



MISSAUKEE CONSERVATION DISTRICT

LAKE CITY, MICHIGAN

SEPTEMBER 30, 2024

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

YEAR ENDED SEPTEMBER 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the District Board
Missaukee Conservation District
Lake City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Missaukee Conservation District, Lake City, Michigan as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Missaukee Conservation District, as of September 30, 2024, and the respective changes in financial position, and thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2024, on our consideration of Missaukee Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Missaukee Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Missaukee Conservation District's internal control over financial reporting and compliance.

UHY LLP

Cadillac, Michigan
November 8, 2024

MISSAUKEE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

Management's Discussion and Analysis

The management of Missaukee Conservation District, Lake City, Michigan ("the District") offers this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2024, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the District's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide Financial Statements

- ❖ The assets of the District exceeded its liabilities at the close of this fiscal year by \$379,327 (shown as *Net Position*). \$150,721 of this amount (*Unrestricted Net Position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- ❖ The District's net position increased by \$31,158 during the fiscal year.

Fund Level Financial Highlights

- ❖ As of September 30, 2024, the governmental fund of Missaukee Conservation District reported an ending fund balance of \$158,743, \$325 of which is nonspendable and the remaining \$158,418 unassigned. The fund balance increased this year by \$21,707.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The 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 District's finances, presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District'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 periods.

MISSAUKEE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

Both of the government-wide statements distinguish functions of the District that are principally supported by charges for services and operating grants and contributions (*governmental activities*). The governmental activity of the District includes operations and groundwater stewardship program expenses, all public works expenses.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds at the District are governmental funds.

Governmental Funds Governmental funds are used to account for essentially the same functions 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 District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on pages 17-27 of this report.

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

Government-Wide 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 Missaukee Conservation District, assets exceeded liabilities by \$379,327 at the close of the most recent fiscal year.

MISSAUKEE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

Missaukee Conservation District
Net Position
September 30,

	Governmental Activities	
	2024	2022
Assets:		
Current Assets	\$ 171,737	\$ 172,291
Capital Assets (Net)	348,317	175,000
Total Assets	520,054	347,291
Liabilities:		
Current Liabilities	17,366	15,552
Non Current Liabilities	123,361	7,664
Total Liabilities	140,727	23,216
Net Position:		
Net Investment in Capital Assets	228,606	175,000
Unrestricted	150,721	149,075
Total Net Position	\$ 379,327	\$ 324,075

The largest portion of the District's net position (\$228,606) represents its investment in capital assets (e.g., land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the District used to acquire or construct the asset. The District uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$150,721 of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the District is able to report a positive balance in all categories of net position.

The total net position of the District increased \$31,158 this fiscal year, due to the District spending less than what was received through taxes, charges for services, and grants and contributions.

MISSAUKEE CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

The following table illustrates the results of the changes in the Net Position for the District. The condensed information was derived from the Government-Wide Statement of Activities.

Missaukee Conservation District
Change in Net Position
for the fiscal year ended September 30,

	Governmental Activities	
	2024	2022
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 52,065	\$ 74,081
Operating Grants and Contributions	182,313	182,565
Capital Grants and Contributions	11,352	0
General Revenues		
Property Taxes	117,185	104,869
Interest Earnings	46	43
Other	1,483	814
Total Revenues	364,444	362,372
<u>Expenses</u>		
Public Works		
Operations	197,693	148,075
Groundwater Stewardship	128,150	140,212
Interest on Long-Term Debt	7,443	0
Total Expenses	333,286	288,287
Change in Net Position	\$ 31,158	\$ 74,085

Governmental Activities

The governmental activities accounted for an increase of \$31,158 in the District's Net Position. The most significant part of the revenue for all governmental activities of the District comes from operating grants and contributions, followed by property taxes. For the fiscal year ended September 30, 2024, operating grants and contributions totaled \$182,313 and property tax revenue totaled \$117,185.

The District's governmental expenses are dominated by the operations in the amount of \$197,693, followed by groundwater stewardship in the amount of \$128,150. These expenditures are partially funded by grants.

MISSAUKEE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

Financial Analysis of the Government's Funds

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

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

General Fund – The General Fund is the main operating fund of the District. The General Fund increased its fund balance in this fiscal year by \$21,707, bringing the balance to \$158,743. \$325 of the fund balance is nonspendable for prepaid expenditures and the remaining \$158,418 is unassigned. This increase was due to ongoing operating grants received to help cover costs, as well as conservative spending by the District.

General Fund Budgetary Highlights

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 355,642	\$ 391,726	\$ 364,444
Total Expenditures	\$ 355,642	\$ 391,726	\$ 342,737

There were various changes between original budgeted revenue and final budgeted revenue. The largest change was to account for an increase in federal grants. The largest variance between budgeted and actual revenue is receiving less than anticipated in state grants and charges for services. There were various changes between original budgeted expenditures and final budgeted expenditures. The largest change was to account for an increase in special projects. The largest variance between actual and budgeted expenditures is spending less in operations than anticipated.

Capital Asset and Debt Administration

Capital Assets The District's investment in capital assets for the governmental activities as of September 30, 2024, amounted to \$348,317 (net of accumulated depreciation). Capital assets of the District include any items purchased that cost in excess of \$2,000 and have an expected useful life of over one year. The District has invested in a broad range of capital assets, as detailed below.

MISSAUKEE CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2024

***Missaukee Conservation District
Capital Assets as of September 30,***

	Governmental Activities	
	2024	2022
Land	\$ 175,000	\$ 175,000
Buildings and Improvements	176,254	0
Machinery and Equipment	5,477	21,155
Total Assets	356,731	196,155
Less Accumulated Depreciation	8,414	21,155
Capital Assets, Net of Depreciation	<u>\$ 348,317</u>	<u>\$ 175,000</u>

The major capital asset events during fiscal year 2024 included purchasing the following:

- ❖ Shed at a cost of \$9,102.
- ❖ Copy machine cost of \$2,250.

Additional information regarding the District's capital assets can be found in the Notes to the Financial Statements section of this report.

Long-Term Obligations As of September 30, 2024, the District had total debt outstanding of \$127,733. Of the debt outstanding \$119,711 is for notes from direct borrowings and direct placements and \$8,022 is related to compensated absences. More information on the District's long-term debt is available in the Notes to Financial Statements section of this report.

Economic Outlook and Condition

The following economic factors currently affect the District and were considered in developing the 2024/2025 budget:

- The District continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

Request for Information

This financial report is designed to provide the wide variety of users of this document with a general overview of the District's finances and demonstrate the District's accountability for the financial resources entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to Missaukee Conservation District, 101 S Main St., PO Box 965, Lake City, Michigan.

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 139,782
Due from Other Governments	31,630
Prepaid Expenses	325
Total Current Assets	171,737
 <u>CAPITAL ASSETS</u>	
Capital Assets (Net of Accumulated Depreciation)	
Assets Not Being Depreciated	175,000
Assets Being Depreciated	173,317
Net Capital Assets	348,317
TOTAL ASSETS	520,054
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	1,893
Accrued Wages	5,637
Payroll Liabilities Payable	5,129
Unearned Revenue	335
Current Portion of Long-Term Debt	4,372
Total Current Liabilities	17,366
 <u>NON CURRENT LIABILITIES</u>	
Notes from Direct Borrowings and Direct Placements - Net of Current Portion	115,339
Compensated Absences	8,022
Total Noncurrent Liabilities	123,361
TOTAL LIABILITIES	140,727
 <u>NET POSITION</u>	
Net Investment in Capital Assets	228,606
Unrestricted	150,721
TOTAL NET POSITION	\$ 379,327

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Public Works					
Operations	\$ 197,693	\$ 52,065	\$ 56,590	\$ 11,352	(77,686)
Groundwater Stewardship	128,150	0	125,723	0	(2,427)
Interest on Long-Term Debt	7,443	0	0	0	(7,443)
Total Governmental Activities	\$ 333,286	\$ 52,065	\$ 182,313	\$ 11,352	(87,556)
<u>GENERAL REVENUES</u>					
Taxes					117,185
Interest Earnings					46
Other					1,483
Total General Revenues					118,714
Change in Net Position					31,158
<u>NET POSITION - Beginning of Year</u>					348,169
<u>NET POSITION - End of Year</u>					\$ 379,327

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

GOVERNMENTAL FUND

BALANCE SHEET
SEPTEMBER 30, 2024

<u>ASSETS</u>	<u>GENERAL FUND</u>
Cash	\$ 139,782
Due from Other Governments	31,630
Prepaid Expenditures	<u>325</u>
 TOTAL ASSETS	 \$ <u><u>171,737</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 1,893
Accrued Wages	5,637
Payroll Liabilities Payable	5,129
Unearned Revenue	<u>335</u>
 TOTAL LIABILITIES	 <u>12,994</u>
 <u>FUND BALANCE</u>	
<u>Nonspendable for Prepaid Expenditures</u>	325
Unassigned	<u>158,418</u>
 Total Fund Balance	 <u>158,743</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u><u>171,737</u></u>

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

General Fund Balance	\$	158,743	
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Land	\$	175,000	
Buildings and Improvements		176,254	
Machinery and Equipment		5,477	
Accumulated Depreciation		<u>(8,414)</u>	348,317
Long-term liabilities are not due and payable in the current period and are not reported in the funds.			
Notes from Direct Borrowings and Direct Placements			(119,711)
Compensated Absences			<u>(8,022)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u><u>\$ 379,327</u></u>

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2024

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Property Taxes	\$ 117,185
Federal Grants	
ARPA	25,000
MCBCW Grant	2,942
State Grants	
MAEAP Technical Assistant Grant	73,500
MAEAP Conservation Technical Assistant Initiative	52,223
Conservation District Operating Grant	40,000
Charges for Services	
Native Plant Sales	4,147
Tree Sales	31,264
Other Materials and Supplies Sales	16,654
Interest and Rentals	
Interest	46
Other Revenues	
Miscellaneous	1,483
	<hr/>
Total Revenues	364,444
	<hr/>
<u>EXPENDITURES</u>	
Public Works	
Operations	
Wages and Benefits	116,718
Insurance	2,412
Cost of Other Supplies and Materials for Resale	240
Office Supplies and Postage	2,898
Advertising	1,924
Professional Services	3,462
Repairs and Maintenance	12
Utilities	4,778
Dues and Fees	3,036
Telephone	495
Travel and Meetings	1,686
Educational Materials	1,845
Miscellaneous	746

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2024

	<u>GENERAL FUND</u>
MAEAP Technical Assistant Grant	
Wages and Benefits	54,523
Training	699
Travel	2,963
Insurance	745
Administration	12,838
Cost Share	3,000
MAEAP Conservation Technical Assistant Initiative	
Wages and Benefits	44,637
Insurance	745
Administration	8,000
Trees, Plants and Merchandise for Resale	
Cost of Trees and Materials for Resale	23,194
Advertising	3,117
Supplies	834
Special Projects	
Supplies	29,190
Debt Service	
Principal	10,557
Interest	7,443
	<hr/>
Total Expenditures	342,737
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	21,707
<u>FUND BALANCE</u> - Beginning of Year	<hr/> 137,036
<u>FUND BALANCE</u> - End of Year	<hr/> <u>\$ 158,743</u>

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

GOVERNMENTAL FUND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

Net Change in Fund Balance \$ 21,707

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation in the Statement of Activities.

Capital Outlay	\$ 11,352	
Depreciation Expense	(7,347)	

Repayments of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payments on long-term debt	10,557	
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Employees compensated absences are reported on the accrual method in the Statement of Activities and recorded as expenditures when financial resources are used in the governmental funds.

Compensated Absences - Beginning of Year	2,911	
Compensated Absences - End of Year	<u>(8,022)</u>	<u>9,451</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 31,158</u>	
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The accompanying notes are an integral part of these financial statements.

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., *The Statement of Net Position and The Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Missaukee Conservation District does not have any *business-type activities, fiduciary activities, or component units*.

B. Reporting Entity

The Missaukee Conservation District was incorporated under the laws of the State of Michigan and operates under the direction of an elected board. Under the criteria established by generally accepted accounting principles, the Conservation District has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provided information about the government's funds. The emphasis of fund financial statements is on the major governmental fund.

The District reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to approve the budget. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted at the beginning of the year and amended by the District Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The District Board exercises budgetary control over expenditures.

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

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Public Works		
MAEAP Technical Assistance Grant	\$ 73,500	\$ 74,768

Expenditures over appropriations were funded by available fund balance.

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Investments

The District's investment policy is in compliance with state law and authorizes the District to invest in the following:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit in a bank, which is a member of the Federal Deposit Insurance Corporation.
- (c) In a Community Foundation, under PA 136, 1921 as amended.

3. Inventories

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

4. Capital Assets

Capital assets, which include property, plant and equipment, would be reported in the applicable governmental columns in the basic financial statements. Capital assets are defined by the District as having an initial cost of at least \$2,000 and as having an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are measured at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings & Improvements	27.5
Equipment	5-10

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
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5. *Unearned Revenue*

Unearned revenue arises when resources are received by the District before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The District has unearned revenue related to various donations that were received but have not been spent for their specific purpose as of year-end.

6. *Compensated Absences*

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated depending on the number of days and hours the employee balances are at balance sheet date. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any deferred inflows of resources.

8. *Net Position Flow Assumption*

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

9. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

10. Fund Balance Policies

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

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

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

11. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

The District receives revenue from a countywide library millage on the December tax roll. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
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For the year ended September 30, 2024, the District levied the following amount per \$1,000 of taxable valuation.

<u>PURPOSE</u>	<u>MILLS</u>
Operating	0.1490

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended September 30, 2024.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

As of September 30, 2024, the District had deposits and investments subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of September 30, 2024, all of the District’s bank balance of \$141,609 was insured and collateralized. As of September 30, 2024, deposits of \$139,587 and petty cash of \$195, are reported on the financial statements as cash.

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

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

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

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

B. Receivables

Receivables as of September 30, 2024, for the government's individual major fund are as follows:

	General
Receivables	
Due from Other Governments	\$ 31,630

The amount in due from other governments consists of grant money due from the state. The District has not estimated an allowance for uncollectible receivables.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 175,000	\$ 0	\$ 0	\$ 175,000
Capital assets, being depreciated				
Buildings and Improvements	167,152	9,102	0	176,254
Machinery and Equipment	3,227	2,250	0	5,477
Total Capital assets, being depreciated	170,379	11,352	0	181,731
Less accumulated depreciation for:				
Buildings and Improvements	1,013	6,327	0	7,340
Machinery and Equipment	54	1,020	0	1,074
Total accumulated depreciation	1,067	7,347	0	8,414
Total capital assets, being depreciated, net	169,312	4,005	0	173,317
Governmental activities capital assets, net	\$ 344,312	\$ 4,005	\$ 0	\$ 348,317

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

Governmental activities:	
Public Works	\$ 7,347

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

D. Long-Term Obligations

The following is a summary of the District's long-term obligation transactions for the year ended September 30, 2024:

	Balance October 1, 2023	Additions	Deletions	Balance September 30, 2024	Less Current Portion	Total Due After One Year
Notes from Direct Borrowing and Direct Placements	\$ 130,268	\$ 0	\$ 10,557	\$ 119,711	\$ 4,372	\$ 115,339
Compensated Absences	2,911	6,287	1,176	8,022	Unknown	8,022
Total	\$ 133,179	\$ 6,287	\$ 11,733	\$ 127,733	\$ 4,372	\$ 123,361

Notes From Direct Borrowings and Direct Placements

Installment purchase agreement for a building in the amount of \$132,658 due in monthly installments of \$936 through June 18, 2041 with interest at 5.79% \$ 119,711

Other Debt Obligations

Compensated Absences 8,022

Total Long-Term Obligations \$ 127,733

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$119,711 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize the debt outstanding as of September 30, 2024, including interest payments of \$68,251 are as follows:

Year Ending September 30,	<u>Notes From Direct Borrowings and Direct Placements</u>		
	Principal	Interest	Total
2025	\$ 4,372	\$ 6,864	\$ 11,236
2026	4,632	6,604	11,236
2027	4,907	6,328	11,235
2028	5,199	6,036	11,235
2029	5,508	5,727	11,235
2030-2034	32,863	23,317	56,180
2035-2039	43,866	12,314	56,180
2040-2041	18,364	1,061	19,425
	<u>\$ 119,711</u>	<u>\$ 68,251</u>	<u>\$ 187,962</u>

MISSAUKEE CONSERVATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
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Interest expense for the year ended September 30, 2024, was \$7,443.

The annual requirements to amortize the compensated absences are uncertain because it is unknown when the repayments will be made.

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

It has been determined that the District has subscription-based information technology arrangements as defined by GASB Statement No. 96. However, the total of these subscription-based information technology arrangements has been determined they are not significant enough to warrant disclosure.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation).

The District continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, and workers disability compensation. The District has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Retirement Plan

The District participates in a MERS 457(b) supplemental retirement program plan. Contributions are made bi-weekly. The District contributed \$9,791 for the year ended September 30, 2024. The plan also allows for voluntary contributions by eligible employees, the employees contributed \$2,674 during the fiscal year. The plan covers all employees. All contributions were made as required. The District Board can amend or terminate the plan as desired.

C. Contingencies

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

V. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also established guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

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

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

MISSAUKEE CONSERVATION DISTRICT
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

MISSAUKEE CONSERVATION DISTRICT
LAKE CITY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Property Taxes	\$ 115,000	\$ 117,084	\$ 117,185	\$ 101
Federal Grants	0	28,000	27,942	(58)
State Grants	179,000	179,000	165,723	(13,277)
Charges for Services	59,867	64,867	52,065	(12,802)
Interest and Rentals	75	75	46	(29)
Other Revenues	1,700	2,700	1,483	(1,217)
Total Revenues	355,642	391,726	364,444	(27,282)
<u>EXPENDITURES</u>				
Public Works				
Operations	162,781	162,781	140,252	(22,529)
MAEAP Technical Assistant Grant	73,500	73,500	74,768	1,268
MAEAP Conservation Technical Assistant Initiative	65,000	65,000	53,382	(11,618)
Trees, Plants and Merchandise for Resale	22,161	27,161	27,145	(16)
Special Projects	2,200	33,284	29,190	(4,094)
Debt Service				
Principal	20,000	20,000	10,557	(9,443)
Interest	10,000	10,000	7,443	(2,557)
Total Expenditures	355,642	391,726	342,737	(48,989)
Excess (Deficiency) of Revenues Over Expenditures	0	0	21,707	21,707
<u>FUND BALANCE</u> - Beginning of Year	0	0	137,036	137,036
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 158,743	\$ 158,743

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

