

CITY OF EVART, MICHIGAN

JUNE 30, 2018



Baird, Cotter & Bishop, P.C.
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CITY OF EVART, MICHIGAN
JUNE 30, 2018

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October 3, 2018

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Ewart, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ewart Housing Commission, which represents 56 percent, 62 percent, and 80 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ewart, Michigan as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the Table of Contents on pages iv through xiii and 48-53, 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 Ewart, Michigan's basic financial statements. The combining financial statements and component unit's financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and the component unit's 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 financial statements and the component unit's 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 October 3, 2018, on our consideration of City of Ewart, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Ewart, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

Management's Discussion and Analysis

The management of the City of Evart, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$19,037,475 (*Net Position*). Of this amount, \$3,020,391 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,728,118, of which \$868,299 is unassigned.
- At the end of the current fiscal year, unrestricted fund balance (the total of nonspendable, assigned and unassigned components of fund balance) for the general fund was \$942,502.
- The City's total outstanding long-term debt, including a capital lease payable, decreased by \$144,655 during the current fiscal year.

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City adopts an annual budget for the General Fund, Major Street Fund, and Local Street Fund and budgetary comparisons have been provided to demonstrate compliance with these budgets.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

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

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

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

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

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

The fiduciary financial statements can be found on page 15 of this report.

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

Notes to Financial Statements The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found on pages 18-47 of this report.

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

Government-Wide Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$19,037,475 at the close of the most recent fiscal year.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 2,146,218	\$ 1,900,601	\$ 2,348,693	\$ 1,710,404	\$ 4,494,911	\$ 3,611,005
Non Current Assets	5,665,610	5,725,466	9,782,850	8,881,237	15,448,460	14,606,703
Total Assets	7,811,828	7,626,067	12,131,543	10,591,641	19,943,371	18,217,708
Deferred Outflows of Resources	39,844	81,367	37,517	69,635	77,361	151,002
Current Liabilities	124,206	71,735	81,913	67,876	206,119	139,611
Non Current Liabilities	458,720	524,468	219,349	270,927	678,069	795,395
Total Liabilities	582,926	596,203	301,262	338,803	884,188	935,006
Deferred Inflows of Resources	51,027	42,471	48,042	36,347	99,069	78,818
Net Position:						
Net Investment in Capital Assets	5,475,834	5,519,963	9,782,850	8,824,237	15,258,684	14,344,200
Restricted	758,400	605,281	0	0	758,400	605,281
Unrestricted	983,485	943,516	2,036,906	1,461,889	3,020,391	2,405,405
Total Net Position	\$ 7,217,719	\$ 7,068,760	\$ 11,819,756	\$ 10,286,126	\$ 19,037,475	\$ 17,354,886

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

A portion of the City's net position \$758,400, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,020,391, may be used to meet the City's ongoing obligations to citizens and creditors.

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

The total net position of the City increased \$1,682,589 in this fiscal year, which is an indicator that the City experienced positive financial growth during the year. As a result, the City ended the fiscal year in better condition than when the year started.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

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

**City of Evart
Change in Net Position
for the Fiscal Year Ended June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 129,310	\$ 148,762	\$ 1,702,015	\$ 1,399,544	\$ 1,831,325	\$ 1,548,306
Operating Grants and Contributions	273,352	241,288	0	0	273,352	241,288
Capital Grants and Contributions	187,475	45,130	1,128,618	0	1,316,093	45,130
General Revenues						
Taxes	513,413	595,261	0	0	513,413	595,261
State Grants	269,312	204,270	141,596	127,211	410,908	331,481
License and Permits	67,510	16,476	0	0	67,510	16,476
Interest Earnings	32,711	29,721	18,310	17,952	51,021	47,673
Other Revenues	32,470	40,484	6,040	55,749	38,510	96,233
Total Revenues	1,505,553	1,321,392	2,996,579	1,600,456	4,502,132	2,921,848
Expenses						
General Government	257,645	328,992	0	0	257,645	328,992
Public Safety	277,654	277,890	0	0	277,654	277,890
Public Works	523,739	619,135	0	0	523,739	619,135
Recreation and Culture	124,179	158,041	0	0	124,179	158,041
Community and Economic Development	48,331	48,775	0	0	48,331	48,775
Other Functions	124,326	106,545	0	0	124,326	106,545
Debt Service	720	929	0	0	720	929
Water and Sewer	0	0	1,462,949	1,467,301	1,462,949	1,467,301
Total Expenses	1,356,594	1,540,307	1,462,949	1,467,301	2,819,543	3,007,608
Change in Net Position	148,959	(218,915)	1,533,630	133,155	1,682,589	(85,760)
Beginning Net Position (As Restated)	7,068,760	7,287,675	10,286,126	10,152,971	17,354,886	17,440,646
Ending Net Position	\$7,217,719	\$7,068,760	\$11,819,756	\$10,286,126	\$19,037,475	\$ 17,354,886

CITY OF EVART, MICHIGAN

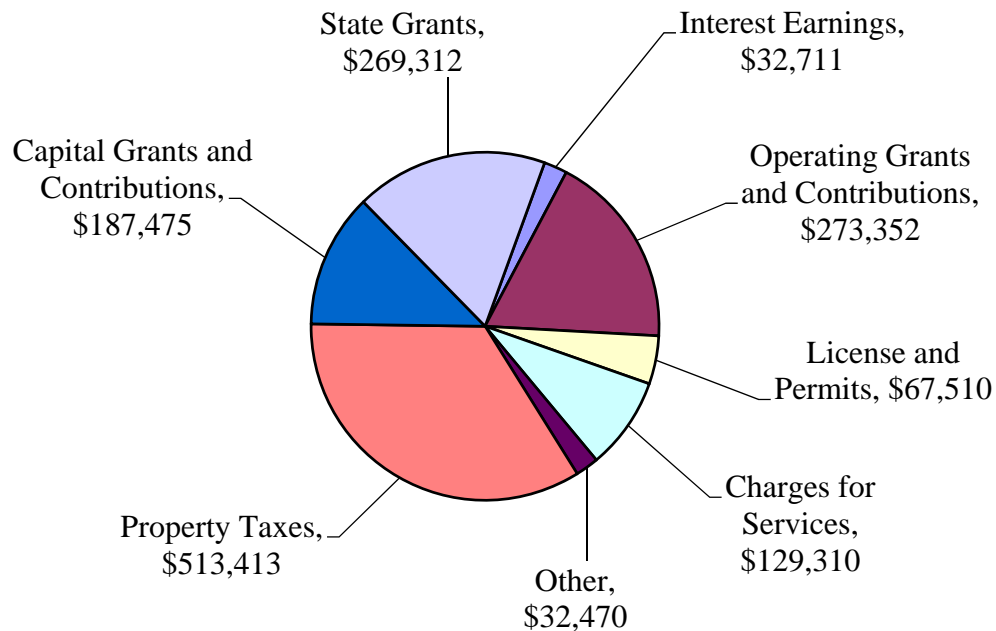
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2018:

**Revenues - Governmental Activities
Fiscal Year Ended June 30, 2018**



A significant portion of the revenue for all governmental activities of the City of Evart comes from Property Taxes (34%). The City's operating, public safety, and library millage remained the same in 2017 at 14.5539, 1.8000, and 0.9702 mills. The City's charter allows the City to levy up to 15.00 mills for operations. Due to state statutes, the City is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

During the 2017-2018 year, the City received capital grants in the amount of \$187,475. This represents 12% of the total revenue for all governmental activities and was used for recreation and culture and public safety.

State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax and motor fuel and weight taxes. In 2018, the amount of state-shared revenue received by the City remained steady.

The City's governmental activities expenses are dominated by the Public Works expenses that total \$523,739 in FY 2018. Public Safety represented the next largest expense at \$277,654.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

Business-Type Activities

These activities accounted for an increase of \$1,533,630 in the City's net position.

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

A significant part of the revenue for all business-type activities is charges for services. This amount comes from water and sewer utility billings. During the current fiscal year, a local corporation made a private contribution to the City for a new well, which accounts for the large increase in revenue during the year.

Financial Analysis of the Government's Funds

Governmental Funds – At the completion of the City's fiscal year ended June 30, 2018, its governmental funds reported fund balances of \$1,728,118. \$868,299 of this amount is unassigned.

General Fund – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$55,337, bringing the balance to \$942,502. This is primarily due to increased permit revenues.

Major Street Fund – The Major Street Fund increased its fund balance in this fiscal year by \$100,226, bringing the balance to \$476,484, which is restricted for street improvements. The City's Act 51 revenue exceeded what it spent on road related projects this year.

Local Street Fund – The Local Street Fund increased its fund balance in this fiscal year by \$51,307, bringing the balance to \$142,588, which is restricted for street improvements. The primary reason for this increase is due to no major road projects during the fiscal year.

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

Water Fund – The Water Fund ended this fiscal year with \$1,454,025 in unrestricted net position. Operating revenues increased from \$786,288 in 2017 to \$1,104,609. The net position of the fund increased by \$1,498,081. The primary reason for the increase is due to the contributed capital assets by a private party in the amount of \$1,128,618. In addition, there was an increase in water rates and increased usage by some of the larger corporations in the City.

Sewer Fund – The Sewer Fund ended this fiscal year with \$633,066 in unrestricted net position. Operating revenues remained steady. The net position of the fund increased by \$18,155. Grant revenues received during the year were \$114,897 related to sewer projects.

General Fund Budgetary Highlights

During the year, there was no change in the total appropriations of expenditures between the original budget and final amended budget.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 868,877	\$ 868,877	\$ 1,203,683
Total Expenditures	\$ 856,095	\$ 856,095	\$ 1,148,346

Original Budget compared to the Final Budget is comparable, with no changes in total. The difference between final budgeted revenues compared to actual is due primarily the City not accounting for the state grant revenue related to the park improvements, or the increased permit fee revenue relating to the Medical Marijuana licenses. The City also did not budget for the personal property tax reimbursement from the State. The differences in actual expenditures compared to final budget were primarily due to the City not accounting for the construction of the splash pad, contributions to the Downtown Development Authority, or the increase in retirement and health benefits.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2018, amounted to \$15,448,460 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,072,699	\$ 1,072,699	\$ 500,591	\$ 500,591	\$ 1,573,290	\$ 1,573,290
Construction in Process	143,478	0	0	0	143,478	0
Buildings	2,451,939	2,395,524	393,653	393,653	2,845,592	2,789,177
Intangibles	125,000	125,000	125,267	125,267	250,267	250,267
Land Improvements	4,123,464	4,123,465	67,146	67,146	4,190,610	4,190,611
Machinery and Equipment	1,160,784	1,082,458	694,875	694,875	1,855,659	1,777,333
Office Equipment	21,160	21,160	0	0	21,160	21,160
Vehicles	123,402	123,402	0	0	123,402	123,402
Paved Roads	5,760,782	5,760,782	0	0	5,760,782	5,760,782
Unpaved Roads	45,638	45,638	0	0	45,638	45,638
Sewer Connection Lines	0	0	4,107,350	4,057,488	4,107,350	4,057,488
Treatment System	0	0	2,357,025	2,357,025	2,357,025	2,357,025
Mains and Connections	0	0	4,494,094	4,444,232	4,494,094	4,444,232
Meters	0	0	177,039	177,039	177,039	177,039
Tower	0	0	1,766,464	1,766,464	1,766,464	1,766,464
Wells and Control Building	0	0	3,959,394	2,796,787	3,959,394	2,796,787
Subtotal	15,028,346	14,750,128	18,642,898	17,380,567	33,671,244	32,130,695
Accumulated Depreciation	(9,362,736)	(9,024,662)	(8,860,048)	(8,499,330)	(18,222,784)	(17,523,992)
Net Capital Assets	\$ 5,665,610	\$ 5,725,466	\$ 9,782,850	\$ 8,881,237	\$ 15,448,460	\$ 14,606,703

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

Major capital asset events during fiscal year 2018 included the following:

- Construction of a new splash pad to be completed in the fiscal year 2019. The City had \$143,478 in construction in process.
- Construction of a new pavilion for \$42,900.
- Roof repairs on the Police Department Hall in the amount of \$13,515.
- Purchase of a police vehicle in the amount of \$6,500.
- Purchase of a new dump truck for \$55,729.
- Purchase of a new mower for \$8,879.
- Construction of S. Hemlock watermain in the amount of \$99,724. This cost was split between the Water and Sewer Funds.
- Purchase of a wellhouse generator in the amount of \$33,989.
- Addition of a new well in the amount of \$1,128,618, which was privately contributed by Nestle Waters.
- Purchase of Election Equipment for \$7,217.

Additionally, the City also had the following capital asset events occur after year end:

- Construction of a new watermain on S. Hemlock St. for approximately \$300,000.
- Construction relating to the City's splash pad for approximately \$139,000.
- The purchase of a new snow removal truck for approximately \$68,900.
- The purchase of a new asphalt/hot box trailer for approximately \$34,900.
- Asphalt paving for approximately \$39,175.
- Road repairs on 6th Street for approximately \$26,200.

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

Long-Term Debt. As of June 30, 2018, the City had total debt outstanding of \$694,467.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2018

**City of Evart
Long Term Debt
as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Compensated Absences	\$ 52,369	\$ 51,997	\$ 0	\$ 0	\$ 52,369	\$ 51,997
Contracts and Notes	17,500	25,500	0	0	17,500	25,500
Revenue Bonds	0	0	0	57,000	0	57,000
Capital Lease	172,276	180,003	0	0	172,276	180,003
Net Pension Liability	232,973	282,695	219,349	241,927	452,322	524,622
Total	\$ 475,118	\$ 540,195	\$ 219,349	\$ 298,927	\$ 694,467	\$ 839,122

Total long-term debt decreased by \$144,655. More information on the City's long-term debt is available in the Notes to Financial Statements section of this document.

Economic Outlook for the City of Evart

The City expects property taxes to remain at a fairly steady rate, along with other revenues. The City is constantly monitoring expenditures in order to keep a balanced budget and not overspend. As revenues have steadily decreased over the past decade, the City continues to search for grant money to fund future projects. These factors were considered in preparing the City's budgets for the 2018-2019 fiscal year.

Contacting the City's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Evart, 5814 100th Ave, Evart, Michigan 49631, or call us at (231) 734-2181.

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CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,690,103	\$ 2,145,490	\$ 3,835,593	\$ 544,438
Restricted Cash	139,358	0	139,358	0
Receivables				
Taxes	4,292	0	4,292	0
Accounts	28,229	159,237	187,466	65,657
External Parties (Fiduciary Funds)	2,122	0	2,122	0
Due from Other Governments	195,833	57,081	252,914	0
Special Assessments	4,552	37,070	41,622	0
Internal Balances	50,185	(50,185)	0	0
Prepaid Expenses	31,544	0	31,544	18,375
	<u>2,146,218</u>	<u>2,348,693</u>	<u>4,494,911</u>	<u>628,470</u>
<u>Non-Current Assets</u>				
Capital Assets	15,028,346	18,642,898	33,671,244	6,793,516
Less Accumulated Depreciation	(9,362,736)	(8,860,048)	(18,222,784)	(5,026,762)
	<u>5,665,610</u>	<u>9,782,850</u>	<u>15,448,460</u>	<u>1,766,754</u>
	<u>7,811,828</u>	<u>12,131,543</u>	<u>19,943,371</u>	<u>2,395,224</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to Pensions	39,844	37,517	77,361	27,448
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	25,079	123,195	148,274	24,223
Retainage Payable	0	8,522	8,522	0
Accrued Payroll and Liabilities	24,231	5,844	30,075	62,935
Customer Deposits	0	2,850	2,850	0
Unearned Revenue	0	0	0	14,775
Internal Balances	58,498	(58,498)	0	0
Current Portion of Non Current Liabilities	16,398	0	16,398	12,937
	<u>124,206</u>	<u>81,913</u>	<u>206,119</u>	<u>114,870</u>

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Primary Government</u>		Total	Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
<u>Non Current Liabilities</u>				
Installment Note Payable	17,500	0	17,500	0
Capital Lease Payable	172,276	0	172,276	0
Compensated Absences	52,369	0	52,369	4,363
Net Pension Liability	232,973	219,349	452,322	267,397
Less Current Portion of Non Current Liabilities	(16,398)	0	(16,398)	0
 Total Non Current Liabilities	 458,720	 219,349	 678,069	 271,760
 TOTAL LIABILITIES	 582,926	 301,262	 884,188	 386,630
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to Pensions	51,027	48,042	99,069	0
 <u>NET POSITION</u>				
Net Investment in Capital Assets	5,475,834	9,782,850	15,258,684	1,766,754
Restricted for:				
Street Improvements	619,072	0	619,072	0
Perpetual Care - Permanently Restricted	139,328	0	139,328	0
Unrestricted	983,485	2,036,906	3,020,391	269,288
 TOTAL NET POSITION	 \$ 7,217,719	 \$11,819,756	 \$19,037,475	 \$2,036,042

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<u>Primary Government</u>								
Governmental Activities								
General Government	\$ 257,645	\$ 28,240	\$ 8,720	\$ 7,217	\$ (213,468)	\$ 0	\$ (213,468)	\$ 0
Public Safety	277,654	6,324	2,086	1,033	(268,211)	0	(268,211)	0
Public Works	523,739	94,746	262,546	0	(166,447)	0	(166,447)	0
Recreation and Culture	124,179	0	0	179,225	55,046	0	55,046	0
Community and Economic Development	48,331	0	0	0	(48,331)	0	(48,331)	0
Other Functions	124,326	0	0	0	(124,326)	0	(124,326)	0
Debt Service	720	0	0	0	(720)	0	(720)	0
Total Governmental Activities	1,356,594	129,310	273,352	187,475	(766,457)	0	(766,457)	0
Business-Type Activities								
Water Supply	767,612	1,104,609	0	1,128,618	0	1,465,615	1,465,615	0
Sewage Disposal	695,337	597,406	0	0	0	(97,931)	(97,931)	0
Total Business-Type Activities	1,462,949	1,702,015	0	1,128,618	0	1,367,684	1,367,684	0
TOTAL PRIMARY GOVERNMENT	\$ 2,819,543	\$ 1,831,325	\$ 273,352	\$ 1,316,093	(766,457)	1,367,684	601,227	0
<u>Component Units</u>								
Governmental Activities								
Downtown Development Authority	\$ 91,147	\$ 3,030	\$ 32,011	\$ 5,540	0	0	0	(50,566)
Local Development Finance Authority	94,782	30,010	0	0	0	0	0	(64,772)
Business-Type Activities								
Ewart Housing Commission	820,249	266,743	404,753	77,975	0	0	0	(70,778)
TOTAL COMPONENT UNITS	\$ 1,006,178	\$ 299,783	\$ 436,764	\$ 83,515	0	0	0	(186,116)
<u>General Revenues</u>								
Taxes					513,413	0	513,413	52,536
State Grants					269,312	141,596	410,908	65,670
License and Permits					67,510	0	67,510	0
Interest Earnings					32,711	18,310	51,021	1,739
Other Revenues					32,470	6,040	38,510	40,073
Total General Revenues					915,416	165,946	1,081,362	160,018
Change in Net Position					148,959	1,533,630	1,682,589	(26,098)
<u>NET POSITION</u> - Beginning of Year					7,068,760	10,286,126	17,354,886	2,062,140
<u>NET POSITION</u> - End of Year					\$ 7,217,719	\$ 11,819,756	\$ 19,037,475	\$ 2,036,042

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

CITY OF EVART
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 834,251	\$466,520	\$139,036	\$ 27,216	\$ 1,467,023
Restricted Cash	0	0	0	139,358	139,358
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Taxes	4,292	0	0	0	4,292
Accounts	28,229	0	0	0	28,229
Due from Other Governments	154,561	30,849	10,423	0	195,833
Special Assessments	0	4,552	0	0	4,552
Due from Other Funds	2,886	3,448	4,210	2,068	12,612
Prepaid Expenditures	31,544	0	0	0	31,544
TOTAL ASSETS	\$ 1,055,763	\$505,369	\$153,669	\$168,642	\$ 1,883,443
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 14,133	\$ 0	\$ 0	\$ 2,068	\$ 16,201
Accrued Payroll and Liabilities	23,825	223	61	0	24,109
Due to Other Funds	75,303	24,110	11,020	30	110,463
Total Liabilities	113,261	24,333	11,081	2,098	150,773
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Special Assessment	0	4,552	0	0	4,552
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenses	31,544	0	0	0	31,544
Endowment	0	0	0	139,328	139,328
Restricted					
Street Improvements	0	476,484	142,588	0	619,072
Assigned					
Capital Projects Fund	0	0	0	27,216	27,216
Skate Park	22,936	0	0	0	22,936
Community Recreation	9,723	0	0	0	9,723
Police Vehicle Purchase	5,000	0	0	0	5,000
Fire Vehicle Purchase	5,000	0	0	0	5,000
Unassigned	868,299	0	0	0	868,299
Total Fund Balance	942,502	476,484	142,588	166,544	1,728,118
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,055,763	\$505,369	\$153,669	\$168,642	\$ 1,883,443

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

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2018

Total Governmental Fund Balances		\$ 1,728,118
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities, related to governmental activities fund.		352,849
Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds.		
Special Assessments Receivable		4,552
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 14,132,216	
Accumulated depreciation is	<u>(8,736,176)</u>	5,396,040
Internal service funds are used by management to charge costs of certain activities, such as equipment rental, to individual funds. The net result of the look-back adjustment as it relates to enterprise fund customers are treated as interfund payables and receivables between governmental activities and business-type activities.		50,185
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Installment Note Payable		(17,500)
Compensated Absences		(52,369)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds		
Net Pension Liability		(232,973)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pension		39,844
Deferred Inflows of Resources Related to Pensions		<u>(51,027)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,217,719</u>

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

CITY OF EVART
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 483,832	\$ 0	\$ 0	\$ 29,581	\$ 513,413
Licenses and Permits	69,096	0	0	0	69,096
State Grants	456,254	186,953	78,250	0	721,457
Contributions from Local Units	8,720	0	0	0	8,720
Charges for Services	125,672	0	0	0	125,672
Fines and Forfeits	3,638	0	0	0	3,638
Interest and Rents	31,783	391	265	272	32,711
Penalties and Interest	7,096	0	0	0	7,096
Other Revenue	17,592	5,758	0	400	23,750
 Total Revenues	 1,203,683	 193,102	 78,515	 30,253	 1,505,553
<u>Expenditures</u>					
General Government	229,340	0	0	0	229,340
Public Safety	281,860	0	0	0	281,860
Public Works	273,728	77,876	42,208	0	393,812
Recreation and Culture	229,585	0	0	29,581	259,166
Community Economic and Development	787	0	0	0	787
Other Functions	124,326	0	0	0	124,326
Debt Service	8,720	0	0	0	8,720
 Total Expenditures	 1,148,346	 77,876	 42,208	 29,581	 1,298,011
 Excess (Deficiency) of Revenues Over Expenditures	 55,337	 115,226	 36,307	 672	 207,542
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	15,000	0	15,000
Transfers Out	0	(15,000)	0	0	(15,000)
 Total Other Financing Sources (Uses)	 0	 (15,000)	 15,000	 0	 0
 Net Change in Fund Balance	 55,337	 100,226	 51,307	 672	 207,542
<u>FUND BALANCE</u> - Beginning of Year	887,165	376,258	91,281	165,872	1,520,576
<u>FUND BALANCE</u> - End of Year	\$ 942,502	\$ 476,484	\$ 142,588	\$ 166,544	\$ 1,728,118

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

CITY OF EVART
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances Total Governmental Funds	\$	207,542
Amounts reported for governmental activities are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.		24,097
Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as		
Depreciation Expense		(291,704)
Capital Outlay		207,110
Repayments of principal on long-term debt is an expenditures in the governmental funds, but not in the Statements of Activities (where it is a reduction of liabilities).		8,000
Revenue is recorded on the accrual method in the Statement of Activities; in the governmental funds it is recorded on the modified accrual method and not considered available:		
Unavailable Revenue - Beginning of Year		(9,909)
Unavailable Revenue - End of Year		4,552
Compensated Absences are reported on the accrual method in the Statement of Activities, and recorded as an expenditure when financial resources are used in the governmental funds:		
Compensated Absences - Beginning of Year		51,997
Compensated Absences - End of Year		(52,369)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
Changes in Net Pension Liability		49,722
Change in Pension Related Items		(50,079)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>148,959</u>

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2018

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash	\$ 1,481,512	\$ 663,978	\$ 2,145,490	\$ 223,080
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	100,386	58,851	159,237	0
Special Assessments	18,535	18,535	37,070	0
Due from Other Funds	26,420	35,487	61,907	69,977
Due from Other Governments	14,200	42,881	57,081	0
Total Current Assets	1,641,053	819,732	2,460,785	293,057
<u>Capital Assets</u>				
Land	42,500	458,091	500,591	0
Land Improvements and Additions	67,146	0	67,146	0
Buildings	393,653	0	393,653	0
Machinery and Equipment	198,710	496,165	694,875	896,130
Intangibles	125,267	0	125,267	0
Water and Sewer Systems	10,396,991	6,464,375	16,861,366	0
	11,224,267	7,418,631	18,642,898	896,130
Less Accumulated Depreciation	4,844,516	4,015,532	8,860,048	626,560
Total Capital Assets, Net of Accumulated Depreciation	6,379,751	3,403,099	9,782,850	269,570
TOTAL ASSETS	8,020,804	4,222,831	12,243,635	562,627
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	18,548	18,969	37,517	0
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	60,530	62,665	123,195	8,878
Retainage Payable	4,261	4,261	8,522	0
Accrued Payroll and Liabilities	2,741	3,103	5,844	122
Due to Other Funds	2,997	412	3,409	28,502
Customer Deposits	2,850	0	2,850	0
Current Portion of Long-Term Debt	0	0	0	7,898
Total Current Liabilities	73,379	70,441	143,820	45,400

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2018

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u> <u>Supply</u>	<u>Sewage</u> <u>Disposal</u>	<u>Totals</u>	<u>Internal Service</u> <u>Fund</u>
<u>Non-Current Liabilities</u>				
Capital Lease Payable	0	0	0	172,276
Net Pension Liability	108,445	110,904	219,349	0
Less Current Portion	0	0	0	(7,898)
Total Non-Current Liabilities	108,445	110,904	219,349	164,378
TOTAL LIABILITIES	181,824	181,345	363,169	209,778
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	23,752	24,290	48,042	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	6,379,751	3,403,099	9,782,850	97,294
Unrestricted	1,454,025	633,066	2,087,091	255,555
TOTAL NET POSITION	<u>\$ 7,833,776</u>	<u>\$ 4,036,165</u>	<u>\$ 11,869,941</u>	<u>\$ 352,849</u>

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

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2018

Total Net Position - Total Proprietary Funds	\$ 11,869,941
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Amounts reported for proprietary activities in the Statement of Net Position are different because:

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

(50,185)

NET POSITION OF PROPRIETARY FUNDS

\$ 11,819,756

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

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2018

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>		<u>Fund</u>
<u>Operating Revenues</u>				
Charges for Services	\$ 1,092,559	\$ 597,406	\$ 1,689,965	\$ 0
Rental	12,050	0	12,050	168,759
Total Operating Revenues	<u>1,104,609</u>	<u>597,406</u>	<u>1,702,015</u>	<u>168,759</u>
<u>Operating Expenses</u>				
Personal Services	155,008	162,556	317,564	7,069
Employee Benefits	58,753	102,047	160,800	1,755
Professional Services	61,917	143,117	205,034	9,338
Office Supplies and Expense	14,109	9,895	24,004	0
Communications	2,377	3,064	5,441	0
Insurance	5,139	17,130	22,269	6,424
Operating Supplies and Expense	114,973	34,017	148,990	55,086
Heat, Light and Power	118,569	46,881	165,450	0
Depreciation	201,960	158,758	360,718	46,370
Rentals	46,503	22,538	69,041	0
Total Operating Expenses	<u>779,308</u>	<u>700,003</u>	<u>1,479,311</u>	<u>126,042</u>
Operating Income (Loss)	<u>325,301</u>	<u>(102,597)</u>	<u>222,704</u>	<u>42,717</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	11,441	6,869	18,310	1,238
Miscellaneous Income	6,022	18	6,040	1,540
Grant Revenue	26,699	114,897	141,596	0
Interest and Fiscal Charges	0	(1,032)	(1,032)	(4,004)
Total Nonoperating Revenues (Expenses)	<u>44,162</u>	<u>120,752</u>	<u>164,914</u>	<u>(1,226)</u>
Income Before Capital Contributions	369,463	18,155	387,618	41,491
Capital Contribution	<u>1,128,618</u>	<u>0</u>	<u>1,128,618</u>	<u>0</u>
Change in Net Position	1,498,081	18,155	1,516,236	41,491
<u>NET POSITION</u> - Beginning of Year	<u>6,335,695</u>	<u>4,018,010</u>	<u>10,353,705</u>	<u>311,358</u>
<u>NET POSITION</u> - End of Year	<u>\$ 7,833,776</u>	<u>\$ 4,036,165</u>	<u>\$ 11,869,941</u>	<u>\$ 352,849</u>

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

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2018

Net Change in Fund Net Position - Total Proprietary Funds	\$ 1,516,236
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Amounts reported for proprietary activities in the Statement of Activities are different because:

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

17,394

CHANGE IN NET POSITION OF PROPRIETARY FUNDS	<u><u>\$ 1,533,630</u></u>
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The notes to the financial statements are integral part of this document.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>			
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			<u>Internal Service</u>
<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	<u>Fund</u>	
	<u>Supply</u>	<u>Disposal</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers and Users	\$ 1,053,417	\$ 583,635	\$ 1,637,052	\$ 0
Receipts from Interfund Services Provided	0	0	0	155,706
Payments to Suppliers	(402,436)	(284,937)	(687,373)	(63,091)
Payments to Employees	(154,480)	(167,699)	(322,179)	(7,036)
Net Cash Provided (Used)				
by Operating Activities	496,501	130,999	627,500	85,579
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital Assets	(1,212,469)	(49,862)	(1,262,331)	(71,108)
Private Capital Contribution	1,128,618	0	1,128,618	0
Principal Paid on Debt	0	(57,000)	(57,000)	0
Interest Paid on Debt	0	(1,032)	(1,032)	(4,004)
Principal Paid on Contract		0	0	0
Principal Paid on Capital Lease	0	0	0	(7,727)
Grants Received	12,499	107,054	119,553	0
Special Assessment Revenue	1,072	1,072	2,144	0
Miscellaneous Revenue Received	6,022	18	6,040	1,540
Net Cash Provided (Used) by Capital				
and Related Financing Activities	(64,258)	250	(64,008)	(81,299)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	11,441	6,869	18,310	1,238
Net Increase (Decrease) in Cash				
and Cash Equivalents	443,684	138,118	581,802	5,518
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	1,037,828	525,860	1,563,688	217,562
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 1,481,512	\$ 663,978	\$ 2,145,490	\$ 223,080

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2018

	<u>BUSINESS-TYPE ACTIVITIES -</u>			Internal Service Fund
	<u>ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			
	<u>Water</u>	<u>Sewage</u>	<u>Totals</u>	
	<u>Supply</u>	<u>Disposal</u>		<u>Fund</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>				
<u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 325,301	\$ (102,597)	\$ 222,704	\$ 42,717
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation	201,960	158,758	360,718	46,370
(Increase) Decrease in Current Assets				
Accounts Receivable	(39,958)	6,079	(33,879)	0
Due from Other Funds	(11,981)	(19,850)	(31,831)	(41,442)
Due from Other Governments				
Prepaid Expense	7,635	7,050	14,685	634
Increase (Decrease) in Current Liabilities				
Accounts Payable	22,799	62,665	85,464	8,878
Accrued Payroll and Liabilities	528	(5,143)	(4,615)	33
Retainage Payable	4,261	4,261	8,522	0
Customer Deposits	747	0	747	0
Due to Other Funds	(7,500)	(8,750)	(16,250)	28,389
Increase (Decrease) in Net Pension Obligation	(7,291)	28,526	21,235	0
Total Adjustments	171,200	233,596	404,796	42,862
 NET CASH PROVIDED (USED)				
BY OPERATING ACTIVITIES	\$ 496,501	\$ 130,999	\$ 627,500	\$ 85,579

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2018

	<u>AGENCY FUNDS</u>
	TAX
	COLLECTION
	<u>FUND</u>
<u>ASSETS</u>	
Cash	\$ 2,202
<u>LIABILITIES</u>	
Due to Other Funds	2,122
Due to Other Governments	80
TOTAL LIABILITIES	<u>2,202</u>
<u>NET POSITION</u>	<u>\$ 0</u>

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
COMPONENT UNITS

JUNE 30, 2018

<u>ASSETS</u>	Downtown Development Authority	Local Development Finance Authority	Ewart Housing Commission	Total
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 100,569	\$ 47,758	\$ 396,111	\$ 544,438
Accounts Receivable	0	0	65,657	65,657
Prepaid Expenses	5,450	0	12,925	18,375
Total Current Assets	<u>106,019</u>	<u>47,758</u>	<u>474,693</u>	<u>628,470</u>
<u>Non Current Assets</u>				
Capital Assets	126,533	1,169,967	5,497,016	6,793,516
Less Accumulated Depreciation	(59,587)	(331,570)	(4,635,605)	(5,026,762)
Total Non Current Assets	<u>66,946</u>	<u>838,397</u>	<u>861,411</u>	<u>1,766,754</u>
TOTAL ASSETS	<u>172,965</u>	<u>886,155</u>	<u>1,336,104</u>	<u>2,395,224</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	0	27,448	0	27,448
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	3,037	15,440	5,746	24,223
Accrued Wages	1,123	923	0	2,046
Accrued Expenses	0	0	60,889	60,889
Unearned Revenue	14,775	0	0	14,775
Current Portion of Non Current Liabilities	0	0	12,937	12,937
Total Current Liabilities	<u>18,935</u>	<u>16,363</u>	<u>79,572</u>	<u>114,870</u>
<u>Non Current Liabilities</u>				
Net Pension Liability	0	267,397	0	267,397
Compensated Absences	0	0	4,363	4,363
Total Non Current Liabilities	<u>0</u>	<u>267,397</u>	<u>4,363</u>	<u>271,760</u>
TOTAL LIABILITIES	<u>18,935</u>	<u>283,760</u>	<u>83,935</u>	<u>386,630</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	66,946	838,397	861,411	1,766,754
Unrestricted	87,084	(208,554)	390,758	269,288
TOTAL NET POSITION	<u>\$ 154,030</u>	<u>\$ 629,843</u>	<u>\$ 1,252,169</u>	<u>\$ 2,036,042</u>

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Local Development Finance Authority	Ewart Housing Commission	
<u>Governmental Activities</u>								
Downtown Development Authority	\$ 91,147	\$ 3,030	\$ 32,011	\$ 5,540	\$ (50,566)	\$ 0	\$ 0	\$ (50,566)
Local Development Finance Authority	94,782	30,010	0	0	0	(64,772)	0	(64,772)
Total Governmental Activities	185,929	33,040	32,011	5,540	(50,566)	(64,772)	0	(115,338)
<u>Business-Type Activities</u>								
Ewart Housing Commission	820,249	266,743	404,753	77,975	0	0	(70,778)	(70,778)
TOTAL	\$ 1,006,178	\$ 299,783	\$ 436,764	\$ 83,515	(50,566)	(64,772)	(70,778)	(186,116)
<u>General Revenues</u>								
Taxes					0	52,536	0	52,536
State Sources					55,069	10,601	0	65,670
Interest Earnings					112	62	1,565	1,739
Other Revenues					4,586	4,389	31,098	40,073
Total General Revenues					59,767	67,588	32,663	160,018
Change in Net Position					9,201	2,816	(38,115)	(26,098)
<u>NET POSITION - Beginning of Year</u>					144,829	627,027	1,290,284	2,062,140
<u>NET POSITION - End of Year</u>					\$ 154,030	\$ 629,843	\$1,252,169	\$2,036,042

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

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

B. Reporting Entity

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

Financial statements of the DDA, LDFA, and Evert Housing Commission are included as supplemental information in the annual financial report of the City of Evert, Michigan.

C. Basis of Presentation – Government-Wide Financial Statements

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

As discussed earlier, the government has three discretely presented component units. The DDA, LDFA, and Evert Housing Commission are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The City of Evert reports the following major governmental funds:

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

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

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

The City of Evert reports the following major proprietary funds:

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

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

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

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

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

F. Budgetary Information

1. Budgetary Basis of Accounting

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

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

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

1. Prior to June 30, the City Manager submits, to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget two times during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Elections	\$ 5,950	\$ 7,257
Professional Services	6,000	6,950
Assessor	4,800	18,910
Cemetery	56,500	59,106
Public Works		
Department of Public Works	70,830	85,625
Downtown Development Authority	235	20,983
Local Development Finance Authority	0	67
Airport	7,785	20,712
Trees	4,000	21,770
Refuse Service	84,000	94,471
Community and Economic Development		
Planning and Zoning	75	787
Recreation and Culture		
Parks and Recreation	27,150	229,585
Other Functions		
Fringe Benefits	80,500	105,115
Special Events	1,500	3,054
Miscellaneous	1,075	14,016
Debt Service		
Principal	0	8,000
Interest	0	720
Local Street Fund		
Public Works		
Street Department	35,125	42,208

These overages were funded by available fund balance and greater than anticipated revenues. No budget was not adopted for the Library Fund.

JUNE 30, 2018

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

1. *Cash and Cash Equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

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

3. *Inventories and Prepaid Items*

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

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

4. *Restricted Assets*

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

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated acquisition value at date of donation.

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair market value of the item at the date of its donation.

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

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

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

6. *Compensated Absences*

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

7. *Long-Term Obligations*

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

8. *Unearned Revenue*

Unearned revenue arises when resources are received by the City before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The City's Downtown Development Authority has unearned revenue related to the summer concert series and a grant.

9. *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 one item that qualify for reporting in this category, which is related to the pension plan for its employees. Details can be found in footnote IV.A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source which is special assessments. This amount is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is related to the pension plan for its employees. Details can be found in footnote IV.A.

10. *Pension*

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

11. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

12. Fund Balance Flow Assumptions

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

13. Fund Balance Policies

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

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

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

14. Use of Estimates

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of the county and school taxes and remittance of them to the taxing units are accounted for in the Current Tax Collection Fund. A portion of county and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2018 summer roll has been recognized in these statements. City taxes and the remainder of county taxes are billed and due July 1, and become delinquent after August 10. City tax collections are accounted for in the Current Tax Collection Fund. The school 6 mill tax levy is also collected on the summer tax roll.

The 2017 taxable valuation of the City totaled \$30,573,891 on which ad valorem taxes levied consisted of 14.5539 mills for City operating purposes, 0.9702 mills for the Library, and 1.8000 mills for Public Safety. The levy raised approximately \$444,966 for City operating purposes, of which \$52,536 was captured by the Local Development Finance Authority, leaving \$401,374 for the City and \$27,641 net of the DDA and LDFA capture for the Library. The levy raised approximately \$55,031 for public safety. These amounts are recognized in the General Fund and Library Fund as tax revenue.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes budgetary violations that occurred for the year ended June 30, 2018. It also explains the provision provided by law that was used to remedy the violation. In addition, the City did not adopt a budget for the Library Fund.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

The City's deposits and investments are all on deposit with Members First Credit Union and Chemical Bank.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018, \$3,534,009 of the government's bank balance of \$4,034,009 was exposed to custodial credit risk because it was uninsured and uncollateralized. \$1,481,512 of uninsured funds is in the water fund, \$663,582 is in the sewer fund, \$223,080 is in the internal service fund, \$466,520 in the major street fund, and \$396,502 is in the general fund. The remaining uninsured balances are spread amongst various funds. As of the June 30, 2018, none of the \$138,901 bank balance of the LDFA and the DDA was exposed to custodial credit risk because it was all insured. Additionally, as of December 31, 2017, none of the Evart Housing Commission's cash and equivalents were exposed to credit risk due to them being full insured. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

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

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

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Fair Market Value Disclosure - The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The City does not have any investments that are subject to fair value disclosure.

The carrying amount of the deposits are as follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Carrying Amount of Deposits (including Fiduciary Funds \$2,122)	\$ 3,977,073	\$ 544,438

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

A reconciliation of cash follows:

	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNITS</u>
Government-Wide Statement of Net Position		
Cash	\$ 3,835,593	\$ 544,438
Government-Wide Statement of Net Position		
Cash - Restricted	139,358	0
Statement of Fiduciary Net Position		
Cash	2,122	0
	<hr/>	<hr/>
Total	\$ 3,977,073	\$ 544,438
	<hr/>	<hr/>

B. Capital Assets

Primary Government

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,072,699	\$ 0	\$ 0	\$ 1,072,699
Construction in Process	0	143,478	0	143,478
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Not Being Depreciated	1,072,699	143,478	0	1,216,177
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Being Depreciated				
Buildings	2,395,524	56,415	0	2,451,939
Intangibles	125,000	0	0	125,000
Land Improvements	4,123,464	0	0	4,123,464
Machinery and Equipment	257,437	7,217	0	264,654
Office Equipment	21,160	0	0	21,160
Vehicles	123,402	0	0	123,402
Paved Roads	5,760,782	0	0	5,760,782
Unpaved Roads	45,638	0	0	45,638
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Being Depreciated	12,852,407	63,632	0	12,916,039
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation for:				
Buildings	460,268	52,536	0	512,804
Intangibles	124,999	0	0	124,999
Land Improvements	2,574,702	154,474	0	2,729,176
Machinery and Equipment	93,409	21,945	0	115,354
Office Equipment	21,160	0	0	21,160
Vehicles	97,509	8,397	0	105,906
Paved Roads	5,026,786	54,352	0	5,081,138
Unpaved Roads	45,639	0	0	45,639
Total Accumulated Depreciation	8,444,472	291,704	0	8,736,176
Total Capital Assets, Being Depreciated, Net	4,407,935	(228,072)	0	4,179,863
Governmental Activities Capital Assets, Net	\$ 5,480,634	\$ (84,594)	\$ 0	5,396,040
Internal Service Fund Net Capital Assets				269,570
Net Capital Assets per Statement of Net Position				<u>\$ 5,665,610</u>

Business – Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Sewage Disposal</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 458,091	\$ 0	\$ 0	\$ 458,091
Capital Assets, Being Depreciated				
Machinery and Equipment	496,165	0	0	496,165
Sewer Connection Lines	4,057,488	49,862	0	4,107,350
Treatment System	2,357,025	0	0	2,357,025
Total Capital Assets, Sewer, Being Depreciated	6,910,678	49,862	0	6,960,540
Less Accumulated Depreciation for:				
Machinery and Equipment	399,789	20,652	0	420,441
Sewer Connection Lines	1,853,555	79,527	0	1,933,082
Treatment System	1,603,430	58,579	0	1,662,009
Total Accumulated Depreciation, Sewer	3,856,774	158,758	0	4,015,532
Total Capital Assets, Sewer, Being Depreciated, Net	3,053,904	(108,896)	0	2,945,008
Sewer Capital Assets, Net	3,511,995	(108,896)	0	3,403,099

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Water Supply</u>				
Capital Assets, Not Being Depreciated				
Land	42,500	0	0	42,500
Capital Assets, Being Depreciated				
Land Improvements	67,146	0	0	67,146
Buildings	393,653	0	0	393,653
Machinery and Equipment	198,710	0	0	198,710
Intangibles	125,267	0	0	125,267
Mains and Connections	4,444,232	49,862	0	4,494,094
Meters	177,039	0	0	177,039
Tower	1,766,464	0	0	1,766,464
Wells and Control Building	2,796,787	1,162,607	0	3,959,394
Total Capital Assets, Water, Being Depreciated	9,969,298	1,212,469	0	11,181,767
Less Accumulated Depreciation for:				
Buildings	104,892	7,214	0	112,106
Intangible	125,267	0	0	125,267
Land Improvements	21,204	3,357	0	24,561
Machinery and Equipment	131,443	11,925	0	143,368
Mains and Connections	1,683,210	86,084	0	1,769,294
Meters	171,963	870	0	172,833
Tower	1,210,098	22,138	0	1,232,236
Wells and Control Building	1,194,479	70,372	0	1,264,851
Total Accumulated Depreciation, Water	4,642,556	201,960	0	4,844,516
Total Capital Assets, Water, Being Depreciated, Net	5,326,742	1,010,509	0	6,337,251
Water Capital Assets, Net	5,369,242	1,010,509	0	6,379,751
Total Capital Assets, Net Business-Type Activities	\$ 8,881,237	\$ 901,613	\$ 0	\$ 9,782,850

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

Governmental Activities:

General Government	\$ 26,470
Public Safety	13,360
Public Works	152,939
Recreation and Culture	51,391
Community and Economic Development	47,544

Total Depreciation Expense - Governmental Activities	<u>\$ 291,704</u>
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CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Business-Type Activities:

Sewer	\$ 158,758
Water	201,960
	<hr/>
Total Depreciation Expense - Business-Type Activities	\$ 360,718
	<hr/> <hr/>

Discretely Presented Component Units

Evert Housing Commission

	Beginning Balance	Increases	Decreases	Ending Balance
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets, Not Being Depreciated				
Land	\$ 35,851	\$ 0	\$ 0	\$ 35,851
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Assets Being Depreciated				
Land Improvements	782,142	0	0	782,142
Building and Improvements	4,314,625	68,281	1,947	4,380,959
Equipment	294,819	3,245	0	298,064
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,391,586	71,526	1,947	5,461,165
	<hr/>	<hr/>	<hr/>	<hr/>
Less Accumulated Depreciation	4,455,405	182,147	1,947	4,635,605
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	936,181	(110,621)	0	825,560
	<hr/>	<hr/>	<hr/>	<hr/>
Evert Housing Commission Capital Assets, Net	972,032	(110,621)	0	861,411
	<hr/>	<hr/>	<hr/>	<hr/>

Downtown Development Authority

Capital Assets, Not Being Depreciated

Land	11,100	0	0	11,100
	<hr/>	<hr/>	<hr/>	<hr/>

Capital Assets Being Depreciated

Buildings	50,000	0	0	50,000
Building Improvements	48,445	0	0	48,445
Furniture and Fixtures	10,500	0	0	10,500
Equipment	6,488	0	0	6,488
	<hr/>	<hr/>	<hr/>	<hr/>

Total Capital Assets, DDA,
Being Depreciated

	115,433	0	0	115,433
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

<u>Discretely Presented Component Units</u>	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Downtown Development Authority</u>				
Less Accumulated Depreciation for:				
Buildings	23,750	2,500	0	26,250
Building Improvements	19,138	897	0	20,035
Furniture and Fixtures	10,500	0	0	10,500
Equipment	1,982	820	0	2,802
Total Accumulated Depreciation, DDA	55,370	4,217	0	59,587
Total Capital Assets, DDA, Being Depreciated, Net	60,063	(4,217)	0	55,846
DDA Capital Assets, Net	71,163	(4,217)	0	66,946
<u>Local Development Finance Authority</u>				
Capital Assets, Not Being Depreciated				
Land	597,736	0	0	597,736
Capital Assets Being Depreciated				
Buildings	441,145	0	0	441,145
Building Improvements	125,000	0	0	125,000
Equipment	21,636	0	15,550	6,086
Furniture and Fixtures	9,000	0	9,000	0
Total Capital Assets, LDFA, Being Depreciated	596,781	0	24,550	572,231
Less Accumulated Depreciation for:				
Buildings	247,047	4,779	0	251,826
Building Improvements	62,500	12,500	0	75,000
Equipment	19,952	342	15,550	4,744
Furniture and Fixtures	9,000	0	9,000	0
Total Accumulated Depreciation, LDFA	338,499	17,621	24,550	331,570
Total Capital Assets, LDFA, Being Depreciated, Net	258,282	(17,621)	0	240,661
LDFA Capital Assets, Net	856,018	(17,621)	0	838,397
Total Capital Assets, Net, Component Units	\$ 1,899,213	\$ (132,459)	\$ 0	\$ 1,766,754

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Governmental Activities:

Community and Economic Development	\$ 21,838
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Business-Type Activities:

Housing Commission	\$ 182,147
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C. Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at June 30, 2018, were:

<u>Primary Government</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 2,886	\$ 75,303
Special Revenue Funds		
Major Street Fund	3,448	24,110
Local Street Fund	4,210	11,020
Library Fund	2,068	0
Permanent Fund		
Cemetery Perpetual Care	0	30
Enterprise Funds		
Water Supply System	26,420	2,997
Sewage Disposal System	35,487	412
Internal Service Fund		
Equipment Pool	69,977	28,502
Fiduciary Fund		
Tax Collection Fund	0	2,122
Total Primary Government	<u>\$ 144,496</u>	<u>\$ 144,496</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2018, are expected to be repaid within one year.

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The City had the following transfers for the year ending June 30, 2018:

<u>Primary Government</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
Special Revenue Funds		
Major Street Fund	\$ 0	\$ 15,000
Local Street Fund	15,000	0
Total Primary Government	<u>\$ 15,000</u>	<u>\$ 15,000</u>

D. Changes in Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the City of Evart for the year ended June 30, 2018:

Governmental Activities:

	<u>OTHER DEBT</u>	<u>NET PENSION LIABILITY</u>	<u>TOTAL</u>
Debt Payable at July 1, 2017	\$ 77,497	\$ 282,695	\$ 360,192
Debt Retired	(8,000)	(49,722)	(57,722)
New Debt Issued	372	0	372
Debt Payable at June 30, 2018	<u>\$ 69,869</u>	<u>\$ 232,973</u>	<u>\$ 302,842</u>
Due Within One Year	<u>\$ 8,500</u>	Unknown	<u>\$ 8,000</u>

Debt payable at June 30, 2018, is comprised of the following individual issues:

Governmental Activities

Other Debt

Installment Note Payable

\$66,500 installment note for the purchase of land due in annual installments \$8,500 to \$9,000 through July 1, 2020, interest at 2.79% \$ 17,500

Compensated Absences

Vested sick and vacation pay owed to City employees under various contracts and agreements (this debt is payable from the General Fund and various Special Revenue Funds) 52,369

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 232,973

\$ 302,842

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The annual requirements to amortize all debt outstanding, including interest payments of \$750 for the governmental activities as of June 30, 2018, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,500	\$ 495	\$ 8,995
2020	9,000	255	9,255
TOTAL	<u>\$ 17,500</u>	<u>\$ 750</u>	<u>\$ 18,250</u>

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

Business-Type Activities:

	<u>REVENUE</u>	<u>NET PENSION LIABILITY</u>	<u>TOTAL</u>
Debt Payable at July 1, 2017	\$ 57,000	\$ 241,927	\$ 298,927
Debt Retired	(57,000)	(22,578)	(79,578)
New Debt Issued	0	0	0
Debt Payable at June 30, 2018	<u>\$ 0</u>	<u>\$ 219,349</u>	<u>\$ 219,349</u>
Due Within One Year	<u>\$ 0</u>	Unknown	<u>\$ 0</u>

Debt payable at June 30, 2018, is comprised of the following individual issues:

Business-Type Activities:

Net Pension Liability

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

\$ 219,349

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

2. Discretely Presented Component Unit

The following is a summary of debt transactions of the Evert Local Development Finance Authority for the year ended June 30, 2018:

	NET PENSION LIABILITY
Debt Payable at July 1, 2017	\$ 277,312
Debt Retired	(9,915)
New Debt Issued	0
	<hr/>
Debt Payable at June 30, 2018	\$ 267,397
	<hr/> <hr/>
Due Within One Year	Unknown
	<hr/> <hr/>

The Evert Housing Commission has \$17,300 in compensated absences, with \$12,937 due within one year.

E. Leases

Capital Lease Obligations – The City entered into a lease agreement as a lessee for financing the acquisition of a loader and a backhoe. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The future minimum lease obligations as of June 30, 2018 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 7,898	\$ 3,833	\$ 11,731
2020	164,378	622	165,000
	<hr/>	<hr/>	<hr/>
Total Lease Payments	\$ 172,276	\$ 4,455	\$ 176,731
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

IV. OTHER INFORMATION

A. Employee Retirement Systems

Primary Government

Plan Description:

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The City participates in the Michigan Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

statements and required supplementary information for the system. This report may be obtained by accessing the MERS website at www.mersofmich.com or by writing to the System at:

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

Benefits Provided

	<u>2017 Valuation</u>	
	<u>01-General: Closed to new hires, linked to Division HA</u>	<u>HA-New Hires & Tmstr214 af 11/1/11: Open Division, linked to Division 01</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	Hybrid Plan - 1.50% Multiplier
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/20	-
Early Retirement (Reduced):	50/25	-
	55/15	-
Final Average Compensation:	5 years	3 years
Employee Contributions:	5%	0%
Act 88:	No	No

Employees Covered by Benefit Terms

At the December 31, 2017, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	8
Active Employees	<u>11</u>
Total employees covered by MERS	<u><u>27</u></u>

Contributions

MERS members are required to contribute 5% of their gross wages to the plan. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees.

City contributions were 6.98% based on annual payroll for open divisions. One division that is closed to new employees has a fixed annual employer contribution amount of \$38,904.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5%	
Salary Increases	3.75%	In the long term
Investment rate of return	7.75%	Net of administrative and investment expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

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>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the regular rates agreed upon for employees and the actuarially determined rates for employers.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 2,075,853	\$ 1,551,331	\$ 524,522
Service cost	47,932	0	47,932
Interest	163,284	0	163,284
Difference between expected and actual experience	(6,558)	0	(6,558)
Change in assumptions	0	0	0
Contributions - employer	0	58,414	(58,414)
Contributions - employee	0	15,526	(15,526)
Net investment income	0	206,189	(206,189)
Benefit payments, including refunds	(117,538)	(117,538)	0
Administrative expenses	0	(3,271)	3,271
Other Changes	0	0	0
Net changes	87,120	159,320	(72,200)
Balance at December 31, 2017	\$ 2,162,973	\$ 1,710,651	\$ 452,322

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

The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
\$ 704,434	\$ 452,322	\$ 240,469

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

For the year ended June 30, 2018, the City recognized pension expense of \$58,298. At June 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 35,040
Employer contributions to the plan subsequent to the measurement date	39,372	0
Changes of assumptions in pension plan	33,222	0
Difference between expected and actual experience	<u>4,767</u>	<u>64,029</u>
Total	<u>\$ 77,361</u>	<u>\$ 99,069</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2019.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 5,043
2020	(512)
2021	(48,842)
2022	<u>(16,769)</u>
	<u>\$ (61,080)</u>

Discretely Presented Component Unit – Local Development Finance Authority (LDFA)

Plan Description:

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

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Benefits Provided

	<u>2017 Valuation</u>
	<u>01-General: Open Division</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active Employees	<u>1</u>
Total employees covered by MERS	<u><u>3</u></u>

Contributions

MERS members are not required to make any contributions to the plan. The LDFA is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The LDFA may establish contribution rates to be paid by its covered employees.

LDFA contributions were 68.01% based on annual payroll for open divisions.

Net Pension Liability

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

Actuarial Assumptions

Same as Primary Government.

Discount Rate

Same as Primary Government.

Projected Cash Flows

Same as Primary Government.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 514,180	\$ 236,868	\$ 277,312
Service cost	3,691	0	3,691
Interest	39,800	0	39,800
Difference between expected and actual experience	718	0	718
Change in assumptions	0	0	0
Contributions - employer	0	24,003	(24,003)
Net investment income	0	30,606	(30,606)
Benefit payments, including refunds	(37,044)	(37,044)	0
Administrative expenses	0	(485)	485
Other Changes	0	0	0
Net changes	7,165	17,080	(9,915)
Balance at December 31, 2017	\$ 521,345	\$ 253,948	\$ 267,397

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

The following presents the net pension liability of the LDFA, calculated using the discount rate of 8.00%, as well as what the LDFA's net pension liability would be using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Decrease 7.00%	Discount Rate 8.00%	Increase 9.00%
\$ 314,153	\$ 267,397	\$ 226,685

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

For the year ended June 30, 2018, the LDFA recognized pension expense of \$23,846. At June 30, 2018, the LDFA reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of	Deferred Inflows of
Net difference between projected and actual earnings on pension plan investments	\$ 15,643	\$ 0
Employer contributions to the plan subsequent to the measurement date	11,805	0
Difference between expected and actual experience	0	0
Total	\$ 27,448	\$ 0

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2019.

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

<u>Years Ending June 30,</u>	<u>Amount</u>
2019	\$ 6,608
2020	5,673
2021	922
2022	2,440
	<u>\$ 15,643</u>

B. Risk Management

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

The City participates in a distinct pool of Governmental Entities within the State of Michigan for various risks of loss, including general liability, property and casualty, employee health and accident insurance. The pool is considered a public entity risk pool. The City pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

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

C. Statement of Cash Flows

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

D. Commitments and Contingencies

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Prior to June 30, 2018, the City entered into various contracts for various projects. These projects include:

- The City approved the construction of a new watermain on S. Hemlock Street. The City contracted with OHM for engineering services in the amount of \$39,000, of which \$14,500 was paid in the current year. The City also contracted with Gerber Construction for the construction of the watermain in amount of \$361,322, of which \$85,225 was expensed during the current year.
- The City committed to contributing \$20,000 for the fiscal year 2018-2019 to the City of Evart Downtown Development Authority as part of the Michigan Main Street Program.
- The City contracted with CJ's Excavating as part of the new splash pad construction in the amount of \$139,149.

E. Subsequent Events

Subsequent to year end, the City entered into various agreements for purchases and projects. No adjustments were made to the financial statements for the year ending June 30, 2018 related to these subsequent events. These agreements include:

1. The City approved the use of professional services to complete the grant funding application for various grants in the amount of \$35,600.
2. The City approved the purchase of a new snow removal truck in the amount of \$68,900.
3. The City approved the purchase of a new asphalt/hot box trailer in the amount of \$34,908.
4. The City accepted a bid from Fenstermacher Asphalt Paving in the amount of \$39,175.
5. The City approved repairs on 6th Street in the amount of \$26,200.

F. Joint Venture - Evart Area Joint Fire Department

The City is a member of the Evart Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evart, and the townships of Evart, Orient, Osceola, and Sylvan. The City contributed \$31,289 to the current operating budget. Each municipality has agreed to contribute an equivalent of up to one mill each year for fire protection.

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

G. GASB Statement No. 77

It has been determined that the City has granted tax abatements as defined by GASB Statement No. 77. However, the total of these abatements is less than \$5,000, and it has been determined they are not significant enough to warrant disclosure.

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<u>Revenues</u>									
Taxes	\$ 524,677	\$ 524,677	\$ 483,832	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	17,275	17,275	69,096	0	0	0	0	0	0
State Grants	170,000	170,000	456,254	124,000	124,000	186,953	45,000	45,000	78,250
Contributions From Local Units	16,000	16,000	8,720	0	0	0	0	0	0
Charges for Services	100,200	100,200	125,672	0	0	0	0	0	0
Fines and Forfeits	4,400	4,400	3,638	0	0	0	0	0	0
Interest and Rents	14,275	14,275	31,783	0	0	391	0	0	265
Penalties and Interest	6,500	6,500	7,096	0	0	0	0	0	0
Other Revenue	15,550	15,550	17,592	5,000	5,000	5,758	0	0	0
Total Revenues	868,877	868,877	1,203,683	129,000	129,000	193,102	45,000	45,000	78,515
<u>Expenditures</u>									
General Government									
City Council	7,700	7,700	6,530	0	0	0	0	0	0
Mayor	2,350	2,350	1,000	0	0	0	0	0	0
City Manager	34,030	34,030	27,809	0	0	0	0	0	0
Elections	6,700	5,950	7,257	0	0	0	0	0	0
Professional Services	6,000	6,000	6,950	0	0	0	0	0	0
Treasurer	32,000	32,000	22,035	0	0	0	0	0	0
Assessor	3,700	4,800	18,910	0	0	0	0	0	0
Attorney	10,000	10,000	9,107	0	0	0	0	0	0
Clerk	26,650	26,650	22,473	0	0	0	0	0	0
Board of Review	800	800	788	0	0	0	0	0	0
Building and Grounds	53,165	56,165	47,375	0	0	0	0	0	0
Cemetery	56,500	56,500	59,106	0	0	0	0	0	0
Public Safety									
Police	261,700	261,700	250,571	0	0	0	0	0	0
Fire Protection	35,000	36,300	31,289	0	0	0	0	0	0
Public Works									
Department of Public Works	76,550	70,830	85,625	0	0	0	0	0	0
Downtown Development Authority	0	235	20,983	0	0	0	0	0	0
Local Development Finance Authority	0	0	67	0	0	0	0	0	0
Airport	11,100	7,785	20,712	0	0	0	0	0	0

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Trees	3,500	4,000	21,770	0	0	0	0	0	0
Street Lighting	32,000	32,000	30,100	0	0	0	0	0	0
Refuse Service	84,000	84,000	94,471	0	0	0	0	0	0
Street Department	0	0	0	94,400	94,400	77,876	35,125	35,125	42,208
Community and Economic Development									
Planning and Zoning	0	75	787	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	23,650	27,150	229,585	0	0	0	0	0	0
Other Functions									
Fringe Benefits	80,500	80,500	105,115	0	0	0	0	0	0
Liability and Workers Comp Insurance	6,000	6,000	2,141	0	0	0	0	0	0
Special Events	1,500	1,500	3,054	0	0	0	0	0	0
Miscellaneous	1,000	1,075	14,016	0	0	0	0	0	0
Debt Service									
Principal	0	0	8,000	0	0	0	0	0	0
Interest	0	0	720	0	0	0	0	0	0
Total Expenditures	856,095	856,095	1,148,346	94,400	94,400	77,876	35,125	35,125	42,208
Excess (Deficiency) of Revenues									
Over Expenditures	12,782	12,782	55,337	34,600	34,600	115,226	9,875	9,875	36,307
<u>Other Financing Sources (Uses)</u>									
Transfers In	0	0	0	0	0	0	15,000	15,000	15,000
Transfers Out	0	0	0	(15,000)	(15,000)	(15,000)	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(15,000)	(15,000)	(15,000)	15,000	15,000	15,000
Net Change in Fund Balance	12,782	12,782	55,337	19,600	19,600	100,226	24,875	24,875	51,307
<u>FUND BALANCE - Beginning of Year (As Restated)</u>	882,007	882,007	887,165	376,259	376,259	376,258	91,281	91,281	91,281
<u>FUND BALANCE - End of Year</u>	\$ 894,789	\$ 894,789	\$ 942,502	\$ 395,859	\$ 395,859	\$ 476,484	\$ 116,156	\$ 116,156	\$ 142,588

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

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

JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 47,932	\$ 41,621	\$ 47,156	\$ 41,938
Interest	163,284	164,942	150,951	148,744
Difference Between Expected and Actual Experience	(6,558)	(98,523)	11,917	0
Change in Assumptions	0	0	83,057	0
Change in Benefits	0	(11,775)	0	0
Benefit Payments	(117,538)	(122,754)	(117,538)	(101,169)
Other Changes	0	0	4,718	0
Net Change in Total Pension Liability	87,120	(26,489)	180,261	89,513
Total Pension Liability - Beginning	2,075,853	2,102,342	1,922,081	1,832,568
Total Pension Liability - Ending	<u>\$ 2,162,973</u>	<u>\$ 2,075,853</u>	<u>\$ 2,102,342</u>	<u>\$ 1,922,081</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 58,414	\$ (32,169)	\$ 76,127	\$ 65,091
Contributions - Employee	15,526	43,402	0	0
Net Investment Income	206,189	168,829	(23,257)	95,150
Benefit Payments Including Employee Refunds	(117,538)	(122,754)	(117,538)	(101,169)
Administrative Expense	(3,271)	(3,333)	(3,409)	(3,493)
Net Change in Plan Fiduciary Net Position	159,320	53,975	(68,077)	55,579
Plan Fiduciary Net Position - Beginning	1,551,231	1,497,256	1,565,333	1,509,755
Plan Fiduciary Net Position - Ending	<u>\$ 1,710,551</u>	<u>\$ 1,551,231</u>	<u>\$ 1,497,256</u>	<u>\$ 1,565,334</u>
Employer Net Pension Liability	<u>\$ 452,422</u>	<u>\$ 524,622</u>	<u>\$ 605,086</u>	<u>\$ 356,747</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	75%	71%	81%
Covered Payroll	519,248	464,691	522,587	440,709
Employer's Net Pension Liability as a Percentage of Covered Payroll	87%	113%	116%	81%

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT - LOCAL DEVELOPMENT FINANCE AUTHORITY

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

JUNE 30.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 3,691	\$ 3,377	\$ 3,173	\$ 3,497
Interest	39,800	39,210	36,725	37,422
Difference Between Expected and Actual Experience	718	1,325	2,043	0
Change in Assumptions	0	0	23,856	0
Change in Benefits	0	0	0	0
Benefit Payments	(37,044)	(36,340)	(35,635)	(34,931)
Other Changes	0	0	1,148	(1)
Net Change in Total Pension Liability	7,165	7,572	31,310	5,987
Total Pension Liability - Beginning	514,180	506,608	475,298	469,311
Total Pension Liability - Ending	<u>\$ 521,345</u>	<u>\$ 514,180</u>	<u>\$ 506,608</u>	<u>\$ 475,298</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 24,003	\$ 13,336	\$ 11,160	\$ 11,152
Contributions - Employee	0	0	0	0
Net Investment Income	30,606	25,443	(3,666)	16,703
Benefit Payments Including Employee Refunds	(37,044)	(36,340)	(35,635)	(34,931)
Administrative Expense	(485)	(504)	(554)	(608)
Net Change in Plan Fiduciary Net Position	17,080	1,935	(28,695)	(7,684)
Plan Fiduciary Net Position - Beginning	236,868	234,933	263,628	271,312
Plan Fiduciary Net Position - Ending	<u>\$ 253,948</u>	<u>\$ 236,868</u>	<u>\$ 234,933</u>	<u>\$ 263,628</u>
Employer Net Pension Liability	<u>\$ 267,397</u>	<u>\$ 277,312</u>	<u>\$ 271,675</u>	<u>\$ 211,670</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49%	46%	46%	55%
Covered Payroll	28,743	26,297	25,758	28,381
Employer's Net Pension Liability as a Percentage of Covered Payroll	930%	1055%	1055%	746%

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Primary Government</u>										
Actuarial Determined Contributions	\$ 58,414	\$ (32,169)	\$ 74,259	\$ 65,091	\$ 66,183	\$ 69,830	\$ 60,965	\$ 63,685	\$ 83,664	\$ 87,512
Contributions in Relation to the Actuarially Determined Contribution	58,414	(32,169)	74,259	65,091	66,183	69,830	60,965	63,685	83,664	87,512
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 519,248	\$ 464,691	\$ 522,587	\$ 440,709	\$ 581,523	\$ 513,593	\$ 560,944	\$ 540,032	\$ 644,280	\$ 611,536
Contributions as a Percentage of Covered Payroll	11%	-7%	14%	15%	11%	14%	11%	12%	13%	14%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	23 Years
Asset Valuation Method	5 Year Smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT - LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Component Unit - LDFA</u>										
Actuarial Determined Contributions	\$ 24,003	\$ 13,336	\$ 11,160	\$ 11,152	\$ 13,726	\$ 8,972	\$ 5,242	\$ 10,186	\$ 26,716	\$ 21,153
Contributions in Relation to the Actuarially Determined Contribution	24,003	13,336	11,160	11,152	13,726	8,972	5,242	10,186	26,716	21,153
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 28,743	\$ 26,297	\$ 25,758	\$ 28,381	\$ 37,648	\$ 36,534	\$ 36,200	\$ 33,315	\$ 115,874	\$ 112,746
Contributions as a Percentage of Covered Payroll	84%	51%	43%	39%	36%	25%	14%	31%	23%	19%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	23 Years
Asset Valuation Method	5 Year Smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment Rate of Return	7.75%
Retirement Age	Varies Depending on Plan Adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

CITY OF EVART
EVART, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2018

	Special	Capital Project Funds		Permanent Fund	Total Non-Major Governmental Funds
	Revenue Fund Library	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1	\$ 27,215	\$ 0	\$ 27,216
Restricted Cash	0	0	0	139,358	139,358
Due from Other Funds	2,068	0	0	0	2,068
TOTAL ASSETS	\$ 2,068	\$ 1	\$ 27,215	\$ 139,358	\$ 168,642
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,068	\$ 0	\$ 0	\$ 0	\$ 2,068
Due to Other Funds	0	0	0	30	30
TOTAL LIABILITIES	2,068	0	0	30	2,098
<u>FUND BALANCE</u>					
Nonspendable:					
Endowment	0	0	0	139,328	139,328
Assigned					
Police Vehicle Replacement	0	1	0	0	1
Fire Vehicle Replacement	0	0	27,215	0	27,215
Total Fund Balance	0	1	27,215	139,328	166,544
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,068	\$ 1	\$ 27,215	\$ 139,358	\$ 168,642

CITY OF EVART
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2018

	Special Revenue Fund	Capital Project Funds		Permanent Fund	Total Non-Major Governmental Funds
	Library	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	
<u>REVENUES</u>					
Taxes	\$ 29,581	\$ 0	\$ 0	\$ 0	\$ 29,581
Interest and Rents	0	0	272	0	272
Other	0	0	0	400	400
Total Revenues	29,581	0	272	400	30,253
<u>EXPENDITURES</u>					
Recreation and Culture					
Library	29,581	0	0	0	29,581
Net Change in Fund Balance	0	0	272	400	672
<u>FUND BALANCE</u> - Beginning of Year	0	1	26,943	138,928	165,872
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 27,215</u>	<u>\$ 139,328</u>	<u>\$ 166,544</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET

JUNE 30, 2018

	Downtown Development Authority	Local Development Finance Authority	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 100,569	\$ 47,758	\$ 148,327
Prepaid Expenditures	5,450	0	5,450
TOTAL ASSETS	<u>\$ 106,019</u>	<u>\$ 47,758</u>	<u>\$ 153,777</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,037	\$ 15,440	\$ 18,477
Accrued Payroll	1,123	923	2,046
Unearned Revenue	14,775	0	14,775
Total Liabilities	<u>18,935</u>	<u>16,363</u>	<u>35,298</u>
 <u>FUND BALANCE</u>			
Nonspendable			
Prepaid Expenditures	5,450	0	5,450
Unassigned	81,634	31,395	113,029
Total Fund Balance	<u>87,084</u>	<u>31,395</u>	<u>118,479</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 106,019</u>	<u>\$ 47,758</u>	<u>\$ 153,777</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

JUNE 30, 2018

	<u>Downtown</u> <u>Development</u> <u>Authority</u>	<u>Local</u> <u>Development</u> <u>Finance</u> <u>Authority</u>	<u>Total</u>
<u>REVENUES</u>			
Taxes	\$ 0	\$ 52,536	\$ 52,536
Local Contributions	1,090	0	1,090
Interest and Rents	3,142	30,072	33,214
State Sources	70,819	10,601	81,420
Other Sources			
Donations	20,711	0	20,711
Refunds and Reimbursements	2,109	0	2,109
Other Revenues	2,477	4,389	6,866
Total Revenues	100,348	97,598	197,946
<u>EXPENDITURES</u>			
Operating			
Community and Economic Development	86,930	89,974	176,904
Excess (Deficiency) of Revenues Over Expenditures	13,418	7,624	21,042
<u>FUND BALANCE</u> - Beginning of Year	73,666	23,771	97,437
<u>FUND BALANCE</u> - End of Year	\$ 87,084	\$ 31,395	\$ 118,479

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 100,569
Prepaid Expenditures	<u>5,450</u>
 TOTAL ASSETS	 <u>\$ 106,019</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,037
Accrued Wages	1,123
Unearned Revenue	<u>14,775</u>
 Total Liabilities	 <u>18,935</u>
 <u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	5,450
Unassigned	<u>81,634</u>
 Total Fund Balance	 <u>87,084</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 106,019</u>

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2018

	<u>General</u>
<u>REVENUES</u>	
Local Contributions	\$ 1,090
Interest and Rents	3,142
State Sources	70,819
Other Sources	
Donations	20,711
Refunds and Reimbursements	2,109
Other Revenues	<u>2,477</u>
 Total Revenues	 100,348
 <u>EXPENDITURES</u>	
Operating	
Community and Economic Development	<u>86,930</u>
 Excess (Deficiency) of Revenues Over Expenditures	 13,418
 <u>FUND BALANCE</u> - Beginning of Year	 <u>73,666</u>
 <u>FUND BALANCE</u> - End of Year	 <u><u>\$ 87,084</u></u>

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>47,758</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 15,440
Accrued Wages	<u>923</u>
 TOTAL LIABILITIES	 16,363
 <u>FUND BALANCE</u>	
Unassigned	<u>31,395</u>
 TOTAL LIABILITIES AND FUND BALANCE	 \$ <u>47,758</u>

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General</u>
<u>REVENUES</u>	
Taxes	\$ 52,536
Interest and Rents	30,072
State Sources	10,601
Other Revenue	4,389
	<hr/>
Total Revenues	97,598
 <u>EXPENDITURES</u>	
Operating	
Community and Economic Development	89,974
	<hr/>
Net Change in Fund Balance	7,624
 <u>FUND BALANCE</u> - Beginning of Year	<hr/> 23,771
 <u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 31,395

