals	35,116	12,691	47,807	460
Repair and maintenance	952	4,602	5,554	19,449
Depreciation	53,916	128,110	182,026	47,731
Miscellaneous	4,635	6,224	10,859	596
<b>Total operating expense</b>	<u>429,161</u>	<u>325,126</u>	<u>754,287</u>	<u>99,867</u>
Operating income (loss)	<u>(87,638)</u>	<u>278,181</u>	<u>190,543</u>	<u>573</u>
Non-operating revenue (expense)				
Interest income	11,861	4,660	16,521	1,207
Grants	97,045	-	97,045	-
Interest expense	-	(67,713)	(67,713)	-
<b>Total non-operating revenue (expense)</b>	<u>108,906</u>	<u>(63,053)</u>	<u>45,853</u>	<u>1,207</u>
Changes in net position	21,268	215,128	236,396	1,780
<b>Net position, beginning of year</b>	<u>3,320,733</u>	<u>3,007,189</u>	<u>6,327,922</u>	<u>340,417</u>
<b>Net position, end of year</b>	<u>\$ 3,342,001</u>	<u>\$ 3,222,317</u>	<u>\$ 6,564,318</u>	<u>\$ 342,197</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities</u>		<u>Enterprise</u>	<u>Governmental</u>
	<u>Sewer</u>	<u>Water</u>	<u>Fund</u>	<u>Activities</u>
			<u>Total</u>	<u>Internal</u>
				<u>Service</u>
				<u>Fund</u>
<b>Cash flows from operating activities</b>				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 100,440
Receipts from customers and users	339,395	595,567	934,962	-
Payments to employees	(164,235)	(144,956)	(309,191)	(15,115)
Payments to suppliers	(218,453)	(67,094)	(285,547)	(35,404)
<b>Net cash provided by (used in) operating activities</b>	<u>(43,293)</u>	<u>383,517</u>	<u>340,224</u>	<u>49,921</u>
<b>Cash flows from non-capital financing activities</b>				
Grants	97,045	-	97,045	-
<b>Cash flows from capital and related financing activities</b>				
Payments on loans	-	(101,000)	(101,000)	-
Interest expense	-	(67,713)	(67,713)	-
Acquisitions of capital assets	(7,000)	-	(7,000)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(7,000)</u>	<u>(168,713)</u>	<u>(175,713)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Interest income	11,861	4,660	16,521	1,207
Net increase (decrease) in cash and cash equivalents	58,613	219,464	278,077	51,128
<b>Cash and cash equivalents, beginning of year</b>	<u>1,965,425</u>	<u>689,795</u>	<u>2,655,220</u>	<u>211,906</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,024,038</u>	<u>\$ 909,259</u>	<u>\$ 2,933,297</u>	<u>\$ 263,034</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (87,638)	\$ 278,181	\$ 190,543	\$ 573
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	53,916	128,110	182,026	47,731
Net pension liability	(22,633)	(20,000)	(42,633)	-
Deferred outflows for pensions	1,324	1,083	2,407	-
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	(2,197)	(7,921)	(10,118)	-
Accounts payable and accrued liabilities	(81)	3,232	3,151	1,617
Compensated absences	13,947	651	14,598	-
Customer deposits	69	181	250	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (43,293)</u>	<u>\$ 383,517</u>	<u>\$ 340,224</u>	<u>\$ 49,921</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	<b>Employees Retirement System</b>	<b>Agency Fund</b>
<b>Assets</b>		
Cash and pooled investments	\$ 772	\$ 854
Accounts receivable	1,234	-
Investments		
Equity mutual funds	203,493	-
US government securities mutual funds	<u>26,310</u>	<u>-</u>
<b>Total assets</b>	<u>231,809</u>	<u>\$ 854</u>
<b>Liabilities</b>		
Accounts payable	3,769	\$ -
Due to other governments	<u>-</u>	<u>854</u>
<b>Total liabilities</b>	<u>3,769</u>	<u>\$ 854</u>
<b>Net position</b>		
Held in trust for pension benefits	<u>\$ 228,040</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**EMPLOYEES RETIREMENT SYSTEM**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<b>Employees Retirement System</b>
<b>Additions</b>	
Employer	\$ 67,858
Employee	5,682
Investment income (loss)	<u>2,449</u>
<b>Total additions</b>	75,989
<b>Deductions</b>	
Distributions and benefit payments	-
Administrative	<u>-</u>
Total deductions	<u>-</u>
Net increase (decrease)	75,989
<b>Net position, beginning of year</b>	<u>152,051</u>
<b>Net position, end of year</b>	<u>\$ 228,040</u>

The accompanying notes are an integral part of these financial statements.



# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Carson City, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Carson City. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the City.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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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, except for reimbursement-based grants and interest which use one year. 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. Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 enterprise fund are charges for services. The principal operating revenues of the City's internal service funds are charges to City departments for equipment utilization. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. Operating expenses for the internal funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Fund* accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and penal fines.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Internal Service Fund* is used to account for the financing of goods or services by the City which are provided to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund for motor pool operations.

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and an agency fund.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

### ***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City amended its budget for the current year. Any revisions that alter the total expenditures of any activity must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted, or as amended, by the City Council.

### ***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the City considers cash and cash equivalents to include all cash as well as pooled investments because the pooling of these balances allows for withdrawal at any time similar to a demand deposit account.

### ***Statutory Authority***

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The City pension assets are also allowed to be invested in corporate equity and debt securities

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their fair value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2004.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and systems	5-65
Machinery and equipment	3-15
Vehicles	5
Infrastructure	50

#### **Pensions**

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

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### ***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes. Real property taxes not collected as of March 1 are turned over to Montcalm County for collection, which advances the City 100% for the delinquent real taxes. Collection of delinquent personal property taxes remains the responsibility of the City Comptroller.

Property taxes levied in July of each year are recognized as revenue in that year.

### ***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

### ***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Transfers are used to move revenues from the fund that is required to collect them to the fund that is equired or allowed to expend them.

### ***Compensated Absences***

Under contracts and employee policy, employee groups and individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts. Accumulated vacation time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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### ***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### ***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category related to the net pension liability these items are discussed in Note 6. The government has no other items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resources in the governmental fund balance sheet for unavailable revenue related to long-term land contracts receivable.

### ***Net Position and Fund Balance Reporting***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned – the related assets can only be spent for a specific purpose but do not meet the criteria to be classified as committed.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

The City Council has not delegated the authority to assign fund balance. Only the City Council can assign or commit fund balance

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

**Net Position and Fund Balance Flow Assumptions**

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/fund balance and unrestricted – net position/fund balance, 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 use restricted resources first, then unrestricted resource as they are needed. 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.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City’s actual expenditures and budgeted expenditures for the General and Library funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity item level. During the current year, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>General Fund</b>			
General Government			
City administrator	\$ 48,846	\$ 49,517	\$ (671)
Public works			
Department of public works	157,600	167,841	(10,241)

**3. DEPOSITS AND INVESTMENTS**

The captions on the financial statements relating to cash and investments are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and pooled investments	\$1,600,750	\$2,872,761	\$ 1,626	\$4,475,137
Restricted Cash and pooled investments	-	60,536	-	60,536
Investments	-	-	229,803	229,803
	<u>\$1,600,750</u>	<u>\$2,933,297</u>	<u>\$231,429</u>	<u>\$4,765,476</u>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer’s investing options to financial institutions located almost exclusively in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

*Custodial Credit Risk - Deposits.* The City had deposits of \$1,758,696 at year end. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$463,297 of the City's bank balance of \$1,793,439 is exposed to custodial credit risk because it was uninsured and uncollateralized.

The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Pension fund investments				
American Funds (mutual funds)				
US Government Securities Fund	N/A	\$ 26,310	2	Morning Star
Capital World Growth and Income	N/A	66,212		
AMCAP Fund	N/A	56,235		
Income Fund of America	N/A	39,054		
Washington Mutual Investors Fund	N/A	41,992		
Pooled investments				
Money market funds	N/A	14,614	N/A	
US Treasury Note .625%	12/2016	200,219	N/A	
US Treasury Note 1%	2/2018	201,344	N/A	
US Treasury Note .875%	4/2019	251,211	N/A	
US Treasury Note 1%	9/2019	277,105	N/A	
Negotiable CDs	2016-2018	1,832,484	Unrated	
		\$3,006,780		
Total investments				

The above investments do not include certificates of deposit which are classified as deposits for risk identification purposes.

The City categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of year-end.

- US Treasury Notes are valued using quoted market prices (Level 1 inputs).
- Pension fund investments, money market accounts and negotiable CDs are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The City does not has any investments that report fair value based on significant unobservable inputs (Level 3 inputs).



# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016**

***Investment and deposit risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments with a specific maturity.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment, where applicable, is identified above for investments held at year end.

*Custodial Credit Risk - Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above investments, \$150,624 is invested in mutual funds. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

**4. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2016 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>		
	<u>Nonmajor Governmental Funds</u>	<u>Capital Projects</u>	<u>Total</u>
General Fund	\$ -	\$39,500	\$39,500
Nonmajor Governmental funds	14,774	-	14,774
<b>Total</b>	<b>\$14,774</b>	<b>\$39,500</b>	<b>\$54,274</b>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

Interfund receivables and payables of individual funds at June 30, 2016 were as follows:

<u>Receivable</u>	<u>Payable</u>		
	<u>Nonmajor Governmental Funds</u>	<u>Internal Service</u>	<u>Total</u>
General fund	\$ -	\$545	\$545
Nonmajor Governmental funds	1,085	-	1,085
<b>Total</b>	<b>\$1,085</b>	<b>\$545</b>	<b>\$1,630</b>

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016**

Interfund balances reflect loans made from funds with cash and pooled investments to those funds requiring temporary cash flow.

### 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 158,996	\$ -	\$ 5,000	\$ 153,996
Construction in progress	27,008	-	27,008	-
Total capital assets, not being depreciated	186,004	-	32,008	153,996
<b>Capital assets, being depreciated</b>				
Building and improvements	1,310,241	40,000	21,218	1,329,023
Furniture and equipment	656,339	6,880	8,100	655,119
Motor pool equipment	520,048	-	29,436	490,612
Motor vehicles	609,094	27,008	56,653	579,449
Infrastructure	1,269,354	-	-	1,269,354
Total capital assets, being depreciated	4,365,076	73,888	115,407	4,323,557
Less accumulated depreciation for:				
Building and improvements	768,811	18,510	6,788	780,533
Furniture and equipment	565,207	21,565	8100	578,672
Motor pool equipment	395,432	47,731	29,436	413,727
Motor vehicles	480,735	24,611	56,653	448,693
Infrastructure	245,289	57,526	-	302,815
Total accumulated depreciation	2,455,474	169,943	100,977	2,524,440
<b>Net capital assets, being depreciated</b>	<b>1,909,602</b>	<b>(96,055)</b>	<b>14,430</b>	<b>1,799,117</b>
<b>Governmental Activities capital assets, net</b>	<b>\$2,095,606</b>	<b>\$(96,055)</b>	<b>\$46,438</b>	<b>\$1,953,113</b>

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 64,814	\$ -	\$ -	\$ 64,814
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	64,814	-	-	64,814
<b>Capital assets being depreciated</b>				
Buildings and improvements	80,575	-	-	80,575
Mains and equipment	8,759,508	7,000	-	8,766,508
Total capital assets, being depreciated	8,840,083	7,000	-	8,847,083
Less accumulated depreciation for:				
Buildings and improvements	34,960	1,946	-	36,906
Mains and equipment	2,547,286	180,080	-	2,727,366
Total accumulated depreciation	2,582,246	182,026	-	2,764,272
<b>Net capital assets, being depreciated</b>	<b>6,257,837</b>	<b>(175,026)</b>	<b>-</b>	<b>6,082,811</b>
<b>Business-type Activities capital assets, net</b>	<b>\$6,322,651</b>	<b>\$(175,026)</b>	<b>\$ -</b>	<b>\$6,147,625</b>

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

<b>Governmental Activities</b>	
General government	\$ 6,441
Public safety	34,692
Public works	50,990
Culture and recreation	30,089
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>47,731</u>
<b>Total depreciation expense - governmental activities</b>	<u><u>\$169,943</u></u>
<b>Business-type Activities</b>	
Sewer	\$ 53,916
Water	<u>128,110</u>
<b>Total depreciation expense – business- type activities</b>	<u><u>\$182,026</u></u>

### 6. PENSION PLANS

The City provides the following pension plans to employees meeting specific requirements based on positions, status, and hire date:

- City of Carson City defined benefit pension plan (single employer defined benefit plan)
- City of Carson City defined contribution pension plan (single employer defined contribution plan)

#### City Of Carson City Defined Benefit Pension Plan

##### **Plan Description**

The City and employees contribute to the City of Carson City Pension Plan (the plan), a single employer defined benefit pension plan. All full-time employees over the age of 21 with one year of service before July 1, 2011 are eligible to participate in the Plan. The Plan does not issue separately audited financial statements.

##### **Basis of Accounting**

The financial statements of the Plan are prepared using the accrual basis of accounting. Contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

##### **Method Used to Value Investments**

Investments are reported at fair value.

##### **Benefits Provided**

Employees who retire at age 65 (normal retirement) with 3 or more years of service are entitled to retirement benefits payable monthly. Normal retirement benefits are equal to 1.2% per year of service times the highest 5 year average salary over the 10 years prior to retirement. Benefits vest 20% per year after two years (100% after six years). The accrued retirement benefit is actuarially reduced for each year by which early retirement precedes normal retirement. The Plan also provides for death benefits.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

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Membership of the defined benefit plan consisted of the following at the date of the latest actuarial valuation (June 30, 2015):

Active plan members	4
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled but not yet receiving benefits	1
	<hr/>
Total	5
	<hr/>

\*This plan is closed to additional participants\*

#### **Contributions**

The City has responsibility for making actuarially determined contributions to the Plan. Employees are required to contribute 3% of covered wages to the Plan effective April 1, 2012. The funding objective of the Plan is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens. The contribution rate for normal cost is determined using the "unit credit" funding method and, further, follows the "level contribution method". The actuarial assumptions are the same as used to compute the standardized measure of the Net Pension Obligation. The plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate; the current rate is 20.02% of annual covered payroll.

#### **Net Pension Liability**

The employer's Net Pension Liability was measured as of June 30, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

The total pension liability in the June 30, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 0%

Salary Increases: 2% in the long-term

Investment rate of return: 6.0%, net of investment expense, including inflation

Mortality rates used were based on the 1982 individual annuity mortality (female rates).

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

Total pension liabilities were rolled forward from the 2015 actuarially determined balances by adding 2015 service costs and 2015 interest from the 2015 actuarial valuation.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2016**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	60.0%	6.7%
International equity	20.0%	6.1%
Fixed Income	15.0%	3.3%
Cash	5.0%	1.8%

Discount rate. The discount rate used to measure the total pension liability is 5.37%. 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 the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at 7/1/15	\$339,226	\$152,051	\$187,175
Changes for the Year:			
Service Cost	16,412	-	16,412
Interest	16,944	-	16,944
Change in benefits	-	-	-
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions : Employer	-	67,858	(67,858)
Contributions: Employee	-	5,682	(5,682)
Net Investment Income	-	2,449	(2,449)
Benefit Payments, including refunds	-	-	-
Administrative expense	-	-	-
Other Changes	-	-	-
Net Changes	<u>33,356</u>	<u>(75,989)</u>	<u>(42,633)</u>
Balance at 6/30/16	<u>\$372,582</u>	<u>\$228,040</u>	<u>\$144,542</u>

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

**Sensitivity of the Net Pension Liability to changes in the discount rate.**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 5.37%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (4.37%) or 1% higher (6.37%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount rate</b>	<b>1% increase</b>
Total Pension Liability	\$393,582	\$372,582	\$351,582
Fiduciary Net Position	228,040	228,040	228,040
Net Pension Liability	\$165,542	\$144,542	\$123,542

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

For the year ended June 30, 2016 the employer recognized pension expense of \$24,032. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contribution after measurement date	\$ -	\$ -
Differences in experience	27,343	-
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	2,471	-
Total	\$29,814	\$ -

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

2017	\$ 4,079
2018	4,079
2019	4,079
2020	3,255
2021	3,255
Thereafter	11,067
Total	\$29,814

**City Of Carson City Defined Contribution Pension Plan**

The City provides a defined contribution pension plan (externally managed IRS Section 457 plan), which provides pension benefits to qualified employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The City's contribution for employees eligible to participate in the plans vests immediately. The City contributes 6% of participant coverage wages plus an additional match of employee contributions up to 3%. Participants contribute from 0% to 3% of covered wages which is matched by the City. City contributions were \$67,858 and participant contributions were \$6,582 to the plan during the year. The plan provisions and contribution amounts were established and may be amended by the City Council.

# CITY OF CARSON CITY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2016

#### 7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2016.

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Accrued employee benefits	\$ 30,826	\$ -	\$ 3,590	\$ 27,236	\$ -
<b>Business-type Activities</b>					
Drinking Water Revolving Fund Loan. Payments due in annual installments of \$65,000 to \$95,000 through 2027; interest at 2.125%	1,040,000	-	75,000	965,000	80,000
2010 USDA Water Supply Revenue Bonds. Payments due in annual installments of \$24,000 to \$66,000 through 2051; interest at 3.00%	1,560,000	-	26,000	1,534,000	26,000
Accrued employee benefits	38,253	14,598	-	52,851	-
<b>Total Business-type Activities</b>	<b>2,638,253</b>	<b>14,598</b>	<b>101,000</b>	<b>2,551,851</b>	<b>106,000</b>
<b>Total</b>	<b>\$2,669,079</b>	<b>\$14,598</b>	<b>\$104,590</b>	<b>\$2,579,087</b>	<b>\$106,000</b>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2016 are as follows:

<u>Year Ended June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 106,000	\$ 65,286
2018	108,000	62,776
2019	109,000	60,221
2020	114,000	57,598
2021	115,000	54,907
2022-2026	622,000	231,770
2027-2031	281,000	171,829
2032-2036	212,000	140,970
2037-2041	240,000	107,220
2042-2046	277,000	68,415
2047-2051	315,000	24,105
<b>Total</b>	<b>\$2,499,000</b>	<b>\$1,045,097</b>

# **CITY OF CARSON CITY**

## ***NOTES TO THE FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2016***

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### **8. ECONOMIC DEPENDENCY**

State of Michigan correctional facilities are a major customer of the City's sewer and water funds. During the year ended June 30, 2016, revenue attributable to charges for these services was approximately 80% of total charges for service revenue in these funds.

### **9. LITIGATION**

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses related to legal actions have not been included as a liability in the financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CARSON CITY**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 371,000	\$ 371,000	\$ 371,408	\$ 408
Intergovernmental	121,700	121,700	117,884	(3,816)
Fees and service charges	108,329	108,329	108,527	198
Interest	9,100	9,100	1,067	(8,033)
Contributions	-	-	2,873	2,873
Miscellaneous	6,000	6,000	18,947	12,947
<b>Total revenues</b>	<u>616,129</u>	<u>616,129</u>	<u>620,706</u>	<u>4,577</u>
<b>Expenditures</b>				
Current				
Legislative	58,243	58,243	44,411	13,832
General government	189,042	189,042	174,172	14,870
Public safety	190,744	190,744	179,808	10,936
Public works	157,600	157,600	167,841	(10,241)
Recreation and culture	46,000	46,000	43,087	2,913
<b>Total expenditures</b>	<u>641,629</u>	<u>641,629</u>	<u>609,319</u>	<u>32,310</u>
Revenues over (under) expenditures	<u>(25,500)</u>	<u>(25,500)</u>	<u>11,387</u>	<u>36,887</u>
Other financing sources (uses)				
Transfers in	65,000	65,000	-	(65,000)
Transfers out	(39,500)	(39,500)	(39,500)	-
Total other financing sources (uses)	<u>25,500</u>	<u>25,500</u>	<u>(39,500)</u>	<u>(65,000)</u>
Net changes in fund balance	-	-	(28,113)	(28,113)
<b>Fund balance, beginning of year</b>	<u>243,063</u>	<u>243,063</u>	<u>243,063</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 243,063</u>	<u>\$ 243,063</u>	<u>\$ 214,950</u>	<u>\$ (28,113)</u>

**CITY OF CARSON CITY**

**LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 108,000	\$ 108,000	\$ 112,121	\$ 4,121
Intergovernmental				
State shared	5,000	5,000	6,753	1,753
Penal fines	64,500	64,500	70,665	6,165
Fees and service charges	18,000	18,000	11,782	(6,218)
Interest	1,000	1,000	5,312	4,312
Contributions	-	-	6,446	6,446
<b>Total Revenues</b>	196,500	196,500	213,079	16,579
<b>Expenditures</b>				
Current				
Recreation and culture	234,000	234,000	205,521	28,479
Net changes in fund balance	(37,500)	(37,500)	7,558	45,058
<b>Fund balance, beginning of year</b>	444,239	444,239	444,239	-
<b>Fund balance, end of year</b>	\$ 406,739	\$ 406,739	\$ 451,797	\$ 45,058

**CITY OF CARSON CITY**

**DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN EMPLOYERS NET PENSION  
LIABILITY AND RELATED RATIOS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2015</u>	<u>2016</u>
<b>Total pension liability</b>		
Service cost	16,944	16,944
Interest	16,412	16,412
Changes in benefit terms	-	-
Difference between expected and actual experience	33,853	-
Changes in assumptions	-	-
Benefit payments including employee refunds	(43,517)	-
Other	-	-
<b>Net change in total pension liability</b>	<u>23,692</u>	<u>33,356</u>
<b>Total pension liability, beginning of year</b>	<u>315,534</u>	<u>339,226</u>
<b>Total pension liability, ending of year</b>	<u>\$ 339,226</u>	<u>\$ 372,582</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions-employer	\$ 11,721	\$ 67,858
Contributions-employee	3,909	5,682
Net Investment income	2,016	2,449
Benefit payments including employee refunds	(43,517)	-
Administrative expense	(4,338)	-
<b>Net change in plan fiduciary net position</b>	<u>(30,209)</u>	<u>75,989</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>182,260</u>	<u>152,051</u>
<b>Plan fiduciary net position, ending of year</b>	<u>\$ 152,051</u>	<u>\$ 228,040</u>
 <b>Employer net pension liability</b>	 <u>\$ 187,175</u>	 <u>\$ 144,542</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	 45%	 61%
 <b>Covered employee payroll</b>	 \$ 130,051	 \$ 189,400
 <b>Employer's net pension liability as a percentage of covered employee payroll</b>	 144%	 76%

**Notes to schedule:**

Above dates are based on a June 30 measurement date.

**CITY OF CARSON CITY**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>2015</u>	<u>2016</u>
Actuarial determined contributions	\$ 30,769	\$ 37,880
Contributions in relation to the actuarially	27,412	67,858
Contribution deficiency (excess)	<u>\$ 3,357</u>	<u>\$ (29,978)</u>
Covered employee payroll	\$ 130,051	\$ 189,400
Contributions as a percentage of covered employee payroll	21%	36%

**Notes to schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	fair market value
Inflation	0.00%
Salary increases	2.00%
Investment rate of return	5.37%
Retirement age	65
Mortality	1983 Individual Annuity Mortality female rates

**CITY OF CARSON CITY**  
**DEFINED BENEFIT PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return net of investment expense	-1%	1%

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



**CITY OF CARSON CITY**

**GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Property taxes	\$ 371,000	\$ 371,000	\$ 371,408	\$ 408
Intergovernmental revenues				
State shared revenues	121,700	121,700	117,884	(3,816)
Fees and service charges				
Fire contracts	34,500	34,500	32,663	(1,837)
Rent	35,354	35,354	38,426	3,072
Licenses and permits	50	50	775	725
Hospital services	38,325	38,325	35,091	(3,234)
Court costs	100	100	1,572	1,472
Total fees and service charges	108,329	108,329	108,527	198
Interest	9,100	9,100	1,067	(8,033)
Contributions	-	-	2,873	2,873
Miscellaneous	6,000	6,000	18,947	12,947
<b>Total revenues</b>	<b>\$ 616,129</b>	<b>\$ 616,129</b>	<b>\$ 620,706</b>	<b>\$ 8,393</b>

**CITY OF CARSON CITY**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Current				
Legislative				
City Council	\$ 58,243	\$ 58,243	\$ 44,411	\$ 13,832
General government				
City Administrator	48,846	48,846	49,517	(671)
Election Commission	4,100	4,100	1,561	2,539
Assessor	15,840	15,840	14,269	1,571
Comptroller	120,256	120,256	108,825	11,431
Total general government	189,042	189,042	174,172	14,870
Public Safety				
Police Department	151,494	151,494	142,609	8,885
Fire Department	39,250	39,250	37,199	2,051
Total public safety	190,744	190,744	179,808	10,936
Public Works				
Department of Public Works	157,600	157,600	167,841	(10,241)
Recreation and culture				
Parks	46,000	46,000	43,087	2,913
<b>Total expenditures</b>	<b>\$ 641,629</b>	<b>\$ 641,629</b>	<b>\$ 609,319</b>	<b>\$ 32,310</b>

**CITY OF CARSON CITY**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2016**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Major Street</u>	<u>Local Street</u>	<u>Capital Projects</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 246,224	\$ 186,151	\$ 245,529	\$ 677,904
Due to other funds	-	1,085	-	1,085
Due from other governments	14,253	6,800	-	21,053
<b>Total assets</b>	<u>\$ 260,477</u>	<u>\$ 194,036</u>	<u>\$ 245,529</u>	<u>\$ 700,042</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 20	\$ -	\$ -	\$ 20
Due to other funds	1,085	-	-	1,085
<b>Total Liabilities</b>	<u>1,105</u>	<u>-</u>	<u>-</u>	<u>1,105</u>
<b>Fund balances</b>				
Restricted for streets	259,372	194,036	-	453,408
Restricted for parks	-	-	55,235	55,235
Committed				
Fire equipment	-	-	138,651	138,651
Building improvements	-	-	14,500	14,500
Police equipment	-	-	3,202	3,202
Master Plan	-	-	19,393	19,393
Downtown development	-	-	14,548	14,548
<b>Total fund balances</b>	<u>259,372</u>	<u>194,036</u>	<u>245,529</u>	<u>698,937</u>
<b>Total liabilities and fund balances</b>	<u>\$ 260,477</u>	<u>\$ 194,036</u>	<u>\$ 245,529</u>	<u>\$ 700,042</u>

# CITY OF CARSON CITY

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

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Total</u>
	<u>Major Street</u>	<u>Local Street</u>		
State revenues	\$ 85,160	\$ 37,282	\$ -	\$ 122,442
Interest	856	424	-	1,280
Miscellaneous	-	-	300	300
<b>Total revenues</b>	<u>86,016</u>	<u>37,706</u>	<u>300</u>	<u>124,022</u>
<b>Expenditures</b>				
Current				
General government	-	-	1,579	1,579
Public safety	-	-	10,573	10,573
Public works	26,698	31,968	-	58,666
<b>Total expenditures</b>	<u>26,698</u>	<u>31,968</u>	<u>12,152</u>	<u>70,818</u>
Revenues over (under) expenditures	<u>59,318</u>	<u>5,738</u>	<u>(11,852)</u>	<u>53,204</u>
Other financing sources (uses)				
Transfers in	-	14,774	39,500	54,274
Transfers out	(14,774)	-	-	(14,774)
Total other financing sources (uses)	<u>(14,774)</u>	<u>14,774</u>	<u>39,500</u>	<u>39,500</u>
Net changes in fund balances	44,544	20,512	27,648	92,704
<b>Fund balances, beginning of year</b>	<u>214,828</u>	<u>173,524</u>	<u>217,881</u>	<u>606,233</u>
<b>Fund balances, end of year</b>	<u>\$ 259,372</u>	<u>\$ 194,036</u>	<u>\$ 245,529</u>	<u>\$ 698,937</u>

## **INTERNAL CONTROL AND COMPLIANCE**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 8, 2016

Honorable Mayor and Members of the City Council  
City of Carson City, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carson City, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Carson City, Michigan's basic financial statements and have issued our report thereon dated November 8, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiency 2016-001 described in the accompanying schedule of findings and responses to be a material weakness.

**Compliance and Other Matters**

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

We also noted certain matters that we reported to management of City of Carson City, Michigan, in a separate letter dated November 8, 2016.

## **Response to Findings**

City of Carson City, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings. City of Carson City, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Oredexeld Haefner LLC*

# CITY OF CARSON CITY

## SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2016

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### Finding 2016-001

**CONDITION:** The City does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expense accruals and to present required financial statement disclosures.

**CRITERIA:** The City is required to prepare financial statements in accordance with generally accepted accounting principles and to record revenue and expense accruals as appropriate.

**CAUSE OF CONDITION:** The audit process identified several significant journal entries which were necessary to present financial statements in accordance with generally accepted accounting principles.

**POTENTIAL EFFECT OF CONDITION:** Auditing standards require that this control deficiency be reported as a material weakness.

**RECOMMENDATION:** The City's system of controls should be modified so that the City prepares the necessary adjustments to present financial statements and disclosures in accordance with generally accepted accounting principles.

**MANAGEMENT RESPONSE:** The City maintains financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing financial statements and required disclosures is not cost effective.