

CITY OF EVART, MICHIGAN

JUNE 30, 2016



CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF EVART, MICHIGAN
JUNE 30, 2016

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October 20, 2016

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Evert, 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 Evert, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Evert Housing Commission, which represents 7 percent, 7 percent, and 18 percent, respectively, of the assets, net position, and revenues of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. 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 Evart, Michigan as of June 30, 2016, 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 Net Position

As described in Note IV.E to the financial statements, the beginning net position in the Sewage Disposal Fund was increased to account for an overstatement of interest expense and the beginning net position of the Local Development Finance Authority was decreased to account for the implementation of GASB Statement No. 68 as of June 30, 2016. This resulted in an increase to the beginning net position of the Business-Type Activities and a decrease to the net position of the Component Units. 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 on pages iv through xii and 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evart, 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, major component unit's financial statements, and other information section 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, major component unit's financial statements, and other information section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, 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, 2016

Management's Discussion and Analysis

The management of the City of Evert, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016, 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 of the City exceeded its liabilities at the close of the most recent fiscal year by \$17,381,938 (*Net Position*). Of this amount, \$1,991,323 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 \$1,400,602, of which \$829,544 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 \$884,192.
- The City's total outstanding long-term debt, including a capital lease payable, increased by \$109,091 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, 2016

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

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

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

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

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

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

The City maintains nine 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.

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

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2016

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 Township in a custodial capacity for other governments.

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 18-48 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 \$17,381,938 at the close of the most recent fiscal year.

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

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2016

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
			<u>(Restated)</u>		<u>(Restated)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 1,737,001	\$ 1,790,960	\$ 1,179,391	\$ 1,090,605	\$ 2,916,392	\$ 2,881,565
Non Current Assets	6,012,306	6,405,861	9,263,797	9,427,267	15,276,103	15,833,128
Total Assets	7,749,307	8,196,821	10,443,188	10,517,872	18,192,495	18,714,693
Deferred Outflows of Resources	142,854	31,006	103,445	22,454	246,299	53,460
Current Liabilities	47,039	389,442	69,778	65,822	116,817	455,264
Long-Term Liabilities	600,903	474,931	339,136	330,180	940,039	805,111
Total Liabilities	647,942	864,373	408,914	396,002	1,056,856	1,260,375
Net Position:						
Net Investment in Capital Assets	5,791,743	6,170,402	9,110,402	9,180,253	14,902,145	15,350,655
Restricted	488,470	408,924	0	0	488,470	408,924
Unrestricted	964,006	784,128	1,027,317	964,071	1,991,323	1,748,199
Total Net Position	\$ 7,244,219	\$ 7,363,454	\$ 10,137,719	\$ 10,144,324	\$ 17,381,938	\$ 17,507,778

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 \$488,470, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,991,323, 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 \$125,840 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, 2016

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

	City of Evart Change in Net Position for the Fiscal Year Ended June 30,					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>(Restated) 2015</u>	<u>2016</u>	<u>(Restated) 2015</u>
Revenues						
Program Revenues						
Charges for Services	\$ 153,006	\$ 126,403	\$ 1,263,287	\$ 1,318,167	\$ 1,416,293	\$ 1,444,570
Operating Grants and Contributions	240,257	292,978	0	0	240,257	292,978
Capital Grants and Contributions	17,853	984,135	0	0	17,853	984,135
General Revenues						
Taxes	604,894	613,694	0	0	604,894	613,694
State Grants	168,129	169,076	0	0	168,129	169,076
License and Permits	16,408	14,968	0	0	16,408	14,968
Interest Earnings	25,761	20,775	14,729	12,001	40,490	32,776
Other Revenues	91,569	48,227	14,821	38,283	106,390	86,510
Total Revenues	1,317,877	2,270,256	1,292,837	1,368,451	2,610,714	3,638,707
Expenses						
General Government	237,744	189,479	0	0	237,744	189,479
Public Safety	309,779	324,507	0	0	309,779	324,507
Public Works	623,022	537,618	0	0	623,022	537,618
Recreation and Culture	130,456	65,116	0	0	130,456	65,116
Community and Economic Development	51,328	114,809	0	0	51,328	114,809
Other Functions	83,641	74,885	0	0	83,641	74,885
Debt Service	1,142	1,341	0	0	1,142	1,341
Water and Sewer	0	0	1,299,442	1,408,640	1,299,442	1,408,640
Total Expenses	1,437,112	1,307,755	1,299,442	1,408,640	2,736,554	2,716,395
Change in Net Position	(119,235)	962,501	(6,605)	(40,189)	(125,840)	922,312
Beginning Net Position (As Restated)	7,363,454	6,400,953	10,144,324	10,184,513	17,507,778	16,585,466
Ending Net Position	<u>\$7,244,219</u>	<u>\$7,363,454</u>	<u>\$10,137,719</u>	<u>\$10,144,324</u>	<u>\$17,381,938</u>	<u>\$17,507,778</u>

CITY OF EVART, MICHIGAN

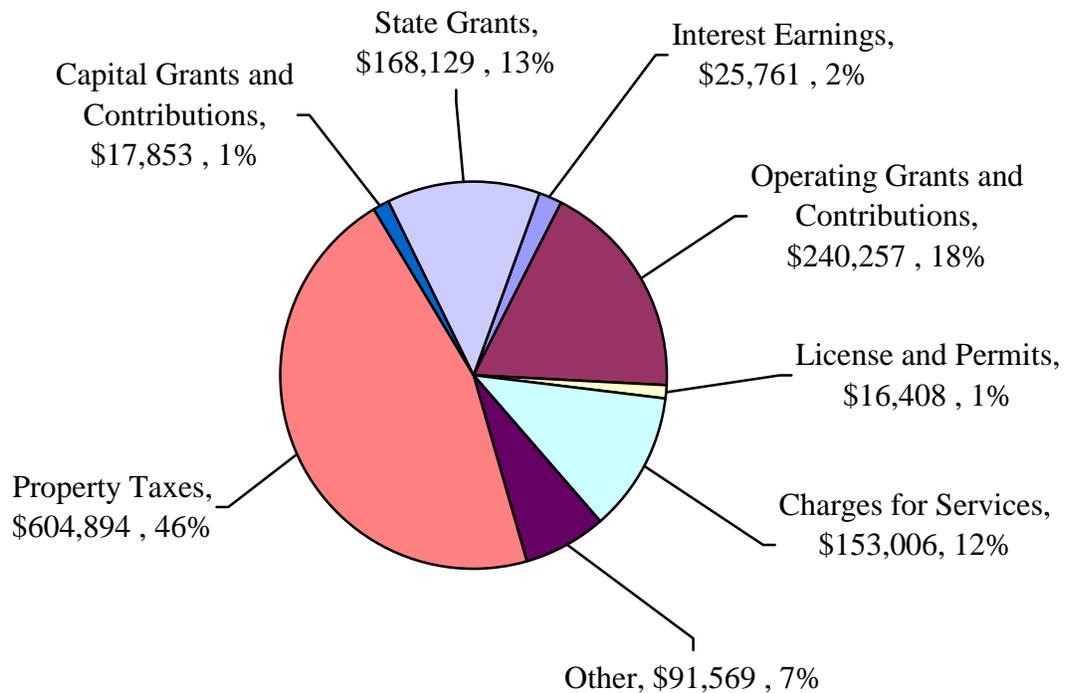
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2016

Governmental Activities

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2016:

**Revenues - Governmental Activities
Fiscal Year Ended June 30, 2016**



A significant portion of the revenue for all governmental activities of the City of Ewart comes from Property Taxes (46%). The City's operating and library millage remained the same in 2015 at 14.5539 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 2015-2016 year, the City received capital grants in the amount of \$17,853. This represents 1% of the total revenue for all governmental activities and was used for 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 2016, 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, 2016

The City's governmental activities expenses are dominated by the Public Works expenses that total \$623,022 in FY2016. Public Safety represented the next largest expense at \$309,779.

Business-Type Activities

These activities accounted for a decrease of \$6,605 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, 2016, its governmental funds reported fund balances of \$1,400,602. \$829,544 of this amount is unassigned.

General Fund – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$179,810, bringing the balance to \$884,192.

Major Street Fund – The Major Street Fund increased its fund balance in this fiscal year by \$44,639, bringing the balance to \$249,013, which is restricted for street improvements.

Local Street Fund – The Local Street Fund increased its fund balance in this fiscal year by \$34,055, bringing the balance to \$102,591, which is restricted for street improvements.

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 \$757,441 in unrestricted net position. Operating revenues decreased from \$699,506 in 2015 to \$635,314. The net position of the fund decreased by \$114,498.

Sewer Fund – The Sewer Fund ended this fiscal year with \$316,613 in unrestricted net position. Operating revenues increased from \$618,661 in 2015 to \$627,973. The net position of the fund increased by \$110,907.

General Fund Budgetary Highlights

During the year, there was a decrease of \$600 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, 2016

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	\$ 887,384	\$ 887,384	\$ 1,042,553
Total Expenditures	\$ 871,812	\$ 871,212	\$ 862,743

Original Budget compared to the Final Budget is comparable. The difference between final budgeted revenues compared to actual is primarily due to other revenue. The City did not budget for the personal property tax reimbursement from the State and a workers' compensation reimbursement. The actual expenditures compared to final budget are quite comparable, with variances spread across departments.

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, 2016, amounted to \$15,276,103 (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 Evert
Capital Assets as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 1,072,699	\$ 1,072,699	\$ 500,591	\$ 500,591	\$ 1,573,290	\$ 1,573,290
Buildings	2,312,858	2,312,858	393,653	393,653	2,706,511	2,706,511
Intangibles	125,000	138,488	125,267	125,267	250,267	263,755
Land Improvements	4,056,044	4,040,854	67,146	67,146	4,123,190	4,108,000
Machinery and Equipment	1,043,975	1,085,837	694,875	747,235	1,738,850	1,833,072
Office Equipment	21,160	42,877	0	0	21,160	42,877
Vehicles	123,402	112,217	0	0	123,402	112,217
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	3,949,846	4,057,488	3,949,846
Treatment System	0	0	2,357,025	2,387,281	2,357,025	2,387,281
Mains and Connections	0	0	4,444,232	4,325,714	4,444,232	4,325,714
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	2,770,149	2,770,149	2,770,149	2,770,149
Subtotal	14,561,558	14,612,250	17,353,929	17,210,385	31,915,487	31,822,635
Accumulated Depreciation	(8,549,252)	(8,206,389)	(8,090,132)	(7,783,118)	(16,639,384)	(15,989,507)
Net Capital Assets	\$ 6,012,306	\$ 6,405,861	\$ 9,263,797	\$ 9,427,267	\$ 15,276,103	\$ 15,833,128

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2016

Major capital asset events during fiscal year 2016 included the following:

- The City purchased a new police vehicle for approximately \$42,000.
- The City purchased a new Toolcat for approximately \$59,900.
- The City made improvements S. Oak St. sewer and water lines, at an approximate cost of \$226,000.
- The City made runway improvements at the Airport for approximately \$15,200.

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

Long-Term Debt. As of June 30, 2016, the City had total bonded debt outstanding of \$112,000. 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 Evert
Long Term Debt
as of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Compensated Absences	\$ 44,450	\$ 47,406	\$ 0	\$ 0	\$ 44,450	\$ 47,406
Contracts and Notes	33,000	40,500	41,395	82,791	74,395	123,291
Revenue Bonds	0	0	112,000	192,000	112,000	192,000
Capital Lease	187,563	194,959	0	0	187,563	194,959
Net Pension Liability	350,950	206,962	254,136	149,785	605,086	356,747
Total	<u>\$ 615,963</u>	<u>\$ 489,827</u>	<u>\$ 407,531</u>	<u>\$ 424,576</u>	<u>\$ 1,023,494</u>	<u>\$ 914,403</u>

Total long-term debt increased by \$109,091. 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 Evert

The City expects property taxes to remain at a fairly steady rate, along with other revenues. The City is constantly monitoring expenditures in order to keep a balanced budget and not overspend. As revenues have steadily decreased over the past decade, the City continues to search for grant money to fund future projects.

These factors were considered in preparing the City's budgets for the 2016-2017 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 Evert, 200 S. Main, Evert, Michigan 49631, or call us at (231) 734-2181.

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

	<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	\$ 1,399,919	\$ 1,079,302	\$ 2,479,221	\$ 444,015
Restricted Cash	138,133	0	138,133	1,161
Receivables				
Taxes	4,595	0	4,595	0
Accounts	38,526	133,853	172,379	3,049
External Parties (Fiduciary Funds)	9,017	2,665	11,682	0
Due from Other Governments	75,996	0	75,996	0
Special Assessments	15,043	0	15,043	0
Internal Balances	46,737	(46,737)	0	0
Prepaid Expenses	9,035	10,308	19,343	11,176
Total Current Assets	1,737,001	1,179,391	2,916,392	459,401
<u>Non-Current Assets</u>				
Capital Assets	14,561,558	17,353,929	31,915,487	6,689,569
Less Accumulated Depreciation	(8,549,252)	(8,090,132)	(16,639,384)	(4,690,238)
Total Non Current Assets	6,012,306	9,263,797	15,276,103	1,999,331
Total Assets	7,749,307	10,443,188	18,192,495	2,458,732
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Subsequent Pension Contributions	21,057	15,249	36,306	7,687
Net Difference Between the Projected and Actual Pension Investment Earnings	77,730	56,287	134,017	21,808
Changes of Assumptions in Pension Plan Net Difference Between Expected and Actual Investment Earnings	38,538	27,906	66,444	11,928
	5,529	4,003	9,532	1,022
Total Deferred Outflows of Resources	142,854	103,445	246,299	42,445
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	18,925	514	19,439	23,669
Due to Other Governments	7	0	7	0
Accrued Payroll and Liabilities	4,415	2,986	7,401	71,862
Retainage Payable	0	4,000	4,000	0
Customer Deposits	712	1,803	2,515	0
Unearned Revenue	0	0	0	5,600
Internal Balances	7,920	(7,920)	0	0
Current Portion of Non Current Liabilities	15,060	68,395	83,455	11,975
Total Current Liabilities	47,039	69,778	116,817	113,106

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Non Current Liabilities</u>				
Bonds Payable	0	112,000	112,000	0
Installment Note Payable	33,000	0	33,000	0
Contracts Payable	0	41,395	41,395	0
Capital Lease Payable	187,563	0	187,563	0
Compensated Absences	44,450	0	44,450	17,231
Net Pension Liability	350,950	254,136	605,086	271,675
Less Current Portion of Non Current Liabilities	(15,060)	(68,395)	(83,455)	(11,975)
Total Non Current Liabilities	600,903	339,136	940,039	276,931
Total Liabilities	647,942	408,914	1,056,856	390,037
<u>NET POSITION</u>				
Net Investment in Capital Assets	5,791,743	9,110,402	14,902,145	1,999,331
Restricted for:				
Street Improvements	350,342	0	350,342	0
Debt Service	0	0	0	1,161
Perpetual Care - Permanently Restricted	138,128	0	138,128	0
Unrestricted	964,006	1,027,317	1,991,323	110,648
TOTAL NET POSITION	\$ 7,244,219	\$ 10,137,719	\$ 17,381,938	\$ 2,111,140

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<u>Primary Government</u>								
Governmental Activities								
General Government	\$ 237,744	\$ 54,926	\$ 14,642	\$ 0	\$ (168,176)	\$ 0	\$ (168,176)	\$ 0
Public Safety	309,779	9,200	1,557	17,853	(281,169)	0	(281,169)	0
Public Works	623,022	88,880	220,558	0	(313,584)	0	(313,584)	0
Recreation and Culture	130,456	0	3,500	0	(126,956)	0	(126,956)	0
Community and Economic Development	51,328	0	0	0	(51,328)	0	(51,328)	0
Other Functions	83,641	0	0	0	(83,641)	0	(83,641)	0
Debt Service	1,142	0	0	0	(1,142)	0	(1,142)	0
Total Governmental Activities	1,437,112	153,006	240,257	17,853	(1,025,996)	0	(1,025,996)	0
Business-Type Activities								
Water Supply	774,397	635,314	0	0	0	(139,083)	(139,083)	0
Sewage Disposal	525,045	627,973	0	0	0	102,928	102,928	0
Total Business-Type Activities	1,299,442	1,263,287	0	0	0	(36,155)	(36,155)	0
TOTAL PRIMARY GOVERNMENT	\$ 2,736,554	\$ 1,416,293	\$ 240,257	\$ 17,853	(1,025,996)	(36,155)	(1,062,151)	0
<u>Component Units</u>								
Downtown Development Authority	\$ 104,290	\$ 150	\$ 32,509	\$ 0	0	0	0	(71,631)
Local Development Finance Authority	126,888	30,000	0	0	0	0	0	(96,888)
Ewart Housing Commission	765,671	228,698	320,938	31,863	0	0	0	(184,172)
TOTAL COMPONENT UNITS	\$ 996,849	\$ 258,848	\$ 353,447	\$ 31,863	0	0	0	(352,691)
<u>General Revenues</u>								
Taxes					604,894	0	604,894	76,998
State Grants					168,129	0	168,129	0
License and Permits					16,408	0	16,408	0
Interest Earnings					25,761	14,729	40,490	1,426
Other Revenues					91,569	14,821	106,390	33,377
Total General Revenues					906,761	29,550	936,311	111,801
Change in Net Position					(119,235)	(6,605)	(125,840)	(240,890)
NET POSITION - Beginning of Year (as restated)					7,363,454	10,144,324	17,507,778	2,352,030
NET POSITION - End of Year					\$ 7,244,219	\$ 10,137,719	\$ 17,381,938	\$ 2,111,140

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

CITY OF EVART
EVART, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 831,370	\$ 216,799	\$ 86,586	\$ 26,678	\$ 1,161,433
Restricted Cash	0	0	0	138,133	138,133
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Taxes	4,595	0	0	0	4,595
Accounts	37,956	86	0	0	38,042
External Parties (Fiduciary Funds)	8,766	251	0	0	9,017
Due from Other Governments	32,051	30,231	13,714	0	75,996
Special Assessments	0	15,043	0	0	15,043
Due from Other Funds	1,154	1,726	2,826	0	5,706
Prepaid Expenses	6,803	806	456	0	8,065
TOTAL ASSETS	\$ 922,695	\$ 264,942	\$ 103,582	\$ 164,811	\$ 1,456,030
<u>LIABILITIES</u>					
Accounts Payable	\$ 17,513	\$ 706	\$ 706	\$ 0	\$ 18,925
Accrued Payroll and Liabilities	3,936	180	117	0	4,233
Due to Other Governments	7	0	0	0	7
Customer Deposits	712	0	0	0	712
Due to Other Funds	16,335	0	168	5	16,508
Total Liabilities	38,503	886	991	5	40,385
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Revenue - Special Assessment	0	15,043	0	0	15,043
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenses	6,803	806	456	0	8,065
Restricted					
Endowment	0	0	0	138,128	138,128
Street Improvements	0	248,207	102,135	0	350,342
Assigned					
Capital Projects Fund	0	0	0	26,678	26,678
Skate Park	22,866	0	0	0	22,866
Recreation Equipment	11,543	0	0	0	11,543
Community Recreation	13,436	0	0	0	13,436
Unassigned	829,544	0	0	0	829,544
Total Fund Balance	884,192	249,013	102,591	164,806	1,400,602
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 922,695	\$ 264,942	\$ 103,582	\$ 164,811	\$ 1,456,030

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, 2016

Total Governmental Fund Balances	\$ 1,400,602
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.	345,445
Long-term receivables are not available to pay current period expenditures and therefore are unavailable in governmental funds.	
Special Assessments Receivable	15,043
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 13,736,536
Accumulated depreciation is	<u>(8,014,598)</u> 5,721,938
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.	46,737
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	
Installment Note Payable	(33,000)
Compensated Absences	(44,450)
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	(350,950)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Subsequent Pension Contributions	21,057
Net Difference Between the Projected and Actual Pension Investment Earnings	77,730
Changes of Assumptions in Pension Plan	38,538
Difference Between Expected and Actual Experience	<u>5,529</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,244,219</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, 2016

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 575,159	\$ 0	\$ 0	\$ 29,823	\$ 604,982
Licenses and Permits	17,426	0	0	0	17,426
Federal Grants	0	0	0	17,250	17,250
State Grants	168,129	150,321	70,237	0	388,687
Contributions from Local Units	14,642	0	0	0	14,642
Charges for Services	109,452	0	0	0	109,452
Fines and Forfeits	7,385	0	0	0	7,385
Interest and Rents	25,162	124	207	268	25,761
Other Revenue	125,198	6,423	171	500	132,292
Total Revenues	1,042,553	156,868	70,615	47,841	1,317,877
<u>Expenditures</u>					
General Government	185,558	0	0	0	185,558
Public Safety	310,205	0	0	26,472	336,677
Public Works	218,055	102,229	46,560	0	366,844
Community and Economic Development	62	0	0	407	469
Recreation and Culture	56,580	0	0	29,823	86,403
Other Functions	83,641	0	0	0	83,641
Debt Service	8,642	0	0	0	8,642
Total Expenditures	862,743	102,229	46,560	56,702	1,068,234
Excess (Deficiency) of Revenues Over Expenditures	179,810	54,639	24,055	(8,861)	249,643
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	10,000	0	10,000
Transfers Out	0	(10,000)	0	(24,803)	(34,803)
Total Other Financing Sources (Uses)	0	(10,000)	10,000	(24,803)	(24,803)
Net Change in Fund Balance	179,810	44,639	34,055	(33,664)	224,840
FUND BALANCE - Beginning of Year	704,382	204,374	68,536	198,470	1,175,762
FUND BALANCE - End of Year	\$ 884,192	\$ 249,013	\$ 102,591	\$ 164,806	\$ 1,400,602

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, 2016

Net Change in Fund Balances Total Governmental Funds	\$	224,840
Amounts reported for governmental activities are different because:		
Adjustment to reflect the consolidation of Internal Service Fund activities related to governmental funds.		
		27,872
Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as		
Depreciation Expense		(432,013)
Capital Outlay		90,119
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		(23,412)
Unavailable Revenue - End of Year		15,043
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		47,406
Compensated Absences - End of Year		(44,450)
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		(143,988)
Changes in Subsequent Pension Contributions		2,937
Changes in Net Difference Between the Projected and Actual Pension Investment Earnings		64,844
Changes of Assumptions in Pension Plan		38,538
Changes in the Difference Between Expected and Actual Experience		5,529
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(119,235)</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, 2016

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash	\$ 747,132	\$ 332,170	\$ 1,079,302	\$ 238,486
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	66,053	67,800	133,853	484
External Parties (Fiduciary Funds)	374	2,291	2,665	0
Due from Other Funds	4,124	7,970	12,094	2,995
Prepaid Expenses	6,569	3,739	10,308	970
Total Current Assets	824,252	413,970	1,238,222	242,935
<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	9,157,884	6,414,513	15,572,397	0
	9,985,160	7,368,769	17,353,929	825,022
Less Accumulated Depreciation	4,393,741	3,696,391	8,090,132	534,654
Total Capital Assets, Net of Accumulated Depreciation	5,591,419	3,672,378	9,263,797	290,368
Total Assets	6,415,671	4,086,348	10,502,019	533,303
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Subsequent Pension Contributions	5,809	9,440	15,249	0
Net Difference Between the Projected and Actual Pension Investment Earnings	21,443	34,844	56,287	0
Change of Assumptions in Pension Plan	10,631	17,275	27,906	0
Difference Between Expected and Actual Experience	1,525	2,478	4,003	0
Total Deferred Outflows of Resources	39,408	64,037	103,445	0
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	514	0	514	0
Accrued Payroll and Liabilities	1,813	1,173	2,986	182
Retainage Payable	2,000	2,000	4,000	0
Due to Other Funds	3,275	899	4,174	113
Customer Deposits	1,803	0	1,803	0
Current Portion of Long-Term Debt	41,395	27,000	68,395	7,560
Total Current Liabilities	50,800	31,072	81,872	7,855

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, 2016

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>Non-Current Liabilities</u>				
Revenue Bonds	0	112,000	112,000	0
Capital Lease Payable	41,395	0	41,395	187,563
Net Pension Liability	96,814	157,322	254,136	0
Less Current Portion	(41,395)	(27,000)	(68,395)	(7,560)
Total Non-Current Liabilities	96,814	242,322	339,136	180,003
Total Liabilities	147,614	273,394	421,008	187,858
<u>NET POSITION</u>				
Net Investment in Capital Assets	5,550,024	3,560,378	9,110,402	102,805
Unrestricted	757,441	316,613	1,074,054	242,640
TOTAL NET POSITION	<u>\$ 6,307,465</u>	<u>\$ 3,876,991</u>	<u>\$ 10,184,456</u>	<u>\$ 345,445</u>

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

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2016

Total Net Position - Total Proprietary Funds \$ 10,184,456

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.

(46,737)

NET POSITION OF PROPRIETARY FUNDS

\$ 10,137,719

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, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>MAJOR FUNDS</u>			
	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>Operating Revenues</u>				
Charges for Services	\$ 628,781	\$ 627,973	\$ 1,256,754	\$ 0
Rental	6,533	0	6,533	116,735
Total Operating Revenues	<u>635,314</u>	<u>627,973</u>	<u>1,263,287</u>	<u>116,735</u>
<u>Operating Expenses</u>				
Personal Services	185,237	108,446	293,683	17,705
Employee Benefits	88,883	64,412	153,295	5,421
Professional Services	42,160	24,315	66,475	2,882
Office Supplies and Expense	8,330	6,941	15,271	0
Communications	3,532	4,891	8,423	0
Insurance	11,282	12,989	24,271	8,048
Operating Supplies and Expense	84,641	70,553	155,194	37,163
Heat, Light and Power	58,381	42,746	101,127	0
Depreciation	254,845	161,736	416,581	51,661
Rentals	35,250	22,000	57,250	0
Total Operating Expenses	<u>772,541</u>	<u>519,029</u>	<u>1,291,570</u>	<u>122,880</u>
Operating Income (Loss)	<u>(137,227)</u>	<u>108,944</u>	<u>(28,283)</u>	<u>(6,145)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	9,347	5,382	14,729	1,151
Sale of Capital Assets	0	0	0	7,206
Miscellaneous Income	13,382	1,439	14,821	2,178
Interest and Fiscal Charges	0	(4,858)	(4,858)	(4,335)
Total Nonoperating Revenues (Expenses)	<u>22,729</u>	<u>1,963</u>	<u>24,692</u>	<u>6,200</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In / (Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,803</u>
Change in Net Position	(114,498)	110,907	(3,591)	24,858
<u>NET POSITION</u> - Beginning of Year (As Restated)	<u>6,421,963</u>	<u>3,766,084</u>	<u>10,188,047</u>	<u>320,587</u>
<u>NET POSITION</u> - End of Year	<u>\$ 6,307,465</u>	<u>\$ 3,876,991</u>	<u>\$ 10,184,456</u>	<u>\$ 345,445</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, 2016

Net Change in Fund Net Position - Total Proprietary Funds	\$ (3,591)
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Amounts reported for proprietary activities in the Statement of Activities are different because:

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

(3,014)

CHANGE IN NET POSITION OF PROPRIETARY FUNDS

\$ (6,605)

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, 2016

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Receipts from Customers and Users	\$ 630,740	\$ 619,157	\$ 1,249,897	\$ 0
Receipts from Interfund Services Provided	0	0	0	116,848
Payments to Suppliers	(279,459)	(232,208)	(511,667)	(54,484)
Payments to Employees	(186,545)	(109,615)	(296,160)	(17,851)
Net Cash Provided (Used) by Operating Activities	164,736	277,334	442,070	44,513
<u>CASH FLOWS FROM CAPITAL AND</u>				
<u>RELATED FINANCING ACTIVITIES</u>				
Acquisition and Construction of Capital Assets	(136,485)	(116,626)	(253,111)	0
Disposal of Capital Assets	0	0	0	7,206
Principal Paid on Debt	0	(52,223)	(52,223)	0
Interest Paid on Debt	0	(4,858)	(4,858)	(4,335)
Principal Paid on Contract	(41,396)	0	(41,396)	0
Principal Paid on Capital Lease	0	0	0	(7,396)
Miscellaneous Revenue Received	13,382	1,439	14,821	2,178
Transfers From (To) Other Funds	0	0	0	24,803
Net Cash Provided (Used) by Capital and Related Financing Activities	(164,499)	(172,268)	(336,767)	22,456
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Interest Received	9,347	5,382	14,729	1,151
Net Increase (Decrease) in Cash and Cash Equivalents	9,584	110,448	120,032	68,120
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	737,548	221,722	959,270	170,366
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 747,132</u>	<u>\$ 332,170</u>	<u>\$ 1,079,302</u>	<u>\$ 238,486</u>

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

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

JUNE 30, 2016

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

MAJOR FUNDS

Water Supply	Sewage Disposal	Totals	Internal Service Fund
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RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (137,227)	\$ 108,944	\$ (28,283)	\$ (6,145)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	254,845	161,736	416,581	51,661
(Increase) Decrease in Current Assets				
Accounts Receivable	(4,760)	(8,816)	(13,576)	0
Due from Other Funds	186	0	186	0
Prepaid Expense	42,233	(425)	41,808	(970)
Increase (Decrease) in Current Liabilities				
Accrued Payroll and Liabilities	(1,308)	(1,169)	(2,477)	(146)
Retainage Payable	2,000	2,000	4,000	0
Customer Deposits	(150)	0	(150)	0
Due to Other Funds	0	621	621	113
Increase (Decrease) in Net Pension Obligation	8,917	14,443	23,360	0
Total Adjustments	301,963	168,390	470,353	50,658
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 164,736	\$ 277,334	\$ 442,070	\$ 44,513

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, 2016

	<u>AGENCY FUNDS</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ASSETS</u>	
Cash	\$ 17,491
<u>LIABILITIES</u>	
Due to Other Governments	5,809
Due to Other Funds	11,682
Total Liabilities	17,491
<u>NET POSITION</u>	\$ 0

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, 2016

<u>ASSETS</u>	Downtown Development Authority	Local Development Finance Authority	Evert Housing Commission	Total
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 47,842	\$ 44,020	\$ 352,153	\$ 444,015
Restricted Cash	0	0	1,161	1,161
Accounts Receivable	0	0	3,049	3,049
Prepaid Expenses	1,400	0	9,776	11,176
Total Current Assets	<u>49,242</u>	<u>44,020</u>	<u>366,139</u>	<u>459,401</u>
<u>Non Current Assets</u>				
Capital Assets	138,769	1,222,807	5,327,993	6,689,569
Less Accumulated Depreciation	(51,568)	(321,192)	(4,317,478)	(4,690,238)
Total Non Current Assets	<u>87,201</u>	<u>901,615</u>	<u>1,010,515</u>	<u>1,999,331</u>
Total Assets	<u>136,443</u>	<u>945,635</u>	<u>1,376,654</u>	<u>2,458,732</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Subsequent Pension Contributions	0	7,687	0	7,687
Net Difference Between the Projected and Actual Pension Investment Earnings	0	21,808	0	21,808
Changes of Assumptions in Pension Plan	0	11,928	0	11,928
Difference Between Expected and Actual Experience	0	1,022	0	1,022
Total Deferred Outflows of Resources	<u>0</u>	<u>42,445</u>	<u>0</u>	<u>42,445</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Accounts Payable	929	18,001	4,739	23,669
Accrued Wages	1,613	0	0	1,613
Accrued Expenses	0	0	70,249	70,249
Unearned Revenue	5,600	0	0	5,600
Current Portion of Non Current Liabilities	0	0	11,975	11,975
Total Current Liabilities	<u>8,142</u>	<u>18,001</u>	<u>86,963</u>	<u>113,106</u>
<u>Non Current Liabilities</u>				
Net Pension Liability	0	271,675	0	271,675
Compensated Absences	0	0	17,231	17,231
Less Current Portion of Non Current Liabilities	0	0	(11,975)	(11,975)
Total Non Current Liabilities	<u>0</u>	<u>271,675</u>	<u>5,256</u>	<u>276,931</u>
Total Liabilities	<u>8,142</u>	<u>289,676</u>	<u>92,219</u>	<u>390,037</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	87,201	901,615	1,010,515	1,999,331
Restricted for Debt Service	0	0	1,161	1,161
Unrestricted	41,100	(203,211)	272,759	110,648
TOTAL NET POSITION	<u>\$ 128,301</u>	<u>\$ 698,404</u>	<u>\$ 1,284,435</u>	<u>\$ 2,111,140</u>

CITY OF EVART
EVART, MICHIGAN

STATEMENT OF ACTIVITIES
COMPONENT UNITS

JUNE 30, 2016

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	\$ 104,290	\$ 150	\$ 32,509	\$ 0	\$ (71,631)	\$ 0	\$ 0	\$ (71,631)
Local Development Finance Authority	126,888	30,000	0	0	0	(96,888)	0	(96,888)
Total Governmental Activities	231,178	30,150	32,509	0	(71,631)	(96,888)	0	(168,519)
<u>Business-Type Activities</u>								
Ewart Housing Commission	765,671	228,698	320,938	31,863	0	0	(184,172)	(184,172)
TOTAL	\$ 996,849	\$ 258,848	\$ 353,447	\$ 31,863	(71,631)	(96,888)	(184,172)	(352,691)
<u>General Revenues</u>								
Taxes					13,112	63,886	0	76,998
Interest Earnings					72	66	1,288	1,426
Other Revenues					9,434	0	23,943	33,377
Total General Revenues					22,618	63,952	25,231	111,801
Change in Net Position					(49,013)	(32,936)	(158,941)	(240,890)
<u>NET POSITION - Beginning of Year (As Restated)</u>					177,314	731,340	1,443,376	2,352,030
<u>NET POSITION - End of Year</u>					\$ 128,301	\$ 698,404	\$ 1,284,435	\$ 2,111,140

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Governmental-Wide Financial Statements

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

B. Reporting Entity

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

C. Basis of Presentation – Government-Wide Financial Statements

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

D. Basis of Presentation – Fund Financial Statements

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

The City of Evert reports the following major governmental funds:

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

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

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

The City of Evert reports the following major proprietary funds:

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

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

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

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

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016

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.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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		
Professional Services	\$ 7,150	\$ 8,150
Clerk	15,975	16,012
Cemetery	35,620	37,916
Public Works		
Downtown Development Authority	4,350	4,975
Refuse Service	82,000	88,868
Recreation and Culture	51,072	56,580
Other Functions		
Fringe Benefits	44,475	78,440
Debt Service		
Principal	0	7,500
Interest	0	1,142
Major Street Fund		
Public Works		
Street Department	89,950	102,229
Local Street Fund		
Public Works		
Street Department	40,200	46,560

These overages were funded by available fund balance and greater than anticipated revenues. Budgets were not adopted for the Library, 1976 Housing Rehabilitation, or 1983 Housing Rehabilitation funds.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

1. *Deposits and Investments*

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.

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.

2. *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.

3. *Restricted Assets*

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

4. *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 estimated fair market 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, 2016

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

5. *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.

6. *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, 2016

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.

7. *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 four items that qualify for reporting in this category, which are 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 only one type of item, which 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.

8. *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.

9. *Net Position Flow Assumption*

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. 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.

11. 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.

12. 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.

JUNE 30, 2016

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 2016 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 2015 taxable valuation of the City totaled \$37,389,369 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 \$524,569 for City operating purposes, of which \$7,615 was captured by the Downtown Development Authority and \$37,106 was captured by the Local Development Finance Authority, leaving \$479,848 for the City and \$29,823 net of the DDA and LDFA capture for the Library. The levy raised approximately \$64,876 for public safety. This amount is recognized in the General Fund and Library 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, 2016

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, 2016. 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 FirstMerit Bank 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, 2016, \$2,110,169 of the government's bank balance of \$2,631,083 was exposed to custodial credit risk because it was uninsured and uncollateralized. \$746,445 of uninsured funds is in the water fund, \$332,220 is in the sewer fund, \$237,745 is in the internal service fund, and \$310,654 is in the general fund. The remaining uninsured balances are spread amongst various funds. As of the June 30, 2016, none of the \$92,912 bank balance of the LDFA and the DDA was exposed to custodial credit risk because it was all insured. Additionally, as of December 31, 2015, none of the Evart Housing Commission's cash and equivalents were exposed to credit risk due to them being full insured. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

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.

A reconciliation of cash follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Carrying Amount of Deposits	\$ 2,634,845	\$ 445,176
Government-Wide Statement of Net Position		
Cash	\$ 2,617,354	\$ 445,176
Statement of Fiduciary Net Position		
Cash	17,491	0
Total	\$ 2,634,845	\$ 445,176

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

B. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,072,699	\$ 0	\$ 0	\$ 1,072,699
Capital Assets, Being Depreciated				
Buildings	2,312,858	0	0	2,312,858
Intangibles	138,488	0	13,488	125,000
Land Improvements	4,040,854	15,190	0	4,056,044
Machinery and Equipment	203,319	32,941	17,307	218,953
Office Equipment	42,877	0	21,717	21,160
Vehicles	112,217	41,988	30,803	123,402
Paved Roads	5,760,782	0	0	5,760,782
Unpaved Roads	45,638	0	0	45,638
Total Capital Assets, Being Depreciated	<u>12,657,033</u>	<u>90,119</u>	<u>83,315</u>	<u>12,663,837</u>
Less Accumulated Depreciation for:				
Buildings	359,852	49,937	0	409,789
Intangibles	136,404	2,083	13,488	124,999
Land Improvements	2,267,912	152,208	0	2,420,120
Machinery and Equipment	70,508	18,821	17,307	72,022
Office Equipment	42,405	236	21,717	20,924
Vehicles	103,487	15,180	30,803	87,864
Paved Roads	4,642,736	192,026	0	4,834,762
Unpaved Roads	42,596	1,522	0	44,118
Total Accumulated Depreciation	<u>7,665,900</u>	<u>432,013</u>	<u>83,315</u>	<u>8,014,598</u>
Total Capital Assets, Being Depreciated, Net	<u>4,991,133</u>	<u>(341,894)</u>	<u>0</u>	<u>4,649,239</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,063,832</u>	<u>\$ (341,894)</u>	<u>\$ 0</u>	<u>5,721,938</u>
Internal Service Fund Net Capital Assets				290,368
Net Capital Assets per Statement of Net Position				<u>\$ 6,012,306</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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	553,486	8,984	66,305	496,165
Sewer Connection Lines	3,949,846	107,642	0	4,057,488
Treatment System	2,387,281	0	30,256	2,357,025
Total Capital Assets, Sewer, Being Depreciated	6,890,613	116,626	96,561	6,910,678
Less Accumulated Depreciation for:				
Machinery and Equipment	418,034	25,783	66,305	377,512
Sewer Connection Lines	1,696,654	77,374	0	1,774,028
Treatment System	1,516,528	58,579	30,256	1,544,851
Total Accumulated Depreciation, Sewer	3,631,216	161,736	96,561	3,696,391
Total Capital Assets, Sewer, Being Depreciated, Net	3,259,397	(45,110)	0	3,214,287
Sewer Capital Assets, Net	3,717,488	(45,110)	0	3,672,378
<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	193,749	17,967	13,006	198,710
Intangibles	125,267	0	0	125,267
Mains and Connections	4,325,714	118,518	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	0	0	2,770,149
Total Capital Assets, Water, Being Depreciated	9,819,181	136,485	13,006	9,942,660
Less Accumulated Depreciation for:				

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

	Beginning Balance	Increases	Decreases	Balance
<u>Water Supply</u>				
Less Accumulated Depreciation for:				
Buildings	89,966	7,463	0	97,429
Intangible	123,179	2,088	0	125,267
Land Improvements	14,490	3,357	0	17,847
Machinery and Equipment	119,686	12,642	13,006	119,322
Mains and Connections	1,513,412	83,714	0	1,597,126
Meters	170,223	870	0	171,093
Tower	1,052,246	78,926	0	1,131,172
Wells and Control Building	1,068,700	65,785	0	1,134,485
Total Accumulated Depreciation, Water	4,151,902	254,845	13,006	4,393,741
Total Capital Assets, Water, Being Depreciated, Net	5,667,279	(118,360)	0	5,548,919
Water Capital Assets, Net	5,709,779	(118,360)	0	5,591,419
Total Capital Assets, Net Business-Type Activities	\$ 9,427,267	\$ (163,470)	\$ 0	\$ 9,263,797

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

Governmental Activities:

General Government	\$ 24,609
Public Safety	21,083
Public Works	291,409
Recreation and Culture	44,053
Community and Economic Development	50,859
Total Depreciation Expense - Governmental Activities	<u>\$ 432,013</u>

Business-Type Activities:

Sewer	\$ 161,736
Water	254,845
Total Depreciation Expense - Business-Type Activities	<u>\$ 416,581</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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	756,897	7,622	0	764,519
Building and Improvements	4,248,170	12,975	0	4,261,145
Equipment	262,471	4,007	0	266,478
Construction-in-progress	4,821	8,708	(13,529)	0
Total Capital Assets, Evert Housing Commission, Being Depreciated	5,272,359	33,312	(13,529)	5,292,142
Less Accumulated Depreciation	4,152,409	165,069	0	4,317,478
Total Capital Assets, Evert Housing Commission, Being Depreciated, Net	1,119,950	(131,757)	(13,529)	974,664
Evert Housing Commission Capital Assets, Net	1,155,801	(131,757)	(13,529)	1,010,515

Downtown Development Authority

Capital Assets, Not Being Depreciated

Land	34,392	0	0	34,392
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Capital Assets Being Depreciated

Buildings	50,000	0	0	50,000
Building Improvements	37,389	0	0	37,389
Furniture and Fixtures	10,500	0	0	10,500
Equipment	6,488	0	0	6,488

Total Capital Assets, DDA,
Being Depreciated

	104,377	0	0	104,377
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Less Accumulated Depreciation for:

Buildings	23,750	0	0	23,750
Building Improvements	13,312	2,844	0	16,156
Furniture and Fixtures	10,500	0	0	10,500
Equipment	342	820	0	1,162

Total Accumulated Depreciation, DDA

	47,904	3,664	0	51,568
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Total Capital Assets, DDA,
Being Depreciated, Net

	56,473	(3,664)	0	52,809
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DDA Capital Assets, Net

	90,865	(3,664)	0	87,201
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CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

<u>Local Development Finance Authority</u>	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital Assets, Not Being Depreciated				
Land	627,736	0	0	627,736
Capital Assets Being Depreciated				
Buildings	441,145	0	0	441,145
Building Improvements	125,000	0	0	125,000
Equipment	19,926	0	0	19,926
Furniture and Fixtures	9,000	0	0	9,000
Total Capital Assets, LDFA, Being Depreciated	595,071	0	0	595,071
Less Accumulated Depreciation for:				
Buildings	212,489	17,279	0	229,768
Building Improvements	62,500	0	0	62,500
Equipment	19,924	0	0	19,924
Furniture and Fixtures	9,000	0	0	9,000
Total Accumulated Depreciation, LDFA	303,913	17,279	0	321,192
Total Capital Assets, LDFA, Being Depreciated, Net	291,158	(17,279)	0	273,879
LDFA Capital Assets, Net	918,894	(17,279)	0	901,615
Total Capital Assets, Net, Component Units	\$ 2,165,560	\$ (152,700)	\$ (13,529)	\$ 1,999,331

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

Governmental Activities:	
General Government	<u><u>\$ 20,943</u></u>
Business-Type Activities:	
Housing Commission	<u><u>\$ 165,069</u></u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

C. Interfund Receivables and Payables and Transfers

Interfund receivable and payable balances at June 30, 2016, were:

<u>Primary Government</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 9,920	\$ 16,335
Special Revenue Funds		
Major Street Fund	1,977	0
Local Street Fund	2,826	168
Permanent Fund		
Cemetery Perpetual Care	0	5
Enterprise Funds		
Water Supply System	4,498	3,275
Sewage Disposal System	10,261	899
Internal Service Fund		
Equipment Pool	2,995	113
Agency Funds		
Tax Collection Fund	0	11,682
Total Primary Government	<u>\$ 32,477</u>	<u>\$ 32,477</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2016, are expected to be repaid within one year.

Interfund transfers for the year ended June 30, 2016, were:

<u>Primary Government</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
Major Street Fund	\$ 0	\$ 10,000
Local Street Fund	10,000	0
Equipment Fund	24,803	0
Police Vehicle Fund	0	24,803
Total Primary Government	<u>\$ 34,803</u>	<u>\$ 34,803</u>

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016:

Governmental Activities:

	OTHER DEBT	NET PENSION LIABILITY	TOTAL
Debt Payable at July 1, 2015	\$ 87,906	\$ 206,962	\$ 294,868
Debt Retired	(10,456)	(44,190)	(54,646)
New Debt Issued	0	188,178	188,178
Debt Payable at June 30, 2016	<u>\$ 77,450</u>	<u>\$ 350,950</u>	<u>\$ 428,400</u>
Due Within One Year	<u>\$ 7,500</u>	Unknown	<u>\$ 7,500</u>

Debt payable at June 30, 2016, 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 \$7,500 to \$9,000 through July 1, 2020, interest at 2.79% \$ 33,000

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) 44,450

Net Pension Liability

The difference between the total net pension liability for the governmental activities and the pension investment net position 350,950

\$ 428,400

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The annual requirements to amortize all debt outstanding, including interest payments of \$2,405 for the governmental activities as of June 30, 2016, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,500	\$ 934	\$ 8,434
2018	8,000	721	8,721
2019	8,500	495	8,995
2020	9,000	255	9,255
TOTAL	\$ 33,000	\$ 2,405	\$ 35,405

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, 2015	\$ 192,000	\$ 82,791	\$ 149,785	\$ 424,576
Debt Retired	(80,000)	(41,396)	(31,973)	(153,369)
New Debt Issued	0	0	136,324	136,324
Debt Payable at June 30, 2016	<u>\$ 112,000</u>	<u>\$ 41,395</u>	<u>\$ 254,136</u>	<u>\$ 407,531</u>
Due Within One Year	<u>\$ 27,000</u>	<u>\$ 41,395</u>	<u>Unknown</u>	<u>\$ 68,395</u>

Debt payable at June 30, 2016, 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 \$27,000 to \$29,000 through July 1, 2018; interest at 1.90% to 2.20% \$ 112,000

Other Debt

\$567,878 Contract for Water Tower Renovations due in annual installments of \$41,395; at 0% interest 41,395

Net Pension Liability

The difference between the total pension liability for the business-type activities and the pension investment net position 254,136

\$ 407,531

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The annual requirements to amortize all debt outstanding, including interest payments of \$2,974 for the business-type activities as of June 30, 2016, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 68,395	\$ 1,149	\$ 69,544
2018	56,000	1,506	57,506
2019	29,000	319	29,319
TOTAL	\$ 153,395	\$ 2,974	\$ 156,369

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, 2016:

	<u>NET PENSION LIABILITY</u>
Debt Payable at July 1, 2015	\$ 211,670
Debt Retired	(11,160)
New Debt Issued	<u>71,165</u>
Debt Payable at June 30, 2016	<u>\$ 271,675</u>
Due Within One Year	<u>Unknown</u>

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, 2016 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 7,560	\$ 4,171	\$ 11,731
2018	7,727	4,004	11,731
2019	7,898	3,833	11,731
2020	164,378	622	165,000
Total Lease Payments	\$ 187,563	\$ 12,630	\$ 200,193

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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>2015 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:	0%	0%
Act 88:	No	No

Employees Covered by Benefit Terms

At the December 31, 2015, 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	7
Active Employees	<u>12</u>
Total employees covered by MERS	<u><u>27</u></u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contributions

MERS members are not required to make any contributions 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 5.84% based on annual payroll for open divisions. One division that is closed to new employees has a fixed annual employer contribution amount of \$69,336.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2015 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, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>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 2015. 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, 2014	\$ 1,922,081	\$ 1,565,333	\$ 356,748
Service cost	47,156	0	47,156
Interest	150,951	0	150,951
Difference between expected and actual experience	11,917	0	11,917
Change in assumptions	83,057	0	83,057
Contributions - employer	0	76,127	(76,127)
Net investment income	0	(23,257)	23,257
Benefit payments, including refunds	(117,538)	(117,538)	0
Administrative expenses	0	(3,409)	3,409
Other Changes	4,718	0	4,718
Net changes	180,261	(68,077)	248,338
Balance at December 31, 2015	\$ 2,102,342	\$ 1,497,256	\$ 605,086

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.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
\$ 858,027	\$ 605,086	\$ 393,203

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

For the year ended June 30, 2016, the City recognized pension expense of \$131,133. At June 30, 2016, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 134,017	\$ 0
Employer contributions to the plan subsequent to the measurement date	36,306	0
Changes of assumptions in pension plan	66,444	0
Difference between expected and actual experience	9,532	0
Total	\$ 246,299	\$ 0

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, 2017.

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

Years Ending June 30,	Amount
2017	\$ 53,888
2018	53,888
2019	53,888
2020	48,329
	\$ 209,993

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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>2015 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
Employee Contributions:	2.50% (Non-Compound)
Act 88:	No

Employees Covered by Benefit Terms

At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Contributions

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

LDFA contributions were 44.08% based on annual payroll for open divisions.

Net Pension Liability

The LDFA's net pension liability was measured as of December 31, 2015 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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 475,298	\$ 263,628	\$ 211,670
Service cost	3,173	0	3,173
Interest	36,725	0	36,725
Difference between expected and actual experience	2,043	0	2,043
Change in assumptions	23,856	0	23,856
Contributions - employer	0	11,160	(11,160)
Net investment income	0	(3,666)	3,666
Benefit payments, including refunds	(35,635)	(35,635)	0
Administrative expenses	0	(554)	554
Other Changes	1,148	0	1,148
Net changes	31,310	(28,695)	60,005
Balance at December 31, 2015	\$ 506,608	\$ 234,933	\$ 271,675

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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%
\$ 319,812	\$ 271,675	\$ 230,048

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

For the year ended June 30, 2016, the LDFA recognized pension expense of \$11,530. At June 30, 2016, 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	\$ 21,808	\$ 0
Employer contributions to the plan subsequent to the measurement date	7,687	0
Changes of assumptions in pension plan	11,928	0
Difference between expected and actual experience	1,022	0
Total	<u>\$ 42,445</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, 2017.

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>
2017	\$ 18,635
2018	5,686
2019	5,686
2020	4,751
	<u>\$ 34,758</u>

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

B. Risk Management

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

The City participates a distinct pool of governmental entities within the State of Michigan for general liability, property and casualty, and 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 government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

C. Commitments and Contingencies

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

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

The City is currently in a dispute with the United States Department of Justice regarding a \$92,000 grant for the Community Oriented Policing Services "COPS" program. The likelihood of having to pay this grant back is neither "probable" or "remote" at this time and so no adjustment was made to the financial statements for the year ended June 30, 2016, related to this dispute.

D. 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 \$28,448 to the current operating budget. Each municipality has agreed to contribute an equivalent of up to one mill each year for fire protection.

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

E. Accounting Change/Prior Period Adjustment

1. Effective July 1, 2014, the City adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension footnote for further details.

A prior period adjustment was necessary to implement this standard for the Local Development Finance Authority. The effect of this new accounting standard was a decrease in net position to record the net pension liability at June 30, 2015.

	<u>Local Development Finance Authority</u>	<u>Total Component Units</u>
Net position - June 30, 2015 - As previously reported	\$ 934,090	\$ 2,554,780
Adjustment for implementation of GASB Statement No. 68	<u>(202,750)</u>	<u>(202,750)</u>
Net position - June 30, 2015 - As restated	<u>\$ 731,340</u>	<u>\$ 2,352,030</u>

2. During the 2015-2016 fiscal year the City discovered that the Sewage Disposal Fund Net Position was understated for the beginning of the year related to overstated interest expense in the prior year. Beginning net position was restated in the Sewage Disposal Fund.

	<u>Business-Type Activities</u>
Net position - June 30, 2015 - As previously reported	\$ 10,160,270
Adjustment for overstated interest expense last year	<u>27,777</u>
Net position - June 30, 2015 - As restated	<u>\$ 10,188,047</u>

F. GASB 72 – 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.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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.

The City does not have any investments subject to the fair value measurement.

G. Upcoming Accounting Pronouncement

Governmental Accounting Standards Board (GASB) Statement No. 77 – Tax Abatement Disclosures

Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, was issued by the GASB in August 2015 and will be 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 abatements.
- 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 will improve 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 is still evaluating how, if at all, it will be affected by this new pronouncement.

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

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 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, 2016

	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	\$ 571,435	\$ 571,435	\$ 575,159	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	11,500	11,500	17,426	0	0	0	0	0	0
Federal Grants	0	0		0	0	0	0	0	0
State Grants	157,529	157,529	168,129	123,000	123,000	150,321	45,000	45,000	70,237
Contributions From Local Units	8,000	8,000	14,642	0	0	0	0	0	0
Charges for Services	93,755	93,755	109,452	0	0	0	0	0	0
Fines and Forfeits	4,100	4,100	7,385	0	0	0	0	0	0
Interest and Rents	19,665	19,665	25,162	0	0	124	25	25	207
Other Revenue	21,400	21,400	125,198	5,900	5,900	6,423	0	0	171
Total Revenues	887,384	887,384	1,042,553	128,900	128,900	156,868	45,025	45,025	70,615
<u>Expenditures</u>									
General Government									
City Council	5,125	7,385	7,299	0	0	0	0	0	0
Mayor	2,600	735	733	0	0	0	0	0	0
City Manager	34,700	29,615	26,734	0	0	0	0	0	0
Elections	6,100	4,025	1,156	0	0	0	0	0	0
Professional Services	5,000	7,150	8,150	0	0	0	0	0	0
Treasurer	24,200	26,536	26,074	0	0	0	0	0	0
Assessor	9,800	9,810	9,790	0	0	0	0	0	0
Attorney	11,050	13,000	9,568	0	0	0	0	0	0
Clerk	20,580	15,975	16,012	0	0	0	0	0	0
Board of Review	700	1,000	900	0	0	0	0	0	0
Building and Grounds	37,565	42,065	41,226	0	0	0	0	0	0
Cemetery	18,420	35,620	37,916	0	0	0	0	0	0
Public Safety									
Police	357,322	307,521	281,757	0	0	0	0	0	0
Fire Protection	29,000	29,000	28,448	0	0	0	0	0	0
Public Works									
Landfill	1,600	1,600	642	0	0	0	0	0	0
Department of Public Works	53,800	50,910	50,060	0	0	0	0	0	0
Downtown Development Authority	14,500	4,350	4,975	0	0	0	0	0	0

CITY OF EVART
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	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	250	245	0	0	0	0	0	0
Airport	16,600	33,254	27,292	0	0	0	0	0	0
Trees	10,700	8,815	6,672	0	0	0	0	0	0
Street Lighting	33,100	32,375	29,926	0	0	0	0	0	0
Refuse Service	80,000	82,000	88,868	0	0	0	0	0	0
Street Department	0	9,375	9,375	89,950	89,950	102,229	40,200	40,200	46,560
Community and Economic Development									
Planning and Zoning	1,000	1,075	62	0	0	0	0	0	0
Recreation and Culture	49,750	51,072	56,580	0	0	0	0	0	0
Other Functions									
Fringe Benefits	38,200	44,475	78,440	0	0	0	0	0	0
Liability and Workers Comp Insurance	5,000	2,200	2,137	0	0	0	0	0	0
Special Events	5,400	2,787	2,767	0	0	0	0	0	0
Miscellaneous	0	17,237	297	0	0	0	0	0	0
Debt Service									
Principal	0	0	7,500	0	0	0	0	0	0
Interest	0	0	1,142	0	0	0	0	0	0
Total Expenditures	871,812	871,212	862,743	89,950	89,950	102,229	40,200	40,200	46,560
Excess (Deficiency) of Revenues									
Over Expenditures	15,572	16,172	179,810	38,950	38,950	54,639	4,825	4,825	24,055
<u>Other Financing Sources (Uses)</u>									
Transfers In	0	0	0	0	0	0	10,000	10,000	10,000
Transfers Out	0	0	0	(10,000)	(10,000)	(10,000)	0	0	0
Total Other Financing Sources (Uses)	0	0	0	(10,000)	(10,000)	(10,000)	10,000	10,000	10,000
Net Change in Fund Balance	15,572	16,172	179,810	28,950	28,950	44,639	14,825	14,825	34,055
FUND BALANCE - Beginning of Year	704,382	704,382	704,382	204,374	204,374	204,374	68,536	68,536	68,536
FUND BALANCE - End of Year	\$ 719,954	\$ 720,554	\$ 884,192	\$ 233,324	\$ 233,324	\$ 249,013	\$ 83,361	\$ 83,361	\$ 102,591

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2016

	Primary Government	Component Unit
Total Pension Liability		
Service Cost	\$ 47,156	\$ 3,173
Interest	150,951	36,725
Difference Between Expected and Actual Experience	11,917	2,043
Change in Assumptions	83,057	23,856
Benefit Payments	(117,538)	(35,635)
Other Changes	4,718	1,148
Net Change in Total Pension Liability	180,261	31,310
Total Pension Liability - Beginning	1,922,081	475,298
Total Pension Liability - Ending	\$ 2,102,342	\$ 506,608
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 76,127	\$ 11,160
Net Investment Income	(23,257)	(3,666)
Benefit Payments Including Employee Refunds	(117,538)	(35,635)
Administrative Expense	(3,409)	(554)
Net Change in Plan Fiduciary Net Position	(68,077)	(28,695)
Plan Fiduciary Net Position - Beginning	1,565,333	263,628
Plan Fiduciary Net Position - Ending	\$ 1,497,256	\$ 234,933
Employer Net Pension Liability	\$ 605,086	\$ 271,675
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	46%
Covered Employee Payroll	522,587	25,758
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	116%	1055%

CITY OF EVART
EVART, MICHIGAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30.

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Primary Government										
Actuarial Determined Contributions	\$ 74,259	\$ 65,091	\$ 66,183	\$ 69,830	\$ 60,965	\$ 63,685	\$ 83,664	\$ 87,512	\$ 64,163	\$ 50,038
Contributions in Relation to the Actuarially Determined Contribution	74,259	65,091	66,183	69,830	60,965	63,685	83,664	87,512	64,163	50,038
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 522,587	\$ 440,709	\$ 581,523	\$ 513,593	\$ 560,944	\$ 540,032	\$ 644,280	\$ 611,536	\$ 549,539	\$ 424,255
Contributions as a Percentage of Covered Employee Payroll	14%	15%	11%	14%	11%	12%	13%	14%	12%	12%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	26 Years
Asset Valuation Method	10 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 1994 Group Annuity Mortality Table

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNIT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED JUNE 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>Component Unit - LDFA</u>										
Actuarial Determined Contributions	\$ 11,160	\$ 11,152	\$ 13,726	\$ 8,972	\$ 5,242	\$ 10,186	\$ 26,716	\$ 21,153	\$ 9,689	\$ 8,922
Contributions in Relation to the Actuarially Determined Contribution	11,160	11,152	13,726	8,972	5,242	10,186	26,716	21,153	9,689	8,922
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 25,758	\$ 28,381	\$ 37,648	\$ 36,534	\$ 36,200	\$ 33,315	\$ 115,874	\$ 112,746	\$ 80,927	\$ 79,238
Contributions as a Percentage of Covered Employee Payroll	43%	39%	36%	25%	14%	31%	23%	19%	12%	11%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	26 Years
Asset Valuation Method	10 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 1994 Group Annuity Mortality Table

CITY OF EVART
EVART, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>1976 Library</u>	<u>1976 Housing Rehabilitation</u>	<u>1983 Housing Rehabilitation</u>	<u>Police Vehicle</u>	<u>Fire Vehicle</u>	<u>Cemetery Perpetual Care</u>	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 1	\$ 26,677	\$ 0	\$ 26,678
Restricted Cash	0	0	0	0	0	138,133	138,133
TOTAL ASSETS	\$ 0	\$ 0	\$ 0	\$ 1	\$ 26,677	\$ 138,133	\$ 164,811
<u>LIABILITIES</u>							
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5	\$ 5
<u>FUND BALANCE</u>							
Nonspendable:							
Endowment	0	0	0	0	0	138,128	138,128
Assigned							
Police Vehicle Replacement	0	0	0	1	0	0	1
Fire Vehicle Replacement	0	0	0	0	26,677	0	26,677
Total Fund Balance	0	0	0	1	26,677	138,128	164,806
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 0	\$ 0	\$ 1	\$ 26,677	\$ 138,133	\$ 164,811

CITY OF EVART
EVART, MICHIGAN

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

YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		<u>Permanent Fund</u>	<u>Total</u>
	1976		1983	Police Vehicle	Fire Vehicle	Cemetery Perpetual Care	Non-Major Governmental Funds
	Library	Housing Rehabilitation	Housing Rehabilitation				
REVENUES							
Taxes	\$ 29,823	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,823
Federal Sources	0	0	0	17,250	0	0	17,250
Interest and Rents	0	0	0	3	265	0	268
Other	0	0	0	0	0	500	500
Total Revenues	<u>29,823</u>	<u>0</u>	<u>0</u>	<u>17,253</u>	<u>265</u>	<u>500</u>	<u>47,841</u>
EXPENDITURES							
Public Safety	0	0	0	26,472	0	0	26,472
Community and Economic Development	0	1	406	0	0	0	407
Recreation and Culture							
Library	<u>29,823</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,823</u>
Total Expenditures	<u>29,823</u>	<u>1</u>	<u>406</u>	<u>26,472</u>	<u>0</u>	<u>0</u>	<u>56,702</u>
Excess (Deficiency) of							
Revenues Over Expenditures	0	(1)	(406)	(9,219)	265	500	(8,861)
OTHER FINANCING SOURCES (USES)							
Transfers In/(Out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,803)</u>	<u>0</u>	<u>0</u>	<u>(24,803)</u>
Net Change in Fund Balance	0	(1)	(406)	(34,022)	265	500	(33,664)
FUND BALANCE - Beginning of Year	<u>0</u>	<u>1</u>	<u>406</u>	<u>34,023</u>	<u>26,412</u>	<u>137,628</u>	<u>198,470</u>
FUND BALANCE - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 26,677</u>	<u>\$ 138,128</u>	<u>\$ 164,806</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS
COMBINING BALANCE SHEET

JUNE 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 47,842	\$ 44,020	\$ 91,862
Prepaid Expenditures	1,400	0	1,400
TOTAL ASSETS	<u>\$ 49,242</u>	<u>\$ 44,020</u>	<u>\$ 93,262</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 929	\$ 18,001	\$ 18,930
Accrued Payroll	1,613	0	1,613
Deferred Revenue	5,600	0	5,600
Total Liabilities	<u>8,142</u>	<u>18,001</u>	<u>26,143</u>
 <u>FUND BALANCE</u>			
Nonspendable			
Prepaid Expenditures	1,400	0	1,400
Unassigned	39,700	26,019	65,719
Total Fund Balance	<u>41,100</u>	<u>26,019</u>	<u>67,119</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 49,242</u>	<u>\$ 44,020</u>	<u>\$ 93,262</u>

CITY OF EVART
EVART, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

JUNE 30, 2016

	Downtown Development Authority	Local Development Finance Authority	Total
<u>REVENUES</u>			
Taxes	\$ 13,112	\$ 63,886	\$ 76,998
Interest and Rents	222	30,066	30,288
State Sources	14,300	0	14,300
Other Sources			
Donations	18,209	0	18,209
Refunds and Reimbursements	3,084	0	3,084
Other Revenues	6,350	0	6,350
Total Revenues	55,277	93,952	149,229
<u>EXPENDITURES</u>			
Operating			
General Government	50,011	83,129	133,140
Community Promotion	37,731	0	37,731
Community Improvements	12,884	0	12,884
Total Expenditures	100,626	83,129	183,755
Excess (Deficiency) of Revenues Over Expenditures	(45,349)	10,823	(34,526)
<u>FUND BALANCE</u> - Beginning of Year	86,449	15,196	101,645
<u>FUND BALANCE</u> - End of Year	\$ 41,100	\$ 26,019	\$ 67,119

CITY OF EVART
EVART, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET

JUNE 30, 2016

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 47,842
Prepaid Expenditures	1,400
	<hr/>
TOTAL ASSETS	\$ 49,242
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 929
Accrued Wages	1,613
Unearned Revenue	5,600
	<hr/>
Total Liabilities	8,142
	<hr/>
<u>FUND BALANCE</u>	
Nonspendable	
Prepaid Expenditures	1,400
Unassigned	39,700
	<hr/>
Total Fund Balance	41,100
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 49,242
	<hr/> <hr/>

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2016

	<u>General</u>
<u>REVENUES</u>	
Taxes	\$ 13,112
Interest and Rents	222
State Sources	14,300
Other Sources	
Donations	18,209
Refunds and Reimbursements	3,084
Other Revenues	<u>6,350</u>
Total Revenues	<u>55,277</u>
 <u>EXPENDITURES</u>	
Operating	
General Government	50,011
Community Promotion	37,731
Community Improvements	<u>12,884</u>
Total Expenditures	<u>100,626</u>
Excess (Deficiency) of Revenues Over Expenditures	(45,349)
 <u>FUND BALANCE</u> - Beginning of Year	<u>86,449</u>
 <u>FUND BALANCE</u> - End of Year	<u>\$ 41,100</u>

CITY OF EVART
EVART, MICHIGAN

LOCAL DEVELOPMENT FINANCE AUTHORITY
COMBINING BALANCE SHEET

JUNE 30, 2016

	General	1992 Local Development Debt Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 44,020	\$ 0	\$ 44,020
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 18,001	\$ 0	\$ 18,001
<u>FUND BALANCE</u>			
Unassigned	26,019	0	26,019
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 44,020	 \$ 0	 \$ 44,020

CITY OF EVART
EVART, MICHIGAN

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

JUNE 30, 2016

	1992 Local Development		
	General	Debt Fund	Total
<u>REVENUES</u>			
Taxes	\$ 63,886	\$ 0	\$ 63,886
Interest and Rents	30,066	0	30,066
<hr/>			
Total Revenues	93,952	0	93,952
 <u>EXPENDITURES</u>			
Operating			
General Government	83,129	0	83,129
<hr/>			
Excess (Deficiency) of Revenues Over Expenditures	10,823	0	10,823
<hr/>			
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	7	0	7
Transfers Out	0	(7)	(7)
<hr/>			
Total Other Financing Sources (Uses)	7	(7)	0
<hr/>			
Net Change in Fund Balance	10,830	(7)	10,823
 <u>FUND BALANCE - Beginning of Year</u>			
	15,189	7	15,196
<hr/>			
<u>FUND BALANCE - End of Year</u>	\$ 26,019	\$ 0	\$ 26,019
<hr/> <hr/>			

CITY OF EVART
EVART, MICHIGAN

EVART HOUSING COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2016

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 352,153
Cash and Cash Equivalents - Restricted	1,161
Accounts Receivable	3,049
Prepaid Expenses	9,776
	<hr/>
Total Current Assets	366,139
	<hr/>

Non-Current Assets

Capital Assets	5,327,993
Less Accumulated Depreciation	(4,317,478)
	<hr/>
Net Capital Assets	1,010,515
	<hr/>
Total Assets	1,376,654
	<hr/>

LIABILITIES

Current Liabilities

Accounts Payable	4,739
Accrued Liabilities	70,249
Other Current Liabilities	11,975
	<hr/>
Total Current Liabilities	86,963

Non-Current Liabilities (Net)

	5,256
	<hr/>
Total Liabilities	92,219
	<hr/>

NET POSITION

Net Investment in Capital Assets	1,010,515
Restricted Net Position	1,161
Unrestricted Net Position	272,759
	<hr/>
TOTAL NET POSITION	\$ 1,284,435
	<hr/> <hr/>

CITY OF EVART
EVART, MICHIGAN

EVART HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND

JUNE 30, 2016

<u>Operating Revenues</u>	
Tenant Revenue	\$ 228,698
Program Grants-Subsidies	320,938
Other Income	23,943
Total Operating Revenues	<u>573,579</u>
<u>Operating Expenses</u>	
Administration	201,086
Tenant Services	3,366
Utilities	97,099
Maintenance	190,375
Protective Services	627
General	38,611
Housing Assistance Payments	69,438
Depreciation	165,069
Total Operating Expenses	<u>765,671</u>
Operating Income (Loss)	(192,092)
<u>Nonoperating Revenues (Expenses)</u>	
Interest Income - Unrestricted	<u>1,288</u>
(Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	(190,804)
Capital Grant Contributions	<u>31,863</u>
Change in Net Position	(158,941)
<u>NET POSITION</u> - Beginning of Year	<u>1,443,376</u>
<u>NET POSITION</u> - End of Year	<u>\$ 1,284,435</u>

CITY OF EVART
EVART, MICHIGAN

2012 LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS

JUNE 30, 2016

<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	\$	102,000	
During Current Period		<u>80,000</u>	<u>182,000</u>
<u>BALANCE OUTSTANDING - June 30, 2016</u>		<u>\$</u>	<u>112,000</u>

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, 2017	1.90%	\$ 28,149	\$ 1,149	\$ 27,000
July 1, 2017	2.00%	28,893	893	28,000
January 1, 2018	2.10%	28,613	613	28,000
July 1, 2018	2.20%	<u>29,319</u>	<u>319</u>	<u>29,000</u>
		<u>\$ 114,974</u>	<u>\$ 2,974</u>	<u>\$ 112,000</u>

