

CITY OF EVART, MICHIGAN

JUNE 30, 2017



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

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

CITY OF EVART, MICHIGAN
JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor’s Report	i-iii
Management’s Discussion and Analysis	iv-xiii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Funds	
Statement of Net Position	8-9
Reconciliation of the Statement of Net Position of Proprietary Funds to the Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Fund Net Position	11
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position to the Statement of Activities	12
Statement of Cash Flows	13-14
Fiduciary Funds	
Statement of Fiduciary Net Position	15
Component Units	
Statement of Net Position	16
Statement of Activities	17
Notes to Financial Statements	18-51
Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	52-53
Schedule of Changes in Employer’s Net Pension Liability and Related Ratios – Michigan Employees’ Retirement System	54-55
Schedule of Employer Contributions – Michigan Employees’ Retirement System	56-57
Combining Financial Statements	
Nonmajor Governmental Funds Types	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59

CITY OF EVART, MICHIGAN
JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGES</u>
Component Units	
Governmental Funds	
Combining Balance Sheet	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	61
<u>Downtown Development Authority</u>	
Balance Sheet	62
Statement of Revenues, Expenditures and Changes in Fund Balances	63
<u>Local Development Authority</u>	
Balance Sheet	64
Statement of Revenues, Expenditures and Changes in Fund Balances	65
Other Information	
<u>Revenue Bonds Payable</u>	
2012 Limited Tax General Obligation Refunding Bonds	66



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

October 6, 2017

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, 2017, 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 57 percent, 63 percent, and 81 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, 2017, 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.

Restatement of Beginning Fund Balance and Net Position

As described in Note IV.G to the financial statements, the beginning fund balances were increased in the General Fund, Major Street Fund, and Local Street Fund due to a credit received from MERS for prior year payments. In addition, the net position in the Sewage Disposal Fund and Internal Service Fund were increased to account for their portion of the MERS credit related to prior years. The net position was also increased in each of these funds due to incorrect pension related liabilities and deferred outflow of resources in the prior year. The Water Supply Fund had a decrease in net position related to the MERS credit and pension related liabilities and deferred outflow of resources. Our opinion is not modified with respect to these matters.

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 52-57, 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, component unit's financial statements, and other information section 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.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2017, 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, 2017

Management's Discussion and Analysis

The management of the City of Ewart, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017, 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 \$17,354,886 (*Net Position*). Of this amount, \$2,405,405 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 \$1,520,576, of which \$837,847 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 \$887,165.
- The City's total outstanding long-term debt, including a capital lease payable, decreased by \$184,372 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, 2017

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 Evert itself (known as the *primary government*), but also a legally separate Downtown Development Authority, Local Development Finance Authority, and Evert 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 Evert, 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, 2017

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 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 18-51 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 \$17,354,886 at the close of the most recent fiscal year.

The following schedule summarizes the net position at fiscal year ended June 30. The prior year has not been restated to reflect prior period adjustments.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2017

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 1,900,601	\$ 1,737,001	\$ 1,710,404	\$ 1,179,391	\$ 3,611,005	\$ 2,916,392
Non Current Assets	5,725,466	6,012,306	8,881,237	9,263,797	14,606,703	15,276,103
Total Assets	7,626,067	7,749,307	10,591,641	10,443,188	18,217,708	18,192,495
Deferred Outflows of Resources	81,367	142,854	69,635	103,445	151,002	246,299
Current Liabilities	71,735	47,039	67,876	69,778	139,611	116,817
Long-Term Liabilities	524,468	600,903	270,927	339,136	795,395	940,039
Total Liabilities	596,203	647,942	338,803	408,914	935,006	1,056,856
Deferred Inflows of Resources	42,471	0	36,347	0	78,818	0
Net Position:						
Net Investment in Capital Assets	5,519,963	5,791,743	8,824,237	9,110,402	14,344,200	14,902,145
Restricted	605,281	488,470	0	0	605,281	488,470
Unrestricted	943,516	964,006	1,461,889	1,027,317	2,405,405	1,991,323
Total Net Position	\$ 7,068,760	\$ 7,244,219	\$ 10,286,126	\$ 10,137,719	\$ 17,354,886	\$ 17,381,938

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 \$605,281, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,405,405, 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 decreased \$85,760 in this fiscal year, which is an indicator that the City experienced negative financial growth during the year. As a result, the City ended the fiscal year in slightly worse condition than when the year started.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2017

The following table illustrates the results of the changes in the net position for the City for the year ended June 30. The prior year has not been restated to reflect prior period adjustments.

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

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 148,762	\$ 153,006	\$ 1,399,544	\$ 1,263,287	\$ 1,548,306	\$ 1,416,293
Operating Grants and Contributions	241,288	240,257	0	0	241,288	240,257
Capital Grants and Contributions	45,130	17,853	0	0	45,130	17,853
General Revenues						
Taxes	595,261	604,894	0	0	595,261	604,894
State Grants	204,270	168,129	127,211	0	331,481	168,129
License and Permits	16,476	16,408	0	0	16,476	16,408
Interest Earnings	29,721	25,761	17,952	14,729	47,673	40,490
Other Revenues	40,484	91,569	55,749	14,821	96,233	106,390
Total Revenues	1,321,392	1,317,877	1,600,456	1,292,837	2,921,848	2,610,714
<u>Expenses</u>						
General Government	328,992	237,744	0	0	328,992	237,744
Public Safety	277,890	309,779	0	0	277,890	309,779
Public Works	619,135	623,022	0	0	619,135	623,022
Recreation and Culture	158,041	130,456	0	0	158,041	130,456
Community and Economic Development	48,775	51,328	0	0	48,775	51,328
Other Functions	106,545	83,641	0	0	106,545	83,641
Debt Service	929	1,142	0	0	929	1,142
Water and Sewer	0	0	1,467,301	1,299,442	1,467,301	1,299,442
Total Expenses	1,540,307	1,437,112	1,467,301	1,299,442	3,007,608	2,736,554
Change in Net Position	(218,915)	(119,235)	133,155	(6,605)	(85,760)	(125,840)
Beginning Net Position (As Restated)	7,287,675	7,363,454	10,152,971	10,144,324	17,440,646	17,507,778
Ending Net Position	\$7,068,760	\$7,244,219	\$10,286,126	\$10,137,719	\$17,354,886	\$17,381,938

CITY OF EVART, MICHIGAN

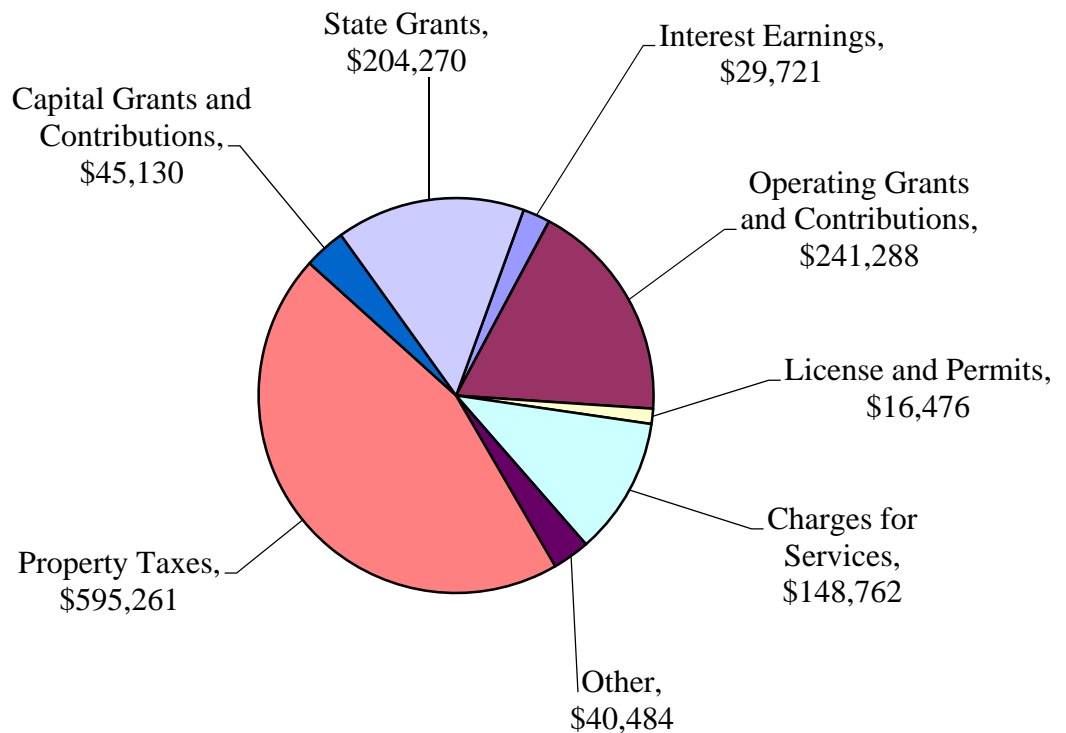
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2017

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2017:

**Revenues - Governmental Activities
Fiscal Year Ended June 30, 2017**



A significant portion of the revenue for all governmental activities of the City of Ewart comes from Property Taxes (45%). The City's operating, public safety, and library millage remained the same in 2016 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 2016-2017 year, the City received capital grants in the amount of \$45,130. This represents 3% 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 2017, the amount of state-shared revenue received by the City remained steady.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2017

The City's governmental activities expenses are dominated by the Public Works expenses that total \$619,135 in FY 2017. General Government represented the next largest expense at \$328,992.

Business-Type Activities

These activities accounted for an increase of \$133,155 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.

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

Financial Analysis of the Government's Funds

Governmental Funds – At the completion of the City's fiscal year ended June 30, 2017, its governmental funds reported fund balances of \$1,520,576. \$837,847 of this amount is unassigned.

General Fund – The General Fund is the main operating fund of the City. The General Fund decreased its fund balance in this fiscal year by \$25,288, bringing the balance to \$887,165. This is primarily due to park improvements made during the fiscal year.

Major Street Fund – The Major Street Fund increased its fund balance in this fiscal year by \$125,474, bringing the balance to \$376,258, which is restricted for street improvements. The City's state-shared revenue exceeded what it spent on road related projects this year.

Local Street Fund – The Local Street Fund decreased its fund balance in this fiscal year by \$12,419, bringing the balance to \$91,281, which is restricted for street improvements. The primary reason for this decrease is due to a road project.

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

Water Fund – The Water Fund ended this fiscal year with \$966,453 in unrestricted net position. Operating revenues increased from \$635,314 in 2016 to \$786,288. The net position of the fund increased by \$54,549. The primary reason for the increase is due to the increase in water rates.

Sewer Fund – The Sewer Fund ended this fiscal year with \$563,015 in unrestricted net position. Operating revenues decreased from \$627,973 in 2016 to \$613,256. The net position of the fund increased by \$99,448. The primary reason for the increase is due to more conservative spending and a decrease in expenses compared to the prior year.

General Fund Budgetary Highlights

During the year, there was a decrease of \$50 in 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, 2017

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	\$ 894,735	\$ 894,685	\$ 1,052,868
Total Expenditures	\$ 881,054	\$ 881,004	\$ 1,078,156

Original Budget compared to the Final Budget is comparable. 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, as well as underestimating the state shared revenue that was received during the year. The City also did not budget for the personal property tax reimbursement from the State and a workers' compensation reimbursement. The differences in actual expenditures compared to final budget were primarily due to the City not accounting for the roof replacement and park improvements in their budget.

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, 2017, amounted to \$14,606,703 (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	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,072,699	\$ 1,072,699	\$ 500,591	\$ 500,591	\$ 1,573,290	\$ 1,573,290
Buildings	2,395,524	2,312,858	393,653	393,653	2,789,177	2,706,511
Intangibles	125,000	125,000	125,267	125,267	250,267	250,267
Land Improvements	4,123,465	4,056,044	67,146	67,146	4,190,611	4,123,190
Machinery and Equipment	1,082,458	1,043,975	694,875	694,875	1,777,333	1,738,850
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	4,057,488	4,057,488	4,057,488	4,057,488
Treatment System	0	0	2,357,025	2,357,025	2,357,025	2,357,025
Mains and Connections	0	0	4,444,232	4,444,232	4,444,232	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	2,796,787	2,770,149	2,796,787	2,770,149
Subtotal	14,750,128	14,561,558	17,380,567	17,353,929	32,130,695	31,915,487
Accumulated Depreciation	(9,024,662)	(8,549,252)	(8,499,330)	(8,090,132)	(17,523,992)	(16,639,384)
Net Capital Assets	\$ 5,725,466	\$ 6,012,306	\$ 8,881,237	\$ 9,263,797	\$ 14,606,703	\$ 15,276,103

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2017

Major capital asset events during fiscal year 2017 included the following:

- The City purchased a new dock launch system for approximately \$38,500.
- The City constructed a new pavilion for approximately \$25,600.
- The City replaced the roof on the City Hall for approximately \$57,100.
- The City paved a parking lot for the park for approximately \$67,400.
- The City purchased a new generator for approximately \$19,700.
- The City purchased a new vertical frequency drive for approximately \$7,000.

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, 2017, the City had total bonded debt outstanding of \$57,000. All of the revenue bonds are from the Sewer Fund, which are backed by revenues from the Sewer system and have been used to finance major capital projects within the Sewer system.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Restated		Restated		Restated	
	2017	2016	2017	2016	2017	2016
Compensated Absences	\$ 51,997	\$ 44,450	\$ 0	\$ 0	\$ 51,997	\$ 44,450
Contracts and Notes	25,500	33,000	0	41,395	25,500	74,395
Revenue Bonds	0	0	57,000	112,000	57,000	112,000
Capital Lease	180,003	187,563	0	0	180,003	187,563
Net Pension Liability	282,695	334,805	241,927	270,281	524,622	605,086
Total	\$ 540,195	\$ 599,818	\$ 298,927	\$ 423,676	\$ 839,122	\$ 1,023,494

Total long-term debt decreased by \$184,372. 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.

CITY OF EVART, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2017

These factors were considered in preparing the City's budgets for the 2017-2018 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, 200 S. Main, Evart, Michigan 49631, or call us at (231) 734-2181.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

	<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	\$ 1,535,160	\$ 1,563,688	\$ 3,098,848	\$ 453,839
Restricted Cash	138,945	0	138,945	0
Receivables				
Taxes	4,186	0	4,186	0
Accounts	36,899	125,358	162,257	101,779
External Parties (Fiduciary Funds)	2,120	0	2,120	0
Due from Other Governments	89,456	35,038	124,494	0
Special Assessments	9,909	39,214	49,123	0
Internal Balances	67,579	(67,579)	0	0
Prepaid Expenses	16,347	14,685	31,032	4,949
Total Current Assets	1,900,601	1,710,404	3,611,005	560,567
<u>Non-Current Assets</u>				
Capital Assets	14,750,128	17,380,567	32,130,695	6,748,487
Less Accumulated Depreciation	(9,024,662)	(8,499,330)	(17,523,992)	(4,849,274)
Total Non Current Assets	5,725,466	8,881,237	14,606,703	1,899,213
TOTAL ASSETS	7,626,067	10,591,641	18,217,708	2,459,780
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to Pensions	81,367	69,635	151,002	24,550
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	41,582	37,731	79,313	27,710
Due to Other Governments	0	0	0	4,370
Accrued Payroll and Liabilities	4,009	10,459	14,468	78,543
Customer Deposits	0	2,103	2,103	0
Unearned Revenue	0	0	0	7,090
Internal Balances	10,417	(10,417)	0	0
Current Portion of Non Current Liabilities	15,727	28,000	43,727	15,573
Total Current Liabilities	71,735	67,876	139,611	133,286

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Primary Government</u>		<u>Total</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
<u>Non Current Liabilities</u>				
Bonds Payable	0	57,000	57,000	0
Installment Note Payable	25,500	0	25,500	0
Capital Lease Payable	180,003	0	180,003	0
Compensated Absences	51,997	0	51,997	21,033
Net Pension Liability	282,695	241,927	524,622	277,312
Less Current Portion of Non Current Liabilities	(15,727)	(28,000)	(43,727)	(15,573)
 Total Non Current Liabilities	 524,468	 270,927	 795,395	 282,772
 TOTAL LIABILITIES	 596,203	 338,803	 935,006	 416,058
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Inflows of Resources Related to Pensions	42,471	36,347	78,818	0
Deferred Inflows of Resources Related to the Housing Commission	0	0	0	6,132
 TOTAL DEFERRED INFLOWS OF RESOURCES	 42,471	 36,347	 78,818	 6,132
 <u>NET POSITION</u>				
Net Investment in Capital Assets	5,519,963	8,824,237	14,344,200	1,899,213
Restricted for:				
Street Improvements	466,353	0	466,353	0
Perpetual Care - Permanently Restricted	138,928	0	138,928	0
Unrestricted	943,516	1,461,889	2,405,405	162,927
 TOTAL NET POSITION	 \$ 7,068,760	 \$10,286,126	 \$17,354,886	 \$2,062,140

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 328,992	\$ 47,504	\$ 22,429	\$ 0	\$ (259,059)	\$ 0	\$ (259,059)	\$ 0
Public Safety	277,890	9,076	1,607	2,830	(264,377)	0	(264,377)	0
Public Works	619,135	92,182	217,252	0	(309,701)	0	(309,701)	0
Recreation and Culture	158,041	0	0	42,300	(115,741)	0	(115,741)	0
Community and Economic Development	48,775	0	0	0	(48,775)	0	(48,775)	0
Other Functions	106,545	0	0	0	(106,545)	0	(106,545)	0
Debt Service	929	0	0	0	(929)	0	(929)	0
Total Governmental Activities	<u>1,540,307</u>	<u>148,762</u>	<u>241,288</u>	<u>45,130</u>	<u>(1,105,127)</u>	<u>0</u>	<u>(1,105,127)</u>	<u>0</u>
Business-Type Activities								
Water Supply	783,946	786,288	0	0	0	2,342	2,342	0
Sewage Disposal	683,355	613,256	0	0	0	(70,099)	(70,099)	0
Total Business-Type Activities	<u>1,467,301</u>	<u>1,399,544</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(67,757)</u>	<u>(67,757)</u>	<u>0</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,007,608</u>	<u>\$ 1,548,306</u>	<u>\$ 241,288</u>	<u>\$ 45,130</u>	<u>(1,105,127)</u>	<u>(67,757)</u>	<u>(1,172,884)</u>	<u>0</u>
Component Units								
Governmental Activities								
Downtown Development Authority	\$ 87,263	\$ 900	\$ 29,440	\$ 11,056	0	0	0	(45,867)
Local Development Finance Authority	160,256	31,200	0	0	0	0	0	(129,056)
Business-Type Activities								
Ewart Housing Commission	798,144	260,015	374,508	133,326	0	0	0	(30,295)
TOTAL COMPONENT UNITS	<u>\$ 1,045,663</u>	<u>\$ 292,115</u>	<u>\$ 403,948</u>	<u>\$ 144,382</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(205,218)</u>
General Revenues								
Taxes					595,261	0	595,261	52,730
State Grants					204,270	127,211	331,481	62,436
License and Permits					16,476	0	16,476	0
Interest Earnings					29,721	17,952	47,673	1,483
Other Revenues					40,484	55,749	96,233	39,569
Total General Revenues					<u>886,212</u>	<u>200,912</u>	<u>1,087,124</u>	<u>156,218</u>
Change in Net Position					(218,915)	133,155	(85,760)	(49,000)
NET POSITION - Beginning of Year (as restated)					<u>7,287,675</u>	<u>10,152,971</u>	<u>17,440,646</u>	<u>2,111,140</u>
NET POSITION - End of Year					<u>\$ 7,068,760</u>	<u>\$ 10,286,126</u>	<u>\$ 17,354,886</u>	<u>\$ 2,062,140</u>

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

CITY OF EVART
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$866,153	\$345,315	\$ 79,186	\$ 26,944	\$ 1,317,598
Restricted Cash	0	0	0	138,945	138,945
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Taxes	4,186	0	0	0	4,186
Accounts	36,899	0	0	0	36,899
Due from Other Governments	49,751	29,867	9,838	0	89,456
Special Assessments	0	9,909	0	0	9,909
Due from Other Funds	2,871	3,050	3,709	2,068	11,698
Prepaid Expenditures	14,527	703	483	0	15,713
TOTAL ASSETS	\$974,387	\$388,844	\$ 93,216	\$167,957	\$ 1,624,404
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 38,244	\$ 0	\$ 1,270	\$ 2,068	\$ 41,582
Accrued Payroll and Liabilities	3,763	133	24	0	3,920
Due to Other Funds	45,215	2,544	641	17	48,417
Total Liabilities	87,222	2,677	1,935	2,085	93,919
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Special Assessment	0	9,909	0	0	9,909
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenses	14,527	703	483	0	15,713
Endowment	0	0	0	138,928	138,928
Restricted					
Street Improvements	0	375,555	90,798	0	466,353
Assigned					
Capital Projects Fund	0	0	0	26,944	26,944
Skate Park	22,866	0	0	0	22,866
Community Recreation	11,925	0	0	0	11,925
Unassigned					
Unassigned	837,847	0	0	0	837,847
Total Fund Balance	887,165	376,258	91,281	165,872	1,520,576
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$974,387	\$388,844	\$ 93,216	\$167,957	\$ 1,624,404

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, 2017

Total Governmental Fund Balances		\$ 1,520,576
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.		311,358
Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds.		
Special Assessments Receivable		9,909
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$ 13,925,106	
Accumulated depreciation is	<u>(8,444,472)</u>	5,480,634
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.		67,579
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Installment Note Payable		(25,500)
Compensated Absences		(51,997)
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		(282,695)
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		81,367
Deferred Inflows of Resources Related to Pensions		<u>(42,471)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,068,760</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, 2017

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 561,807	\$ 0	\$ 0	\$ 33,454	\$ 595,261
Licenses and Permits	18,083	0	0	0	18,083
State Grants	246,570	166,394	50,858	0	463,822
Contributions from Local Units	22,429	0	0	0	22,429
Charges for Services	129,806	0	0	0	129,806
Fines and Forfeits	6,976	0	0	0	6,976
Interest and Rents	28,933	278	244	266	29,721
Other Revenue	38,264	16,230	0	800	55,294
Total Revenues	1,052,868	182,902	51,102	34,520	1,321,392
<u>Expenditures</u>					
General Government	312,205	0	0	0	312,205
Public Safety	260,178	0	0	0	260,178
Public Works	184,312	57,428	63,521	0	305,261
Recreation and Culture	206,487	0	0	33,454	239,941
Other Functions	106,545	0	0	0	106,545
Debt Service	8,429	0	0	0	8,429
Total Expenditures	1,078,156	57,428	63,521	33,454	1,232,559
Net Change in Fund Balance	(25,288)	125,474	(12,419)	1,066	88,833
<u>FUND BALANCE - Beginning of Year (As Restated)</u>	912,453	250,784	103,700	164,806	1,431,743
<u>FUND BALANCE - End of Year</u>	<u>\$ 887,165</u>	<u>\$376,258</u>	<u>\$ 91,281</u>	<u>\$ 165,872</u>	<u>\$1,520,576</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, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances Total Governmental Funds	\$	88,833
Amounts reported for governmental activities are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.		
		(15,987)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as		
Depreciation Expense		(429,874)
Capital Outlay		188,570
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).		
		7,500
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		(15,043)
Unavailable Revenue - End of Year		9,909
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		44,450
Compensated Absences - End of Year		(51,997)
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		52,110
Change in Pension Related Items		(97,386)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(218,915)</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, 2017

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	\$ 1,037,828	\$ 525,860	\$ 1,563,688	\$ 217,562
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	60,428	64,930	125,358	0
Special Assessments	19,607	19,607	39,214	0
Due from Other Funds	14,439	15,637	30,076	28,535
Due from Other Governments	0	35,038	35,038	0
Prepaid Expenses	7,635	7,050	14,685	634
Total Current Assets	<u>1,139,937</u>	<u>668,122</u>	<u>1,808,059</u>	<u>246,731</u>
<u>Capital Assets</u>				
Land	42,500	458,091	500,591	0
Land Improvements and Additions	67,146	0	67,146	0
Buildings	393,653	0	393,653	0
Machinery and Equipment	198,710	496,165	694,875	825,022
Intangibles	125,267	0	125,267	0
Water and Sewer Systems	9,184,522	6,414,513	15,599,035	0
	<u>10,011,798</u>	<u>7,368,769</u>	<u>17,380,567</u>	<u>825,022</u>
Less Accumulated Depreciation	4,642,556	3,856,774	8,499,330	580,190
Total Capital Assets, Net of Accumulated Depreciation	<u>5,369,242</u>	<u>3,511,995</u>	<u>8,881,237</u>	<u>244,832</u>
TOTAL ASSETS	<u>6,509,179</u>	<u>4,180,117</u>	<u>10,689,296</u>	<u>491,563</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	40,364	29,271	69,635	0
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	37,731	0	37,731	0
Accrued Payroll and Liabilities	2,213	8,246	10,459	89
Due to Other Funds	10,497	9,162	19,659	113
Customer Deposits	2,103	0	2,103	0
Current Portion of Long-Term Debt	0	28,000	28,000	7,727
Total Current Liabilities	<u>52,544</u>	<u>45,408</u>	<u>97,952</u>	<u>7,929</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, 2017

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>				
Revenue Bonds	0	57,000	57,000	0
Capital Lease Payable	0	0	0	180,003
Net Pension Liability	140,235	101,692	241,927	0
Less Current Portion	0	(28,000)	(28,000)	(7,727)
Total Non-Current Liabilities	140,235	130,692	270,927	172,276
TOTAL LIABILITIES	192,779	176,100	368,879	180,205
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Related Items	21,069	15,278	36,347	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	5,369,242	3,454,995	8,824,237	64,829
Unrestricted	966,453	563,015	1,529,468	246,529
TOTAL NET POSITION	\$ 6,335,695	\$ 4,018,010	\$ 10,353,705	\$ 311,358

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, 2017

Total Net Position - Total Proprietary Funds	\$ 10,353,705
--	---------------

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.

(67,579)

NET POSITION OF PROPRIETARY FUNDS

\$ 10,286,126

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, 2017

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	<u>MAJOR FUNDS</u>			<u>Internal Service Fund</u>
	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	
<u>Operating Revenues</u>				
Charges for Services	\$ 774,288	\$ 613,256	\$ 1,387,544	\$ 0
Rental	12,000	0	12,000	107,662
Total Operating Revenues	<u>786,288</u>	<u>613,256</u>	<u>1,399,544</u>	<u>107,662</u>
<u>Operating Expenses</u>				
Personal Services	155,526	113,908	269,434	24,294
Employee Benefits	94,630	91,893	186,523	10,214
Professional Services	68,734	153,711	222,445	7,006
Office Supplies and Expense	11,876	9,004	20,880	129
Communications	2,758	3,571	6,329	0
Insurance	5,167	17,223	22,390	6,459
Operating Supplies and Expense	67,239	43,007	110,246	48,549
Heat, Light and Power	87,977	43,894	131,871	0
Depreciation	248,815	160,383	409,198	45,536
Rentals	30,000	35,000	65,000	0
Total Operating Expenses	<u>772,722</u>	<u>671,594</u>	<u>1,444,316</u>	<u>142,187</u>
Operating Income (Loss)	<u>13,566</u>	<u>(58,338)</u>	<u>(44,772)</u>	<u>(34,525)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	10,919	7,033	17,952	1,235
Special Assessments	23,342	23,342	46,684	0
Miscellaneous Income	6,722	2,343	9,065	633
Grant Revenue	0	127,211	127,211	0
Interest and Fiscal Charges	0	(2,143)	(2,143)	(4,172)
Total Nonoperating Revenues (Expenses)	<u>40,983</u>	<u>157,786</u>	<u>198,769</u>	<u>(2,304)</u>
Change in Net Position	54,549	99,448	153,997	(36,829)
<u>NET POSITION - Beginning of Year (As Restated)</u>	<u>6,281,146</u>	<u>3,918,562</u>	<u>10,199,708</u>	<u>348,187</u>
<u>NET POSITION - End of Year</u>	<u>\$ 6,335,695</u>	<u>\$ 4,018,010</u>	<u>\$ 10,353,705</u>	<u>\$ 311,358</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, 2017

Net Change in Fund Net Position - Total Proprietary Funds	\$ 153,997
---	------------

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.

(20,842)

CHANGE IN NET POSITION OF PROPRIETARY FUNDS	<u><u>\$ 133,155</u></u>
---	--------------------------

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, 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<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>		
Receipts from Customers and Users	\$ 792,864	\$618,695	\$1,411,559	\$ 0
Receipts from Interfund Services Provided	0	0	0	82,606
Payments to Suppliers	(300,385)	(366,311)	(666,696)	(69,279)
Payments to Employees	(155,126)	(106,835)	(261,961)	(24,387)
Net Cash Provided (Used) by Operating Activities	337,353	145,549	482,902	(11,060)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital Assets	(26,638)	0	(26,638)	0
Principal Paid on Debt	0	(55,000)	(55,000)	0
Interest Paid on Debt	0	(2,143)	(2,143)	(4,172)
Principal Paid on Contract	(41,395)	0	(41,395)	0
Principal Paid on Capital Lease	0	0	0	(7,560)
Grants Received	0	92,173	92,173	0
Special Assessment Revenue	3,735	3,735	7,470	0
Miscellaneous Revenue Received	6,722	2,343	9,065	633
Net Cash Provided (Used) by Capital and Related Financing Activities	(57,576)	41,108	(16,468)	(11,099)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	10,919	7,033	17,952	1,235
Net Increase (Decrease) in Cash and Cash Equivalents	290,696	193,690	484,386	(20,924)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	747,132	332,170	1,079,302	238,486
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$1,037,828	\$525,860	\$1,563,688	\$ 217,562

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, 2017

BUSINESS-TYPE ACTIVITIES -
ENTERPRISE FUNDS
MAJOR FUNDS

Water Supply	Sewage Disposal	Totals	Internal Service Fund
-----------------	--------------------	--------	--------------------------

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 13,566	\$ (58,338)	\$ (44,772)	\$ (34,525)
-------------------------	-----------	-------------	-------------	-------------

Adjustments to Reconcile Operating Income (Loss)
to Net Cash Provided (Used) by Operating Activities:

Depreciation	248,815	160,383	409,198	45,536
(Increase) Decrease in Current Assets				
Accounts Receivable	5,999	5,161	11,160	484
Due from Other Funds	277	278	555	(25,540)
Prepaid Expense	2,595	(684)	1,911	3,078
Increase (Decrease) in Current Liabilities				
Accounts Payable	37,217	0	37,217	0
Accrued Payroll and Liabilities	400	7,073	7,473	(93)
Retainage Payable	(2,000)	(2,000)	(4,000)	0
Customer Deposits	300	0	300	0
Due to Other Funds	7,222	8,263	15,485	0
Increase (Decrease) in Net Pension Obligation	22,962	25,413	48,375	0
Total Adjustments	323,787	203,887	527,674	23,465

NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES

	\$ 337,353	\$ 145,549	\$ 482,902	\$ (11,060)
--	------------	------------	------------	-------------

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, 2017

	<u>AGENCY FUNDS</u>
	TAX
	COLLECTION
	<u>FUND</u>
<u>ASSETS</u>	
Cash	\$ 2,120
 <u>LIABILITIES</u>	
Due to Other Funds	<u> 2,120</u>
 <u>NET POSITION</u>	 <u><u> \$ 0</u></u>

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION
COMPONENT UNITS

JUNE 30, 2017

<u>ASSETS</u>	Downtown Development Authority	Local Development Finance Authority	Ewart Housing Commission	Total
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 82,865	\$ 46,859	\$ 324,115	\$ 453,839
Accounts Receivable	0	0	101,779	101,779
Prepaid Expenses	2,400	0	2,549	4,949
Total Current Assets	<u>85,265</u>	<u>46,859</u>	<u>428,443</u>	<u>560,567</u>
<u>Non Current Assets</u>				
Capital Assets	126,533	1,194,517	5,427,437	6,748,487
Less Accumulated Depreciation	(55,370)	(338,499)	(4,455,405)	(4,849,274)
Total Non Current Assets	<u>71,163</u>	<u>856,018</u>	<u>972,032</u>	<u>1,899,213</u>
TOTAL ASSETS	<u>156,428</u>	<u>902,877</u>	<u>1,400,475</u>	<u>2,459,780</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Related Items	0	24,550	0	24,550
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	3,010	18,187	6,513	27,710
Due to Other Governments	0	4,370	0	4,370
Accrued Wages	1,499	531	0	2,030
Accrued Expenses	0	0	76,513	76,513
Unearned Revenue	7,090	0	0	7,090
Current Portion of Non Current Liabilities	0	0	15,573	15,573
Total Current Liabilities	<u>11,599</u>	<u>23,088</u>	<u>98,599</u>	<u>133,286</u>
<u>Non Current Liabilities</u>				
Net Pension Liability	0	277,312	0	277,312
Compensated Absences	0	0	21,033	21,033
Less Current Portion of Non Current Liabilities	0	0	(15,573)	(15,573)
Total Non Current Liabilities	<u>0</u>	<u>277,312</u>	<u>5,460</u>	<u>282,772</u>
TOTAL LIABILITIES	<u>11,599</u>	<u>300,400</u>	<u>104,059</u>	<u>416,058</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Related to Pensions	0	0	6,132	6,132
<u>NET POSITION</u>				
Net Investment in Capital Assets	71,163	856,018	972,032	1,899,213
Restricted for Debt Service	0	0	0	0
Unrestricted	73,666	(228,991)	318,252	162,927
TOTAL NET POSITION	<u>\$ 144,829</u>	<u>\$ 627,027</u>	<u>\$ 1,290,284</u>	<u>\$ 2,062,140</u>

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNITS

YEAR ENDED JUNE 30, 2017

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	\$ 87,263	\$ 900	\$ 29,440	\$ 11,056	\$ (45,867)	\$ 0	\$ 0	\$ (45,867)
Local Development Finance Authority	160,256	31,200	0	0	0	(129,056)	0	(129,056)
Total Governmental Activities	247,519	32,100	29,440	11,056	(45,867)	(129,056)	0	(174,923)
<u>Business-Type Activities</u>								
Ewart Housing Commission	798,144	260,015	374,508	133,326	0	0	(30,295)	(30,295)
TOTAL	\$ 1,045,663	\$ 292,115	\$ 403,948	\$ 144,382	(45,867)	(129,056)	(30,295)	(205,218)
<u>General Revenues</u>								
Taxes					3,459	49,271	0	52,730
State Sources					54,095	8,341	0	62,436
Interest Earnings					65	67	1,351	1,483
Other Revenues					4,776	0	34,793	39,569
Total General Revenues					62,395	57,679	36,144	156,218
Change in Net Position					16,528	(71,377)	5,849	(49,000)
<u>NET POSITION</u> - Beginning of Year					128,301	698,404	1,284,435	2,111,140
<u>NET POSITION</u> - End of Year					\$ 144,829	\$ 627,027	\$1,290,284	\$2,062,140

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has 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).

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

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.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget 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		
Assessor	\$ 24,215	\$ 26,181
Building and Grounds	65,628	122,630
Public Works		
Department of Public Works	46,085	46,098
Refuse Service	75,000	87,081
Recreation and Culture		
Parks and Recreation	49,000	206,487
Other Functions		
Miscellaneous	7,000	7,067
Debt Service		
Principal	0	7,500
Interest	0	929
Local Street Fund		
Public Works		
Street Department	44,900	63,521
Library Fund		
Recreation and Culture		
Library	0	33,454

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

1. *Cash and Cash Equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments 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, 2017

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, 2017

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 does not have unearned revenue.

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 three 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 items are related to the pension plan for its employees and the Housing Commission. 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, 2017

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, 2017

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 2017 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 2016 taxable valuation of the City totaled \$34,623,174 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 \$503,902 for City operating purposes, of which \$2,009 was captured by the Downtown Development Authority and \$31,156 was captured by the Local Development Finance Authority, leaving \$470,737 for the City and \$31,380 net of the DDA and LDFA capture for the Library. The levy raised approximately \$62,322 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, 2017

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, 2017. It also explains the provision provided by law that was used to remedy the violation.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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, 2017, \$2,757,657 of the government's bank balance of \$3,257,657 was exposed to custodial credit risk because it was uninsured and uncollateralized. \$1,037,828 of uninsured funds is in the water fund, \$525,860 is in the sewer fund, \$217,563 is in the internal service fund, and \$383,895 is in the general fund. The remaining uninsured balances are spread amongst various funds. As of the June 30, 2017, none of the \$132,705 bank balance of the LDFA and the DDA was exposed to custodial credit risk because it was all insured. Additionally, as of December 31, 2016, none of the Evert 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.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the City's investment policy does not

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

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	\$ 3,239,913	\$ 453,839

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

A reconciliation of cash follows:

	<u>PRIMARY</u>	<u>COMPONENT</u>
	<u>GOVERNMENT</u>	<u>UNITS</u>
Government-Wide Statement of Net Position		
Cash	\$ 3,237,793	\$ 453,839
Statement of Fiduciary Net Position		
Cash	2,120	0
	<hr/>	<hr/>
Total	\$ 3,239,913	\$ 453,839
	<hr/> <hr/>	<hr/> <hr/>

B. Capital Assets

Primary Government

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,072,699	\$ 0	\$ 0	\$ 1,072,699
	<hr/>			<hr/>
Capital Assets, Being Depreciated				
Buildings	2,312,858	82,666	0	2,395,524
Intangibles	125,000	0	0	125,000
Land Improvements	4,056,044	67,420	0	4,123,464
Machinery and Equipment	218,953	38,484	0	257,437
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/>
Total Capital Assets, Being Depreciated	12,663,837	188,570	0	12,852,407
	<hr/> <hr/>			<hr/> <hr/>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Less Accumulated Depreciation for:				
Buildings	409,789	50,479	0	460,268
Intangibles	124,999	0	0	124,999
Land Improvements	2,420,120	154,582	0	2,574,702
Machinery and Equipment	72,022	21,387	0	93,409
Office Equipment	20,924	236	0	21,160
Vehicles	87,864	9,645	0	97,509
Paved Roads	4,834,762	192,024	0	5,026,786
Unpaved Roads	44,118	1,521	0	45,639
Total Accumulated Depreciation	8,014,598	429,874	0	8,444,472
Total Capital Assets, Being Depreciated, Net	4,649,239	(241,304)	0	4,407,935
Governmental Activities Capital Assets, Net	\$ 5,721,938	\$ (241,304)	\$ 0	5,480,634
 Internal Service Fund Net Capital Assets				244,832
Net Capital Assets per Statement of Net Position				<u><u>\$ 5,725,466</u></u>

Business – Type Activities

	Beginning Balance	Increases	Decreases	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	0	0	4,057,488
Treatment System	2,357,025	0	0	2,357,025
Total Capital Assets, Sewer, Being Depreciated	6,910,678	0	0	6,910,678
Less Accumulated Depreciation for:				
Machinery and Equipment	377,512	22,277	0	399,789
Sewer Connection Lines	1,774,028	79,527	0	1,853,555
Treatment System	1,544,851	58,579	0	1,603,430
Total Accumulated Depreciation, Sewer	3,696,391	160,383	0	3,856,774
Total Capital Assets, Sewer, Being Depreciated, Net	3,214,287	(160,383)	0	3,053,904
Sewer Capital Assets, Net	3,672,378	(160,383)	0	3,511,995

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

	Beginning Balance	Increases	Decreases	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	0	0	4,444,232
Meters	177,039	0	0	177,039
Tower	1,766,464	0	0	1,766,464
Wells and Control Building	2,770,149	26,638	0	2,796,787
Total Capital Assets, Water, Being Depreciated	9,942,660	26,638	0	9,969,298
Less Accumulated Depreciation for:				
Buildings	97,429	7,463	0	104,892
Intangible	125,267	0	0	125,267
Land Improvements	17,847	3,357	0	21,204
Machinery and Equipment	119,322	12,121	0	131,443
Mains and Connections	1,597,126	86,084	0	1,683,210
Meters	171,093	870	0	171,963
Tower	1,131,172	78,926	0	1,210,098
Wells and Control Building	1,134,485	59,994	0	1,194,479
Total Accumulated Depreciation, Water	4,393,741	248,815	0	4,642,556
Total Capital Assets, Water, Being Depreciated, Net	5,548,919	(222,177)	0	5,326,742
Water Capital Assets, Net	5,591,419	(222,177)	0	5,369,242
Total Capital Assets, Net Business-Type Activities	\$ 9,263,797	\$ (382,560)	\$ 0	\$ 8,881,237

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Governmental Activities:

General Government	\$ 24,902
Public Safety	14,495
Public Works	292,132
Recreation and Culture	49,570
Community and Economic Development	<u>48,775</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 429,874</u></u>

Business-Type Activities:

Sewer	\$ 160,383
Water	<u>248,815</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 409,198</u></u>

Discretely Presented Component Units

Evert Housing Commission

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 35,851	\$ 0	\$ 0	\$ 35,851
Capital Assets Being Depreciated				
Land Improvements	764,519	17,623	0	782,142
Building and Improvements	4,261,145	53,480	0	4,314,625
Equipment	<u>266,478</u>	<u>63,562</u>	<u>35,221</u>	<u>294,819</u>
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,292,142	134,665	35,221	5,391,586
Less Accumulated Depreciation	<u>4,317,478</u>	<u>170,631</u>	<u>32,704</u>	<u>4,455,405</u>
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	<u>974,664</u>	<u>(35,966)</u>	<u>2,517</u>	<u>936,181</u>
Evert Housing Commission Capital Assets, Net	<u><u>1,010,515</u></u>	<u><u>(35,966)</u></u>	<u><u>2,517</u></u>	<u><u>972,032</u></u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

<u>Discretely Presented Component Units</u>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Downtown Development Authority</u>				
Capital Assets, Not Being Depreciated				
Land	34,392	0	23,292	11,100
Capital Assets Being Depreciated				
Buildings	50,000	0	0	50,000
Building Improvements	37,389	11,056	0	48,445
Furniture and Fixtures	10,500	0	0	10,500
Equipment	6,488	0	0	6,488
Total Capital Assets, DDA, Being Depreciated	104,377	11,056	0	115,433
Less Accumulated Depreciation for:				
Buildings	23,750	0	0	23,750
Building Improvements	16,156	2,982	0	19,138
Furniture and Fixtures	10,500	0	0	10,500
Equipment	1,162	820	0	1,982
Total Accumulated Depreciation, DDA	51,568	3,802	0	55,370
Total Capital Assets, DDA, Being Depreciated, Net	52,809	7,254	0	60,063
DDA Capital Assets, Net	87,201	7,254	23,292	71,163

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

<u>Local Development Finance Authority</u>	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital Assets, Not Being Depreciated				
Land	627,736	0	30,000	597,736
Capital Assets Being Depreciated				
Buildings	441,145	0	0	441,145
Building Improvements	125,000	0	0	125,000
Equipment	19,926	1,710	0	21,636
Furniture and Fixtures	9,000	0	0	9,000
Total Capital Assets, LDFA, Being Depreciated	595,071	1,710	0	596,781
Less Accumulated Depreciation for:				
Buildings	229,768	17,279	0	247,047
Building Improvements	62,500	0	0	62,500
Equipment	19,924	28	0	19,952
Furniture and Fixtures	9,000	0	0	9,000
Total Accumulated Depreciation, LDFA	321,192	17,307	0	338,499
Total Capital Assets, LDFA, Being Depreciated, Net	273,879	(15,597)	0	258,282
LDFA Capital Assets, Net	901,615	(15,597)	30,000	856,018
Total Capital Assets, Net, Component Units	\$ 1,999,331	\$ (44,309)	\$ 55,809	\$ 1,899,213

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

Governmental Activities:

Community and Economic Development	\$ 21,109
------------------------------------	-----------

Business-Type Activities:

Housing Commission	\$ 170,631
--------------------	------------

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

C. Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at June 30, 2017, were:

<u>Primary Government</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 2,871	\$ 45,215
Special Revenue Funds		
Major Street Fund	3,050	2,544
Local Street Fund	3,709	641
Library Fund	2,068	0
Permanent Fund		
Cemetery Perpetual Care	0	17
Enterprise Funds		
Water Supply System	14,439	10,497
Sewage Disposal System	15,637	9,162
Internal Service Fund		
Equipment Pool	28,535	113
Fiduciary Fund		
Tax Collection Fund	0	2,120
	<hr/>	<hr/>
Total Primary Government	\$ 70,309	\$ 70,309

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, 2017, 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.

The City had no transfers during the fiscal year 2016-2017.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017:

Governmental Activities:

	<u>OTHER DEBT</u>	<u>NET PENSION LIABILITY</u>	<u>TOTAL</u>
Debt Payable at July 1, 2016 (As Restated)	\$ 77,450	\$ 334,805	\$ 412,255
Debt Retired	(7,500)	(52,110)	(59,610)
New Debt Issued	7,547	0	7,547
Debt Payable at June 30, 2017	\$ 77,497	\$ 282,695	\$ 360,192
Due Within One Year	\$ 8,000	Unknown	\$ 8,000

Debt payable at June 30, 2017, 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 \$8,000 to \$9,000 through July 1, 2020, interest at 2.79% \$ 25,500

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) 51,997

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 282,695

\$ 360,192

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The annual requirements to amortize all debt outstanding, including interest payments of \$1,471 for the governmental activities as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,000	\$ 721	\$ 8,721
2019	8,500	495	8,995
2020	9,000	255	9,255
TOTAL	\$ 25,500	\$ 1,471	\$ 26,971

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>OTHER</u>	<u>NET</u>	
	<u>BONDS</u>	<u>DEBT</u>	<u>PENSION</u>	<u>TOTAL</u>
			<u>LIABILITY</u>	
Debt Payable at July 1, 2016 (As Restated)	\$ 112,000	\$ 41,395	\$ 270,281	\$ 423,676
Debt Retired	(55,000)	(41,395)	(28,354)	(124,749)
New Debt Issued	0	0	0	0
Debt Payable at June 30, 2017	\$ 57,000	\$ 0	\$ 241,927	\$ 298,927
Due Within One Year	\$ 28,000	\$ 0	Unknown	\$ 28,000

Debt payable at June 30, 2017, is comprised of the following individual issues:

Business-Type Activities:

Revenue Bonds

\$294,000 Sewage Disposal System FMHA Bonds due in semi-annual installments of \$28,000 to \$29,000 through July 1, 2018; interest at 2.10% to 2.20% \$ 57,000

Net Pension Liability

The difference between the total pension liability for the business-type activities and the pension investment net position 241,927

\$ 298,927

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The annual requirements to amortize all debt outstanding, including interest payments of \$932 for the business-type activities as of June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 28,000	\$ 613	\$ 28,613
2019	29,000	319	29,319
TOTAL	\$ 57,000	\$ 932	\$ 57,932

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

2. *Discretely Presented Component Unit*

The following is a summary of debt transactions of the Evart Local Development Finance Authority for the year ended June 30, 2017:

	<u>NET PENSION LIABILITY</u>
Debt Payable at July 1, 2016	\$ 271,675
Debt Retired	(13,336)
New Debt Issued	18,973
Debt Payable at June 30, 2017	<u>\$ 277,312</u>
Due Within One Year	<u>Unknown</u>

The Evart Housing Commission has \$21,033 in compensated absences, with \$15,573 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, 2017 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$ 7,727	\$ 4,004	\$ 11,731
2019	7,898	3,833	11,731
2020	164,378	622	165,000
Total Lease Payments	\$ 180,003	\$ 8,459	\$ 188,462

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. OTHER INFORMATION

A. Employee Retirement Systems

Primary Government

Plan Description:

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

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

Benefits Provided

	<u>2016 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, 2016, 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>10</u>
Total employees covered by MERS	<u><u>26</u></u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 6.19% 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.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2016 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, 2016 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.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2016. 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.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	\$ 2,102,342	\$ 1,497,256	\$ 605,086
Service cost	41,621	0	41,621
Interest	164,942	0	164,942
Difference between expected and actual experience	(11,775)	0	(11,775)
Change in assumptions	(98,523)	0	(98,523)
Contributions - employer	0	(32,169)	32,169
Contributions - employee	0	43,402	(43,402)
Net investment income	0	168,829	(168,829)
Benefit payments, including refunds	(122,754)	(122,754)	0
Administrative expenses	0	(3,333)	3,333
Other Changes	0	0	0
Net changes	<u>(26,489)</u>	<u>53,975</u>	<u>(80,464)</u>
Balance at December 31, 2016	\$ 2,075,853	\$ 1,551,231	\$ 524,622

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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%
\$ 767,106	\$ 524,622	\$ 321,055

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

For the year ended June 30, 2017, the City recognized pension expense of \$20,875. At June 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 56,209	\$ 0
Employer contributions to the plan subsequent to the measurement date	37,811	0
Changes of assumptions in pension plan	49,833	0
Difference between expected and actual experience	7,149	78,818
Total	<u>\$ 151,002</u>	<u>\$ 78,818</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, 2018.

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>
2018	\$ 23,454
2019	23,454
2020	17,899
2021	(30,434)
	<u>\$ 34,373</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Benefits Provided

	<u>2016 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, 2016 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	1
	<hr/>
Total employees covered by MERS	3
	<hr/> <hr/>

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 79.13% based on annual payroll for open divisions.

Net Pension Liability

The LDFA's net pension liability was measured as of December 31, 2016 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.

Changes in Net Pension Liability

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	<u>\$ 506,608</u>	<u>\$ 234,933</u>	<u>\$ 271,675</u>
Service cost	3,377	0	3,377
Interest	39,210	0	39,210
Difference between expected and actual experience	1,325	0	1,325
Change in assumptions	0	0	0
Contributions - employer	0	13,336	(13,336)
Net investment income	0	25,443	(25,443)
Benefit payments, including refunds	(36,340)	(36,340)	0
Administrative expenses	0	(504)	504
Other Changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	<u>7,572</u>	<u>1,935</u>	<u>5,637</u>
Balance at December 31, 2016	<u>\$ 514,180</u>	<u>\$ 236,868</u>	<u>\$ 277,312</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
\$ 324,842	\$ 277,312	\$ 236,070

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

For the year ended June 30, 2017, the LDFA recognized pension expense of \$21,621. At June 30, 2017, the LDFA reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 10,051	\$ 0
Employer contributions to the plan subsequent to the measurement date	13,837	0
Difference between expected and actual experience	662	0
Total	<u>\$ 24,550</u>	<u>\$ 0</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, 2018.

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>
2018	\$ 4,830
2019	4,168
2020	3,233
2021	(1,518)
	<u>\$ 10,713</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

B. Risk Management

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

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

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

C. Statement of Cash Flows

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

D. Commitments and Contingencies

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

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

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, 2017 related to these subsequent events. These agreements include:

1. The City purchased a dump truck and a Ford Expedition in the amounts of \$55,714 and \$7,000, respectively.
2. The City was approved for a grant up to \$276,435 from the Michigan Economic Development Corporation for the construction and installation of a new splashpad and pavilion. The grant will cover up to 65% of the project costs and the City will be responsible for the remaining costs.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

3. The City has agreed to reimburse the Evert Fire Department for the paving of the alley behind the Fire Station in the amount of \$5,037.
4. The City accepted a bid from Gerber Construction Company, Inc. for the Sewer and Water replacement on South Hemlock Street. The total cost of this project will be approximately \$361,000.
5. The City entered into an agreement to swap land parcels with Blarney Castle Oil Co. The City will exchange a parcel on North Oak Street for a parcel on East 7th Street. This will be a one for one swap and no money will exchange hands.

F. Joint Venture - Evert Area Joint Fire Department

The City is a member of the Evert Area Joint Fire Department. The Joint Fire Department is a joint venture of the City of Evert, and the townships of Evert, Orient, Osceola, and Sylvan. The City contributed \$31,824 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.

G. Prior Period Adjustment

During the 2016-17 fiscal year, the City was issued a large credit for prior years from the Municipal Employees' Retirement System. Due to the material nature of the credit, a prior period adjustment was necessary, which increased the prior year's fund balance at June 30, 2016.

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
Fund Balance - June 30, 2016 - As previously reported	\$ 884,192	\$ 249,013	\$ 102,591
Adjustment for credit issued by MERS	<u>28,261</u>	<u>1,771</u>	<u>1,109</u>
Fund Balance - June 30, 2016 - As restated	<u>\$ 912,453</u>	<u>\$ 250,784</u>	<u>\$ 103,700</u>

The credit issued by MERS also affected the Internal Service Fund's net position, increasing it by the credit amount at June 30, 2016.

	<u>Internal Service Fund</u>
Net Position - June 30, 2016 - As previously reported	\$ 345,445
Adjustment for credit issued by MERS	<u>2,742</u>
Net Position - June 30, 2016 - As restated	<u>\$ 348,187</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Water Supply Fund and Sewage Disposal Fund were also affected by the MERS credit. In addition, the prior year's net pension liability and other pension related balances were incorrect. These amounts were material and required a prior period adjustment. The net effect of these changes on the beginning net position was a decrease to the Water Supply Fund and an increase to the Sewage Disposal Fund.

	<u>Water Supply Fund</u>	<u>Sewage Disposal Fund</u>
Net position - June 30, 2016 - As previously reported	\$ 6,307,465	\$ 3,876,991
Adjustment for MERS Credit	(40,572)	10,572
Adjustment for Pension Related Items	14,253	30,999
Net position - June 30, 2016 - As restated	<u>\$ 6,281,146</u>	<u>\$ 3,918,562</u>

The net pension liability and other related pension balances were incorrect in the prior year for the governmental activities and business-type activities on the government-wide statements. The net effect of these changes was an increase to the net position for June 30, 2016.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position - June 30, 2016 - As previously reported	\$ 7,244,219	\$ 10,137,719
Adjustment for MERS Credit	33,883	(30,000)
Adjustment for Pension Related Items	9,573	45,252
Net position - June 30, 2016 - As restated	<u>\$ 7,287,675</u>	<u>\$ 10,152,971</u>

H. Act 51 Compliance

As required by Public Act 298 of 2012, the City is required to obtain assurance that it is in compliance with all of the provisions of Act 51. Various procedures were performed and it has been determined that the City is in compliance with all of the provisions set forth by Act 51.

I. GASB Statement No. 77

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and is effective for the City's 2017 year-end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement is intended to enhance the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future. The City has evaluated the effects of this statement and has determined that there is one disclosure required related to this statement that is listed below.

1. Industrial Facilities Exemption

The City of Evart enters into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Act 198 of 1974, as amended (Industrial Facilities Exemption). Under the act, localities may grant property tax abatement incentives of up to 50 percent to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities and to promote the establishment of high tech facilities.

An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the City of Evart. Applications are filed, reviewed and approved by the City of Evart, but are also subject to review at the State of Michigan. To be eligible for abatement, the industrial facility must be designed and acquired primarily for the purpose of restoration or replacement of obsolete industrial property or the construction of new industrial property. The method for determining the abatement is calculated at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$3,609 under this program.

J. Upcoming Pronouncements

1. Governmental Accounting Standards Board (GASB) Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

This statement is effective for fiscal years beginning after June 15, 2017. However, early implementation is encouraged. The City is evaluating the effects this statement will have on the City's net position.

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	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	\$ 577,900	\$ 577,900	\$ 561,807	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	12,275	12,275	18,083	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0	0	0
State Grants	169,350	169,350	246,570	124,000	124,000	166,394	45,000	45,000	50,858
Contributions From Local Units	0	0	22,429	0	0	0	0	0	0
Charges for Services	102,225	102,225	129,806	0	0	0	0	0	0
Fines and Forfeits	4,560	4,560	6,976	0	0	0	0	0	0
Interest and Rents	15,275	15,275	28,933	0	0	278	0	0	244
Other Revenue	13,150	13,100	38,264	5,000	5,000	16,230	0	0	0
Total Revenues	894,735	894,685	1,052,868	129,000	129,000	182,902	45,000	45,000	51,102
<u>Expenditures</u>									
General Government									
City Council	7,650	8,040	8,036	0	0	0	0	0	0
Mayor	2,350	0	0	0	0	0	0	0	0
City Manager	30,000	28,460	28,322	0	0	0	0	0	0
Elections	7,650	2,435	2,141	0	0	0	0	0	0
Professional Services	8,000	6,050	6,050	0	0	0	0	0	0
Treasurer	43,500	33,112	32,805	0	0	0	0	0	0
Assessor	1,000	24,215	26,181	0	0	0	0	0	0
Attorney	11,050	11,050	10,876	0	0	0	0	0	0
Clerk	22,900	21,200	21,055	0	0	0	0	0	0
Board of Review	1,450	1,200	1,130	0	0	0	0	0	0
Building and Grounds	57,165	65,628	122,630	0	0	0	0	0	0
Cemetery	29,250	57,430	52,979	0	0	0	0	0	0
Public Safety									
Police	290,300	237,970	228,354	0	0	0	0	0	0
Fire Protection	31,824	31,824	31,824	0	0	0	0	0	0
Public Works									
Landfill	2,000	1,300	1,230	0	0	0	0	0	0
Department of Public Works	55,300	46,085	46,098	0	0	0	0	0	0
Downtown Development Authority	8,500	705	0	0	0	0	0	0	0

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	GENERAL FUND			MAJOR STREET FUND			LOCAL STREET FUND		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Local Development Finance Authority	0	8,500	0	0	0	0	0	0	0
Airport	17,000	9,150	8,640	0	0	0	0	0	0
Trees	11,900	11,000	10,828	0	0	0	0	0	0
Street Lighting	33,500	32,550	30,435	0	0	0	0	0	0
Refuse Service	84,000	75,000	87,081	0	0	0	0	0	0
Street Department	0	0	0	98,105	98,105	57,428	44,900	44,900	63,521
Community and Economic Development									
Planning and Zoning	1,000	0	0	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	34,815	49,000	206,487	0	0	0	0	0	0
Other Functions									
Fringe Benefits	80,700	105,000	94,388	0	0	0	0	0	0
Liability and Workers Comp Insurance	3,000	3,000	2,153	0	0	0	0	0	0
Special Events	4,250	4,100	2,937	0	0	0	0	0	0
Miscellaneous	1,000	7,000	7,067	0	0	0	0	0	0
Debt Service									
Principal	0	0	7,500	0	0	0	0	0	0
Interest	0	0	929	0	0	0	0	0	0
Total Expenditures	881,054	881,004	1,078,156	98,105	98,105	57,428	44,900	44,900	63,521
Excess (Deficiency) of Revenues									
Over Expenditures	13,681	13,681	(25,288)	30,895	30,895	125,474	100	100	(12,419)
<u>Other Financing Sources (Uses)</u>									
Transfers In	0	0	0	0	0	0	20,000	20,000	0
Transfers Out	0	0	0	(20,000)	(20,000)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(20,000)	(20,000)	0	20,000	20,000	0
Net Change in Fund Balance	13,681	13,681	(25,288)	10,895	10,895	125,474	20,100	20,100	(12,419)
FUND BALANCE - Beginning of Year (As Restated)	878,990	878,990	912,453	249,012	249,012	250,784	102,591	102,591	103,700
FUND BALANCE - End of Year	\$ 892,671	\$ 892,671	\$ 887,165	\$ 259,907	\$ 259,907	\$ 376,258	\$ 122,691	\$ 122,691	\$ 91,281

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

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

JUNE 30,

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

JUNE 30,

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

CITY OF EVART
EVART, MICHIGAN

PRIMARY GOVERNMENT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Primary Government</u>										
Actuarial Determined Contributions	\$ (32,169)	\$ 74,259	\$ 65,091	\$ 66,183	\$ 69,830	\$ 60,965	\$ 63,685	\$ 83,664	\$ 87,512	\$ 64,163
Contributions in Relation to the Actuarially Determined Contribution	(32,169)	74,259	65,091	66,183	69,830	60,965	63,685	83,664	87,512	64,163
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 464,691	\$ 522,587	\$ 440,709	\$ 581,523	\$ 513,593	\$ 560,944	\$ 540,032	\$ 644,280	\$ 611,536	\$ 549,539
Contributions as a Percentage of Covered Employee Payroll	-7%	14%	15%	11%	14%	11%	12%	13%	14%	12%
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									

During the Fiscal year 2017, the City was awarded a large credit by MERS, creating a negative contribution by the City.

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT - LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Component Unit - LDFA</u>										
Actuarial Determined Contributions	\$ 13,336	\$ 11,160	\$ 11,152	\$ 13,726	\$ 8,972	\$ 5,242	\$ 10,186	\$ 26,716	\$ 21,153	\$ 9,689
Contributions in Relation to the Actuarially Determined Contribution	13,336	11,160	11,152	13,726	8,972	5,242	10,186	26,716	21,153	9,689
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 26,297	\$ 25,758	\$ 28,381	\$ 37,648	\$ 36,534	\$ 36,200	\$ 33,315	\$ 115,874	\$ 112,746	\$ 80,927
Contributions as a Percentage of Covered Employee Payroll	51%	43%	39%	36%	25%	14%	31%	23%	19%	12%

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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF EVART
EVART, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2017

	Special Revenue Fund	Capital Project Funds		Permanent Fund	Total Non-Major Governmental Funds
	Library	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1	\$ 26,943	\$ 0	\$ 26,944
Restricted Cash	0	0	0	138,945	138,945
Due from Other Funds	2,068	0	0	0	2,068
TOTAL ASSETS	\$ 2,068	\$ 1	\$ 26,943	\$ 138,945	\$ 167,957
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,068	\$ 0	\$ 0	\$ 0	\$ 2,068
Due to Other Funds	0	0	0	17	17
TOTAL LIABILITIES	\$ 2,068	\$ 0	\$ 0	\$ 17	\$ 2,085
<u>FUND BALANCE</u>					
Nonspendable:					
Endowment	0	0	0	138,928	138,928
Assigned					
Police Vehicle Replacement	0	1	0	0	1
Fire Vehicle Replacement	0	0	26,943	0	26,943
Total Fund Balance	0	1	26,943	138,928	165,872
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,068	\$ 1	\$ 26,943	\$ 138,945	\$ 167,957

CITY OF EVART
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2017

	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	\$ 33,454	\$ 0	\$ 0	\$ 0	\$ 33,454
Interest and Rents	0	0	266	0	266
Other	0	0	0	800	800
 Total Revenues	 33,454	 0	 266	 800	 34,520
<u>EXPENDITURES</u>					
Recreation and Culture					
Library	33,454	0	0	0	33,454
 Net Change in Fund Balance	 0	 0	 266	 800	 1,066
<u>FUND BALANCE</u> - Beginning of Year	0	1	26,677	138,128	164,806
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 26,943</u>	<u>\$ 138,928</u>	<u>\$ 165,872</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 82,865	\$ 46,859	\$ 129,724
Prepaid Expenditures	2,400	0	2,400
TOTAL ASSETS	<u>\$ 85,265</u>	<u>\$ 46,859</u>	<u>\$ 132,124</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,010	\$ 18,187	\$ 21,197
Due to Other Governments	0	4,370	4,370
Accrued Payroll	1,499	531	2,030
Deferred Revenue	7,090	0	7,090
Total Liabilities	<u>11,599</u>	<u>23,088</u>	<u>34,687</u>
 <u>FUND BALANCE</u>			
Nonspendable			
Prepaid Expenditures	2,400	0	2,400
Unassigned	71,266	23,771	95,037
Total Fund Balance	<u>73,666</u>	<u>23,771</u>	<u>97,437</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 85,265</u>	<u>\$ 46,859</u>	<u>\$ 132,124</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS

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

JUNE 30, 2017

	<u>Downtown Development Authority</u>	<u>Local Development Finance Authority</u>	<u>Total</u>
<u>REVENUES</u>			
Taxes	\$ 3,459	\$ 49,271	\$ 52,730
Local Contributions	11,056	0	11,056
Interest and Rents	965	31,267	32,232
State Sources	68,395	8,341	76,736
Other Sources			
Donations	15,140	0	15,140
Refunds and Reimbursements	1,906	0	1,906
Other Revenues	21,498	0	21,498
Total Revenues	122,419	88,879	211,298
<u>EXPENDITURES</u>			
Operating			
Community and Economic Development	89,853	91,127	180,980
Excess (Deficiency) of Revenues Over Expenditures	32,566	(2,248)	30,318
<u>FUND BALANCE</u> - Beginning of Year	41,100	26,019	67,119
<u>FUND BALANCE</u> - End of Year	\$ 73,666	\$ 23,771	\$ 97,437

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 82,865
Prepaid Expenditures	<u>2,400</u>
 TOTAL ASSETS	 <u>\$ 85,265</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,010
Accrued Wages	1,499
Unearned Revenue	<u>7,090</u>
 Total Liabilities	 <u>11,599</u>
 <u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	2,400
Unassigned	<u>71,266</u>
 Total Fund Balance	 <u>73,666</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 85,265</u>

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2017

	<u>General</u>
<u>REVENUES</u>	
Taxes	\$ 3,459
Local Contributions	11,056
Interest and Rents	965
State Sources	68,395
Other Sources	
Donations	15,140
Refunds and Reimbursements	1,906
Other Revenues	<u>21,498</u>
 Total Revenues	 122,419
 <u>EXPENDITURES</u>	
Operating	
Community and Economic Development	<u>89,853</u>
 Excess (Deficiency) of Revenues Over Expenditures	 32,566
 <u>FUND BALANCE</u> - Beginning of Year	 <u>41,100</u>
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 73,666</u>

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 46,859</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 18,187
Due to Other Governments	4,370
Accrued Wages	<u>531</u>
 TOTAL LIABILITIES	 23,088
 <u>FUND BALANCE</u>	
Unassigned	<u>23,771</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 46,859</u>

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2017

	<u>General</u>
<u>REVENUES</u>	
Taxes	\$ 49,271
Interest and Rents	31,267
State Sources	<u>8,341</u>
Total Revenues	88,879
 <u>EXPENDITURES</u>	
Operating	
Community and Economic Development	<u>91,127</u>
Net Change in Fund Balance	(2,248)
 <u>FUND BALANCE</u> - Beginning of Year	<u>26,019</u>
 <u>FUND BALANCE</u> - End of Year	<u>\$ 23,771</u>

CITY OF EVART
EVART, MICHIGAN

2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

JUNE 30, 2017

<u>TITLE OF ISSUE</u>	2012 Limited Tax General Obligation Refunding Bonds		
<u>PURPOSE</u>	Construction of Sanitary Sewage Disposal System including treatment, collection and lift station.		
<u>DATE OF ISSUE</u>	September 20, 2012		
<u>AMOUNT OF ISSUE</u>		\$	294,000
<u>AMOUNT REDEEMED</u>			
Prior to Current Period	\$	182,000	
During Current Period		55,000	237,000
<u>BALANCE OUTSTANDING - June 30, 2017</u>		\$	57,000

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
January 1, 2018	2.10%	\$ 28,613	\$ 613	\$ 28,000
July 1, 2018	2.20%	29,319	319	29,000
		\$ 57,932	\$ 932	\$ 57,000

