

CITY OF DURAND
Shiawassee County, Michigan
ANNUAL FINANCIAL REPORT
with Supplementary Information
FOR THE YEAR ENDED
JUNE 30, 2018

**Stewart,
Beauvais
& Whipple P.C.**



CERTIFIED PUBLIC ACCOUNTANTS

CITY OF DURAND
Shiawassee County, Michigan

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Shiawassee County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Durand
Durand, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Durand, Michigan, as of June 30, 2018, the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement required the City to record its net OPEB liability in the government-wide and proprietary fund financial statements and enhanced financial reporting of the City's net OPEB liability and the related note disclosures. The City's net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

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 information, and pension system and other postemployment benefit schedules, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual statements and schedules and component unit statements, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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 December 14, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Durand's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Stewart, Beaveris & Whipple".

Certified Public Accountants

December 14, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Durand, Michigan's (the "City") 2018 annual report is presented in conformity with the requirements of Governmental Accounting Standards Board Statement No. 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and internal service funds and component unit information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

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

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

The government-wide financial statements of the City are divided into three categories:

Governmental Activities - most of the City's basic services such as the police, fire, public works, parks and recreation, general administration, and debt retirement are included. Property taxes, state-shared revenues, and charges for services provide the funding.

Business-type Activities - the City charges fees to customers to help cover the costs of certain services it provides. The City's water, wastewater, and refuse operations are treated as business-type activities.

Component Unit - although separate, the Downtown Development Authority is important because the City is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has two types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. For 2018, the City had 8 governmental funds.

Proprietary Funds - Proprietary funds use the accrual basis of accounting, which is the same basis used by the private businesses. The City maintains two different types of proprietary funds.

Enterprise Funds - are used to report services for which the City charges customers a fee for those services. The City has three enterprise funds, the Water, Wastewater, and Refuse Service Funds.

Internal Service Funds - reports activities that provide services and supplies to other City programs. The City utilizes two internal service funds – an Equipment Revolving and an Employee Benefit Fund.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has combined total net position of \$10,154,602. This is a decrease of \$530,400 from 2017. Governmental activities comprise \$2,869,817 and business-type activities make up \$7,284,785 of the total net position. In a condensed format, the table below shows net position as of June 30, 2018 and 2017.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities	
	2018	Restated 2017	2018	Restated 2017
Assets				
Current assets	\$ 2,619,205	\$ 1,998,414	\$ 1,362,682	\$ 2,212,380
Restricted assets	102,406	-	507,615	165,079
Capital assets	8,475,357	8,410,856	18,252,545	17,239,672
Total assets	11,196,968	10,409,270	20,122,842	19,617,131
Deferred Outflows of Resources	132,825	341,206	37,463	96,239
Liabilities				
Current liabilities	64,051	58,408	220,854	982,741
Non-current liabilities	8,324,950	7,431,967	12,634,744	11,305,728
Total liabilities	8,389,001	7,490,375	12,855,598	12,288,469
Deferred Inflows of Resources	70,975	-	19,922	-
Net Position				
Net investment in capital assets	7,550,172	7,581,909	7,524,607	7,541,148
Restricted	829,192	934,519	189,000	144,855
Unrestricted (Deficit)	(5,509,547)	(5,256,327)	(428,822)	(261,102)
Total net position	\$ 2,869,817	\$ 3,260,101	\$ 7,284,785	\$ 7,424,901

The City's governmental activities experienced a decrease in net position of \$390,284. The business-type activities experienced a decrease in net position of \$140,116.

The following table shows the changes in net position for 2018 and 2017:

Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue				
Program Revenue -				
Charges for services	\$ 191,293	\$ 207,820	\$ 1,939,866	\$ 1,892,123
Operating grants and contributions	384,289	297,338	18,946	429,848
Capital grants and contributions	21,855	21,018	-	-
General Revenue -				
Property taxes	1,495,011	1,454,181	-	-
State-shared revenue	436,812	426,698	-	-
Local community stabilization	75,787	84,541	-	-
Franchise fees	48,483	47,494	-	-
Unrestricted investment earnings	13,766	10,704	17,533	1,437
Total Revenue	<u>2,667,296</u>	<u>2,549,794</u>	<u>1,976,345</u>	<u>2,323,408</u>
Program Expenses				
General government	346,157	403,343	-	-
Public safety	997,430	976,932	-	-
Public works	1,208,568	1,058,982	-	-
Health & welfare	71,541	74,395	-	-
Recreation and culture	204,510	178,793	-	-
Community & economic development	7,800	9,134	-	-
Interest on long-term debt	21,574	23,508	-	-
Water supply system	-	-	909,100	862,822
Wastewater	-	-	1,193,269	1,517,876
Refuse services	-	-	214,092	203,450
Total Program Expenses	<u>2,857,580</u>	<u>2,725,087</u>	<u>2,316,461</u>	<u>2,584,148</u>
Decrease in Net Position Before Transfers	(190,284)	(175,293)	(340,116)	(260,740)
Transfers	(200,000)	-	200,000	-
Decrease in Net Position	(390,284)	(175,293)	(140,116)	(260,740)
Net Position at Beginning of Year	3,260,101	6,414,946	7,424,901	8,386,138
Restatement of Implementation of GASB Statement No. 75	- (2,979,552)	- (700,497)		
Net Position at End of Year	<u>\$ 2,869,817</u>	<u>\$ 3,260,101</u>	<u>\$ 7,284,785</u>	<u>\$ 7,424,901</u>

Governmental Activities

Revenues for governmental activities totaled \$2,667,296 in 2018. Of this amount, \$1,495,011 or 56% of total revenue was received from taxes, followed by state-shared revenue of \$436,812 or 16% of total revenue.

Business-type Activities

The City has three business-type activities: water, wastewater, and refuse operations. The City operates its own water and sewage treatment facility and contracts for refuse collections. The Water, Wastewater, and Refuse Service funds had net decreases in net position of \$134,163, \$2,005, and \$3,948, respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2018 with a fund balance of \$377,876, of which \$2,370 was nonspendable, \$143,502 was restricted, \$28,435 was assigned, with the remaining amount of \$203,569 classified as unassigned. This is a decrease of \$142,025 from the prior year.

The City's other major funds, the Major Street Fund, Street Fund, and 2012 Water Bond Debt Fund ended 2018 with fund balances of \$452,635, \$1,107,440, and \$57,064, respectively. These were increases of \$151,008 for the Major Street Fund, \$702,344 in the Street Fund, and \$16,257 in the 2012 Water Bond Debt Fund, respectively, from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City administration and City Council monitor the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year, the following significant amendments were made in the General Fund:

- Intergovernmental Revenue was increased from \$448,200 to \$501,700 as a result of a police car grant awarded, sales tax revenue coming in higher than anticipated, and a personal property tax reimbursement received higher than originally anticipated.
- Other Revenue was increased from \$1,500 to \$57,950 as a result of increased Veterans' Memorial Park donations.
- General Administration expenditures were increased from \$259,405 to \$445,880 as a result of unanticipated roofing repairs at the Durand Union Station and a discretionary contribution to fund OPEB.
- Fire Department expenditures were increased from \$113,400 to \$155,100 as a result of increased fireman wages due to more fires, as well as the 2017 Energy Conservation project.
- Department of Public Works expenditures were increased from \$401,085 to \$521,140 as a result of the 2017 Energy Conservation Project.
- Parks and Recreation expenditures were increased from \$68,735 to \$141,455 as a result of the 2017 Energy Conservation project.
- Lease proceeds were increased from \$0 to \$337,270 as a result of the 2017 Energy Conservation capital lease.
- Transfers out were increased from \$44,000 to \$111,500 as a result of subsidizing the Building Inspection Fund.

There were no significant differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$26,727,902 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2018. The investment in capital assets includes land, building and building improvements, infrastructure, machinery and equipment, vehicles, and water and sewer systems. During the year, the City added \$2,172,899 of capital assets before taking into account depreciation. The City added \$598,475 to the governmental activities. Major additions included a new Chevy Silverado, police inceptor, and bobcat toolcat, as well as infrastructure improvements. The business-type activities added \$1,574,424, mainly due to finishing the USDA Rural Development Project for water and wastewater system improvements, as well as six new sewer pumps.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-term Liabilities

At June 30, 2018, the City had \$13,456,796 in long-term liabilities, compared to \$11,150,450 at June 30, 2017. The City added \$1,024,000 of Street Improvement Bonds, a new capital lease of \$1,626,000 for energy conservation equipment, a new installment purchase of \$163,270 for sewer pumps, and drew down the remaining \$224,083 from the USDA to complete the project's water and wastewater system improvements.

Additional information on the City's long-term liabilities can be found in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For fiscal 2018-19, the City Council adopted a General Fund budget with estimated revenues of \$2,157,900 and expenditures of \$2,186,335 and will use fund balance to cover the estimated shortfall of \$28,435.

CONTACTING THE CITY'S MANAGEMENT

This financial report is intended to provide our citizens, stakeholders, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact the City of Durand administration at City Hall (989) 288-3113.

BASIC FINANCIAL STATEMENTS

CITY OF DURAND, MICHIGAN

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	DDA
Assets:				
Cash and cash equivalents	\$ 2,355,442	\$ 936,695	\$ 3,292,137	\$ 82,499
Receivables	236,480	375,727	612,207	-
Prepaid expenses	24,873	450	25,323	-
Inventory	2,410	49,810	52,220	-
Restricted assets				
Cash and cash equivalents	102,406	507,615	610,021	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	2,023,726	1,254,160	3,277,886	60,000
Assets being depreciated	6,451,631	16,998,385	23,450,016	271,112
Total Assets	<u>11,196,968</u>	<u>20,122,842</u>	<u>31,319,810</u>	<u>413,611</u>
Deferred Outflows of Resources:				
Related to pension plan	<u>132,825</u>	<u>37,463</u>	<u>170,288</u>	<u>-</u>
Liabilities:				
Payables and accrued liabilities	46,510	154,245	200,755	-
Accrued interest	17,541	44,759	62,300	4,557
Deposits	-	21,850	21,850	-
Non-current liabilities				
Net pension liability	1,601,160	451,610	2,052,770	-
Net OPEB liability	4,360,103	1,090,025	5,450,128	-
Due within one year	709,613	316,946	1,026,559	55,000
Due in more than one year	1,654,074	10,776,163	12,430,237	600,000
Total Liabilities	<u>8,389,001</u>	<u>12,855,598</u>	<u>21,244,599</u>	<u>659,557</u>
Deferred Inflows of Resources:				
Related to pension plan	67,938	19,162	87,100	-
Related to OPEB plan	3,037	760	3,797	-
Total Deferred Inflows of Resources	<u>70,975</u>	<u>19,922</u>	<u>90,897</u>	<u>-</u>
Net Position:				
Net investment in capital assets	7,550,172	7,524,607	15,350,779 (1)	221,112
Restricted -				
Debt Service	57,064	153,600	210,664	-
Capital Improvements	-	35,400	35,400	-
Streets	699,449	-	699,449	-
Public Safety	31,583	-	31,583	-
Other	41,096	-	41,096	6,104
Unrestricted (deficit)	<u>(5,509,547)</u>	<u>(428,822)</u>	<u>(6,214,369)</u>	<u>(473,162)</u>
Total Net Position	<u>\$ 2,869,817</u>	<u>\$ 7,284,785</u>	<u>\$ 10,154,602</u>	<u>\$ (245,946)</u>

(1) The total investment in Capital Assets has been reduced by \$276,000 for debt issued for Water and Sewer Capital, however the debt is being repaid by a tax levy.

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

CITY OF DURAND, MICHIGAN

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 346,157	\$ 81,397	\$ 6,300	\$ 3,014
Public Safety	997,430	64,118	4,849	8,000
Public Works	1,208,568	6,818	373,140	-
Health and Welfare	71,541	-	-	-
Recreation and Cultural	204,510	38,960	-	10,841
Community and Economic Development	7,800	-	-	-
Interest on Long-term Debt	21,574	-	-	-
Total Governmental Activities	<u>2,857,580</u>	<u>191,293</u>	<u>384,289</u>	<u>21,855</u>
Business-type Activities:				
Water Supply System	909,100	766,625	-	-
Wastewater	1,193,269	963,097	18,946	-
Refuse Services	214,092	210,144	-	-
Total Business-type Activities	<u>2,316,461</u>	<u>1,939,866</u>	<u>18,946</u>	<u>-</u>
Total Primary Government	<u>\$ 5,174,041</u>	<u>\$ 2,131,159</u>	<u>\$ 403,235</u>	<u>\$ 21,855</u>
Component Unit				
Downtown Development Authority	<u>\$ 60,832</u>	<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property Taxes

Grants and contribution not restricted to specific programs -

Sales taxes

Local community stabilization

Franchise fees

Unrestricted investment income

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

<u>Primary Government</u>			<u>Component Unit (DDA)</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
\$(255,446)	\$ -	\$(255,446)	\$ -
(920,463)	-	(920,463)	-
(828,610)	-	(828,610)	-
(71,541)	-	(71,541)	-
(154,709)	-	(154,709)	-
(7,800)	-	(7,800)	-
(21,574)	-	(21,574)	-
<u>(2,260,143)</u>	<u>-</u>	<u>(2,260,143)</u>	<u>-</u>
-	(142,475)	(142,475)	-
-	(211,226)	(211,226)	-
-	(3,948)	(3,948)	-
<u>-</u>	<u>(357,649)</u>	<u>(357,649)</u>	<u>-</u>
<u>(2,260,143)</u>	<u>(357,649)</u>	<u>(2,617,792)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,582)</u>
1,495,011	-	1,495,011	76,258
436,812	-	436,812	-
75,787	-	75,787	-
48,483	-	48,483	-
13,766	17,533	31,299	-
(200,000)	200,000	-	-
<u>1,869,859</u>	<u>217,533</u>	<u>2,087,392</u>	<u>76,258</u>
(390,284)	(140,116)	(530,400)	21,676
<u>3,260,101</u>	<u>7,424,901</u>	<u>10,685,002</u>	<u>(267,622)</u>
<u>\$ 2,869,817</u>	<u>\$ 7,284,785</u>	<u>\$ 10,154,602</u>	<u>\$(245,946)</u>

CITY OF DURAND, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	General	Major Street	Street	2012 Water Bond Debt
Assets:				
Cash and cash equivalents	\$ 132,767	\$ 415,910	\$ 1,107,440	\$ 57,064
Accounts and interest receivable	3,593	-	-	-
Due from other governmental units	168,010	41,570	-	-
Prepays and deposits	2,370	-	-	-
Inventory	-	158	-	-
Restricted assets -				
Cash and cash equivalents	102,406	-	-	-
Total Assets	\$ 409,146	\$ 457,638	\$ 1,107,440	\$ 57,064
Liabilities:				
Accounts payable	\$ 17,104	\$ 4,942	\$ -	\$ -
Accrued liabilities	14,166	61	-	-
Total Liabilities	31,270	5,003	-	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
Fund Balances:				
Nonspendable	2,370	-	-	-
Restricted	143,502	452,635	1,107,440	57,064
Committed	-	-	-	-
Assigned	28,435	-	-	-
Unassigned	203,569	-	-	-
Total Fund Balances	377,876	452,635	1,107,440	57,064
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 409,146	\$ 457,638	\$ 1,107,440	\$ 57,064

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

Other Governmental Funds	Total Governmental Funds
\$ 213,390	\$ 1,926,571
5,396	8,989
16,002	225,582
-	2,370
158	316
-	102,406
<u>\$ 234,946</u>	<u>\$ 2,266,234</u>

\$ 5,347	\$ 27,393
<u>1,981</u>	<u>16,208</u>
<u>7,328</u>	<u>43,601</u>
<u>3,346</u>	<u>3,346</u>

-	2,370
194,957	1,955,598
29,315	29,315
-	28,435
<u>-</u>	<u>203,569</u>
<u>224,272</u>	<u>2,219,287</u>
<u>\$ 234,946</u>	<u>\$ 2,266,234</u>

CITY OF DURAND, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balances - total governmental funds		\$ 2,219,287
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Capital assets		11,438,252
Accumulated depreciation		(3,990,083)
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.		
Special assessments		3,346
Internal service funds are used by management to charge costs of the City's equipment revolving and employee benefit activities. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		924,195
Certain pension/OPEB contributions and changes in pension/OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position, but are reported as expenditures in the governmental funds.		
Deferred outflows of resources	\$ 132,825	
Deferred inflows of resources	(70,975)	61,850
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
Bonds/notes/installment purchase payable		(1,816,388)
Net pension liability		(1,601,160)
Net OPEB obligation		(4,360,103)
Accrued interest		(9,379)
Net Position of governmental activities		<u>\$ 2,869,817</u>

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

CITY OF DURAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	General	Major Street	Street	2012 Water Bond Debt
Revenues:				
Taxes	\$ 1,060,827	\$ -	\$ 119,976	\$ 275,964
Licenses and permits	48,483	-	-	-
Intergovernmental -				
Federal/State	516,070	267,602	9,095	12,884
Charges for services	43,236	-	-	-
Fines and forfeits	5,073	-	-	-
Interest and rent	40,008	730	2,678	87
Special assessments	-	-	-	-
Other	47,415	-	-	-
Total Revenues	<u>1,761,112</u>	<u>268,332</u>	<u>131,749</u>	<u>288,935</u>
Expenditures:				
General Government	495,850	-	-	-
Public Safety	795,725	-	-	-
Public Works	634,385	189,891	29,698	-
Health and Welfare	-	-	-	-
Recreation and Cultural	119,349	-	-	-
Community and				
Economic Development	7,800	-	-	-
Debt Service -				
Principal	65,500	-	-	262,000
Interest	11,761	-	-	10,678
Total Expenditures	<u>2,130,370</u>	<u>189,891</u>	<u>29,698</u>	<u>272,678</u>
Revenues over (under) expenditures	<u>(369,258)</u>	<u>78,441</u>	<u>102,051</u>	<u>16,257</u>
Other Financing Sources (Uses):				
Lease proceeds	337,269	-	-	-
Bond proceeds	-	-	1,024,000	-
Transfers in from other funds	-	82,567	-	-
Transfers out to other funds	<u>(110,036)</u>	<u>(10,000)</u>	<u>(423,707)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>227,233</u>	<u>72,567</u>	<u>600,293</u>	<u>-</u>
Net change in Fund Balance	<u>(142,025)</u>	<u>151,008</u>	<u>702,344</u>	<u>16,257</u>
Fund Balances at beginning of year	<u>519,901</u>	<u>301,627</u>	<u>405,096</u>	<u>40,807</u>
Fund Balances at end of year	<u>\$ 377,876</u>	<u>\$ 452,635</u>	<u>\$ 1,107,440</u>	<u>\$ 57,064</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 81,009	\$ 1,537,776
24,727	73,210
105,538	911,189
2,290	45,526
-	5,073
-	43,503
6,746	6,746
-	47,415
<u>220,310</u>	<u>2,670,438</u>
-	495,850
103,371	899,096
253,879	1,107,853
64,565	64,565
-	119,349
-	7,800
-	327,500
-	22,439
<u>421,815</u>	<u>3,044,452</u>
<u>(201,505)</u>	<u>(374,014)</u>
-	337,269
-	1,024,000
228,140	310,707
-	<u>(543,743)</u>
<u>228,140</u>	<u>1,128,233</u>
26,635	754,219
<u>197,637</u>	<u>1,465,068</u>
<u>\$ 224,272</u>	<u>\$ 2,219,287</u>

CITY OF DURAND, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	754,219
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		471,033
Depreciation expense	(379,121)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Special assessments	(3,142)
<p>The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal payments on long-term liabilities		327,500
Increase in accrued interest	(5,588)
Bond proceeds	(1,024,000)
Lease proceeds	(337,269)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.</p>		
Decrease in net pension liability		121,379
Change in pension/OPEB expense related to deferred items related to the pension/OPEB plans	(279,356)
Increase in net OPEB liability	(57,013)
<p>Internal service funds are used by management to charge costs of the City's equipment revolving and employee benefit activities. The net revenues (expenses) attributable to those funds is reported with governmental activities in the statement of net position.</p>		
		<u>21,074</u>
Change in net position of governmental activities	<u>\$(</u>	<u>390,284)</u>

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

CITY OF DURAND, MICHIGAN

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse Service	Total	Internal Service Funds
Assets:					
Current Assets -					
Cash and cash equivalents	\$ 194,527	\$ 720,227	\$ 21,941	\$ 936,695	\$ 428,871
Accounts and interest receivable	162,252	198,892	11,958	373,102	1,909
Due from other governmental units	-	2,625	-	2,625	-
Inventory	47,230	2,580	-	49,810	2,094
Prepaid expenses	150	150	150	450	22,503
Total Current Assets	<u>404,159</u>	<u>924,474</u>	<u>34,049</u>	<u>1,362,682</u>	<u>455,377</u>
Restricted Assets -					
Cash and cash equivalents	<u>361,864</u>	<u>145,751</u>	<u>-</u>	<u>507,615</u>	<u>-</u>
Capital Assets -					
Property, plant and equipment	9,531,625	18,118,135	-	27,649,760	3,055,481
Less - accumulated depreciation	<u>(3,241,425)</u>	<u>(6,155,790)</u>	<u>-</u>	<u>(9,397,215)</u>	<u>(2,028,293)</u>
Total Capital Assets, Net	<u>6,290,200</u>	<u>11,962,345</u>	<u>-</u>	<u>18,252,545</u>	<u>1,027,188</u>
Total Assets	<u>7,056,223</u>	<u>13,032,570</u>	<u>34,049</u>	<u>20,122,842</u>	<u>1,482,565</u>
Deferred Outflows of Resources:					
Related to pension plan	<u>18,732</u>	<u>18,731</u>	<u>-</u>	<u>37,463</u>	<u>-</u>
Liabilities:					
Current Liabilities -					
Accounts payable	103,997	41,571	-	145,568	2,000
Accrued expenses	2,992	5,640	45	8,677	909
Accrued interest	16,796	27,963	-	44,759	8,162
Capital lease payable (current portion)	35,311	46,981	-	82,292	-
Bonds/Notes payable (current portion)	43,000	191,654	-	234,654	74,965
Customer deposits	21,850	-	-	21,850	-
Total Current Liabilities	<u>223,946</u>	<u>313,809</u>	<u>45</u>	<u>537,800</u>	<u>86,036</u>
Long-term Liabilities -					
Accrued vacation and sick	2,778	2,778	-	5,556	36,096
Net pension liability	225,805	225,805	-	451,610	-
Net OPEB liability	545,012	545,013	-	1,090,025	-
Capital lease payable (net of current portion)	688,196	579,449	-	1,267,645	-
Bonds/Notes payable (net of current portion)	<u>2,518,000</u>	<u>6,984,962</u>	<u>-</u>	<u>9,502,962</u>	<u>436,238</u>
Total Long-term Liabilities	<u>3,979,791</u>	<u>8,338,007</u>	<u>-</u>	<u>12,317,798</u>	<u>472,334</u>
Total Liabilities	<u>4,203,737</u>	<u>8,651,816</u>	<u>45</u>	<u>12,855,598</u>	<u>558,370</u>

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

CITY OF DURAND, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Refuse Service</u>	<u>Total</u>	
Deferred Inflows of Resources:					
Related to pension plan	\$ 9,581	\$ 9,581	\$ -	\$ 19,162	\$ -
Related to OPEB plan	380	380	-	760	-
Total Deferred Inflows of Resources	<u>9,961</u>	<u>9,961</u>	<u>-</u>	<u>19,922</u>	<u>-</u>
Net Position:					
Net investment in capital assets	3,315,157	4,209,450	-	7,524,607	515,985
Restricted	67,400	121,600	-	189,000	-
Unrestricted	<u>(521,300)</u>	<u>58,474</u>	<u>34,004</u>	<u>(428,822)</u>	<u>408,210</u>
Total Net Position	<u><u>\$ 2,861,257</u></u>	<u><u>\$ 4,389,524</u></u>	<u><u>\$ 34,004</u></u>	<u><u>\$ 7,284,785</u></u>	<u><u>\$ 924,195</u></u>

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

CITY OF DURAND, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse Service	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 746,082	\$ 938,324	\$ 203,148	\$ 1,887,554	\$ 951,275
Intergovernmental	-	18,946	-	18,946	-
Other	20,543	24,773	6,996	52,312	25,044
Total Operating Revenues	<u>766,625</u>	<u>982,043</u>	<u>210,144</u>	<u>1,958,812</u>	<u>976,319</u>
Operating Expenses:					
Personal services	201,745	240,678	4,149	446,572	609,912
Administrative expenses	165,000	165,000	40,000	370,000	40,000
Supplies and postage	25,686	36,243	2,130	64,059	41,411
Other services	250,850	207,629	167,813	626,292	132,058
Depreciation	184,711	376,840	-	561,551	154,853
Total Operating Expenses	<u>827,992</u>	<u>1,026,390</u>	<u>214,092</u>	<u>2,068,474</u>	<u>978,234</u>
Operating loss	<u>(61,367)</u>	<u>(44,347)</u>	<u>(3,948)</u>	<u>(109,662)</u>	<u>(1,915)</u>
Non-Operating Revenues (Expenses):					
Gain on sale of assets	-	-	-	-	2,600
Interest income	1,847	4,171	-	6,018	496
Interest subsidy	6,465	5,050	-	11,515	-
Interest expense	<u>(81,108)</u>	<u>(166,879)</u>	<u>-</u>	<u>(247,987)</u>	<u>(13,143)</u>
Total Non-Operating Revenues (Expenses)	<u>(72,796)</u>	<u>(157,658)</u>	<u>-</u>	<u>(230,454)</u>	<u>(10,047)</u>
Net loss before transfers	<u>(134,163)</u>	<u>(202,005)</u>	<u>(3,948)</u>	<u>(340,116)</u>	<u>(11,962)</u>
Transfers in	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>33,036</u>
Change in Net Position	<u>(134,163)</u>	<u>(2,005)</u>	<u>(3,948)</u>	<u>(140,116)</u>	<u>21,074</u>
Net Position at beginning of year, as restated	<u>2,995,420</u>	<u>4,391,529</u>	<u>37,952</u>	<u>7,424,901</u>	<u>903,121</u>
Net Position at end of year	<u>\$ 2,861,257</u>	<u>\$ 4,389,524</u>	<u>\$ 34,004</u>	<u>\$ 7,284,785</u>	<u>\$ 924,195</u>

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

CITY OF DURAND, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse Service	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 752,560	\$ 953,936	\$ 210,119	\$ 1,916,615	\$ 25,836
Cash receipts (payments) from interfund services	(165,000)	(165,000)	(40,000)	(370,000)	951,275
Cash payments to suppliers	(374,420)	(881,883)	(170,093)	(1,426,396)	(711,215)
Cash payments to employees	(168,893)	(206,773)	(4,104)	(379,770)	(95,502)
Net Cash Provided by (Used in) Operating Activities	<u>44,247</u>	<u>(299,720)</u>	<u>(4,078)</u>	<u>(259,551)</u>	<u>170,394</u>
Cash Flows From Capital and Related Financing Activities:					
Lease proceeds	723,507	565,224	-	1,288,731	-
Lease payments	-	(18,401)	-	(18,401)	-
Bond/Note proceeds	265,000	1,033,013	-	1,298,013	-
Bond/Note payments	(43,000)	(269,654)	-	(312,654)	(73,125)
Interest paid on long term debt	(74,192)	(165,499)	-	(239,691)	(14,489)
Interest subsidy	6,465	5,050	-	11,515	-
Transfers for capital purposes	-	200,000	-	200,000	33,036
Proceeds from sale of capital assets	-	-	-	-	2,600
Acquisition of capital assets	(644,081)	(930,343)	-	(1,574,424)	(127,442)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>233,699</u>	<u>419,390</u>	<u>-</u>	<u>653,089</u>	<u>(179,420)</u>
Cash Flows From Investing Activities:					
Interest earned	<u>1,847</u>	<u>4,171</u>	<u>-</u>	<u>6,018</u>	<u>496</u>
Net Increase (Decrease) in Cash and Cash Equivalents	279,793	123,841	(4,078)	399,556	(8,530)
Cash and cash equivalents at beginning of year	<u>276,598</u>	<u>742,137</u>	<u>26,019</u>	<u>1,044,754</u>	<u>437,401</u>
Cash and cash equivalents at end of year	<u>\$ 556,391</u>	<u>\$ 865,978</u>	<u>\$ 21,941</u>	<u>\$ 1,444,310</u>	<u>\$ 428,871</u>
Reconciliation of Operating Loss to Net Cash Provided By (Used in) Operating Activities:					
Operating loss	\$(61,367)	\$(44,347)	\$(3,948)	\$(109,662)	\$(1,915)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities -					
Depreciation	184,711	376,840	-	561,551	154,853
Change in assets and liabilities:					
Receivable	(14,065)	(6,271)	(25)	(20,361)	792
Prepaid and deposits	6,621	6,639	(150)	13,110	21,799
Inventory	2,804	505	-	3,309	(157)
Deferred outflows of resources	29,388	29,388	-	58,776	-
Deferred inflows of resources	9,961	9,961	-	19,922	-
Accounts payable/accrued expenses	(113,806)	(672,435)	45	(786,196)	(4,978)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 44,247</u>	<u>\$(299,720)</u>	<u>\$(4,078)</u>	<u>\$(259,551)</u>	<u>\$ 170,394</u>

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

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The City of Durand, Michigan (the "City"), was incorporated March 14, 1932 under the provisions of Act 279, PA 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water supply and sewage disposal systems, and general administrative services.

These financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

DISCRETELY PRESENTED COMPONENT UNIT -

Downtown Development Authority (DDA) - The Downtown Development Authority (DDA) was established in 1991. The DDA is organized under P.A. 197 of 1975. The purpose of the DDA is to revitalize and prevent deterioration of the central business district, to encourage historic preservation, authorize the acquisition and disposal of interests in real and personal property, seek out and attract new business interest, authorize the creation and implementation of redevelopment plans in the district, promote economic growth of the district, and implement programs to eliminate the further decline of properties and their values in the district.

The DDA is reported discretely to emphasize that it is legally separate from the City. The DDA Board is comprised of up to thirteen members and one ex-officio member appointed by the Mayor with City Council's approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA must obtain City Council approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Durand City Council.

Related Organizations - The Durand Union Station, Inc. (a nonprofit 501(c)(3) corporation), was organized for the development and operation and maintenance of the Durand Union Station. The Durand Union Station is owned by the City and is designated as a historical landmark which is also in the State of Michigan Railroad History Museum. Although the building is owned by the City, the financial statements of the Durand Union Station, Inc. (DUSI) are not included in the City's financial statements since the City Council is not fiscally responsible for the operations and the City appoints only two (2) of a minimum of seven (7) board members, and therefore, does not have control of the organization.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

B. Government-wide and Fund Financial Statements -

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -

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

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

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on July 1 and payable at that time, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

Major Street Fund - is a special revenue fund used to account for Act 51 money and other related revenues restricted for major street maintenance and improvements.

Street Fund - is a special revenue fund used to account for a tax millage and other related revenues restricted for streets maintenance and improvements.

2012 Water Bond Debt Fund - is a debt service fund used to account for and report financial resources that are restricted to expenditures for principal and interest on the 2012 G.O. Refunding Bonds.

The City reports the following major proprietary funds:

Water Fund - is used to account for the treatment and distribution of water to residential and commercial users.

Wastewater Fund - is used to account for sanitary sewer services provided to the residential and commercial users.

Refuse Service Fund - is used to account for the operations and activities of garbage collection and recycling for residential customers within the City.

Additionally, the City reports the following fund types -

Governmental Fund Type -

Special Revenue Funds - are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt services or capital projects.

Capital Projects Funds - are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund Type -

Internal Service Funds - are used to account for the costs of operating and maintaining the City's equipment and for charging the costs of fringes to the various funds. Charges are made to other funds based on equipment used and fringes provided.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the enterprise and internal services funds are charges to customers for sales and services. Operating expenses from enterprise and internal service funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first then unrestricted resources as they are needed.

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

Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand and demand deposits. The investment pools have the general characteristics of demand deposit accounts in that the City may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value; which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances by the General Fund are reported as nonspendable to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Inventories and Prepaid Items -

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds, except Department of Public Works (DPW) supplies and materials, are recorded as expenditures when purchased.

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

Property Taxes -

Taxes are levied on July 1 (the lien date) based on the taxable value of property located in the City as of the preceding December 31 and are payable at that time. The City bills and collects its own property taxes and also collects taxes for Shiawassee County (the "County"), intermediate school district, community college, library and local school district. Collections of all taxes other than City taxes and the remittance of them are accounted for in the Tax Collection Fund.

The City is permitted by state statute to levy taxes of 16.5205 mills for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The City levied 16.5205 mills for general governmental purposes plus 4.6000 mills for debt service, 2.0000 mills for streets, 1.3500 mills for ambulance services, and 0.2000 for public transportation.

All delinquent real property taxes, utility charges and special assessments become liens against the related property and are reimbursed by the County's Delinquent Tax Revolving Fund. The County will, however, charge back to the City any amounts not collected at the end of three years.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 34, the City has elected not to report governmental infrastructure (principally roads and sidewalks) acquired prior to July 1, 2003.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

	<u>Primary Government</u>	<u>Component Unit (DDA)</u>
Buildings and improvements	15-50	15-30
Infrastructure	5-50	30-50
Machinery and equipment	3-30	5-30
Vehicles	3-12	-
Water and wastewater system	5-50	-

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The City has elected to fund vacation and sick time as it is earned. As a result these amounts are appropriately accounted for as a liability in the enterprise and internal service funds.

Long-term Liabilities -

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Deferred Outflows/Inflows of Resources -

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. The City reports deferred outflows of resources related to the net pension liability.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City reports unavailable revenues relating to special assessments, which are reported in the fund financial statements, that were not due and collected within the availability period. These amounts are deferred and recognized as an inflow of resources in the period collected. The City also reports deferred inflows of resources related to the net pension and net OPEB liabilities.

Fund Balance -

In the fund financial statements, governmental funds reported fund balance in one or more of the following classifications:

Nonspendable fund balance - the portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted fund balance - the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, to establish, modify or rescind, at the highest level of decision-making authority (City Council).

Assigned fund balance - the portion of fund balance that reflects the City's intended use of resources. Such intent currently must be determined by the City Council. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund is reported as assigned.

Unassigned fund balance - the portion of fund balance in the general fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the City's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Upcoming Accounting Pronouncement -

GASB has issued the following statement that may have an impact on the City's financial statements when adopted. The City is currently evaluating the implications of the pronouncement.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the City's June 30, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the City's leasing activities.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Compliance -

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

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

- 1) Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year beginning the following July 1. The operating budgets include proposed expenditures and the means of financing them.
- 2) A public hearing is conducted to obtain taxpayers' comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution. The budgets are legally enacted at the activity level for the General, Major, and Local Streets Funds and total fund level for all other Special Revenue Funds and the DDA.
- 4) Any amendments to the budget must be approved by City Council.
- 5) Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue Funds, and the DDA.
- 6) Budget appropriations lapse at year-end.
- 7) The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). For the fiscal year ended June 30, 2018, the City did not have any overages that exceeded this threshold.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2018, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash on Hand - Petty Cash	\$ 250	\$ 50	\$ 300
Deposits with Financial Institutions -			
Checking	2,233,641	82,449	2,316,090
Savings/Money Markets	<u>822,438</u>	<u>-</u>	<u>822,438</u>
Total Deposits	<u>3,056,079</u>	<u>82,449</u>	<u>3,138,528</u>
Investments -			
Investment Pools	<u>845,829</u>	<u>-</u>	<u>845,829</u>
	<u>\$ 3,902,158</u>	<u>\$ 82,499</u>	<u>\$ 3,984,657</u>

The deposits and investments of the City are reported on the statement of net position as cash and cash equivalents.

Safety of principal is the primary objective of the City's investment policy. Deposits and investments of the City should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain the objective, diversification is required in order that potential losses in individual securities do not exceed the income generated from the remainder of the portfolio.

Deposits -

The City's investment policy and Act 217 PA 1982, as amended, authorizes the City to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in the State of Michigan (State) under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - is the risk that in the event of a bank failure, the City's deposits or investments may not be returned.

As of June 30, 2018, the bank balance of the City's deposits was \$3,269,157, of which \$1,016,370 was insured with the remaining balance of \$2,252,787 exposed to credit risk because it is uninsured and uncollateralized.

Investments -

Act 20 PA 1994, as amended by Act 1997 PA 1999, authorizes the City to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State or any of the political subdivisions that at the time of purchase; are rated as investment grades by not less than one standard rating service, mutual funds registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.188; investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

At June 30, 2018, the City was invested in investment pools in the amount of \$845,829. The investments are considered money market funds as defined by GASB, and as such are recorded at amortized cost, which approximates fair value. The funds require no notification of redemption to avoid penalties. The funds are not subject to the fair value disclosures under GASB Statement No. 72.

Interest Rate Risk - is the risk that the market value of securities in the City's portfolio will fall due to changes in market interest increases. The City policy attempts to minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. The City's investment policy does not address interest rate risk.

Credit Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types of investments the City can purchase.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The City has \$409,808 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement, which can be obtained at www.michiganclass.org. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the City's position in the government investment pool is the same as the value of the Michigan CLASS pool shares. The average days to maturity is 67 days. Michigan CLASS is rated AAAM by Standard and Poors.

The City has \$436,021 invested with U.S. Bank in the First American Government Obligations Fund Class D. The fund seeks maximum current income to the extent consistent with the preservation of capital and maintenance of liquidity. The fund invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. The fund operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the City's position in the fund is the same as the value of the fund pool shares. The average days to maturity is 20 days. The First American Government Obligations Fund Class D is rated AAAM by Standard and Poors.

Concentration of Credit Risk - is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City's investment policy requires that it diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business type activities as of June 30, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Interest and accounts	\$ 10,898	\$ 373,102
Intergovernmental	<u>225,582</u>	<u>2,625</u>
	<u>\$ 236,480</u>	<u>\$ 375,727</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS:

Primary Government -

Capital asset activity of the primary government for the year ended June 30, 2018 was as follows:

	July 1, 2017		Deletions/	June 30, 2018
	Balance	Additions	Adjustments	Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,694,914	\$ -	\$ -	\$ 1,694,914
Construction in progress -				
Infrastructure	86,298	459,478	216,964	328,812
Total capital assets, not being depreciated	1,781,212	459,478	216,964	2,023,726
Capital assets, being depreciated:				
Buildings and improvements	4,170,100	-	-	4,170,100
Infrastructure	4,886,031	216,964	-	5,102,995
Machinery and equipment	1,627,709	76,274	-	1,703,982
Vehicles	1,483,202	62,723	52,996	1,492,930
Total capital assets, being depreciated	12,167,042	355,961	52,996	12,470,007
Less accumulated depreciation:				
Buildings and improvements	2,118,706	125,226	-	2,243,932
Infrastructure	1,374,094	250,977	-	1,625,071
Machinery and equipment	982,434	99,682	-	1,082,116
Vehicles	1,062,164	58,089	52,996	1,067,257
Total accumulated depreciation	5,537,398	533,974	52,996	6,018,376
Total capital assets, being depreciated, net	6,629,644	(178,013)	-	6,451,631
Governmental activities, net	\$ 8,410,856	\$ 281,465	\$ 216,964	\$ 8,475,357
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 147,400	\$ -	\$ -	\$ 147,400
Construction in progress -				
Water	2,703,195	574,839	2,762,146	515,888
Sanitary sewer	7,304,574	763,043	7,476,745	590,872
Total capital assets, not being depreciated	10,155,169	1,337,882	10,238,891	1,254,160
Capital assets, being depreciated:				
Buildings and improvements	3,824,802	-	-	3,824,802
Machinery and equipment	173,187	-	-	173,187
Vehicles	27,793	-	-	27,793
Wastewater system	6,211,559	7,644,045	-	13,855,604
Water System	5,682,826	2,831,388	-	8,514,214
Total capital assets, being depreciated	15,920,167	10,475,433	-	26,395,600
Less - Accumulated depreciation:				
Building and improvements	2,964,240	79,151	-	3,043,391
Machinery and equipment	96,546	25,547	-	122,093
Vehicles	22,862	2,818	-	25,680
Waste Water system	2,944,182	274,182	-	3,218,364
Water system	2,807,834	179,853	-	2,987,687
Total accumulated depreciation	8,835,664	561,551	-	9,397,215
Total capital assets, being depreciated, net	7,084,503	9,913,882	-	16,998,385
Business-type activities, net	\$ 17,239,672	\$ 11,251,764	\$ 10,238,891	\$ 18,252,545

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS - (cont'd):

	July 1, 2017 <u>Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	June 30, 2018 <u>Balance</u>
Component Unit (DDA):				
Capital assets, not being depreciated:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets, being depreciated:				
Building and improvements	298,507	-	-	298,507
Infrastructure	198,000	-	-	198,000
Machinery and equipment	22,530	-	-	22,530
Total capital assets, being depreciated	519,037	-	-	519,037
Less - Accumulated depreciation	229,964	17,961	-	247,925
Total capital assets, being depreciated, net	289,073	(17,961)	-	271,112
Component unit capital assets, net	<u>\$ 349,073</u>	<u>\$ (17,961)</u>	<u>\$ -</u>	<u>\$ 331,112</u>

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

Governmental Activities:	
General Government	\$ 37,760
Public Safety	9,520
Public Works	239,704
Health and Welfare	6,976
Recreation and Cultural	85,161
Depreciation Expense - Governmental Activities	379,121
Depreciation Expense - Internal Service Funds	154,853
Total Depreciation Expense - Governmental Activities	<u>\$ 533,974</u>
Business-type Activities:	
Water Fund	\$ 184,711
Wastewater Fund	376,840
Total Depreciation Expense - Business-type Activities	<u>\$ 561,551</u>
Component Unit Activities:	
Downtown Development Authority	<u>\$ 17,961</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS - (cont'd):

Construction/Purchase Commitments -

The City has committed to the following contracts at June 30, 2018 (These commitments do not include any change orders made after June 30, 2018):

	Contract Amount	Payments Through 6/30/18	Accounts Payable/ Retention	Remaining Balance 6/30/18
2018 Street Improvements -				
Construction	\$ 634,431	\$ -	\$ -	\$ 634,431
Engineering	80,455	53,255	6,017	21,183
Oak/Main Street Improvements -				
Construction	97,381	-	-	97,381
Engineering	91,180	31,913	2,836	56,431
Energy Conservation Equipment	1,622,340	1,189,631	118,000	314,709
Flow Monitoring Study	82,000	15,125	19,575	47,300

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities as of June 30, 2018 are as follows:

	Governmental Activities	Business-type Activities
Accounts payable and retainage	\$ 29,393	\$ 145,568
Accrued wages and fringe benefits	17,117	8,677
	<u>\$ 46,510</u>	<u>\$ 154,245</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - INTERFUND TRANSFERS:

Transfers In/Out Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Building Inspection Fund	General Fund	\$ 77,000 (1)
Local Street Fund	Major Street Fund	10,000 (2)
	Street Fund	141,140 (2)
Major Street Fund	Street Fund	82,567 (2)
Wastewater Fund	Street Fund	200,000 (2)
Equipment Revolving Fund	General Fund	<u>33,036 (1)</u>
Total Transfers		<u>\$ 543,743</u>

(1) Funding to subsidize operations

(2) Funding of current/future improvements

NOTE 8 - LONG-TERM LIABILITIES:

Primary Government -

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Funds -					
2012 G.O. Bonds Refunding	\$ 538,000	\$ -	\$ 262,000	\$ 276,000	\$ 276,000
2018 Street Improvement Bonds	-	1,024,000	-	1,024,000	275,000
Installment Purchases -					
2004 Land	104,619	-	40,500	64,119	42,223
2015 Land	20,000	-	10,000	10,000	10,000
2015 Infrastructure	120,000	-	15,000	105,000	15,000
Capital Lease -					
2017 Energy Conservation	-	337,269	-	337,269	16,425
Total Governmental Funds	<u>782,619</u>	<u>1,361,269</u>	<u>327,500</u>	<u>1,816,388</u>	<u>634,648</u>
Internal Service Funds -					
Installment Purchases -					
2012 Fire Truck	153,258	-	29,128	124,130	29,871
2015 Vactor	291,817	-	37,648	254,169	38,590
2016 Loader	139,253	-	6,349	132,904	6,504
Compensated Absences	39,391	-	3,295	36,096	-
Total Internal Service Funds	<u>623,719</u>	<u>-</u>	<u>76,420</u>	<u>547,299</u>	<u>74,965</u>
Total Governmental Activities	<u>1,406,338</u>	<u>1,361,269</u>	<u>403,920</u>	<u>2,363,687</u>	<u>709,613</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Enterprise Funds -					
Wastewater Fund -					
Revenue Bonds -					
SDS, Series 2012, Refunding	\$ 79,000	\$ -	\$ 79,000	\$ -	\$ -
SDS, Series 2015 A	3,952,442	168,558	74,000	4,047,000	75,000
SDS, Series 2015 B	1,484,000	-	26,000	1,458,000	26,000
SDS, Series 2015 C	1,435,000	-	25,000	1,410,000	25,000
Installment Purchases -					
2015 Infrastructure	120,000	-	15,000	105,000	15,000
2017 Sewer Pumps	-	163,270	32,654	130,616	32,654
Capital Leases -					
2016 Sewer Camera	79,607	-	18,401	61,206	19,367
2017 Energy Conservation	-	565,224	-	565,224	27,614
Compensated Absences	794	1,984	-	2,778	-
Judgement Payable	44,000	-	18,000	26,000	18,000
Water Fund -					
Revenue Bonds -					
WSS, Series 2015 A	1,431,000	-	22,000	1,409,000	22,000
WSS, Series 2015 B	784,000	-	12,000	772,000	12,000
WSS, Series 2017	333,475	55,525	9,000	380,000	9,000
Capital Lease -					
2017 Energy Conservation	-	723,507	-	723,507	35,311
Compensated Absences	794	1,984	-	2,778	-
Total Business-type Activities	<u>9,744,112</u>	<u>1,680,052</u>	<u>331,055</u>	<u>11,093,109</u>	<u>316,946</u>
Total Primary Government	<u>\$11,150,450</u>	<u>\$ 3,041,321</u>	<u>\$ 734,975</u>	<u>\$13,456,796</u>	<u>\$ 1,026,559</u>

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

General Obligation Bond -

During 2012, the City advance refunded the 2001 G.O. Water Refunding Bonds with general obligation unlimited tax refunding bonds in the amount of \$1,485,000 dated March 29, 2012 due in a final installment of \$276,000 on May 1, 2019 with interest of 1.98% payable semi-annually to purchase U.S. government securities that were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The principal balance of the defeased bonds at June 30, 2018 is \$285,000.

\$ 276,000

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Custodial Credit Risk - is the risk that in the event of a bank failure, the City's deposits or investments may not be returned.

As of June 30, 2018, the bank balance of the City's deposits was \$3,269,157, of which \$1,016,370 was insured with the remaining balance of \$2,252,787 exposed to credit risk because it is uninsured and uncollateralized.

Investments -

Act 20 PA 1994, as amended by Act 1997 PA 1999, authorizes the City to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State or any of the political subdivisions that at the time of purchase; are rated as investment grades by not less than one standard rating service, mutual funds registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.188; investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

At June 30, 2018, the City was invested in investment pools in the amount of \$845,829. The investments are considered money market funds as defined by GASB, and as such are recorded at amortized cost, which approximates fair value. The funds require no notification of redemption to avoid penalties. The funds are not subject to the fair value disclosures under GASB Statement No. 72.

Interest Rate Risk - is the risk that the market value of securities in the City's portfolio will fall due to changes in market interest increases. The City policy attempts to minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. The City's investment policy does not address interest rate risk.

Credit Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types of investments the City can purchase.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

The City has \$409,808 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement, which can be obtained at www.michiganclass.org. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the City's position in the government investment pool is the same as the value of the Michigan CLASS pool shares. The average days to maturity is 67 days. Michigan CLASS is rated AAAM by Standard and Poors.

The City has \$436,021 invested with U.S. Bank in the First American Government Obligations Fund Class D. The fund seeks maximum current income to the extent consistent with the preservation of capital and maintenance of liquidity. The fund invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities. The fund operates like a money market mutual fund, with each share valued at \$1.00. Fair value of the City's position in the fund is the same as the value of the fund pool shares. The average days to maturity is 20 days. The First American Government Obligations Fund Class D is rated AAAM by Standard and Poors.

Concentration of Credit Risk - is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City's investment policy requires that it diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business type activities as of June 30, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Interest and accounts	\$ 10,898	\$ 373,102
Intergovernmental	<u>225,582</u>	<u>2,625</u>
	<u>\$ 236,480</u>	<u>\$ 375,727</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS:

Primary Government -

Capital asset activity of the primary government for the year ended June 30, 2018 was as follows:

	July 1, 2017		Deletions/	June 30, 2018
	Balance	Additions	Adjustments	Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,694,914	\$ -	\$ -	\$ 1,694,914
Construction in progress -				
Infrastructure	86,298	459,478	216,964	328,812
Total capital assets, not being depreciated	1,781,212	459,478	216,964	2,023,726
Capital assets, being depreciated:				
Buildings and improvements	4,170,100	-	-	4,170,100
Infrastructure	4,886,031	216,964	-	5,102,995
Machinery and equipment	1,627,709	76,274	-	1,703,982
Vehicles	1,483,202	62,723	52,996	1,492,930
Total capital assets, being depreciated	12,167,042	355,961	52,996	12,470,007
Less accumulated depreciation:				
Buildings and improvements	2,118,706	125,226	-	2,243,932
Infrastructure	1,374,094	250,977	-	1,625,071
Machinery and equipment	982,434	99,682	-	1,082,116
Vehicles	1,062,164	58,089	52,996	1,067,257
Total accumulated depreciation	5,537,398	533,974	52,996	6,018,376
Total capital assets, being depreciated, net	6,629,644	(178,013)	-	6,451,631
Governmental activities, net	\$ 8,410,856	\$ 281,465	\$ 216,964	\$ 8,475,357
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 147,400	\$ -	\$ -	\$ 147,400
Construction in progress -				
Water	2,703,195	574,839	2,762,146	515,888
Sanitary sewer	7,304,574	763,043	7,476,745	590,872
Total capital assets, not being depreciated	10,155,169	1,337,882	10,238,891	1,254,160
Capital assets, being depreciated:				
Buildings and improvements	3,824,802	-	-	3,824,802
Machinery and equipment	173,187	-	-	173,187
Vehicles	27,793	-	-	27,793
Wastewater system	6,211,559	7,644,045	-	13,855,604
Water System	5,682,826	2,831,388	-	8,514,214
Total capital assets, being depreciated	15,920,167	10,475,433	-	26,395,600
Less - Accumulated depreciation:				
Building and improvements	2,964,240	79,151	-	3,043,391
Machinery and equipment	96,546	25,547	-	122,093
Vehicles	22,862	2,818	-	25,680
Waste Water system	2,944,182	274,182	-	3,218,364
Water system	2,807,834	179,853	-	2,987,687
Total accumulated depreciation	8,835,664	561,551	-	9,397,215
Total capital assets, being depreciated, net	7,084,503	9,913,882	-	16,998,385
Business-type activities, net	\$ 17,239,672	\$ 11,251,764	\$ 10,238,891	\$ 18,252,545

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS - (cont'd):

	July 1, 2017 <u>Balance</u>	<u>Additions</u>	Deletions/ <u>Adjustments</u>	June 30, 2018 <u>Balance</u>
Component Unit (DDA):				
Capital assets, not being depreciated:				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets, being depreciated:				
Building and improvements	298,507	-	-	298,507
Infrastructure	198,000	-	-	198,000
Machinery and equipment	<u>22,530</u>	<u>-</u>	<u>-</u>	<u>22,530</u>
Total capital assets, being depreciated	519,037	-	-	519,037
Less - Accumulated depreciation	<u>229,964</u>	<u>17,961</u>	<u>-</u>	<u>247,925</u>
Total capital assets, being depreciated, net	<u>289,073</u>	<u>(17,961)</u>	<u>-</u>	<u>271,112</u>
Component unit capital assets, net	<u>\$ 349,073</u>	<u>\$(17,961)</u>	<u>\$ -</u>	<u>\$ 331,112</u>

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

Governmental Activities:	
General Government	\$ 37,760
Public Safety	9,520
Public Works	239,704
Health and Welfare	6,976
Recreation and Cultural	<u>85,161</u>
Depreciation Expense - Governmental Activities	379,121
Depreciation Expense - Internal Service Funds	<u>154,853</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 533,974</u>
Business-type Activities:	
Water Fund	\$ 184,711
Wastewater Fund	<u>376,840</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 561,551</u>
Component Unit Activities:	
Downtown Development Authority	<u>\$ 17,961</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS - (cont'd):

Construction/Purchase Commitments -

The City has committed to the following contracts at June 30, 2018 (These commitments do not include any change orders made after June 30, 2018):

	<u>Contract Amount</u>	<u>Payments Through 6/30/18</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 6/30/18</u>
2018 Street Improvements -				
Construction	\$ 634,431	\$ -	\$ -	\$ 634,431
Engineering	80,455	53,255	6,017	21,183
Oak/Main Street Improvements -				
Construction	97,381	-	-	97,381
Engineering	91,180	31,913	2,836	56,431
Energy Conservation Equipment	1,622,340	1,189,631	118,000	314,709
Flow Monitoring Study	82,000	15,125	19,575	47,300

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities as of June 30, 2018 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable and retainage	\$ 29,393	\$ 145,568
Accrued wages and fringe benefits	<u>17,117</u>	<u>8,677</u>
	<u>\$ 46,510</u>	<u>\$ 154,245</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - INTERFUND TRANSFERS:

Transfers In/Out Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Building Inspection Fund	General Fund	\$ 77,000 (1)
Local Street Fund	Major Street Fund	10,000 (2)
	Street Fund	141,140 (2)
Major Street Fund	Street Fund	82,567 (2)
Wastewater Fund	Street Fund	200,000 (2)
Equipment Revolving Fund	General Fund	<u>33,036 (1)</u>
Total Transfers		<u>\$ 543,743</u>

(1) Funding to subsidize operations

(2) Funding of current/future improvements

NOTE 8 - LONG-TERM LIABILITIES:

Primary Government -

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Funds -					
2012 G.O. Bonds Refunding	\$ 538,000	\$ -	\$ 262,000	\$ 276,000	\$ 276,000
2018 Street Improvement Bonds	-	1,024,000	-	1,024,000	275,000
Installment Purchases -					
2004 Land	104,619	-	40,500	64,119	42,223
2015 Land	20,000	-	10,000	10,000	10,000
2015 Infrastructure	120,000	-	15,000	105,000	15,000
Capital Lease -					
2017 Energy Conservation	-	337,269	-	337,269	16,425
Total Governmental Funds	<u>782,619</u>	<u>1,361,269</u>	<u>327,500</u>	<u>1,816,388</u>	<u>634,648</u>
Internal Service Funds -					
Installment Purchases -					
2012 Fire Truck	153,258	-	29,128	124,130	29,871
2015 Vactor	291,817	-	37,648	254,169	38,590
2016 Loader	139,253	-	6,349	132,904	6,504
Compensated Absences	39,391	-	3,295	36,096	-
Total Internal Service Funds	<u>623,719</u>	<u>-</u>	<u>76,420</u>	<u>547,299</u>	<u>74,965</u>
Total Governmental Activities	<u>1,406,338</u>	<u>1,361,269</u>	<u>403,920</u>	<u>2,363,687</u>	<u>709,613</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Enterprise Funds -					
Wastewater Fund -					
Revenue Bonds -					
SDS, Series 2012, Refunding	\$ 79,000	\$ -	\$ 79,000	\$ -	\$ -
SDS, Series 2015 A	3,952,442	168,558	74,000	4,047,000	75,000
SDS, Series 2015 B	1,484,000	-	26,000	1,458,000	26,000
SDS, Series 2015 C	1,435,000	-	25,000	1,410,000	25,000
Installment Purchases -					
2015 Infrastructure	120,000	-	15,000	105,000	15,000
2017 Sewer Pumps	-	163,270	32,654	130,616	32,654
Capital Leases -					
2016 Sewer Camera	79,607	-	18,401	61,206	19,367
2017 Energy Conservation	-	565,224	-	565,224	27,614
Compensated Absences	794	1,984	-	2,778	-
Judgement Payable	44,000	-	18,000	26,000	18,000
Water Fund -					
Revenue Bonds -					
WSS, Series 2015 A	1,431,000	-	22,000	1,409,000	22,000
WSS, Series 2015 B	784,000	-	12,000	772,000	12,000
WSS, Series 2017	333,475	55,525	9,000	380,000	9,000
Capital Lease -					
2017 Energy Conservation	-	723,507	-	723,507	35,311
Compensated Absences	794	1,984	-	2,778	-
Total Business-type Activities	<u>9,744,112</u>	<u>1,680,052</u>	<u>331,055</u>	<u>11,093,109</u>	<u>316,946</u>
Total Primary Government	<u>\$11,150,450</u>	<u>\$ 3,041,321</u>	<u>\$ 734,975</u>	<u>\$13,456,796</u>	<u>\$ 1,026,559</u>

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

General Obligation Bond -

During 2012, the City advance refunded the 2001 G.O. Water Refunding Bonds with general obligation unlimited tax refunding bonds in the amount of \$1,485,000 dated March 29, 2012 due in a final installment of \$276,000 on May 1, 2019 with interest of 1.98% payable semi-annually to purchase U.S. government securities that were placed in escrow for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. The principal balance of the defeased bonds at June 30, 2018 is \$285,000.

\$ 276,000

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

On June 7, 2018, the City issued 2018 Street Improvement Bonds (Unlimited Tax General Obligation) in the amount of \$1,024,000 to fund street improvements. Annual principal payments of \$42,000 to \$275,000 are due November 1 of each year through 2032 with interest of 3.58%, payable semi-annually.

\$ 1,024,000

\$ 1,300,000

Water and Wastewater Revenue Bonds -

Water Supply System (WSS) Revenue Bonds, Series 2015 A, for \$1,473,000 through the United States Department of Agriculture (USDA), Rural Development Water and Wastewater Loan program, to fund water improvements. Principal payments on the loan are due May 1 of each year through 2055 with interest payable semi-annually at 2.75%.

\$ 1,409,000

WSS Revenue Bonds, Series 2015 B, for \$807,000 through the USDA, Rural Development Water and Wastewater Loan program, to fund water improvements. Principal payments on the loan are due May 1 of each year through 2055 with interest payable semi-annually at 2.75%.

772,000

WSS Revenue Bonds, Series 2017, for \$500,000 through the USDA, Rural Development Water and Wastewater Loan program, to fund water improvements. Principal payments on the loan are due May 1 of each year through 2057 with interest payable semi-annually at 1.875%.

380,000

Sewage Disposal System (SDS) Revenue Bonds, Series 2015 A, for \$4,393,000 through the USDA, Rural Development Water and Wastewater Loan program, to fund wastewater improvements. Principal payments on the loan are due May 1 of each year through 2055 with interest payable semi-annually at 2.125%.

4,047,000

SDS Revenue Bonds, Series 2015 B, for \$1,534,000 through the USDA, Rural Development Water and Wastewater Loan program, to fund wastewater improvements. Principal payments on the loan are due May 1 of each year through 2055 with interest payable semi-annually at 2.125%.

1,458,000

SDS Revenue Bonds, Series 2015 C, for \$1,483,000 through the United States Department of Agriculture, Rural Development Water and Wastewater Loan program, to fund wastewater improvements. Principal payments on the loan are due May 1 of each year through 2055 with interest payable semi-annually at 2.125%.

1,410,000

\$ 9,476,000

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Installment Purchases -

On September 2, 2004, the City entered into an installment purchase agreement to finance a purchase of real estate in the amount of \$490,000. The note is payable over fifteen years with an interest rate of 4.25%. \$ 64,119

On November 20, 2012, the City entered into an installment purchase agreement to finance the purchase of a new fire truck in the amount of \$295,740. Payments are due annually over nine years with an interest rate of 2.55%. 124,130

During 2015, the City entered into an agreement for the purchase of real estate, including entering into a land contract for \$60,000, of which \$20,000 will be paid by the DDA. The General Fund portion is due in four annual installments of \$10,000 with no interest. 10,000

On October 30, 2015, the City entered into an installment purchase agreement to finance construction charges for the West Parking Lot and Pathway Improvements Project in the amount of \$450,000, of which \$150,000 will be paid by each the General Fund, the Sewer Fund, and the DDA. The General Fund and Sewer Fund portions are due in ten annual installments of \$15,000 with interest payable semi-annually at 2.68%. 210,000

On July 15, 2015, the City entered into an installment purchase agreement for the purchase of a new Vector in the amount of \$328,548. Payments are due annually over five years with interest payable annually at 2.50%. 254,169

On October 5, 2016, the City entered into an installment purchase agreement for the purchase of a new loader in the amount of \$144,205. Monthly payments of \$803 are due over three years including interest of 2.41%, with a final payment of \$125,000 due in October 2019. 132,904

In July 2017, the City entered into an installment purchase agreement for the purchase of six sewer pumps. Payments of \$32,564 are due annually over 4 years. 130,616

\$ 925,938

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Capital Leases -

In July 2016, the City entered into a capital lease agreement to finance a sewer camera in the amount of \$102,188. Payments of \$22,581 are due annually over four years including interest of 5.251%. At June 30, 2018, the gross asset value is \$102,188 with accumulated depreciation of \$51,094, leaving a net book value of \$51,094. Amortization expense of \$25,547 is included as part of the depreciation expense.

\$ 61,206

On December 28, 2017 the City entered into a lease agreement to finance various energy conservation equipment in the amount of \$1,626,000, which will be paid as follows: \$337,269 from the General Fund, \$565,224 from the Wastewater Fund, and \$723,507 from the Water Fund. The lease is subject to annual appropriations of the City Council. Should the Council not appropriate annual lease payments the lease would terminate with the assets returned to the lessor. However, because it is the intent of the City Council to complete the lease and have the assets revert to the City at the end of the lease, the lease has been recorded as a capital lease. Principal payments are due annually on May 1 through 2032 with interest payable semi-annually at 3.93%. The agreement, via the Qualified Energy Conservation Bond program, qualifies for an interest subsidy to be received from the Internal Revenue Service (IRS), which is based on 70% of the maximum subsidy rate determined daily by the IRS. At June 30, 2018, the gross asset value is \$1,307,631 and is classified as construction in progress, as the project was not completed as of June 30, 2018.

1,626,000

\$ 1,687,206

Judgement Payable -

In June 2017, the City and the State of Michigan Department of Environmental Quality entered into an Administrative Consent Order for violations of the Natural Resources and Environmental Protection Act in the amount of \$44,000. Payment of \$18,000 is due in July 2018 and \$8,000 in July 2019.

\$ 26,000

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

The annual debt service requirements to maturities for the long-term obligations outstanding at June 30, 2018 (excluding compensated absences) are as follows:

Year Ending June 30,	General Obligation Bonds		Water & Wastewater Revenue Bonds		Installment Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 551,000	\$ 33,539	\$ 169,000	\$ 214,046	\$ 189,842	\$ 20,569
2020	43,000	26,045	175,000	210,265	281,137	14,097
2021	42,000	24,523	179,000	206,342	270,092	10,043
2022	45,000	22,966	181,000	202,333	94,868	4,037
2023	45,000	21,355	187,000	198,278	30,000	2,412
2024-2028	257,000	80,998	996,000	926,722	30,000	1,608
2029-2033	317,000	28,837	1,111,000	809,868	30,000	804
2034-2038	-	-	1,245,000	678,968	-	-
2039-2043	-	-	1,394,000	532,102	-	-
2044-2048	-	-	1,555,000	367,724	-	-
2049-2053	-	-	1,697,000	184,558	-	-
2054-2057	-	-	587,000	19,068	-	-
	<u>\$ 1,300,000</u>	<u>\$ 238,261</u>	<u>\$ 9,476,000</u>	<u>\$ 4,550,274</u>	<u>\$ 925,938</u>	<u>\$ 53,570</u>

Year Ending June 30,	Capital Leases		Judgement Payable	
	Principal	Interest	Principal	Interest
2019	\$ 98,717	\$ 67,116	\$ 18,000	\$ -
2020	104,844	62,980	8,000	-
2021	111,215	58,591	-	-
2022	95,110	53,937	-	-
2023	100,660	50,199	-	-
2024-2028	591,410	187,080	-	-
2029-2033	585,250	58,781	-	-
	<u>\$ 1,687,206</u>	<u>\$ 538,684</u>	<u>\$ 26,000</u>	<u>\$ -</u>

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the City, individual employees have a vested right upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. The dollar amount of these vested rights has been accrued on the financial statements in the Water Fund, Wastewater Fund, Equipment Revolving Fund, and Employee Benefits Fund in the amounts of \$2,778, \$2,778, \$218, and \$35,878, respectively, at June 30, 2018.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

COMPONENT UNIT -

The following is a summary of changes in long-term liabilities (including current portion) of the DDA for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Downtown Development Authority -					
Tax Development Bonds	\$ 575,000	\$ -	\$ 30,000	\$ 545,000	\$ 35,000
2015 Installment Purchase - Land	10,000	-	5,000	5,000	5,000
2015 Installment Purchase Agreement	<u>120,000</u>	<u>-</u>	<u>15,000</u>	<u>105,000</u>	<u>15,000</u>
Total Downtown Development Authority	<u>\$ 705,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 655,000</u>	<u>\$ 55,000</u>

\$700,000 Limited Tax General Obligation Tax Development Bonds dated June 25, 2008, due in annual installments of \$20,000 to \$75,000 through November 1, 2027 with interest of 4.50% payable semi-annually. \$ 545,000

During 2015, the City entered into an agreement for the purchase of real estate including entering into a land contract for \$60,000, of which \$40,000 will be paid by the City's General Fund. The DDA portion is due in four annual installments of \$5,000 with no interest. 5,000

On October 30, 2015, the City entered into an installment purchase agreement to finance construction charges for the DIG Project in the amount of \$450,000, of which \$150,000 will be paid by each the General Fund, Sewer Fund, and the DDA. The DDA portion is due in ten annual installments of \$15,000 with interest payable semi-annually at 2.68%. 105,000

\$ 655,000

The annual debt service requirements to maturity for the long-term obligations outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Development Bonds		Installment Purchases	
	Principal	Interest	Principal	Interest
2019	\$ 35,000	\$ 23,738	\$ 20,000	\$ 2,814
2020	40,000	22,050	15,000	2,412
2021	45,000	20,138	15,000	2,010
2022	50,000	18,000	15,000	1,608
2023	50,000	15,750	15,000	1,206
2024-2028	<u>325,000</u>	<u>38,813</u>	<u>30,000</u>	<u>1,206</u>
	<u>\$ 545,000</u>	<u>\$ 138,489</u>	<u>\$ 110,000</u>	<u>\$ 11,256</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - PENSION PLANS:

Plan Descriptions -

The City participates in the Michigan Municipal Employees' Retirement System (MERS); an agent multiple-employer state-wide public employee defined benefit pension plan that covers all full-time employees (full-time employees hired on or after January 1, 2009 are covered by the MERS Hybrid Plan). MERS was created under Public Act of 1945 and now operates under Public Act 220 of 1996. MERS was established to provide retirement, survivor, and disability benefits on a voluntary basis to the State's local government employees. Act No. 427 of the Public Acts of 1974, as amended, establishes and amends the benefits provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information at www.mersofmich.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense have been determined on the same basis as they are reported by the pension plan (the "Plan"). The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded when due pursuant to legal, statutory, and contractual requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with benefit terms.

The membership at December 31, 2017 was comprised of 24 active participants, 21 retirees and beneficiaries, and 4 other vested inactive participants.

Benefits Provided -

Retirement benefits, except for Hybrid Plan members, are calculated as 2.0% of the employee's final five-year average salary times the employee's years of service for general employees and 2.5% for Police and Fire with a maximum of 80. Employees are vested after 10 years of service. Normal retirement age is 60. Early retirement with a reduced benefit is at 50 with 25 years of service or at 55 with 15 years of service or for an unreduced benefit at 55 with 30 years of service for employees in the public works division only. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately. An employee who leaves service may withdraw his or her contributions, plus accumulated interest. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement benefit subsequent to the employee's retirement date of 2.00%.

Hybrid Plan member benefits are calculated as 1.50% of the employees' three-year final average compensation.

Benefit terms, within the parameters established by MERS, are established and amended by the authority of the City Council.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - PENSION PLANS - (cont'd):

Contributions -

The Plan adopted by the City Council requires no member contributions. The City is required to contribute at an actuarially determined rate. During the year ended June 30, 2018, contributions totaling \$244,699 were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2016. The contribution requirements of Plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Net Pension Liability -

At June 30, 2018, the City had a net pension liability of \$2,052,770. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and is composed of the following:

	<u>Total Pension Liability</u>	<u>Plan's Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	\$ 6,116,259	\$ 3,907,876	\$ 2,208,383
Service cost	79,980	-	79,980
Interest on total pension liability	492,500	-	492,500
Differences between expected and actual experience	37,210	-	37,210
Net investment income	-	512,974	(512,974)
Contributions from employer	-	244,699	(244,699)
Benefit payments	(394,053)	(394,053)	-
Administrative costs	-	(8,133)	8,133
Other changes	(15,763)	-	(15,763)
Balance at December 31, 2017	<u>\$ 6,316,133</u>	<u>\$ 4,263,363</u>	<u>\$ 2,052,770</u>

Plan fiduciary net position as a percentage of the total pension liability 67.5%

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - PENSION PLANS - (cont'd):

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -

For the year ended June 30, 2018, the City recognized pension expense of \$418,105 in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, the City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ -	\$ 87,100
Contributions made subsequent to the measurement date	109,354	-
Differences between expected and actual experience	60,934	-
	<u>\$ 170,288</u>	<u>\$ 87,100</u>

The amounts of deferred outflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2019	\$ 35,725
2020	21,839
2021	(49,842)
2022	(33,888)
	<u>\$(26,166)</u>

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2017. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from January 1, 2009 through December 31, 2013.

Salary Increases - 3.75%

Inflation - 2.5%

Investment Rate of Return - 7.75%

Mortality Rates - 50% Male and 50% Female blend of the following tables: 1) the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%; 2) the RP-2014 Employee Mortality Tables; and 3) the RP-2014 Juvenile Mortality Tables. For disabled retirees, the RP-2014 Disabled Retiree Mortality Tables using a 50% Male and 50% Female blend were used.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the difference between actuarially determined contribution rates.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - PENSION PLANS - (cont'd):

Projected Cash Flows - Based on the assumptions above, the pension plan's fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2017 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote, 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 %	5.0 %
Global Fixed Income	20.0	2.2
Real Assets	12.5	4.2
Diversifying Strategies	10.0	6.6

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net pension liability	\$ 2,759,920	\$ 2,052,770	\$ 1,452,364

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS:

Plan Description -

In addition to the pension benefits described in Note 9, the City provides postemployment benefits through a single-employer defined benefit healthcare plan (the "OPEB Plan") to eligible employees who retire from the City with twenty-five (25) years of service, or with less than twenty-five (25) years of service if age 60 has been reached for DPW and administration or at age 50 and at least ten (10) years of service for police employees. Employees receive four percent (4%) towards the healthcare benefits for every year of service. The OPEB Plan is closed to employees hired on or after July 1, 2013 under the police contract and on or after January 1, 2009 for employees hired under the DPW and administration contracts. Management of the OPEB Plan is provided by City Council. The OPEB Plan does not issue a publicly available financial report, as it is audited within the financial report of the City.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Summary of Significant Accounting Policies -

For purposes of measuring OPEB liability, deferred outflows of resources, deferred inflows of resources related to OPEB, and OPEB expense have been determined as the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Benefits Provided -

Benefits provided by the OPEB Plan consist of healthcare and prescription drug coverage. Benefit provisions are established through negotiations between the City's management and City Council and the employees' unions.

OPEB Plan Membership -

At June 30, 2018, OPEB Plan membership consisted of 8 active members and 12 inactive members or beneficiaries receiving benefits.

Contributions -

During the year ended June 30, 2018, actuarially determined contributions were \$1,062,788 and actual contributions of \$199,336 were made. The valuation, dated June 30, 2018, determined a required contribution of 241.8% of covered payroll. No member contributions are required.

The contributions of OPEB Plan members and the City are established and may be amended by the City Council. Most administrative costs consist of processing retiree health insurance payments of the OPEB Plan and are paid with City resources.

Investment Policy -

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by City Council by a majority vote of its members.

The long-term expected rate of return on the OPEB Plan's investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The adopted asset allocation policy and the best estimates of arithmetic real rates of return for each asset class as of June 30, 2018 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Capital Preservation Portfolio	11.90 %	1.00 %
Balanced Inc. Portfolio	61.80	1.80
Short-term Income	26.30	(1.50)
Total	<u>100.00 %</u>	<u>0.84 %</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Methods and Assumptions -

Valuations of an ongoing plan involve 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the OPEB liability and the value of assets consistent with the long-term perspective of the calculations.

The following assumptions were made:

Retirement Age of Active Employees - Based on the historical average retirement age for the covered group, active OPEB Plan members were assumed to retire at age 50 for police employees and age 60 for DPW and administration.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on RPH-2014, adjusted to 2006 Total Data Set with MP-2018 mortality improvement; no pre-retirement mortality.

Healthcare Cost Trend Rate - Rates were estimated at 8%, graded down to 5% over six years.

Health Insurance Premiums - 2019 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Payroll Growth Rate - The expected long-term payroll growth rate assumption of 2.00 percent was based on the salary increases per the union contract.

Discount Rate - A discount rate of 3.00 percent was used. The discount rate was based on the 20-year Aa municipal bond rate.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Net OPEB Liability of the City -

The net OPEB liability of the City has been measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date and is composed of the following:

	<u>Total OPEB Liability</u>	<u>OPEB Plan's Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance	\$ 5,378,862	\$ -	\$ 5,378,862
Service cost	113,349	-	113,349
Interest on net OPEB liability	163,276	-	163,276
Net investment income	-	6,243	(6,243)
Contributions from employer	-	199,336	(199,336)
Benefit payments	(99,336)	(99,336)	-
Administrative expenses	-	(220)	220
Ending Balance	<u>\$ 5,556,151</u>	<u>\$ 106,023</u>	<u>\$ 5,450,128</u>

OPEB Plan fiduciary net position as a percentage of total OPEB liability 1.9%

OPEB Expense and Deferred Inflows of Resources Related to OPEB -

For the year ended June 30, 2018, the City recognized OPEB expenses of \$274,399 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following source:

Net difference between projected and actual earnings on OPEB Plan investments	<u>\$ 3,797</u>
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The amounts of deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$ 949
2020	949
2021	949
2022	<u>950</u>
	<u>\$ 3,797</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - (cont'd):

Sensitivity of the OPEB Liability to Changes in the Discount Rate -

The following presents the OPEB liability of the City, calculated using the discount rate of 3.00% as well as what the OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.00%) or one-percentage-point higher (4.00%) than the current rate.

	<u>1% Decrease</u> <u>(2.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.00%)</u>	<u>1% Increase</u> <u>(4.00%)</u>
OPEB liability	\$ 6,643,566	\$ 5,450,128	\$ 4,529,359

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Trend Rates -

The following presents the OPEB liability of the City, calculated using the healthcare cost trend rate of 8.00%, graded down to 5.00% over six years, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower (7.00%) or one-percentage-point higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	\$ 4,472,270	\$ 5,450,128	\$ 6,728,958

NOTE 11 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to property loss, torts, errors or omissions, injuries to employees, etc. The City has purchased insurance coverage, as noted below, for these types of losses. However, the City would be responsible in the event the limit of coverages is exceeded. The amount of settlement claims for the last three years has not exceeded insurance coverage.

General Liability -

The City participates in the Michigan Municipal League Liability and Property Pool liability insurance program. In general, the City carries \$10,000,000 of liability coverage and approximately \$21,994,000 of total property insurance Blanket Limit with a \$1,000 per claim deductible.

Workers' Compensation -

The City participates in the Michigan Municipal Workers' Compensation Self-Insurance Fund administered by the Michigan Municipal League. The Fund provides coverage for workers' compensation claims subject to a maximum limit of \$500,000 per occurrence.

Health Insurance -

The City is self-insured for the deductible on health insurance up to \$2,500 per contract. The benefits are handled by a third-party administrator. The City has purchased insurance coverage for any amounts that may be due in excess of the deductible amount. The City incurred and paid claims during 2018 and 2017 totaling \$7,027 and \$8,114, respectively.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - CONTINGENCIES:

The City receives financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2018.

NOTE 13 - NET POSITION/FUND BALANCE:

Primary Government:

Net Investment in Capital Assets -

Governmental Activities:

Capital Assets	\$ 8,475,357
Less - Related Debt:	
2018 Street Improvement Bonds	(1,024,000)
Installment Purchases	(690,322)
2017 Energy Conservation Lease	(337,269)
Plus - Unspent Debt Proceeds:	
2018 Street Improvement Bonds	1,024,000
2017 Energy Conservation Lease	<u>102,406</u>
	<u>\$ 7,550,172</u>

Business-type Activities:

Capital Assets	\$ 18,252,545
Less - Related Debt:	
Revenue Bonds	(9,476,000)
Installment Purchases	(235,616)
Capital Leases	(1,349,937)
Plus - Unspent Debt Proceeds:	
2017 Energy Conservation Lease	<u>333,615</u>
	<u>\$ 7,524,607</u>

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - NET POSITION/FUND BALANCE - (cont'd):

Primary Government - continued:

Restricted Fund Balance/Net Position -

Governmental Activities/Fund:

General Fund -

Park Donations - General	\$ 30,259
Park Development - Diamond District Park	7,716
Other	3,121

Major Street Fund -

Street Maintenance and Improvements	452,635
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Street Fund -

Street Maintenance and Improvements	83,440
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Local Street Fund -

Street Maintenance and Improvements	163,374
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Building Inspection Fund -

Inspections	7,883
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Ambulance Fund -

Ambulatory Service	23,700
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2012 Water Bond Debt -

Debt Service	<u>57,064</u>
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Total Restricted for Governmental Activities

829,192

Unspent Bond Proceeds:

2017 Energy Conservation Lease	102,406
2018 Street Improvement Bonds	<u>1,024,000</u>
	<u>1,126,406</u>

Total Restricted for Governmental Funds

\$ 1,955,598

Business-type Activities:

Water Fund -

Debt retirement	\$ 42,000
Well head protection	15,000
Repairs, replacements, and improvements	<u>10,400</u>
	<u>67,400</u>

Sewer Fund -

Debt retirement	111,600
Repairs, replacements, and improvements	<u>10,000</u>
	<u>121,600</u>

Total Restricted for Business-type Activities

\$ 189,000

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - NET POSITION/FUND BALANCE - (cont'd):

Nonspendable -

General Fund:

Prepays and deposits \$ 2,370

Committed and Assigned Fund Balance -

Committed:

Sidewalks and Curbs Fund -

Sidewalk and Curb Improvement \$ 29,315

Assigned:

General Fund -

2018/2019 Budget \$ 28,435

Component Unit:

Net Investment in Capital Assets -

Capital Assets \$ 331,112

2015 Agreement to Purchase Real Estate (5,000)

Installment Purchase Agreement (105,000)

\$ 221,112

Restricted Net Position/Fund Balance -

Downtown Development Authority - Wednesday Night Live \$ 6,104

Assigned Fund Balance -

2018/2019 Budget \$ 33,743

NOTE 14 - CAPITAL LEASE:

In June 2008, the City signed a 20-year lease agreement for the City to lease a parking area owned by the DDA to a local financial institution for a nominal annual amount. At the completion of the lease, title to the property will pass to the financial institution; therefore, the asset has not been recorded in the City's financial statements.

The financial institution also holds the DDA bonds of \$545,000 used to purchase the property.

CITY OF DURAND
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 - OPTIONS TO PURCHASE PROPERTY:

In February 2016, the City signed two land purchase option agreements with the following terms:

Irish Farms (owner) - This is a ten-year option for the purchase of approximately one hundred seventy (170) acres of land. The option required the City to make a one-time payment of \$5,000 to hold the option on the property. The purchase price per acre ranges from \$12,342 to \$16,103 (depending on year of purchase). The total purchase price ranges from \$2,098,140 to \$2,737,510 (depending on year of purchase).

Markley Family (owner) - This is a three-year option expiring March 1, 2019 for the purchase of approximately fifty (50) acres. The option does not require the City to make any payment to hold the option on the property. The purchase price per acre is \$14,000.

NOTE 16 - SUBSEQUENT EVENT:

In July 2018, the City signed a contract in the amount of \$165,000 for the installation of two Cascade Aeration units.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE:

During the year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement required the City to record the net OPEB liability and related deferred inflows of resources on the statement of net position and within the related note disclosures. The statement requires this change to be applied retroactively. The effect of implementing this statement decreased net position at June 30, 2017 of the governmental activities by \$2,979,552 and the business-type activities by \$700,497 (\$311,578 for the Sewer Fund and \$388,919 for the Water Fund).

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DURAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,072,800	\$ 1,061,215	\$ 1,060,827	\$(388)
Licenses and permits	47,000	47,000	48,483	1,483
Intergovernmental -				
Federal/State/Local	448,200	501,700	516,070	14,370
Charges for services	48,550	43,750	43,236	(514)
Fines and forfeits	7,200	7,200	5,073	(2,127)
Interest and rents	38,000	38,000	40,008	2,008
Other	1,500	57,950	47,415	(10,535)
Total Revenues	1,663,250	1,756,815	1,761,112	4,297
Expenditures:				
General Government -				
Legislative	14,500	14,500	14,192	308
City Manager	126,350	128,950	127,730	1,220
Elections	9,500	5,300	5,321	(21)
Assessor	32,025	32,925	33,576	(651)
City Clerk	180,175	191,810	187,788	4,022
Treasurer	125,425	130,625	127,986	2,639
General Administration	259,405	445,880	432,257	13,623
	747,380	949,990	928,850	21,140
Less: Reimbursement from other funds	(433,000)	(433,000)	(433,000)	-
Total General Government	314,380	516,990	495,850	21,140
Public Safety -				
Police Department	648,750	655,850	640,137	15,713
Fire Department	113,400	155,100	155,588	(488)
Total Public Safety	762,150	810,950	795,725	15,225
Public Works -				
Director of Public Works	124,400	138,200	131,930	6,270
Department of Public Works	401,085	521,140	502,455	18,685
Total Public Works	525,485	659,340	634,385	24,955
Recreation and Cultural-				
Parks and Recreation	68,735	141,455	119,349	22,106
Community and Economic Development -				
Planning	10,800	11,400	7,800	3,600
Debt Service -				
Principal	65,500	65,500	65,500	-
Interest	7,300	8,750	11,761	(3,011)
Total Debt Service	72,800	74,250	77,261	(3,011)
Total Expenditures	1,754,350	2,214,385	2,130,370	84,015
Revenues under expenditures	(91,100)	(457,570)	(369,258)	88,312

CITY OF DURAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Lease proceeds	\$ -	\$ 337,270	\$ 337,269	\$(1)
Transfers out	(44,400)	(111,500)	(110,036)	1,464
Total	(44,400)	225,770	227,233	1,463
Net change in Fund Balance	(135,500)	(231,800)	(142,025)	89,775
Fund Balance at beginning of year	519,901	519,901	519,901	-
Fund Balance at end of year	<u>\$ 384,401</u>	<u>\$ 288,101</u>	<u>\$ 377,876</u>	<u>\$ 89,775</u>

CITY OF DURAND, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR STREET FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 227,500	\$ 262,800	\$ 267,602	\$ 4,802
Interest	-	700	730	30
	<u>227,500</u>	<u>263,500</u>	<u>268,332</u>	<u>4,832</u>
Expenditures:				
Public Works -				
Administration	15,150	15,150	15,052	98
Construction	103,050	103,050	82,567	20,483
Maintenance -				
Preservation	57,050	61,050	39,688	21,362
Winter maintenance	42,250	52,650	52,584	66
Total Expenditures	<u>217,500</u>	<u>231,900</u>	<u>189,891</u>	<u>42,009</u>
Revenues over expenditures	<u>10,000</u>	<u>31,600</u>	<u>78,441</u>	<u>46,841</u>
Other Financing Sources (Uses):				
Transfers in	-	85,500	82,567	(2,933)
Transfers out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>75,500</u>	<u>72,567</u>	<u>(2,933)</u>
Net change in Fund Balance	-	107,100	151,008	43,908
Fund Balance at beginning of year	<u>301,627</u>	<u>301,627</u>	<u>301,627</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 301,627</u>	<u>\$ 408,727</u>	<u>\$ 452,635</u>	<u>\$ 43,908</u>

Note: The legally adopted budget combines transfers and administration costs as one line item.

CITY OF DURAND, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 120,000	\$ 120,000	\$ 119,976	\$(24)
Intergovernmental	-	9,100	9,095	(5)
Interest	500	2,700	2,678	(22)
Total Revenues	120,500	131,800	131,749	(51)
Expenditures:				
Public Works -				
Maintenance	120,500	30,075	29,698	377
Revenues over expenditures	-	101,725	102,051	326
Other Financing Sources (Uses):				
Bond Proceeds	-	-	1,024,000	1,024,000
Transfers out	-	(437,500)	(423,707)	13,793
Total Other Financing Sources (Uses)	-	(437,500)	600,293	1,037,793
Net change in Fund Balance	-	(335,775)	702,344	1,038,119
Fund Balance at beginning of year	405,096	405,096	405,096	-
Fund Balance at end of year	<u>\$ 405,096</u>	<u>\$ 69,321</u>	<u>\$ 1,107,440</u>	<u>\$ 1,038,119</u>

CITY OF DURAND, MICHIGAN

EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

(PLAN YEAR)

	Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 79,980	\$ 68,923	\$ 62,727	\$ 57,941
Interest	492,500	441,239	410,095	406,693
Benefit changes	-	4,314	-	-
Differences between expected and actual experience	37,210	51,945	90,182	-
Changes in assumptions	-	-	281,396	-
Benefit payments, including refunds	(394,053)	(308,949)	(277,228)	(263,680)
Other charges	(15,763)	45,365	12,815	-
Change in total pension liability	199,874	302,837	579,987	200,954
Total pension liability, beginning of year	6,116,259	5,813,422	5,233,435	5,032,481
Total pension liability, end of year	<u>\$ 6,316,133</u>	<u>\$ 6,116,259</u>	<u>\$ 5,813,422</u>	<u>\$ 5,233,435</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 244,698	\$ 129,581	\$ 116,654	\$ 144,260
Contributions - Member	-	49,677	-	-
Net investment income	512,974	408,281	(56,167)	235,100
Benefit payments, including refunds	(394,053)	(308,949)	(277,228)	(263,680)
Administrative expenses	(8,133)	(8,073)	(8,329)	(8,648)
Net change in plan fiduciary net position	355,486	270,517	(225,070)	107,032
Plan fiduciary net position, beginning of year	3,907,876	3,637,359	3,862,429	3,755,397
Plan fiduciary net position, end of year	<u>\$ 4,263,362</u>	<u>\$ 3,907,876</u>	<u>\$ 3,637,359</u>	<u>\$ 3,862,429</u>
City's Net Pension Liability - Ending	<u>\$ 2,052,771</u>	<u>\$ 2,208,383</u>	<u>\$ 2,176,063</u>	<u>\$ 1,371,006</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	67.50%	63.89%	62.57%	73.80%
Covered Employee Payroll	\$ 1,028,857	\$ 913,272	\$ 766,312	\$ 709,585
City's Net Pension Liability as a Percentage of Covered Employee Payroll	199.5%	241.8%	284.0%	193.2%

* GASB No. 68 was implemented for fiscal year ended June 30, 2015. The schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF DURAND, MICHIGAN
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 219,463	\$ 219,463	\$ -	\$ 1,033,652	21.23%
2017	209,594	209,594	-	1,024,557	20.46%
2016	116,654	116,654	-	730,056	15.98%
2015	86,879	86,879	-	685,484	12.67%

Valuation Date: December 31, two years prior of the end of the fiscal year

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll, closed
Discount Rate	3.00%
Remaining amortization period	21 years
Asset valuation method	5 years smoothed market value
Salary Increases	1.00%
Investment Rate of Return	7.75%
Retirement age	Replacement Index up to 70, then 100%
Mortality	50% Male/50% Female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105%, the RP-2014 Employee Mortality Tables and the RP-2014 Juvenile Mortality Tables. For disabled members, 50% Male/50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

* GASB No. 68 was implemented for fiscal year ended June 30, 2015. The schedule is being built prospectively. Ultimately, ten years of data will be presented.

CITY OF DURAND, MICHIGAN

RETIREE HEALTH BENEFITS SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS PLAN FISCAL YEARS

	2018
Total OPEB Liability:	
Service Cost	\$ 113,349
Interest	163,276
Benefit payments, including refunds	(99,336)
Change in total OPEB liability	177,289
Total OPEB liability, beginning of year	5,378,862
Total OPEB liability, end of year	<u>\$ 5,556,151</u>
Plan Fiduciary Net Position:	
Contributions to OPEB trust	\$ 100,000
Contributions/benefit payments from operating funds	99,336
Net investment income	6,243
Benefit payments, including refunds	(99,336)
Administrative expenses	(220)
Net change in plan fiduciary net position	106,023
Plan fiduciary net position, beginning of year	-
Plan fiduciary net position, end of year	<u>\$ 106,023</u>
Township's Net OPEB Liability - Ending	<u>\$ 5,450,128</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.9%
Covered Employee Payroll	\$ 439,576
Township's Net OPEB Liability as a Percentage of Covered Employee Payroll	1239.9%

* GASB No. 75 was implemented for fiscal year ended June 30, 2018. These schedules are being built prospectively. Ultimately 10 years will be presented.

CITY OF DURAND, MICHIGAN

RETIREE HEALTH BENEFITS SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS

	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 1,062,788	\$ 199,336	\$ 863,452	\$ 439,576	45.35%

Valuation Date: June 30, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Compensation
Discount Rate	3.00%
Salary Increases	2.00%
Investment Rate of Return	3.34%
Mortality	RPH-2014 adjusted to 2006 Total Data Set with MP-2018 mortality improvement, no pre-retirement mortality
Health Care Trend Rates	Initial trend of 8.0% graded down to 5.0% over six years
Marital Status	Current marital status assumed as retirement age

* GASB No. 75 was implemented for fiscal year ended June 30, 2018 and does not require retroactive implementation.

SUPPLEMENTARY INFORMATION

CITY OF DURAND, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			Capital Project Fund	
	Local Street	Building Inspection	Ambulance	Sidewalks & Curbs	Total
Assets:					
Cash and cash equivalents	\$ 151,170	\$ 11,039	\$ 21,866	\$ 29,315	\$ 213,390
Receivables - accounts and interest	-	-	2,050	3,346	5,396
Due from other governmental units	16,002	-	-	-	16,002
Inventory	158	-	-	-	158
Total Assets	<u>\$ 167,330</u>	<u>\$ 11,039</u>	<u>\$ 23,916</u>	<u>\$ 32,661</u>	<u>\$ 234,946</u>
Liabilities:					
Accounts payable	\$ 3,911	\$ 1,220	\$ 216	\$ -	\$ 5,347
Accrued liabilities	45	1,936	-	-	1,981
Total Liabilities	<u>3,956</u>	<u>3,156</u>	<u>216</u>	<u>-</u>	<u>7,328</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	3,346	3,346
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	163,374	7,883	23,700	-	194,957
Committed	-	-	-	29,315	29,315
Total Fund Balances	<u>163,374</u>	<u>7,883</u>	<u>23,700</u>	<u>29,315</u>	<u>224,272</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 167,330</u>	<u>\$ 11,039</u>	<u>\$ 23,916</u>	<u>\$ 32,661</u>	<u>\$ 234,946</u>

CITY OF DURAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Capital Project Fund	
	Local Street	Building Inspection	Ambulance	Sidewalks & Curbs	Total
Revenues:					
Taxes	\$ -	\$ -	\$ 81,009	\$ -	\$ 81,009
Licenses and permits	-	24,655	-	72	24,727
Intergovernmental	105,538	-	-	-	105,538
Charges for services	-	2,290	-	-	2,290
Special assessment	-	-	-	6,746	6,746
Total Revenues	<u>105,538</u>	<u>26,945</u>	<u>81,009</u>	<u>6,818</u>	<u>220,310</u>
Expenditures:					
Current -					
Public Safety	-	103,371	-	-	103,371
Public Works	250,884	-	-	2,995	253,879
Health and Welfare	-	-	64,565	-	64,565
Total Expenditures	<u>250,884</u>	<u>103,371</u>	<u>64,565</u>	<u>2,995</u>	<u>421,815</u>
Revenues over (under) expenditures	(145,346)	(76,426)	16,444	3,823	(201,505)
Other Financing Sources:					
Transfers in	<u>151,140</u>	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>228,140</u>
Net change in Fund Balance	5,794	574	16,444	3,823	26,635
Fund Balances at beginning of year	<u>157,580</u>	<u>7,309</u>	<u>7,256</u>	<u>25,492</u>	<u>197,637</u>
Fund Balances at end of year	<u>\$ 163,374</u>	<u>\$ 7,883</u>	<u>\$ 23,700</u>	<u>\$ 29,315</u>	<u>\$ 224,272</u>

CITY OF DURAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
LOCAL STREET FUND				
Revenues:				
Intergovernmental	\$ 99,500	\$ 103,600	\$ 105,538	\$ 1,938
Expenditures:				
Public Works -				
Administration	6,100	6,100	6,024	76
Preservation	65,800	213,225	199,983	13,242
Winter Maintenance	28,175	46,275	44,877	1,398
Total Expenditures	100,075	265,600	250,884	14,716
Revenues under expenditures	(575)	(162,000)	(145,346)	16,654
Other Financing Sources:				
Transfers in	10,000	162,000	151,140	(10,860)
Net change in Fund Balance	9,425	-	5,794	5,794
Fund Balance at beginning of year	157,580	157,580	157,580	-
Fund Balance at end of year	\$ 167,005	\$ 157,580	\$ 163,374	\$ 5,794
BUILDING INSPECTION FUND				
Revenues:				
Intergovernmental	\$ 30,000	\$ -	\$ -	\$ -
Licenses and permits	48,800	24,230	24,655	425
Charges for services	20,000	2,325	2,290	(35)
Total Revenues	98,800	26,555	26,945	390
Expenditures:				
Public Safety	104,150	110,355	103,371	6,984
Revenues under expenditures	(5,350)	(83,800)	(76,426)	7,374
Other Financing Sources:				
Transfers in	5,350	83,800	77,000	(6,800)
Net change in Fund Balance	-	-	574	574
Fund Balance at beginning of year	7,309	7,309	7,309	-
Fund Balance at end of year	\$ 7,309	\$ 7,309	\$ 7,883	\$ 574

Continued

CITY OF DURAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
AMBULANCE FUND				
Revenues:				
Taxes	\$ -	\$ 81,500	\$ 81,009	\$(491)
Expenditures:				
Health and Welfare	-	81,500	64,565	16,935
Net change in Fund Balance	-	-	16,444	16,444
Fund Balance at beginning of year	7,256	7,256	7,256	-
Fund Balance at end of year	\$ 7,256	\$ 7,256	\$ 23,700	\$ 16,444

Concluded

CITY OF DURAND, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2018**

	<u>Employee Benefit</u>	<u>Equipment Revolving</u>	<u>Total</u>
Assets:			
Current Assets -			
Cash and cash equivalents	\$ 13,701	\$ 415,170	\$ 428,871
Accounts and interest receivable	1,909	-	1,909
Inventory	-	2,094	2,094
Prepaid expenses	22,503	-	22,503
Total Current Assets	<u>38,113</u>	<u>417,264</u>	<u>455,377</u>
Capital Assets -			
Property, plant and equipment	-	3,055,481	3,055,481
Less - accumulated depreciation	<u>-</u>	<u>(2,028,293)</u>	<u>(2,028,293)</u>
Total Capital Assets, Net	<u>-</u>	<u>1,027,188</u>	<u>1,027,188</u>
Total Assets	<u>38,113</u>	<u>1,444,452</u>	<u>1,482,565</u>
Liabilities:			
Current Liabilities -			
Accounts payable	-	2,000	2,000
Accrued expenses	138	771	909
Interest payable	-	8,162	8,162
Bonds/Notes payable (current portion)	<u>-</u>	<u>74,965</u>	<u>74,965</u>
Total Current Liabilities	<u>138</u>	<u>85,898</u>	<u>86,036</u>
Long-term Liabilities -			
Accrued vacation and sick	35,878	218	36,096
Notes payable (net of current portion)	<u>-</u>	<u>436,238</u>	<u>436,238</u>
Total Long-term Liabilities	<u>35,878</u>	<u>436,456</u>	<u>472,334</u>
Total Liabilities	<u>36,016</u>	<u>522,354</u>	<u>558,370</u>
Net Position:			
Net investment in capital assets	-	515,985	515,985
Unrestricted	<u>2,097</u>	<u>406,113</u>	<u>408,210</u>
Total Net Position	<u>\$ 2,097</u>	<u>\$ 922,098</u>	<u>\$ 924,195</u>

CITY OF DURAND, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Employee Benefit	Equipment Revolving	Total
Operating Revenues:			
Charges for services	\$ 535,427	\$ 415,848	\$ 951,275
Other	22,276	2,768	25,044
Total Operating Revenues	<u>557,703</u>	<u>418,616</u>	<u>976,319</u>
Operating Expenses:			
Personal services	557,511	52,401	609,912
Administrative expenses	-	40,000	40,000
Supplies and postage	-	41,411	41,411
Other services	-	132,058	132,058
Depreciation	-	154,853	154,853
Total Operating Expenses	<u>557,511</u>	<u>420,723</u>	<u>978,234</u>
Operating income (loss)	<u>192</u>	<u>(2,107)</u>	<u>(1,915)</u>
Non-Operating (Expenses):			
Gain on sale of assets	-	2,600	2,600
Interest earned	-	496	496
Interest expense	-	(13,143)	(13,143)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>(10,047)</u>	<u>(10,047)</u>
Net income (loss) before transfers	192	(12,154)	(11,962)
Transfers In	<u>-</u>	<u>33,036</u>	<u>33,036</u>
Change in Net Position	192	20,882	21,074
Net Position at beginning of year	<u>1,905</u>	<u>901,216</u>	<u>903,121</u>
Net Position at end of year	<u>\$ 2,097</u>	<u>\$ 922,098</u>	<u>\$ 924,195</u>

CITY OF DURAND, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Employee Benefit	Equipment Revolving	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 23,068	\$ 2,768	\$ 25,836
Cash receipts from interfund services	535,427	415,848	951,275
Cash payments to suppliers	(550,470)	(160,745)	(711,215)
Cash payments to employees	(3,568)	(91,934)	(95,502)
Net Cash Provided by Operating Activities	<u>4,457</u>	<u>165,937</u>	<u>170,394</u>
Cash Flows From Capital and Related Financing Activities:			
Bond/Note payments	-	(73,125)	(73,125)
Transfers	-	33,036	33,036
Interest paid on long term debt	-	(14,489)	(14,489)
Proceeds from sale of capital assets	-	2,600	2,600
Acquisition and construction of capital assets	-	(127,442)	(127,442)
Net Cash Used in Capital and Related Financing Activities	<u>-</u>	<u>(179,420)</u>	<u>(179,420)</u>
Cash Flows From Investing Activities:			
Interest earned	-	496	496
Net Increase (Decrease) in Cash and Cash Equivalents	4,457	(12,987)	(8,530)
Cash and Cash Equivalents at beginning of year	<u>9,244</u>	<u>428,157</u>	<u>437,401</u>
Cash and Cash Equivalents at end of year	<u>\$ 13,701</u>	<u>\$ 415,170</u>	<u>\$ 428,871</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 192	\$(2,107)	\$(1,915)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	-	154,853	154,853
Change in assets and liabilities -			
Receivable	792	-	792
Prepays	6,903	14,896	21,799
Inventory	-	(157)	(157)
Accounts payable/accrued expenses	(3,430)	(1,548)	(4,978)
Net Cash Provided by Operating Activities	<u>\$ 4,457</u>	<u>\$ 165,937</u>	<u>\$ 170,394</u>

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF DURAND, MICHIGAN

BALANCE SHEET/STATEMENT OF NET POSITION DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2018

	Operating Fund	GASB No. 34 Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 82,499	\$ -	\$ 82,499
Capital assets (net of accumulated depreciation) -			
Assets not being depreciated	-	60,000	60,000
Assets being depreciated	-	271,112	271,112
	<u>82,499</u>	<u>331,112</u>	<u>413,611</u>
Total Assets	<u>\$ 82,499</u>	<u>331,112</u>	<u>413,611</u>
Liabilities:			
Accrued interest	\$ -	4,557	4,557
Non-current liabilities -			
Due within one year	-	55,000	55,000
Due in more than one year	-	600,000	600,000
Total Liabilities	<u>-</u>	<u>659,557</u>	<u>659,557</u>
Fund Balance:			
Restricted - Wednesday Night Live	6,104	(6,104)	-
Assigned	33,743	(33,743)	-
Unassigned	42,652	(42,652)	-
Total Fund Balance	<u>82,499</u>	<u>(82,499)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 82,499</u>		
Net Position:			
Net investment in capital assets		221,112	221,112
Restricted		6,104	6,104
Unrestricted (deficit)		(473,162)	(473,162)
Total Net Position		<u>\$(245,946)</u>	<u>\$(245,946)</u>

CITY OF DURAND, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL (OPERATING) FUND TO THE STATEMENT OF NET POSITION
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2018

Fund Balances - total governmental funds	\$	82,499
Amounts reported for Component Unit activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		579,037
Accumulated depreciation	(247,925)
Long-term liabilities, including installments payable, are not due and payable in the current period and therefore are not reported in the funds.		
Installment loans and land purchase payable	(655,000)
Accrued interest payable	(4,557)
Net Position of Downtown Development Authority	<u><u>\$(</u></u>	<u><u>245,946)</u></u>

CITY OF DURAND, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/

STATEMENT OF ACTIVITIES

DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	GASB No. 34 Adjustments	Statement of Activities
Revenues:			
Taxes	\$ 76,258	\$ -	\$ 76,258
Other	6,250	-	6,250
	<u>82,508</u>	<u>-</u>	<u>82,508</u>
Expenditures/Expenses:			
Community and Economic Development	14,746	17,961	32,707
Debt Service -			
Principal	50,000	(50,000)	-
Interest	28,416	(291)	28,125
	<u>93,162</u>	<u>(32,330)</u>	<u>60,832</u>
Net change in Fund Balance/Net Position	(10,654)	32,330	21,676
Fund Balance/Net Position at beginning of year	<u>93,153</u>	<u>(360,775)</u>	<u>(267,622)</u>
Fund Balance/Net Position at end of year	<u>\$ 82,499</u>	<u>\$(328,445)</u>	<u>\$(245,946)</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL (OPERATING) FUND TO THE STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - governmental funds	\$(10,654)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(17,961)
The issuance of long-term debt provides current financial resources to the operating fund, while the repayment of the principal of long-term debt consumes the current resources of the operating fund. Neither transaction, however, has any effect on net position.	
Principal payments on long term liabilities	50,000
Decrease in accrued interest	<u>291</u>
Change in net position of Downtown Development Authority activities	<u>\$ 21,676</u>

CITY OF DURAND, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 72,000	\$ 76,250	\$ 76,258	\$ 8
Other	5,000	6,250	6,250	-
Total Revenues	<u>77,000</u>	<u>82,500</u>	<u>82,508</u>	<u>8</u>
Expenditures:				
Current -				
Community and Economic Development	15,300	14,750	14,746	4
Debt Service-				
Principal	50,000	50,000	50,000	-
Interest	28,416	28,416	28,416	-
Total Expenditures	<u>93,716</u>	<u>93,166</u>	<u>93,162</u>	<u>4</u>
Net Change in Fund Balance	(16,716)	(10,666)	(10,654)	12
Fund Balance at beginning of year	<u>93,153</u>	<u>93,153</u>	<u>93,153</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 76,437</u></u>	<u><u>\$ 82,487</u></u>	<u><u>\$ 82,499</u></u>	<u><u>\$ 12</u></u>