

CITY OF ESSEXVILLE
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR-END JUNE 30, 2017

CITY OFFICIALS – As of June 30, 2017

Mayor	Scott Wittbrodt
Mayor Pro Tem	Robert Mantei
Council Member	Russell Tanner
Council Member	Jenifer Gradowski
Council Member	Dennis Rondeau
Council Member	Tim Weiler
Council Member	John Kustuch
Treasurer	Fran DeWyse
Clerk	Sarah Wilcox
Director of Public Safety	William Gutzwiller, Sr.
Administrative Assistant	Anne Norman
City Attorney	Gerald Pergande
City Manager	Daniel J. Hansford

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the City Council
The City of Essexville
Essexville, Michigan 48732

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund, and the aggregate remaining fund information of City of Essexville as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Essexville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Essexville, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in net pension liability, schedule of employer's contributions and other postemployment benefit schedule 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 Essexville's basic financial statements. The nonmajor governmental funds combining balance sheet, nonmajor governmental funds detail schedule of revenues and expenditures, general fund detail schedule of revenues and expenditures, and indebtedness schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The nonmajor governmental funds combining balance sheet, nonmajor governmental funds detail schedule of revenues and expenditures, general fund detail schedule of revenues and expenditures, and indebtedness schedules 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 nonmajor governmental funds combining balance sheet, nonmajor governmental funds detail schedule of revenues and expenditures, general fund detail schedule of revenues and expenditures, and indebtedness schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017 on our consideration of the City of Essexville'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 the effectiveness of the City of Essexville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Essexville's internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY

A handwritten signature in cursive script that reads "Quast, Janke and Company".

Certified Public Accountants, P.C.
November 8, 2017



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

To the City Council
The City of Essexville
1107 Woodside
Essexville, Michigan 48732

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Essexville, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Essexville's basic financial statements, and have issued our report thereon dated November 8, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C.
November 8, 2017

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

This section of the City of Essexville's annual Financial Report presents the Management Discussion and Analysis (MD&A) of the City's financial activities during the fiscal year ended June 30, 2016. It is intended to be read as part of the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Essexville exceeded liabilities at June 30, 2017, by \$ 1,715,996 of this amount \$ (1,565,136) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$ 839,669 during the year. Of this amount the position of our governmental activities increased \$ 796,165 and the position of our business-type activities increased by \$ 43,504.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- **Management's Discussion and Analysis** introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- **Government-Wide Financial Statements** consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- **Fund Financial Statements** tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the major funds.
- **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- **Required Supplementary Information**, other than management's discussion and analysis, provides information about the required budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer's contributions to Municipal Employees Retirement Systems of Michigan, and Other Post-Employment Benefits Schedules.
- **Other Additional Information** provides detailed information about the General Fund, and Debt.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

REPORTING THE CITY AS A WHOLE

The Statement of Net Position, the Statement of Activities, and the Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net position, which are the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision. The following paragraphs are intended to assist in making this overall assessment.

REPORTING THE CITY'S MAJOR ACTIVITIES

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity includes the water and sanitary sewer systems and the rubbish fund. These activities are financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has three kinds of funds: governmental, proprietary and fiduciary.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street, Local Street, Downtown Development Authority, and Debt Service Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The financial statements required for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Fund and the Business-Type Activities included in the Government-Wide Statement is the detail and additional information, such as cash flows, provided in the Proprietary Fund statements. The Proprietary Funds which include the Water, Sewer, and Rubbish Funds, are considered to be major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The financial statements required for Proprietary Funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position, and is reported using accounting principles similar to Proprietary Funds. The City's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type, Fringe Benefit Fund and Tax Collection Fund. Because by definition these assets are being held for the benefit of a third party, pension participants and other local governments, and cannot be used to address activities or obligations of the government, these funds are not incorporated into the Government-Wide Statements.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following analysis shows the City's total net position at June 30, 2017 and 2016.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 1,073,533	\$ 1,227,729	\$ 1,122,214	\$ 297,850	\$ 2,195,747	\$ 1,525,579
Capital assets net of accumulated depreciation	<u>3,228,928</u>	<u>3,193,905</u>	<u>9,140,858</u>	<u>8,218,698</u>	<u>12,369,786</u>	<u>11,412,603</u>
Total Assets	4,302,461	4,421,634	10,263,072	8,516,548	14,565,533	12,938,182
DEFERRED OUTFLOWS OF RESOURCES						
	185,932	773,823	0	0	185,932	773,823
LIABILITIES						
Current liabilities	41,531	598,056	596,405	357,385	637,936	955,441
Long-term liabilities	<u>2,730,866</u>	<u>3,677,570</u>	<u>8,936,000</u>	<u>7,472,000</u>	<u>11,666,866</u>	<u>11,149,570</u>
Total Liabilities	2,772,397	4,275,626	9,532,405	7,829,385	12,304,802	12,105,011
NET POSITION						
Invested in capital assets of net related debt	3,228,928	2,629,355	19,858	621,698	3,248,786	3,251,053
Restricted	52,204	39,166	0	0	52,204	39,166
Unrestricted	<u>(1,565,136)</u>	<u>(1,748,689)</u>	<u>710,809</u>	<u>65,465</u>	<u>(854,327)</u>	<u>(1,683,224)</u>
Total Net Position	\$ <u>1,715,996</u>	\$ <u>919,832</u>	\$ <u>730,667</u>	\$ <u>687,163</u>	\$ <u>2,446,663</u>	\$ <u>1,606,995</u>

The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$ (854,327).

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The following analysis provides the changes in the net position for the City's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Charges for services	\$ 88,664	\$ 85,568	\$ 1,747,644	\$ 1,694,749	\$ 1,836,308	\$ 1,780,317
Operating grants	327,402	303,554	28,040	112,210	355,442	415,764
Capital grants	0	57,030	0	0	0	57,030
GENERAL REVENUES:						
Property taxes	1,534,852	1,591,910	259,920	68,278	1,794,772	1,660,188
State shared revenue	373,588	340,494	0	0	373,588	340,494
Unrestricted investment earnings	9,368	7,472	1,644	536	11,013	8,008
Transfers	(100,000)	0	100,000	0	0	0
Miscellaneous	3,167	4,858	0	0	3,167	4,858
TOTAL REVENUE	2,237,041	2,390,886	2,137,249	1,875,773	4,374,290	4,266,659
PROGRAM EXPENSES:						
General government	288,396	285,421	0	0	288,396	285,421
Public safety	619,491	598,881	0	0	619,491	598,881
Public works	65,879	83,835	0	0	65,879	83,835
Streets	272,928	297,397	0	0	272,928	297,397
Comm. & econ development	11,809	17,639	0	0	11,809	17,639
Unallocated fringes	77,243	1,103,256	0	0	77,243	1,103,256
Recreation and cultural	20,921	30,650	0	0	20,921	30,650
Interest	4,550	22,288	242,449	245,299	246,999	267,587
Sewer	0	0	917,032	934,589	917,032	934,589
Water	0	0	620,252	475,913	620,252	475,913
Refuse	0	0	314,012	327,251	314,012	327,251
Depreciation	79,660	70,642	0	0	79,660	70,642
TOTAL EXPENSES	1,440,876	2,510,009	2,093,745	1,983,052	3,534,621	4,493,061
INCREASE (DECREASE)						
IN NET POSITION	\$ 796,165	\$ (119,123)	\$ 43,504	\$ (107,279)	\$ 839,669	\$ (226,402)

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Essexville completed its year, its governmental funds reported a total fund balance of \$ 1,031,634 which is less than the \$ 1,169,128 total fund balance at June 30, 2016.

- The General Fund, the operating fund for the City, ended fiscal year 2017 with a \$ 916,849 fund balance compared to the prior year ending fund balance of \$ 1,091,989.
- The Major Street Fund Balance increased by \$ 37,100.
- The Local Street Fund Balance increased by \$ 38.
- The Debt Service Fund Balance decreased by \$ 21,766.
- The DDA Fund increased by \$ 24,609.

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Essexville completed its year, its Business-Type Funds reported total net position of \$ 730,669, which is more than the \$ 687,163 total fund balances at June 30, 2016.

- Sewer Fund net position increased by \$ 61,525.
- Water Fund net position decreased by \$ 39,756.
- Rubbish and Trash Fund net position increased by \$ 21,734.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2017, the City amended the budget two (2) times. The amendments were done for line item changes and to cover some unexpected costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$ 3,228,870 (net of accumulated depreciation) at June 30, 2017. Capital assets for business-type activities totaled \$ 9,140,859 (net of accumulated depreciation) at June 30, 2017. The notes to the financial statements contain more detailed information about the City's capital assets.

Governmental activities major capital outlays included infrastructure, voting equipment, accounting software, Ford truck, and plow. For Business-Type Activities, there were additions in the Water Fund for water supply line to connect to the County and meters.

ECONOMIC FACTORS

Elected and appointed officials must consider many factors in the preparation and the adoption of the City's annual budget. One important factor affecting the City's budget is the State of Michigan's fiscal health, because a significant source of revenue for the City's General Fund is state shared revenue, a portion of which is subject to state legislative approval. Because of the State's recent and continuing budget problems the City has seen a reduction in state shared revenue. The consequences of this revenue reduction is and will be in the future a reduction in services funded by the General Fund with public safety services at risk in the near future without additional state or local revenue to the General Fund.

LONG-TERM DEBT

At year end the City had \$ 9,121,000 in outstanding bonds and loans. All debt in the business-type and governmental-activities is detailed below:

CITY OF ESSEXVILLE
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Infrastructure Bonds - In 1999 local voters authorized the City Council to sell up to \$5,000,000 of general obligation bonds restricted for improvements to the City's water, sewer and storm water infrastructure. These bonds were sold in three series: \$2,000,000 (January 11, 2000), \$1,500,000 (February 27, 2001) and \$1,500,000 (February 28, 2002). On February 28, 2011, the City refinanced the three series of infrastructure bonds to combine them into one bond. The final payment of \$560,000 was made in fiscal year ending June 30, 2017.

Sewage Disposal Bonds Series 2010 - At the fiscal year ended June 30, 2010, the City borrowed funds through U.S. Department of Agriculture Rural Development to construct a new raw wastewater pump station, demolition of abandoned treatment plant, to construct a force main to connect the City's sewage disposal system to the Bay County Treatment Facility and other improvements. Total amounts of bonds authorized for the project totaled \$7,485,000.

Balance June 30, 2017 \$ 7,352,000

Sewer Fund - State Revolving Fund ("SRF") loan administered by the Michigan Department of Environmental Quality to construct mandated improvements at the City's wastewater treatment plant.

SRF Loan 1997

Balance June 30, 2017 \$ 120,000

Water Fund – General Obligation Unlimited Tax Bonds, Series 2017 held by U.S. Department of Agriculture Rural Development to make water supply system improvements consisting of a water transmission line that will connect the City's existing water distribution system to the Bay County Regional Water Treatment Facility. Total amount of bonds authorized for the project are \$5,762,000. The City is required through various bonding agreements with the United States Department of Agriculture, Rural Development, to maintain a repair, replacement, and reserve account and deposit \$6,667 each October 1, commencing October 1, 2017 until the bonds are paid in full.

Balance June 30, 2017 \$ 1,649,000

Additional indebtedness schedules are included in the Other Supporting Information section, which provides a detail payment schedule for each debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present citizens, taxpayers, customers, investors, creditors and other interested parties with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City of Essexville, 1104 Woodside Avenue, Essexville, MI 48732-1627.

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business -Type Activities	Total
ASSETS:			
Cash	\$ 860,512.71	\$ 631,028.64	\$ 1,491,541.35
Investments	100,000.00	0.00	100,000.00
Receivables	2.80	157,646.07	157,648.87
Receivable from state	113,017.96	0.00	113,017.96
Internal balances	0.00	0.00	0.00
Land held for sale	0.00	0.00	0.00
Inventory and prepaids	0.00	0.00	0.00
Restricted cash	0.00	333,539.15	333,539.15
Capital assets:			
Land	819,930.89	0.00	819,930.89
Buildings and improvements	1,158,519.21	0.00	1,158,519.21
Machinery and equipment	1,421,838.07	372,522.99	1,794,361.06
Infrastructure	1,748,512.70	0.00	1,748,512.70
Water and sewer systems	0.00	10,644,861.21	10,644,861.21
Other assets	0.00	0.00	0.00
Accumulated depreciation	(1,919,872.90)	(1,876,526.13)	(3,796,399.03)
Total Assets	4,302,461.44	10,263,071.93	14,565,533.37
DEFERRED OUTFLOWS OF RESOURCES	185,932.00	0.00	185,932.00
LIABILITIES:			
Accounts payable	27,802.98	346,194.30	373,997.28
Accrued expenses	13,727.99	65,210.77	78,938.76
Accrued interest	0.00	0.00	0.00
Unearned revenue	0.00	0.00	0.00
Due to other governmental units	0.00	0.00	0.00
Other net postemployment obligation	410,315.00	0.00	410,315.00
Net pension liability	2,320,551.00	0.00	2,320,551.00
Notes and bonds payable			
Amount due within one year	0.00	185,000.00	185,000.00
Amount due more than one year	0.00	8,936,000.00	8,936,000.00
Total Liabilities	2,772,396.97	9,532,405.07	12,304,802.04
DEFERRED INFLOWS OF RESOURCES	0.00	0.00	0.00
NET POSITION:			
Investment in capital assets net of related debt	3,228,927.97	19,858.07	3,248,786.04
Restricted for streets	41,906.91	0.00	41,906.91
Restricted for debt service	(0.00)	0.00	(0.00)
Restricted for public safety	10,297.21	0.00	10,297.21
Unrestricted	(1,565,135.62)	710,808.79	(854,326.83)
Total Net Position	\$ 1,715,996.47	\$ 730,666.86	\$ 2,446,663.33

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

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
General government	\$ 288,395.77	\$ 88,664.09	\$ 12,253.57	\$ 0.00	\$ (187,478.11)	\$ 0.00	\$ (187,478.11)
Public safety	619,490.95	0.00	1,307.60	0.00	(618,183.35)	0.00	(618,183.35)
Public works	65,879.36	0.00	12,312.06	0.00	(53,567.30)	0.00	(53,567.30)
Streets and highways	272,927.96	0.00	301,529.07	0.00	28,601.11	0.00	28,601.11
Community and economic development	11,808.51	0.00	0.00	0.00	(11,808.51)	0.00	(11,808.51)
Recreational and cultural	20,921.38	0.00	0.00	0.00	(20,921.38)	0.00	(20,921.38)
Unallocated fringes and retirement	77,242.77	0.00	0.00	0.00	(77,242.77)	0.00	(77,242.77)
Unallocated depreciation	79,659.59	0.00	0.00	0.00	(79,659.59)	0.00	(79,659.59)
Interest on debt	4,550.00	0.00	0.00	0.00	(4,550.00)	0.00	(4,550.00)
Total Governmental Activities	1,440,876.29	88,664.09	327,402.30	0.00	(1,024,809.90)	0.00	(1,024,809.90)
BUSINESS-TYPE ACTIVITIES:							
Sewer	917,032.26	941,749.75	28,040.18	0.00	0.00	52,757.67	52,757.67
Water	620,251.68	537,942.42	0.00	0.00	0.00	(82,309.26)	(82,309.26)
Refuse	314,011.80	267,951.73	0.00	0.00	0.00	(46,060.07)	(46,060.07)
Interest on debt	242,449.29	0.00	0.00	0.00	0.00	(242,449.29)	(242,449.29)
Total Business-Type Activities	2,093,745.03	1,747,643.90	28,040.18	0.00	0.00	(318,060.95)	(318,060.95)
Total Primary Government	\$ 3,534,621.32	\$ 1,836,307.99	\$ 355,442.48	\$ 0.00	(1,024,809.90)	(318,060.95)	(1,342,870.85)
GENERAL PURPOSE REVENUES:							
Property taxes					1,534,851.79	259,920.37	1,794,772.16
State shared revenues					373,588.20	0.00	373,588.20
Unrestricted investment income					9,368.25	1,644.28	11,012.53
Loss on asset disposal					0.00	0.00	0.00
Other miscellaneous revenues					3,166.63	0.00	3,166.63
Transfers					(100,000.00)	100,000.00	0.00
Total General Purpose Revenues and Transfers					1,820,974.87	361,564.65	2,182,539.52
Change in Net Position					796,164.97	43,503.70	839,668.67
Net Position - Beginning of Year					919,831.50	687,163.16	1,606,994.66
Net Position - End of Year					\$ 1,715,996.47	\$ 730,666.86	\$ 2,446,663.33

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

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2017

	MAJOR FUNDS						NONMAJOR GOVERNMENTAL	TOTAL
	GENERAL	MAJOR STREETS	LOCAL STREETS	DEBT SERVICE	DDA			
ASSETS:								
Cash and certificates of deposit	\$ 789,600.15	\$ 665.39	\$ (12,485.75)	\$ 0.00	\$ 62,708.49	\$ 10,297.21	\$ 850,785.49	
Investments	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00	
Other receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Taxes receivable	2.80	0.00	0.00	0.00	0.00	0.00	2.80	
Prepaid expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Due from other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Due from state	56,742.00	41,285.13	14,990.83	0.00	0.00	0.00	113,017.96	
TOTAL ASSETS	\$ 946,344.95	\$ 41,950.52	\$ 2,505.08	\$ 0.00	\$ 62,708.49	\$ 10,297.21	\$ 1,063,806.25	
LIABILITIES:								
Accounts payable	\$ 18,476.67	\$ 0.00	\$ 657.25	\$ 0.00	50.89	\$ 0.00	\$ 19,184.81	
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Payroll withholdings	2,555.00	0.00	0.00	0.00	0.00	0.00	2,555.00	
Accrued expenses	8,464.77	778.47	1,112.97	0.00	75.74	0.00	10,431.95	
Due to other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL LIABILITIES	29,496.44	778.47	1,770.22	0.00	126.63	0.00	32,171.76	
FUND BALANCES:								
Nonspendable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Restricted for streets	0.00	41,172.05	734.86	0.00	0.00	0.00	41,906.91	
Restricted for debt service	0.00	0.00	0.00	(0.00)	0.00	0.00	(0.00)	
Restricted for DDA	0.00	0.00	0.00	0.00	62,581.86	0.00	62,581.86	
Restricted for justice training	0.00	0.00	0.00	0.00	0.00	10,297.21	10,297.21	
Committed to	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Assigned for	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Unassigned	916,848.51	0.00	0.00	0.00	0.00	0.00	916,848.51	
Total Fund Balances	916,848.51	41,172.05	734.86	(0.00)	62,581.86	10,297.21	1,031,634.49	
TOTAL LIABILITIES AND FUND BALANCES	\$ 946,344.95	\$ 41,950.52	\$ 2,505.08	\$ (0.00)	\$ 62,708.49	\$ 10,297.21	\$ 1,063,806.25	

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

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
June 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,031,634.49
Amounts reported for governmental activities in the Statement of Net Position are different because -		
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet:		
Capital assets at cost		3,426,041.16
Accumulated depreciation and amortization		(725,719.93)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		
Loan payable		0.00
Bonds payable		0.00
Accrued interest		0.00
Net postemployment benefit obligation		(410,315.00)
Net pension liability		(2,320,551.00)
Deferred outflows of resources - pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date		185,932.00
An internal service fund is used by management to charge the cost of equipment use to individual funds. The assets and liabilities of the internal service fund are included in the Governmental Activities in the Statement of Net Position		
Net position of internal service fund		<u>528,974.75</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>1,715,996.47</u></u>

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

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2017

	GENERAL	MAJOR STREETS	LOCAL STREETS	DEBT SERVICE	DDA	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES:							
Property taxes	\$ 946,920.90	\$ 0.00	\$ 0.00	\$ 549,530.24	\$ 38,400.65	\$ 0.00	\$ 1,534,851.79
Licenses and permits	57,966.06	0.00	0.00	0.00	0.00	0.00	57,966.06
Federal grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State grants	390,653.83	213,427.56	86,978.51	0.00	0.00	1,307.60	692,367.50
Contributions from other units	7,500.00	0.00	0.00	0.00	0.00	0.00	7,500.00
Charges for services	22,849.10	0.00	0.00	0.00	0.00	0.00	22,849.10
Fines and forfeits	7,848.93	0.00	0.00	0.00	0.00	0.00	7,848.93
Interest and rentals	5,823.18	0.00	0.00	2,420.07	1,125.00	0.00	9,368.25
Other revenue	3,166.63	0.00	1,023.00	0.00	100.00	0.00	4,289.63
Total Revenues	1,442,728.63	213,427.56	88,001.51	551,950.31	39,625.65	1,307.60	2,337,041.26
EXPENDITURES:							
General government	278,386.39	0.00	0.00	1,150.00	7,271.69	0.00	286,808.08
Public safety	609,500.21	0.00	0.00	0.00	0.00	3,640.00	613,140.21
Public works	65,879.36	131,328.06	199,963.71	0.00	0.00	0.00	397,171.13
Community and economic development	4,063.14	0.00	0.00	0.00	7,745.37	0.00	11,808.51
Cultural and recreation	20,921.38	0.00	0.00	0.00	0.00	0.00	20,921.38
Other	406,055.77	0.00	0.00	0.00	0.00	0.00	406,055.77
Capital outlay	39,530.00	0.00	0.00	0.00	0.00	0.00	39,530.00
Debt service - principal	0.00	0.00	0.00	560,000.00	0.00	0.00	560,000.00
Debt service - interest	0.00	0.00	0.00	9,100.00	0.00	0.00	9,100.00
Total Expenditures	1,424,336.25	131,328.06	199,963.71	570,250.00	15,017.06	3,640.00	2,344,535.08
EXCESS OF REVENUES OVER EXPENDITURES	18,392.38	82,099.50	(111,962.20)	(18,299.69)	24,608.59	(2,332.40)	(7,493.82)
OTHER FINANCING SOURCES (USES):							
Bond proceeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfer from other funds	3,466.75	0.00	112,000.00	0.00	0.00	0.00	115,466.75
Transfer to other funds	(197,000.00)	(45,000.00)	0.00	(3,466.75)	0.00	0.00	(245,466.75)
Total Other Financing Sources (Uses)	(193,533.25)	(45,000.00)	112,000.00	(3,466.75)	0.00	0.00	(130,000.00)
NET CHANGE IN FUND BALANCES	(175,140.87)	37,099.50	37.80	(21,766.44)	24,608.59	(2,332.40)	(137,493.82)
FUND BALANCE BEGINNING OF YEAR	1,091,989.38	4,072.55	697.06	21,766.44	37,973.27	12,629.61	1,169,128.31
FUND BALANCE END OF YEAR	\$ 916,848.51	\$ 41,172.05	\$ 734.86	\$ (0.00)	\$ 62,581.86	\$ 10,297.21	\$ 1,031,634.49

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

CITY OF ESSEXVILLE
Bay County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (137,493.82)

Amounts reported for Governmental Activities in the Statement
of Activities are different because -

Governmental funds report capital outlays as expenditures
while in the Statement of Activities, these costs are allocated
over their estimated lives as depreciation expense.

Capital outlay	109,724.00
Less depreciation expense	(79,659.59)
Gain or loss on disposals of capital assets	0.00

Governmental funds report the proceeds of debt as a financial resource in
the fund financial statements. The repayment of debt is an outlay of
current fund resources. Neither transaction has any effect on net
position in the government wide statements.

Decrease in accrued interest	4,550.00
Principal payments	560,000.00
Decrease in other post employment obligation	439,557.00

The change in net pension liability and related deferred outflows
is recorded when incurred in the statement of activities (80,744.00)

An internal service fund is used by management to charge the
net costs of equipment use to individual funds. The net cost
of the internal service fund is reported in the governmental
activities. (19,768.62)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 796,164.97

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

CITY OF ESSEXVILLE
Bay County, Michigan

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2017

	Business-Type Activities				Governmental Activities	
	Major Enterprise Funds					Internal Service
	Sewer Fund	Water Fund	Rubbish and Trash Fund	Total		
<u>ASSETS:</u>						
Current Assets:						
Cash	\$ 45,782.94	\$ 533,570.51	\$ 51,675.19	\$ 631,028.64	\$ 9,727.22	
Accounts receivable	87,156.11	44,860.45	25,629.51	157,646.07	0.00	
Delinquent taxes receivable	0.00	0.00	0.00	0.00	0.00	
Prepaid expense	0.00	0.00	0.00	0.00	0.00	
Inventory	0.00	0.00	0.00	0.00	0.00	
Due from other funds	0.00	0.00	0.00	0.00	0.00	
Total Current Assets	<u>132,939.05</u>	<u>578,430.96</u>	<u>77,304.70</u>	<u>788,674.71</u>	<u>9,727.22</u>	
Noncurrent Assets:						
Restricted Cash:						
2010 USDA sewage disposal bond debt reserve	241,237.26	0.00	0.00	241,237.26	0.00	
2010 USDA sewage repair and replacement reserve	92,301.89	0.00	0.00	92,301.89	0.00	
2017 USDA water repair and replacement reserve	0.00	0.00	0.00	0.00	0.00	
Capital Assets:						
Land and improvements	0.00	0.00	0.00	0.00	0.00	
Buildings and improvements	0.00	0.00	0.00	0.00	556,358.00	
Equipment	165,589.96	206,933.03	0.00	372,522.99	1,166,401.71	
Water and sewer systems	8,531,901.44	2,057,938.59	0.00	10,589,840.03	0.00	
Intangible assets	0.00	55,021.18	0.00	55,021.18	0.00	
Accumulated depreciation	(1,609,244.65)	(267,281.48)	0.00	(1,876,526.13)	(1,194,152.97)	
Construction in progress	0.00	0.00	0.00	0.00	0.00	
Total Noncurrent Assets	<u>7,421,785.90</u>	<u>2,052,611.32</u>	<u>0.00</u>	<u>9,474,397.22</u>	<u>528,606.74</u>	
Total Assets	7,554,724.95	2,631,042.28	77,304.70	10,263,071.93	538,333.96	
<u>LIABILITIES:</u>						
Current Liabilities:						
Accounts payable	4,587.26	322,670.08	18,936.96	346,194.30	8,618.17	
Due to other governmental units	0.00	0.00	0.00	0.00	0.00	
Due to other funds	0.00	0.00	0.00	0.00	0.00	
Deferred revenue	0.00	0.00	0.00	0.00	0.00	
Accrued expenses	62,382.45	2,102.09	726.23	65,210.77	741.04	
Current portion - revenue bonds payable	185,000.00	0.00	0.00	185,000.00	0.00	
Total Current Liabilities	<u>251,969.71</u>	<u>324,772.17</u>	<u>19,663.19</u>	<u>596,405.07</u>	<u>9,359.21</u>	
Noncurrent Liabilities:						
Notes payable	7,287,000.00	1,649,000.00	0.00	8,936,000.00	0.00	
Total Noncurrent Liabilities	<u>7,287,000.00</u>	<u>1,649,000.00</u>	<u>0.00</u>	<u>8,936,000.00</u>	<u>0.00</u>	
Total Liabilities	7,538,969.71	1,973,772.17	19,663.19	9,532,405.07	9,359.21	
<u>NET POSITION:</u>						
Invested in capital assets net of related debt	(383,753.25)	403,611.32	0.00	19,858.07	528,606.74	
Unrestricted	<u>399,508.49</u>	<u>253,658.79</u>	<u>57,641.51</u>	<u>710,808.79</u>	<u>368.01</u>	
Total Net Position	<u>\$ 15,755.24</u>	<u>\$ 657,270.11</u>	<u>57,641.51</u>	<u>\$ 730,666.86</u>	<u>\$ 528,974.75</u>	

Reconciliation of Government Wide Statement of Net Position:

Net Position of Business-Type Activities \$ 730,666.86

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

CITY OF ESSEXVILLE
Bay County, Michigan

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	Business-Type Activities				Governmental Activities Internal Service
	Major Enterprise Funds				
	Sewer Fund	Water Fund	Refuse Fund	Total	
OPERATING REVENUES:					
Charges for services					
Water charges	\$ 0.00	\$ 528,698.81	\$ 0.00	\$ 528,698.81	\$ 0.00
Sewer charges	922,876.30	0.00	0.00	922,876.30	0.00
Water hydrant rental	0.00	0.00	0.00	0.00	0.00
Property taxes	0.00	192,126.23	67,794.14	259,920.37	0.00
Refuse charges	0.00	0.00	263,679.36	263,679.36	0.00
Rental income	0.00	0.00	0.00	0.00	178,597.21
Late payment fees	16,256.25	9,093.61	4,272.37	29,622.23	0.00
Miscellaneous	2,617.20	150.00	0.00	2,767.20	5,565.00
Total Operating Revenues	941,749.75	730,068.65	335,745.87	2,007,564.27	184,162.21
OPERATING EXPENSES:					
Salaries	40,317.04	73,012.57	30,504.93	143,834.54	50,492.61
Payroll taxes	6,813.74	8,934.34	2,231.49	17,979.57	3,655.53
Water purchases	0.00	334,852.85	0.00	334,852.85	0.00
Chemicals	1,036.28	0.00	0.00	1,036.28	0.00
Supplies	20,082.91	10,150.74	0.00	30,233.65	66,058.08
Retirement	18,071.59	24,114.67	10,071.80	52,258.06	13,429.07
Contractual services	289,012.49	2,125.00	232,218.12	523,355.61	7,880.93
Insurance	11,996.62	5,804.48	857.94	18,659.04	11,445.95
Office supplies	4,880.62	3,217.00	0.00	8,097.62	422.39
Repairs and maintenance	45,420.81	1,257.85	0.00	46,678.66	3,397.23
Utilities	39,135.97	0.00	0.00	39,135.97	14,961.77
Fringe benefits	65,796.35	59,688.79	15,252.61	140,737.75	21,107.36
Equipment rental	9,123.74	9,224.13	19,165.94	37,513.81	0.00
Administrative	52,513.96	49,125.07	3,708.97	105,348.00	0.00
Rent	12,500.00	12,500.00	0.00	25,000.00	0.00
Other costs	9,394.16	3,974.46	0.00	13,368.62	150.00
Depreciation	290,935.98	22,269.73	0.00	313,205.71	44,056.41
Total Operating Expenses	917,032.26	620,251.68	314,011.80	1,851,295.74	237,057.33
Operating Income	24,717.49	109,816.97	21,734.07	156,268.53	(52,895.12)
NONOPERATING REVENUES(EXPENSES):					
Property taxes	0.00	0.00	0.00	0.00	0.00
Interest Income	1,216.78	427.50	0.00	1,644.28	0.00
Interest credit on build America bonds	28,040.18	0.00	0.00	28,040.18	0.00
Disposal of capital asset	0.00	0.00	0.00	0.00	3,126.50
Interest expense	(242,449.29)	0.00	0.00	(242,449.29)	0.00
Total Nonoperating Revenues(Expenses)	(213,192.33)	427.50	0.00	(212,764.83)	3,126.50
Income Before Contributions and Transfers	(188,474.84)	110,244.47	21,734.07	(56,496.30)	(49,768.62)
Transfers in	250,000.00	0.00	0.00	250,000.00	30,000.00
Transfers out	0.00	(150,000.00)	0.00	(150,000.00)	0.00
Change in Net Position	61,525.16	(39,755.53)	21,734.07	43,503.70	(19,768.62)
Net Position Beginning of Year	(45,769.92)	697,025.64	35,907.44	687,163.16	548,743.37
Net Position End of Year	<u>\$ 15,755.24</u>	<u>\$ 657,270.11</u>	<u>\$ 57,641.51</u>	<u>\$ 730,666.86</u>	<u>\$ 528,974.75</u>
Change in Net Position Government-Wide Business Activities				<u>\$ 43,503.70</u>	

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

CITY OF ESSEXVILLE
Bay County, Michigan

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

	Business-Type Activities			Total	Governmental Activities Internal Service
	Major Enterprise Funds				
	Sewer Fund	Water Fund	Refuse Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 972,703.83	\$ 725,806.49	\$ 335,749.79	\$ 2,034,260.11	\$ 184,162.21
Other operating cash receipts	0.00	0.00	0.00	0.00	0.00
Cash payments to suppliers for goods and services	(675,079.50)	(485,226.56)	(266,583.62)	(1,426,889.68)	(136,797.01)
Cash payments to employees for services	(41,318.62)	(72,958.72)	(30,431.49)	(144,708.83)	(50,534.81)
Net cash provided (used) by operating activities	<u>256,305.71</u>	<u>167,621.21</u>	<u>38,734.68</u>	<u>462,661.60</u>	<u>(3,169.61)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:					
Transfer to other funds	0.00	(150,000.00)	0.00	(150,000.00)	0.00
Contribution from other funds	250,000.00	0.00	0.00	250,000.00	30,000.00
Funding of bond restricted cash	(1,007.15)	0.00	0.00	(1,007.15)	0.00
Net cash provided (used) by noncapital financing activities	<u>248,992.85</u>	<u>(150,000.00)</u>	<u>0.00</u>	<u>98,992.85</u>	<u>30,000.00</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	0.00	(1,235,365.37)	0.00	(1,235,365.37)	(49,015.00)
Interest credit on Build America bonds	28,040.18	0.00	0.00	28,040.18	0.00
Proceeds from sale of capital assets	0.00	0.00	0.00	0.00	3,126.50
Additional bond proceeds	0.00	1,649,000.00	0.00	1,649,000.00	0.00
Debt payments					
Interest paid on bonds	(242,449.29)	0.00	0.00	(242,449.29)	0.00
Principal payments on bonds	(125,000.00)	0.00	0.00	(125,000.00)	0.00
Net cash provided (used) by capital and related financing activities	<u>(339,409.11)</u>	<u>413,634.63</u>	<u>0.00</u>	<u>74,225.52</u>	<u>(45,888.50)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	1,216.78	427.50	0.00	1,644.28	0.00
Net increase (decrease) in cash	167,106.23	431,683.34	38,734.68	637,524.25	(19,058.11)
Cash beginning of year	(121,323.29)	101,887.17	12,940.51	(6,495.61)	28,785.33
Cash end of year	<u>\$ 45,782.94</u>	<u>\$ 533,570.51</u>	<u>\$ 51,675.19</u>	<u>\$ 631,028.64</u>	<u>\$ 9,727.22</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Income (loss) from operations	\$ 24,717.49	\$ 109,816.97	\$ 21,734.07	\$ 156,268.53	\$ (52,895.12)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:					
Depreciation	290,935.98	22,269.73	0.00	313,205.71	44,056.41
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	30,954.08	(4,262.16)	3.92	26,695.84	0.00
Increase (decrease) in accounts payable	(89,300.26)	39,742.82	16,923.25	(32,634.19)	5,711.30
Increase (decrease) in accrued expenses	(1,001.58)	(53.85)	73.44	(981.99)	(42.20)
(Increase) decrease in inventory	0.00	0.00	0.00	0.00	0.00
Net Cash Provided (Used) in Operating Activities	<u>\$ 256,305.71</u>	<u>\$ 167,513.51</u>	<u>\$ 38,734.68</u>	<u>\$ 462,553.90</u>	<u>\$ (3,169.61)</u>

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

CITY OF ESSEXVILLE
Bay County, Michigan

FIDUCIARY FUNDS - AGENCY FUNDS
 STATEMENT OF NET POSITION
June 30, 2017

	Employee Benefit Fund Type <u>Fringe Benefit Fund</u>		Agency Fund Type <u>Tax Collection Fund</u>
ASSETS:			
Cash and certificates of deposit	\$ 61,560.41	\$	0.02
Due from general fund	0.00		0.00
Due from water fund	0.00		0.00
Total Assets	<u>61,560.41</u>		<u>0.02</u>
LIABILITIES:			
Due to other funds	<u>0.00</u>		<u>0.02</u>
Total Liabilities	<u>0.00</u>		<u>0.02</u>
Net Position			
Held in trust for benefits	\$ <u>61,560.41</u>	\$	<u>0.00</u>

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

CITY OF ESSEXVILLE
Bay County, Michigan

FIDUCIARY FUND - FRINGE BENEFIT FUND
 STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2017

		Employee Benefit Fund Type <u>Separation Pay Fund</u>
ADDITIONS		
Employer Contributions		
General Fund	\$	(9,216.80)
Sewer Fund		13,678.55
Motor Vehicle Fund		(1,225.11)
Rubbish and Trash Fund		(918.84)
Major Street Fund		215.78
Local Street Fund		(252.87)
DDA Fund		135.79
Water Fund		<u>13,127.25</u>
		15,543.75
 Investment Income		
Interest		<u>0.00</u>
 Total Additions		 15,543.75
 DEDUCTIONS		
Decrease in Available Employee Benefits		<u>22,572.88</u>
Change in Net Position		(7,029.13)
Net Position Beginning of Year		<u>68,589.57</u>
Net Position End of Year	\$	<u><u>61,560.44</u></u>

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

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Essexville is located in Bay County and operates under an elected City Council (6 members) and an elected Mayor, and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City hold the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

A blended component unit is a legally separate entity from the Local Governmental Unit, but is so intertwined with the unit that it is, in substance, the same as the Local Governmental Unit. It is reported as part of the Local Governmental Unit and blended into the appropriate fund types and account groups.

Based on the aforementioned criteria the City of Essexville has blended its Downtown Development Authority into the financial statements. The Downtown Development Authority is appointed to preside over this specific district, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization, and historic preservation within this area.

Members of the board are approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C: BASIS OF PRESENTATION:

Government-Wide Statements

The *government-wide financial statements* (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the City. The effect of the interfund activity, within the Governmental and Business-Type Activities columns, has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds, Proprietary Funds, and Fiduciary Funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Major Government Funds

General Fund –

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Major Street Fund –

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Local Street Fund –

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of local roads within the City.

Downtown Development Authority Fund –

The Downtown Development Authority Fund is used to account for revenues and expenditures related to the economic development, neighborhood revitalization, historic preservation, and capital improvements within its district, funded by various grants and mileage increases.

Debt Service Fund –

This fund is used to accumulate tax revenues for purposes of making interest and principal payments on General Obligation bonds.

Major Proprietary Funds

Enterprise Funds –

Enterprise Funds are used to account for operations:

- a. that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- b. where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Water Fund –

Water Fund is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers

Sewer Fund –

Sewer Fund is used to account for the revenue and expenses for the operation of a sewer system for the residents of the City. Activities of the fund include administration, operation and maintenance of the sewer lines and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Rubbish and Trash Fund –

Rubbish and Trash Fund accounts for the activities of garbage collection and financed primarily by a user charge for the provision of those services.

Fiduciary Funds

Fiduciary, or Trust and Agency, Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Fringe Benefit Fund –

The Fringe Benefit Fund accounts for assets held by the City for funding of employee sick time and vacation benefits. The amounts do not involve the measurement of results of operations.

Tax Collection Fund –

Tax Collection Fund is an agency fund to account for collection of property taxes of other local units.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the Government-Wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

As a general rule, the effect of inter-fund activity has been eliminated from the Government-Wide Financial Statements. Exceptions to this general rule are charges between the City's water, sewer and refuse functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the Proprietary Funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; *basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. *Basis of accounting* relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-Wide Statements and Fund Financial Statements for Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

E: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000. 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 the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-40 years
Infrastructure	20-40 years
Land improvements	10-20 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

F: FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of unrestricted fund balance represent tentative management plans that are subject to change.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G: PROPERTY TAXES:

The City's property taxes are levied and become a lien each July 1st, based on the taxable valuation of property located in the City as of the preceding December 31st. These taxes are due on August 31st or with the final collection date of March 2nd before they are added to the County's delinquent tax rolls. The City's property tax revenues are recognized as revenues in the fiscal year levied to the extent they are measurable and available.

The taxable valuation of City properties totaled \$ 72,263,882 Ad Valorem taxes levied on this valuation consisted of 12.500 mills for City operations; .9500 mills for trash collection; 1.0000 mills for the Downtown Development Authority; 7.700 mills for the general obligation bond issues; and 2.6931 mills for bond debt in water fund.

H: COMPENSATED ABSENCES:

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay at January 1 of each year. An employee is eligible for his or her first vacation when twelve months have elapsed dating from his or her first day of employment. Subsequent vacations may be taken any time after January 1 of each year. The allowed vacation time for each employee is based upon years of service. Up to two weeks of vacation may be carried over through June of the following year subject to approval by the City Manager. On January 1 of each year, each employee is credited with eighty hours of paid sick leave. The first pay period in December of each year, each employee shall be paid all unused sick leave that the employee was credited with on January 1 of that calendar year, or as prorated for new hires during the year. All unused sick is paid out during the calendar year.

The Fringe Benefit Fund was established to provide cash severance payments to any employee, upon termination of his/her employment, of any unused portion of vacation that he or she was entitled on January 1 of that year. Vacation pay is not allowed to be carried over and is earned on January 1 of each year and any liability related to it at June 30, 2016 is included in the Fringe Benefit Fund.

I: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

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

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

J: RESTRICTED CASH:

The City's 2010 sewage disposal bonds require that the City maintain a bond reserve account and a repair and replacement account. The bond reserve account is designated for bond principal and interest payments requires \$ 33,200 deposited into the account each June 30th until there is accumulated a sum of \$384,000. Total funds in the bond reserve account at June 30, 2017 are \$ 241,237.26. These funds are restricted to be used for future debt payments.

The repair and replacement account required an initial deposit of \$100,000 into the fund. Each June 30th, the amount of \$33,333 is to be deposited into the repair and replacement account until the sum of \$384,000 has been deposited in the bond reserve account after which the amount of \$65,533 shall be deposited annually in the repair and replacement account until the bonds are paid in full. Monies in the repair and replacement account are restricted to be used only to pay for emergency maintenance of the system, extensions to systems facilities and replacement of system assets having useful lives ending prior to the final maturity of the bonds. Total funds in the repair and replacement account at June 30, 2017 totaled \$ 92,301.89. During the current year, the City expended \$ 12,261.45 for new meter from the repair and replacement account.

K: PENSIONS:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A: BUDGETARY INFORMATION:

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

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):

A: BUDGETARY INFORMATION (continued):

- The City Manager submits to the City Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to June 1, the budget is legally enacted by adoption of the City Council.
- The City Manager is authorized to transfer certain budgeted amounts between departments within any fund. Any revisions that alter the total expenditure of any fund must be approved by the City Council. The legal level of the control is at the activity level.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Council is included in the required supplemental information.
- All annual appropriations lapse at fiscal year-end.

B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS:

During the year, the City did incur expenditures that were in excess of the amounts budgeted, but were not material to the financial statements.

Fund Deficits – The City had no accumulated fund balance deficits.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Annual Ranges	Beginning Balances	Additions (Deductions)	Ending Balance	Current Portion
GOVERNMENTAL ACTIVITIES						
Refunding of 2000, 2001, and 2002 G.O. Bonds	2-3.25%	405,000-560,000	\$ 560,000	\$ (560,000)	\$ 0	\$ 0
Total Governmental Activities			<u>\$ 560,000</u>	<u>\$ (560,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
BUSINESS-TYPE ACTIVITIES						
<u>Sewer Fund</u>						
SRF Loan payable	2.25%	90,000-120,000	\$ 240,000	\$ (120,000)	\$ 120,000	\$ 120,000
2010 Sewage Disposal Bonds	3.25%	5,000-500,000	<u>7,357,000</u>	<u>(5,000)</u>	<u>7,352,000</u>	<u>5,000</u>
Total			7,597,000	(125,000)	7,472,000	125,000
<u>Water Fund</u>						
General Obligation Unlimited Tax Bonds, Series 2017	2.75%	0 - 5,762,000	<u>0</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,000</u>
Total			<u>0</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,000</u>
Total Business-Type Activities			<u>\$ 7,597,000</u>	<u>\$ 1,524,000</u>	<u>\$ 9,121,000</u>	<u>\$ 126,000</u>

**Schedule of Annual Principal Requirements
Business-type Activities**

Years Ending June 30	2010 Sewage Disposal Bonds	1997 State Revolving Fund (SRF)	2017 General Obligation Unlimited Tax Bond	Total Principal Requirements
2018	\$ 65,000	\$ 120,000	\$ 0	\$ 185,000
2019	70,000	0	1,000	71,000
2020	80,000	0	11,000	91,000
2021	90,000	0	15,000	105,000
2022	100,000	0	35,000	135,000
2023 - 2027	640,000	0	375,000	1,015,000
2028 - 2032	945,000	0	400,000	1,345,000
2033 - 2037	1,195,000	0	525,000	1,720,000
2038 - 2042	1,505,000	0	287,000	1,792,000
2043 - 2047	1,810,000	0	0	1,810,000
2048 - 2052	852,000	0	0	852,000
Total	<u>\$ 7,352,000</u>	<u>\$ 120,000</u>	<u>\$ 1,649,000</u>	<u>\$ 9,121,000</u>

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1</u>	<u>Additions/ Retirements/ Completions</u>	<u>Adjustments</u>	<u>Balance June 30</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 819,931	\$ 0	\$ 0	\$ 819,931
Capital assets being depreciated				
Buildings and improvements	1,154,919	3,600	0	1,158,519
Infrastructure	1,678,319	70,194	0	1,748,513
Vehicles, furniture and equipment	<u>1,349,091</u>	<u>72,748</u>	<u>0</u>	<u>1,421,839</u>
Subtotal	4,182,329	146,542	0	4,328,871
Less accumulated depreciation				
Building and improvements	336,738	29,772	0	366,510
Infrastructure	243,200	44,349	0	287,549
Vehicles, furniture and equipment	<u>1,228,414</u>	<u>37,458</u>	<u>0</u>	<u>1,265,872</u>
Total accumulated depreciation	1,808,352	111,579	0	1,919,931
Net capital assets	<u>\$ 3,193,908</u>	<u>\$ 34,962</u>	<u>\$ 0</u>	<u>\$ 3,228,870</u>
Business – type activities:				
Capital assets not being depreciated				
Construction in progress	\$ 0	\$ 0	\$ 0	\$ 0
Capital assets being depreciated				
Buildings and improvements	0	0	0	0
Water and sewer distribution systems	9,424,886	1,235,365	0	10,660,251
Furniture and equipment	<u>357,133</u>	<u>0</u>	<u>0</u>	<u>357,133</u>
Subtotal	9,782,019	1,235,365	0	11,017,384
Less accumulated depreciation				
Buildings and improvements	0	0	0	0
Water and sewer distribution systems	1,395,226	309,792	0	1,705,018
Furniture and equipment	<u>168,094</u>	<u>3,414</u>	<u>0</u>	<u>171,508</u>
Total accumulated depreciation	1,563,320	313,206	0	1,876,526
Net capital assets	<u>\$ 8,218,699</u>	<u>\$ 922,160</u>	<u>\$ 0</u>	<u>\$ 9,140,859</u>

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5. INTERFUND BALANCES AND TRANSFERS:

The composition of inter-fund transfers during the fiscal year ended June 30, 2017 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Street	Major Street	\$ 45,000.00

Purpose – allowable state transfer to increase local street fund.

Local Street	General Fund	\$ 67,000.00
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Purpose – to help fund paving project.

Motor Vehicle Fund	General Fund	\$ 30,000.00
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Purpose – to fund operations.

Sewer Fund	General Fund	\$ 100,000.00
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Purpose – to fund operations.

General Fund	Debt Service Fund	\$ 3,466.75
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Purpose – to close debt service fund

Sewer Fund	Water Fund	\$ 150,000.00
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Purpose – to fund operations.

There were no inter-fund balances as of June 30, 2017.

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

Michigan Compiled Laws, §129.91, authorizes local governmental units to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued):

The City has designated five financial agencies for the deposit of local unit funds. The investment policy adopted by the City in accordance with *Public Act 196 of 1997* has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policy are in accordance with statutory authority.

The breakdown between deposits and investments for the City is as follows:

Statement of Net Position:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 860,513	\$ 631,029	\$ 1,491,541	\$ 61,560
Investments	100,000	0	100,000	0
Total	<u>\$ 960,513</u>	<u>\$ 631,029</u>	<u>\$ 1,591,541</u>	<u>\$ 61,560</u>

Deposits and investments:

Bank Deposits (checking, savings, and certificates of deposit)	\$ 1,491,291
Cash on hand	250
Investments (government bonds)	<u>100,000</u>
Total	<u>\$ 1,591,541</u>

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. At June 30, 2017, the carrying value of deposits owned by the City was \$ 1,591,541. Approximately \$ 798,081 of the City's bank balance was covered by federal depository insurance. The remaining balance, \$ 1,188,309, was exposed to custodial credit risk because it was uninsured and uncollateralized. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments:

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

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued):

securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of deliver-versus-payment. At year-end, the following is a summary of the City's investments at June 30, 2017:

<u>Type of Investment</u>	<u>Carrying Value</u>
Government-wide:	
U.S Government and Agency Securities	<u>\$ 100,000</u>
Total	<u>\$ 100,000</u>

Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two (2) years from the date of purchase. Long-term funds (capital projects, debt service, etc.) matched to a specific cash flow requirement may be invested in securities maturing not more than five (5) years from the purchase date.

As of June 30, 2017, average maturities and ratings of the City's investments were as follows:

<u>Type of Investment</u>	<u>Value</u>	<u>Weighted Average Maturity</u>	<u>Moody's Investors Services Rating</u>
Government-wide:			
US Government and Agency Securities:			
Federal National Mortgage Association	100,000	3.75 Years	AAA

Credit Risk:

State law limits investments to specific governmental securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific identified in the list of authorized investments in the summary of significant accounting policies. Credit risk ratings, when applicable; have been identified above for the City's investments.

Concentration of Credit Risk:

The City diversifies its investment portfolio by specific dates, security types and institution so that potential losses of individual securities do not exceed income that would be generated by the remainder of the portfolio.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7. RISK MANAGEMENT:

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

The City has purchased commercial insurance for medical benefits and participates in the Michigan Municipal League risk pool program for workers' compensation, liability and property risk. This insurance provider is a public entity risk pool providing coverage to its members. The City pays an annual premium to this provider, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based on property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8. DEFINED BENEFIT PENSION PLAN:

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the 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. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

Benefits provided include plans with multipliers of 2.50%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 55 with 25 years of service for unreduced benefits. Early retirement is available at 50 with 25 years of service and at 55 with 15 years of service, but the benefits are reduced. Final average compensation is calculated based between 3 and 5 years. Member contributions range from 3% to 5%.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

Employees Covered by Benefit Terms

At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	6
Active Employees	<u>18</u>
Total	<u>45</u>

Contributions

The employer 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 employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 12.57% to 33.37% based on annual payroll for open divisions. Three divisions are closed to new employees have an annual contribution amount of \$ 6,874.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement include: 1) Inflation 3-4%; 2) Salaries increases 3%; 3) Investment rate of return 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.0% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employees. 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.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

Changes in net pension liability during the measurement year were as follows:

	<u>Dec 31, 2016</u>
Total Pension Liability	
Service cost	\$ 100,579
Interest on the total pension liability	549,818
Other changes	(387,910)
Benefits payments and refunds	<u>(529,323)</u>
Net change in total pension liability	(266,836)
Total pension liability - beginning	<u>7,087,098</u>
Total pension liability - ending (a)	\$ <u><u>6,820,262</u></u>
 Plan Fiduciary Net Position	
Employer contributions	\$ 260,893
Employee contributions	44,097
Pension plan net investment income	474,009
Benefit payment and refunds	(529,323)
Pension plan administrative expense	<u>(9,365)</u>
Net change in plan fiduciary net position	240,311
Plan fiduciary net position - beginning	<u>4,259,400</u>
Plan fiduciary net position - ending (b)	4,499,711
Net pension liability (a-b)	\$ <u><u>2,320,551</u></u>

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

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

The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability		\$ 2,320,551	
Change in Net Pension Liability	\$ 690,370		\$ (587,441)
Calculated Net Pension Liability	\$ 3,010,921	\$ 2,320,551	\$ 1,733,110

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

For the year ended June 30, 2017, the employer recognized pension expense of \$ 344,325. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ 177,446	\$ 0
Differences in Assumptions	152,799	0
Excess (Deficit) Investment Returns	<u>(277,978)</u>	0
Subtotal	52,267	0
Contributions Subsequent to the Measurement Date*	<u>133,665</u>	<u>0</u>
Total	<u>\$ 185,932</u>	<u>\$ 0</u>

*The amount reports 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 2018.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (continued):

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

<u>Year Ended</u>	
2017	60,067
2018	60,067
2019	(39,223)
2020	<u>(28,644)</u>
	\$ 52,267

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description

The City of Essexville administers a single employer defined benefit healthcare plan established by the City Council. In addition to the retirement benefits described in Note 8, the City provides health insurance benefits to certain retirees, which are advance funded on a discretionary basis.

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City funds retiree health care benefits using the pay-as-you-go (or cash disbursement) method. The City's annual contribution for these benefits is equal to the actual disbursements during the year for health care benefits for retired employees. For the year ended June 30, 2017, the City did not contribute to the Plan this year. Retirees receiving benefits made no contributions to the Plan, as none were required.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Entry Age Normal, actuarial cost method has been used to calculate the GASB ARC for this valuation. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The entry age method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. If experienced in accordance with the assumptions use, the ARC will increase at approximately the same rate as active member payroll. This is both an acceptable and reasonable cost method. The use of another actuarial cost method would produce different results. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution and net OPEB cost	\$	548,267
Contributions made		(137,952)
Interest on net OPEB obligation		0
Adjustments to ARC		<u>(849,872)</u>
Decrease in net OPEB obligation		(439,557)
Net OPEB obligation, beginning of year		<u>849,872</u>
Net OPEB obligation, end of year	\$	410,315

Funded Status and Funding Process

As of June 30, 2017, the actuarial accrued liability for benefits was \$ 3,758,218 all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

Schedule of Employer Contributions

<u>Valuation Date</u>	<u>Contribution from Employer</u>	<u>Percentage Contributed</u>
12/31/2016	\$ 137,952	25.2%

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued):

Liabilities and Assets

<u>Valuation Date</u>	Present Value of Future <u>Benefits</u>	Actuarial <u>Accrued Liability</u>	<u>Plan Assets</u>
12/31/16	\$ 0	\$ 3,758,218	\$ 0

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a period of 23 years beginning July 1, 2014.

NOTE 10. FUND BALANCE CLASSIFICATIONS:

Beginning with the year ended June 30, 2011, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, or laws or regulations of other governments or is imposed through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal City Council resolutions.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10. FUND BALANCE CLASSIFICATIONS (continued):

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from the overspending for specific purposes for which amounts have been restricted, committed or assigned.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted 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 Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption - Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources (including committed and assigned). 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 resources are considered to be applied. It is the Village'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.

NOTE 11. MANAGEMENT REVIEW:

Management has evaluated subsequent events and transactions for potential recognition and disclosure through November 8, 2017, the date the financial statements were available to be issued. No significant events or transactions were identified.

NOTE 12. CONNECTION TO BAY COUNTY TREATMENT PLANT:

During 2010, the City entered into an agreement with Bay County Department of Water and Sewer for sewer treatment services. The City paid a one-time connection fee to the County Wastewater Treatment Plant and paid a percentage of costs for upgrading the sewage storage system at the West Bay County Regional Wastewater Treatment Plant. Additionally, the City incurred cost of infrastructure by running pipes under the Saginaw River to connect to the treatment plant. All these costs were recorded in the Sewer fund as capital assets in the amount of \$7,989,144. The connection costs and construction were financed by Federal USDA revenue bonds and a USDA grant.

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13. INVESTMENT IN BAY AREA WATER TREATMENT PLANT:

In January of 2013, the City entered into an agreement with the City of Bay City and Bay County to construct a new Bay Area Water Treatment Plant. The City along with the other local governmental units agreed to share the cost of the plant based upon each unit's portion of total water usage. The plant will be held by Bay County on behalf of the local government units. When debt to finance the construction of the plant and system has been retired, title to the Plant will be transferred to the local governmental units based upon each units pro rata share of the total billed water consumption.

NOTE 14. TAX ABATEMENTS:

Effective for the year ended June 30, 2017, the City is required to disclose significant tax abatements as required by GASB Statement 77, Tax Abatements.

The City enters into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Act (Industrial Facilities Exemption), (P.A. 198 of 1974 as amended). Under the Act, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any local business located within or promising to relocate to the City.

The property taxes abated under this program were \$ 2,196.

NOTE 15. UPCOMING ACCOUNTING PRONOUNCEMENTS:

Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued in June 2015 and will be effective for the City's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how government calculate the OPEB liabilities and expense and requires additional note disclosures and required supplementary information.

Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities was issued by GASB in January 2017 and will be effective for the City's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local

CITY OF ESSEXVILLE
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 15. UPCOMING ACCOUNTING PRONOUNCEMENTS (continued):

governments. The focus on the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Cities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 953,500.00	\$ 953,500.00	\$ 946,920.90	\$ (6,579.10)
Licenses and permits	56,500.00	56,500.00	57,966.06	1,466.06
State and local grants	347,820.00	347,820.00	390,653.83	42,833.83
Contributions from other units	0.00	0.00	7,500.00	7,500.00
Fines and fees	12,500.00	12,500.00	7,848.93	(4,651.07)
Charges for services	12,600.00	12,600.00	22,849.10	10,249.10
Interest	6,272.00	6,272.00	5,823.18	(448.82)
Rental	0.00	0.00	0.00	0.00
Other revenue	5,600.00	5,600.00	3,166.63	(2,433.37)
Total Revenues	1,394,792.00	1,394,792.00	1,442,728.63	47,936.63
EXPENDITURES:				
General Government -				
Legislative - council	14,708.00	14,708.00	14,389.39	318.61
Administration	66,555.00	66,555.00	62,779.02	3,775.98
Elections	12,100.00	12,100.00	5,216.18	6,883.82
Assessor	29,274.00	29,274.00	21,788.92	7,485.08
Attorney	30,000.00	30,000.00	21,581.47	8,418.53
Board of Review	1,419.00	1,419.00	903.34	515.66
Clerk	56,812.00	56,812.00	56,610.63	201.37
Treasurer	28,150.00	28,150.00	26,828.96	1,321.04
Forestry	19,028.00	19,028.00	19,009.33	18.67
City Hall	54,633.00	45,633.00	45,384.15	248.85
Accounting & auditing	4,500.00	4,500.00	3,895.00	605.00
Promotional	0.00	0.00	0.00	0.00
Public Safety -				
Fire	56,374.00	56,374.00	49,499.72	6,874.28
Police	560,763.00	535,763.00	535,090.72	672.28
Inspections	25,287.00	25,287.00	24,909.77	377.23
Public Works -				
Sidewalks	0.00	0.00	0.00	0.00
Street lighting	53,500.00	53,500.00	48,363.55	5,136.45
Department of public works	17,500.00	17,500.00	17,515.81	(15.81)
Parks and Recreation -				
Parks and recreation	27,273.00	27,273.00	20,921.38	6,351.62
Community and Economic Development -				
Planning	600.00	600.00	0.00	600.00
Zoning	8,619.00	8,619.00	4,063.14	4,555.86
Capital outlay	49,000.00	40,000.00	39,530.00	470.00
Debt service	0.00	0.00	0.00	0.00
Other functions - fringe benefits	316,150.00	227,150.00	226,822.85	327.15
Other functions - retirement	140,000.00	180,000.00	179,232.92	767.08
Total Expenditures	1,572,245.00	1,480,245.00	1,424,336.25	55,908.75
OTHER FINANCING SOURCES (USES):				
Loan proceeds	0.00	0.00	0.00	0.00
Transfer from other funds	0.00	0.00	3,466.75	3,466.75
Transfer to other funds	(55,000.00)	(197,000.00)	(197,000.00)	0.00
Net Other Financing Sources (Uses)	(55,000.00)	(197,000.00)	(193,533.25)	(3,466.75)
NET CHANGE IN FUND BALANCE	(232,453.00)	(282,453.00)	(175,140.87)	107,312.13
FUND BALANCE - BEGINNING OF YEAR	1,091,089.00	1,091,989.38	1,091,989.38	0.00
FUND BALANCE - END OF YEAR	\$ 858,636.00	\$ 809,536.38	\$ 916,848.51	\$ 107,312.13

CITY OF ESSEXVILLE
Bay County, Michigan

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
State grants	\$ 75,000.00	\$ 75,000.00	\$ 77,496.03	\$ 2,496.03
Interest	800.00	800.00	0.00	(800.00)
Contribution from special assessments	0.00	0.00	0.00	0.00
State grants - Metro Act	0.00	0.00	0.00	0.00
State grants - Other	0.00	0.00	9,482.48	9,482.48
Other	10,000.00	10,505.00	1,023.00	(9,482.00)
Total Revenues	85,800.00	86,305.00	88,001.51	1,696.51
EXPENDITURES:				
Public Works -				
Administration	3,322.00	3,322.00	3,002.49	319.51
Storm drainage	30,995.00	39,995.00	39,578.92	416.08
Sidewalks	6,685.00	9,485.00	9,054.58	430.42
Routine maintenance	114,929.00	123,429.00	123,426.13	2.87
Traffic signs and signals	3,653.00	3,853.00	3,541.31	311.69
Winter maintenance	26,283.00	21,783.00	21,360.28	422.72
Other functions -fringes	0.00	0.00	0.00	0.00
Total Expenditures	185,867.00	201,867.00	199,963.71	1,903.29
EXCESS REVENUES OVER EXPENDITURES	(100,067.00)	(115,562.00)	(111,962.20)	3,599.80
OTHER FINANCING SOURCES (USES):				
Transfer from general fund	70,000.00	70,000.00	67,000.00	3,000.00
Transfer from major street	40,000.00	45,000.00	45,000.00	0.00
Total Transfers	110,000.00	115,000.00	112,000.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	9,933.00	(562.00)	37.80	3,599.80
FUND BALANCE - BEGINNING OF YEAR	697.00	697.06	697.06	0.00
FUND BALANCE - END OF YEAR	\$ 10,630.00	\$ 135.06	\$ 734.86	\$ 3,599.80

CITY OF ESSEXVILLE
Bay County, Michigan

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
State grants	\$ 178,540.00	\$ 175,041.00	\$ 213,427.56	\$ 38,386.56
Contribution from special assessments	0.00	0.00	0.00	0.00
Interest	100.00	100.00	0.00	(100.00)
Federal grant	0.00	0.00	0.00	0.00
State grants - other	0.00	0.00	0.00	0.00
Other	14,000.00	14,000.00	0.00	(14,000.00)
Total Revenues	192,640.00	189,141.00	213,427.56	24,286.56
EXPENDITURES:				
Public Works -				
Preservation	0.00	0.00	0.00	0.00
Administration	8,174.00	8,174.00	6,852.58	1,321.42
Storm drainage	33,689.00	27,689.00	27,242.47	446.53
Routine maintenance	54,721.00	54,721.00	49,335.68	5,385.32
Traffic signs and signals	12,861.00	12,861.00	11,549.62	1,311.38
Sidewalks	15,268.00	15,268.00	7,466.92	7,801.08
Winter maintenance	49,071.00	29,071.00	28,880.79	190.21
Other functions - fringes	0.00	0.00	0.00	0.00
Total Expenditures	173,784.00	147,784.00	131,328.06	16,455.94
EXCESS REVENUES OVER EXPENDITURES	18,856.00	41,357.00	82,099.50	40,742.50
OTHER FINANCING SOURCES (USES):				
Transfer from general fund	0.00	0.00	0.00	0.00
Transfer from DDA	0.00	0.00	0.00	0.00
Transfer to local street	(20,000.00)	(45,000.00)	(45,000.00)	0.00
Total Other Financing Sources	(20,000.00)	(45,000.00)	(45,000.00)	0.00
Excess (deficiency) of revenues over expenditures and other uses	(1,144.00)	(3,643.00)	37,099.50	40,742.50
FUND BALANCE - BEGINNING OF YEAR	4,072.00	4,072.55	4,072.55	0.00
FUND BALANCE - END OF YEAR	\$ 2,928.00	\$ 429.55	\$ 41,172.05	\$ 40,742.50

CITY OF ESSEXVILLE
Bay County, Michigan

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Property taxes	\$ 578,700.00	\$ 578,700.00	\$ 549,530.24	\$ (29,169.76)
State grants	0.00	0.00	0.00	0.00
Interest	177.00	177.00	2,420.07	2,243.07
Local contributions	0.00	0.00	0.00	0.00
Total Revenues	578,877.00	578,877.00	551,950.31	(26,926.69)
EXPENDITURES:				
Debt service				
Principal	560,000.00	560,000.00	560,000.00	0.00
Interest	9,100.00	9,100.00	9,100.00	0.00
General government Administation	3,000.00	3,000.00	1,150.00	1,850.00
Total Expenditures	572,100.00	572,100.00	570,250.00	1,850.00
EXCESS REVENUES OVER EXPENDITURES	6,777.00	6,777.00	(18,299.69)	(25,076.69)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to general fund	0.00	(3,500.00)	(3,466.75)	33.25
Total Transfers	0.00	(3,500.00)	(3,466.75)	33.25
Excess (deficiency) of revenues over expenditures and other uses	6,777.00	3,277.00	(21,766.44)	(25,043.44)
FUND BALANCE - BEGINNING OF YEAR	21,765.00	21,766.44	21,766.44	0.00
FUND BALANCE - END OF YEAR	\$ 28,542.00	\$ 25,043.44	\$ 0.00	\$ (25,043.44)

CITY OF ESSEXVILLE
Bay County, Michigan

DDA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Property tax	\$ 59,900.00	\$ 59,900.00	\$ 38,400.65	\$ (21,499.35)
Interest	850.00	850.00	1,125.00	275.00
Federal grant	0.00	0.00	0.00	0.00
State grants - other	44,864.00	44,864.00	0.00	(44,864.00)
Other	100.00	100.00	100.00	0.00
Total Revenues	105,714.00	105,714.00	39,625.65	(66,088.35)
EXPENDITURES:				
Administration	8,611.00	8,611.00	7,271.69	1,339.31
Economic development	13,981.00	15,981.00	7,745.37	8,235.63
Project activities	0.00	0.00	0.00	0.00
Capital outlay	40,000.00	40,000.00	0.00	40,000.00
Total Expenditures	62,592.00	64,592.00	15,017.06	49,574.94
EXCESS REVENUES OVER EXPENDITURES	43,122.00	41,122.00	24,608.59	(16,513.41)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	(45,000.00)	(45,000.00)	0.00	45,000.00
Transfer to major street fund	0.00	0.00	0.00	0.00
Transfer to general fund	0.00	0.00	0.00	0.00
Total Other Financing Sources	(45,000.00)	(45,000.00)	0.00	45,000.00
Excess (deficiency) of revenues over expenditures and other uses	(1,878.00)	(3,878.00)	24,608.59	28,486.59
FUND BALANCE - BEGINNING OF YEAR	1,944.00	37,973.27	37,973.27	0.00
FUND BALANCE - END OF YEAR	\$ 66.00	\$ 34,095.27	\$ 62,581.86	\$ 28,486.59

CITY OF ESSEXVILLE
Bay County, Michigan

Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2017

	Dec 31 2016	Dec 31 2015	Dec 31 2014
Total Pension Liability			
Service cost	\$ 100,579	\$ 106,019	\$ 93,640
Interest on the total pension liability	549,818	530,323	520,968
Other changes	(387,910)	331,416	0
Benefits payments and refunds	<u>(529,323)</u>	<u>(509,508)</u>	<u>(507,398)</u>
Net change in total pension liability	(266,836)	458,250	107,210
Total pension liability - beginning	<u>7,087,098</u>	<u>6,628,848</u>	<u>6,521,638</u>
Total pension liability - ending (a)	<u>\$ 6,820,262</u>	<u>\$ 7,087,098</u>	<u>\$ 6,628,848</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 260,893	\$ 251,433	\$ 206,566
Employee contributions	44,097	44,236	38,911
Pension plan net investment income	474,009	(65,927)	281,242
Benefit payment and refunds	(529,323)	(509,508)	(507,398)
Pension plan administrative expense	<u>(9,365)</u>	<u>(9,770)</u>	<u>(10,276)</u>
Net change in plan fiduciary net position	240,311	(289,536)	9,045
Plan fiduciary net position - beginning	<u>4,259,401</u>	<u>4,548,937</u>	<u>4,539,892</u>
Plan fiduciary net position - ending (b)	4,499,712	4,259,401	4,548,937
Net pension liability (a-b)	<u>\$ 2,320,551</u>	<u>\$ 2,827,698</u>	<u>\$ 2,079,911</u>
Plan fiduciary net position as a percentage of total pension liability	193.91%	150.63%	218.71%
Covered employee payroll	\$ 877,950	\$ 938,908	\$ 827,744
Net pension liability as a percentage of covered employee payroll	264.31%	301.17%	251.27%

Note:s GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available
The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

CITY OF ESSEXVILLE
Bay County, Michigan

Required Supplementary Information
Municipal Employees Retirement Systems of Michigan
Schedule of Employer's Contributions
June 30, 2017

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,893	\$ 251,433	\$ 206,566
Contributions in relation to the actuarially determined contribution		0	0	0	0	0	0	260,893	251,433	206,566
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 877,950	\$ 938,908	\$ 827,744
Contributions as a percentage of covered employee payroll								30%	27%	25%

Notes to Schedule

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Actuarially determined contribution rates are calculated as of December 31, each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	23 years
Asset valuation method	10 year smoothed
Inflation	3-4%
Salary Increases	3.0%
Investment rate of return	7.8%
Retirement age	60
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

CITY OF ESSEXVILLE
 Bay County, Michigan
 Required Supplementary Information - Other Postemployment Benefit (OPEB) System Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Market Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b) / (a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a) - (b)] / (c)
12/31/2010	\$ 3,606,867	\$ \$0	\$ 3,606,867	0.0%	Not avail.	Not avail.
12/31/2013	3,915,791	0	3,915,791	0.0%	Not avail.	Not avail.
12/31/2016	3,758,218	0	3,758,218	0.0%	Not avail.	Not avail.

Schedule of Employer Contributions

Year Ended 06/30	Annual Required Contribution (a)	Annual OPEB Cost (b)	Contribution from Employees (c)	Contribution from Employer (d)	Total Amount Contributed (c) + (d)	Percentage of ARC Contributed (d) / (a)	Percentage of OPEB Cost Contributed (d) / (b)
2012	\$ 291,079	\$ 113,767	\$ 0	\$ 113,767	\$ 113,767	39.1%	100.0%
2013	286,555	127,120	0	127,120	127,120	44.4%	100.0%
2014	281,912	142,430	0	142,430	142,430	50.5%	100.0%
2015	317,382	169,483	0	169,483	169,483	53.4%	100.0%
2016	315,006	180,987	0	180,987	180,987	57.5%	100.0%
2017	548,267	-301,605	0	137,952	137,952	25.2%	-45.7%

CITY OF ESSEXVILLE

Bay County, Michigan

Required Supplementary Information - Other Postemployment Benefit (OPEB) System Schedule (continued)

Year Ended June 30, 2017

Development of Net OPEB Obligation

Year	ARC						Annual OPEB Cost					Net OPEB Obligation (NOO) EOY
	Net OPEB Obligation (NOO) BOY	Unfunded Actuarial Accrued Liability (UAAL)	Amortization Factor	Service Cost	Amort. Of UAAL	Annual Required Contribution	Interest on BOY NOO	Adjustment to ARC	Annual OPEB Cost	Contribution		
2010	\$ 0	\$ 3,606,867	0.0000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2011	0	N/A	0.0000	N/A	N/A	0	0	0	0	0	0	0
2012	0	N/A	16.3003	N/A	225,658	291,079	0	0	113,767	113,767	177,312	
2013	177,312	3,915,791	15.9325	N/A	N/A	286,555	7,092	(4,524)	127,120	127,120	339,315	
2014	339,315	N/A	15.5499	N/A	N/A	281,912	13,573	(4,643)	142,430	142,430	487,727	
2015	487,727	N/A	15.1520	N/A	263,551	317,382	19,509	35,470	169,483	169,483	690,605	
2016	690,605	N/A	14.7382	N/A	N/A	315,006	27,624	(2,376)	180,987	180,987	849,872	
2017	849,872	3,758,218	7.7400	62,451	485,816	548,267	0	(849,872)	(301,605)	137,952	410,315	

OTHER SUPPORTING INFORMATION

CITY OF ESSEXVILLE
 Bay County, Michigan

BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>Inspection Fund</u>	<u>Justice Training Fund</u>	<u>Total</u>
<u>ASSETS:</u>			
Assets:			
Cash and certificate of deposit	\$ 0.00	\$ 10,297.21	\$ 10,297.21
Due from other funds	0.00	0.00	0.00
Other receivables	0.00	0.00	0.00
Taxes receivable	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>0.00</u>	\$ <u>10,297.21</u>	\$ <u>10,297.21</u>
 <u>LIABILITIES:</u>			
Liabilities:			
Due to other funds	0.00	0.00	0.00
Accounts payable	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
Total Liabilities	0.00	0.00	0.00
 <u>FUND BALANCES:</u>			
Restricted for inspections	0.00	0.00	0.00
Restricted for justice training	0.00	10,297.21	10,297.21
Restricted for capital projects	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
Total Fund Balances	0.00	10,297.21	10,297.21
Total Liabilities and Fund Balances	\$ <u>0.00</u>	\$ <u>10,297.21</u>	\$ <u>10,297.21</u>

CITY OF ESSEXVILLE
Bay County, Michigan

NONMAJOR GOVERNMENT FUNDS
 DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2017

	Special Revenue Funds		Total Nonmajor Government Funds
	Inspection Fund	Justice Training Fund	
REVENUES:			
Property taxes	\$ 0.00	\$ 0.00	\$ 0.00
State grants	0.00	1,307.60	1,307.60
Contributions from other units	0.00	0.00	0.00
Charges for services	0.00	0.00	0.00
Interest	0.00	0.00	0.00
Rental	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00
Total Revenues	0.00	1,307.60	1,307.60
EXPENDITURES:			
General government	0.00	0.00	0.00
Public safety	0.00	3,640.00	3,640.00
Public works	0.00	0.00	0.00
Community and economic development	0.00	0.00	0.00
Recreation and culture	0.00	0.00	0.00
Capital outlay	0.00	0.00	0.00
Debt service:			
Principal	0.00	0.00	0.00
Interest	0.00	0.00	0.00
Total Expenditures	0.00	3,640.00	3,640.00
OTHER FINANCING SOURCES (USES):			
Transfer to general fund	0.00	0.00	0.00
Transfer to water fund	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00
NET CHANGE IN FUND BALANCE	0.00	(2,332.40)	(2,332.40)
FUND BALANCE - BEGINNING OF YEAR	0.00	12,629.61	12,629.61
FUND BALANCE - END OF YEAR	\$ 0.00	\$ 10,297.21	\$ 10,297.21

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
 DETAIL SCHEDULE OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2017

REVENUES:	
Taxes -	
Property taxes	\$ 892,103.55
Penalties and interest	8,703.32
Administration fees	<u>46,114.03</u>
Total Taxes	946,920.90
State and Local Grants -	
State revenue sharing	280,004.00
EVIP distribution	64,950.00
State metro act	12,312.06
Election reimbursement	3,239.42
Local community stabilization share tax	28,634.20
Liquor license fees	<u>1,514.15</u>
Total State and Local Grants	390,653.83
Contributions from other units -	
Bay county	<u>7,500.00</u>
Total Other Unit Contributions	7,500.00
Licenses and permits -	
Misc permits	820.00
Cable franchise fee	57,146.06
Cat and dog licenses	<u>0.00</u>
Total Licenses and Permits	57,966.06
Ordinance Fines and penalties	7,848.93
Charges for services -	
Fire runs	0.00
Administrative services	748.10
Police/fire reports	0.00
Inspection permits	22,101.00
Weed cutting	<u>0.00</u>
Total Charges for Services	22,849.10
Interest and Rentals -	
Interest	5,823.18
Rents	<u>0.00</u>
Total Interest and Rentals	5,823.18
Other Revenues -	
Donations	120.00
Sale of assets	0.00
Miscellaneous	<u>3,046.63</u>
Total Other Revenues	<u>3,166.63</u>
Total Revenues	<u>1,442,728.63</u>
Other sources and uses -	
Transfer from debt service	3,466.75
Transfer to motor vehicle fund	(30,000.00)
Transfer to sewer fund	(100,000.00)
Transfer to local street	<u>(67,000.00)</u>
Total Transfers	(193,533.25)
EXPENDITURES	<u>1,424,336.25</u>
NET CHANGE IN FUND BALANCE	(175,140.87)
FUND BALANCE - BEGINNING OF YEAR	<u>1,091,989.38</u>
FUND BALANCE - END OF YEAR	<u>\$ 916,848.51</u>

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)
For the Year Ended June 30, 2017

EXPENDITURES:

GENERAL GOVERNMENT:

Mayor and City Council -

Salaries	\$	7,300.00
Fringes and taxes		558.41
Printing and publications		1,487.17
Membership dues		2,603.00
Supplies and other		<u>2,440.81</u>

Total Legislative 14,389.39

City Manager -

Wages		50,481.34
Fringes and taxes		3,757.80
Telephone		4,083.27
Membership dues		1,504.32
Supplies and other		<u>2,952.29</u>

Total Manager 62,779.02

Elections -

Salaries		3,749.90
Fringes and taxes		0.00
Office supplies		228.03
Printing and publications		295.28
Supplies and other		<u>942.97</u>

Total Elections 5,216.18

Clerk -

Wages		39,531.35
Fringes and taxes		2,897.89
Office supplies		2,809.73
Conferences		3,226.16
Postage		5,037.35
Supplies and other		<u>3,108.15</u>

Total Clerk 56,610.63

Attorney-

Contracted services		21,581.47
Other costs		<u>0.00</u>

Total Attorney 21,581.47

Assessor -

Salaries		15,999.88
Fringes and taxes		1,149.10
Supplies and other costs		<u>4,639.94</u>

Total Assessor 21,788.92

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
 DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)
For the Year Ended June 30, 2017

EXPENDITURES (CONT.):

GENERAL GOVERNMENT (CONT.):

Treasurer	
Salaries	\$ 19,846.65
Fringes and taxes	1,415.28
Office supplies	1,615.26
Telephone	801.67
Supplies and other	<u>3,150.10</u>
Total Treasurer	26,828.96
Board of Review	
Salaries	764.00
Other costs	<u>139.34</u>
Total Board of Review	903.34
Accounting	
Audit	<u>3,895.00</u>
Total Accounting	3,895.00
Forestry	
Salaries	4,007.16
Fringes and taxes	299.16
Supplies and other	<u>14,703.01</u>
Total Forestry	19,009.33
City Hall and Grounds -	
Salaries	5,056.24
Supplies	2,337.06
Utilities	12,670.01
Repairs and maintenance	13,303.20
Computer support	6,667.52
Other costs	<u>5,350.12</u>
Total City Hall and Grounds	<u>45,384.15</u>
Total General Government	<u>278,386.39</u>

PUBLIC SAFETY:

Public Safety - Police	
Salaries	413,884.37
Fringes and taxes	30,484.37
Office and postage	3,400.34
Operating supplies	8,382.73
Telephone	3,649.98
Repairs and maint	3,658.34
Uniforms	9,249.64
Insurance	12,259.95
Equipment rental	39,996.00
Other	<u>10,125.00</u>
Public Safety - Police	535,090.72

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
 DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)
For the Year Ended June 30, 2017

EXPENDITURES (CONT.):
 PUBLIC SAFETY (CONT.)

Public Safety - Fire		
Salaries	\$	16,713.22
Fringes and taxes		1,762.84
Training		9,279.79
Supplies and other		19,343.87
Equipment rental		<u>2,400.00</u>

Total Public Safety - Fire 49,499.72

Inspections-		
Building		10,206.36
Plumbing		9,874.62
Electrical		<u>4,828.79</u>

Total Inspections 24,909.77

Total Public Safety 609,500.21

PUBLIC WORKS:

Department of Public Works -		
Contractual services		0.00
Telephone		3,780.28
Supplies		916.65
Uniforms		3,856.67
Insurance		3,706.67
Other		<u>5,255.54</u>

Total DPW 17,515.81

Sidewalks		
Salaries		0.00
Supplies		<u>0.00</u>

Total Sidewalks 0.00

Street Lighting 48,363.55

Total Public Works 65,879.36

COMMUNITY AND ECONOMIC DEVELOPMENT:

Planning		
Consultants and other costs		0.00

Zoning		
Salaries and supplies		<u>4,063.14</u>

Total Community and Economic Development 4,063.14

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL FUND
DETAIL SCHEDULE OF REVENUES AND EXPENDITURES (continued)
For the Year Ended June 30, 2017

EXPENDITURES (CONT.):

RECREATION AND CULTURAL:

Parks and Recreation-

Wages	\$	4,676.09
Fringes and taxes		330.40
Contractual services		9,839.33
Utilities		1,527.46
Equipment rental		702.67
Supplies and other		<u>3,845.43</u>

Total Parks and Recreation 20,921.38

Community Relations

Civic betterment		0.00
Community schools		<u>0.00</u>

Total Community Relations 0.00

Total Recreation and Cultural 20,921.38

OTHER:

Employee benefits		219,927.11
Debt payments - Principal		0.00
Debt payments - Interest		0.00
Employer's share of retirement		179,232.92
Other common costs		<u>6,895.74</u>

Total Other 406,055.77

CAPITAL OUTLAY:

General government		39,530.00
Parks and recreation		<u>0.00</u>

Total Capital Outlay 39,530.00

Total Expenditures \$ 1,424,336.25

CITY OF ESSEXVILLE
Bay County, Michigan

SEWER FUND SRF LOAN
 SCHEDULE OF INDEBTEDNESS
June 30, 2017

TYPE OF ISSUE: SRF loan paid through Bay County
 PURPOSE OF ISSUE: Sewer system improvements
 INTEREST RATE: 2.25%
 ORIGINAL ISSUE: 1,990,000

<u>Date</u>		<u>Principal</u>		<u>Interest</u>		<u>Totals</u>
10/1/2017	\$	<u>120,000.00</u>	\$	<u>1,350.00</u>	\$	<u>121,350.00</u>
	\$	<u>120,000.00</u>	\$	<u>1,350.00</u>	\$	<u>121,350.00</u>

CITY OF ESSEXVILLE
Bay County, Michigan

SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES 2010
SCHEDULE OF INDEBTEDNESS
June 30, 2017

TYPE OF ISSUE: Revenue Bond
PURPOSE OF ISSUE: Improvements to storm and sanitary sewers
INTEREST RATE: 3.25%
ORIGINAL ISSUE: 7,485,000
SALE DATE: April 7, 2010
OUTSTANDING BORROWINGS
AS OF JUNE 30, 2017: \$ 7,352,000

Year	Principal Due April 1	Interest Rate	Interest Due April 1	Interest Due October 1	Total Principal & Interest Requirements
2017	\$ 0.00	3.250%	\$ 0.00	\$ 119,470.00	\$ 119,470.00
2018	65,000.00	3.250%	119,470.00	118,414.00	302,884.00
2019	70,000.00	3.250%	118,414.00	117,276.00	305,690.00
2020	80,000.00	3.250%	117,276.00	115,976.00	313,252.00
2021	90,000.00	3.250%	115,976.00	114,514.00	320,490.00
2022	100,000.00	3.250%	114,514.00	112,889.00	327,403.00
2023	105,000.00	3.250%	112,889.00	111,183.00	329,072.00
2024	110,000.00	3.250%	111,183.00	109,395.00	330,578.00
2025	125,000.00	3.250%	109,395.00	107,364.00	341,759.00
2026	145,000.00	3.250%	107,364.00	105,008.00	357,372.00
2027	155,000.00	3.250%	105,008.00	102,489.00	362,497.00
2028	165,000.00	3.250%	102,489.00	99,808.00	367,297.00
2029	175,000.00	3.250%	99,808.00	96,964.00	371,772.00
2030	195,000.00	3.250%	96,964.00	93,795.00	385,759.00
2031	200,000.00	3.250%	93,795.00	90,545.00	384,340.00
2032	210,000.00	3.250%	90,545.00	87,133.00	387,678.00
2033	215,000.00	3.250%	87,133.00	83,639.00	385,772.00
2034	225,000.00	3.250%	83,639.00	79,983.00	388,622.00
2035	230,000.00	3.250%	79,983.00	76,245.00	386,228.00
2036	250,000.00	3.250%	76,245.00	72,183.00	398,428.00
2037	275,000.00	3.250%	72,183.00	67,714.00	414,897.00
2038	290,000.00	3.250%	67,714.00	63,001.00	420,715.00
2039	305,000.00	3.250%	63,001.00	58,045.00	426,046.00
2040	310,000.00	3.250%	58,045.00	53,008.00	421,053.00
2041	300,000.00	3.250%	53,008.00	48,133.00	401,141.00
2042	300,000.00	3.250%	48,133.00	43,258.00	391,391.00
2043	310,000.00	3.250%	43,258.00	38,220.00	391,478.00
2044	325,000.00	3.250%	38,220.00	32,939.00	396,159.00
2045	350,000.00	3.250%	32,939.00	27,251.00	410,190.00
2046	400,000.00	3.250%	27,251.00	20,751.00	448,002.00
2047	425,000.00	3.250%	20,751.00	13,845.00	459,596.00
2048	450,000.00	3.250%	13,845.00	6,533.00	470,378.00
2049	402,000.00	3.250%	6,533.00	0.00	408,533.00
	<u>\$ 7,352,000.00</u>		<u>\$ 2,486,971.00</u>	<u>\$ 2,486,971.00</u>	<u>\$ 12,325,942.00</u>

CITY OF ESSEXVILLE
Bay County, Michigan

GENERAL OBLIGATION UNLIMITED TAX BONDS, SERIES 2017
SCHEDULE OF INDEBTEDNESS
June 30, 2017

TYPE OF ISSUE: General obligation bonds
PURPOSE OF ISSUE: Water supply line
INTEREST RATE: 2.75%
ORIGINAL ISSUE: \$ 5,762,000
SALE DATE: April 19, 2017
OUTSTANDING BORROWINGS
AS OF JUNE 30, 2017: \$ 1,649,000

Year	Principal Due October 1	Interest Rate	Interest Due October 1	Interest Due April 1	Total Principal & Interest Requirements
2017	\$ 1,000.00	2.750%	\$ 79,228.00	\$ 79,214.00	\$ 159,442.00
2018	11,000.00	2.750%	79,214.00	79,063.00	169,277.00
2019	15,000.00	2.750%	79,063.00	78,856.00	172,919.00
2020	35,000.00	2.750%	78,856.00	78,375.00	192,231.00
2021	50,000.00	2.750%	78,375.00	77,688.00	206,063.00
2022	50,000.00	2.750%	77,688.00	77,000.00	204,688.00
2023	75,000.00	2.750%	77,000.00	75,969.00	227,969.00
2024	75,000.00	2.750%	75,969.00	74,938.00	225,907.00
2025	75,000.00	2.750%	74,938.00	73,906.00	223,844.00
2026	75,000.00	2.750%	73,906.00	72,875.00	221,781.00
2027	75,000.00	2.750%	72,875.00	71,844.00	219,719.00
2028	75,000.00	2.750%	71,844.00	70,813.00	217,657.00
2029	75,000.00	2.750%	70,813.00	69,781.00	215,594.00
2030	75,000.00	2.750%	69,781.00	68,750.00	213,531.00
2031	75,000.00	2.750%	68,750.00	67,719.00	211,469.00
2032	100,000.00	2.750%	67,719.00	66,344.00	234,063.00
2033	100,000.00	2.750%	66,344.00	64,969.00	231,313.00
2034	100,000.00	2.750%	64,969.00	63,594.00	228,563.00
2035	100,000.00	2.750%	63,594.00	62,219.00	225,813.00
2036	100,000.00	2.750%	62,219.00	60,844.00	223,063.00
2037	125,000.00	2.750%	60,844.00	59,125.00	244,969.00
2038	150,000.00	2.750%	59,125.00	57,063.00	266,188.00
2039	160,000.00	2.750%	57,063.00	54,863.00	271,926.00
2040	170,000.00	2.750%	54,863.00	52,525.00	277,388.00
2041	170,000.00	2.750%	52,525.00	50,188.00	272,713.00
2042	200,000.00	2.750%	50,188.00	47,438.00	297,626.00
2043	200,000.00	2.750%	47,438.00	44,688.00	292,126.00
2044	225,000.00	2.750%	44,688.00	41,594.00	311,282.00
2045	225,000.00	2.750%	41,594.00	38,500.00	305,094.00
2046	250,000.00	2.750%	38,500.00	35,063.00	323,563.00
2047	250,000.00	2.750%	35,063.00	31,625.00	316,688.00
2048	250,000.00	2.750%	31,625.00	28,188.00	309,813.00
2049	250,000.00	2.750%	28,188.00	24,750.00	302,938.00
2050	250,000.00	2.750%	24,750.00	21,313.00	296,063.00
2051	250,000.00	2.750%	21,313.00	17,875.00	289,188.00
2052	250,000.00	2.750%	17,875.00	14,438.00	282,313.00
2053	250,000.00	2.750%	14,438.00	11,000.00	275,438.00
2054	250,000.00	2.750%	11,000.00	7,563.00	268,563.00
2055	275,000.00	2.750%	7,563.00	3,781.00	286,344.00
2056	275,000.00	2.750%	3,781.00	0.00	278,781.00
	<u>\$ 5,762,000.00</u>		<u>\$ 2,155,569.00</u>	<u>\$ 2,076,341.00</u>	<u>\$ 9,993,910.00</u>

Schedule is based upon full borrowings available for bonds. Balance of loan as of June 30, 2017 is \$ 1,649,000.00.

CITY OF ESSEXVILLE
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

There were no findings related to the financial statements, which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United State of America for the year ended June 30, 2017.



1010 N. JOHNSON STREET
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CERTIFIED PUBLIC ACCOUNTANTS

Partners:
Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

November 8, 2017

To The City Council
The City of Essexville
1104 Woodside Avenue
Essexville, MI 48732

We have audited the 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 Essexville for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 31, 2017. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Essexville are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City of Essexville during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Essexville's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Essexville's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We reminded management that the accounting for the budget is the same modified accrual basis as the financial statements and budget amendments should be completed prior to incurring an expenditure.

During the year, the City secured bonds with United State Department of Agriculture Rural Development to make water supply system improvements consisting of a water transmission line that will connect the City's existing water distribution system to the Bay County Regional Water Treatment Facility. The City is required through various bonding agreements with the United States Department of Agriculture, Rural Development, to maintain a repair, replacement, and reserve account and deposit \$6,667 each October 1, commencing October 1, 2017 until the bonds are paid in full. The City did not fund the repair, replacement, and reserve account until October 16, 2017. We remind management and council to review the bond documents to ensure all requirements are met.

Other Matters

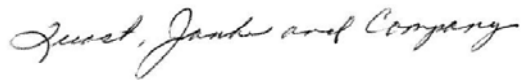
We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer's Contributions, and the Other Postemployment Benefit (OPEB) System Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the General Fund Detail Schedule of Revenues and Expenditures, the Nonmajor Governmental Funds Balance Sheet and Detail Schedule of Revenues and Expenditures, and the Schedules of Indebtedness, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Essexville and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Quast, Janke and Company, P.C.
Certified Public Accountants