

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2017



CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

TABLE OF CONTENTS
JUNE 30, 2017

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Notes to Financial Statements	20
Required Supplementary Information:	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual -	
General Fund	50
Major Street Fund	52
Street Fund	53
Pension System Schedules:	
Schedule of Changes in Net Pension Liability and Related Ratios	54
Schedule of City Contributions	55
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds -	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	57
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	58

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

TABLE OF CONTENTS
JUNE 30, 2017

	<u>Page Number</u>
Supplementary Information - (cont'd):	
Internal Service Funds -	
Combining Statement of Net Position	60
Combining Statement of Revenues, Expenses, and Changes in Net Position	61
Combining Statement of Cash Flows	62
 Component Unit (Downtown Development Authority):	
Balance Sheet/Statement of Net Position	63
Reconciliation of the Balance Sheet for Governmental (Operating) Fund to the Statement of Net Position	64
Statement of Revenues, Expenditures, and Changes in Fund Balance/ Statement of Activities	65
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental (Operating) Fund to the Statement of Activities	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	66

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, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2017, the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system 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 November 27, 2017 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.



Certified Public Accountants

November 27, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Durand's (the "City") 2017 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 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 2017, 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 \$14,365,051. This is a decrease of \$436,033 over 2016. Governmental activities comprise \$6,239,653, and business-type activities make up \$8,125,398 of the total net position. In a condensed format, the table below shows net position as of June 30, 2017 and 2016.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets				
Current assets	\$ 1,998,414	\$ 2,097,921	\$ 2,212,380	\$ 2,587,248
Restricted assets	-	-	165,079	121,421
Capital assets	<u>8,410,856</u>	<u>8,544,863</u>	<u>17,239,672</u>	<u>14,454,218</u>
Total assets	<u>10,409,270</u>	<u>10,642,784</u>	<u>19,617,131</u>	<u>17,162,887</u>
Deferred Outflows of Resources	<u>341,206</u>	<u>492,204</u>	<u>96,239</u>	<u>138,828</u>
Liabilities				
Current liabilities	58,408	106,545	982,741	1,158,909
Non-current liabilities	<u>4,452,415</u>	<u>4,613,497</u>	<u>10,605,231</u>	<u>7,756,668</u>
Total liabilities	<u>4,510,823</u>	<u>4,720,042</u>	<u>11,587,972</u>	<u>8,915,577</u>
Net Position				
Net investment in capital assets	7,581,909	7,726,203	7,541,148	7,540,660
Restricted	934,519	807,986	144,855	101,197
Unrestricted (Deficit)	<u>(2,276,775)</u>	<u>(2,119,243)</u>	<u>439,395</u>	<u>744,281</u>
Total net position	<u>\$ 6,239,653</u>	<u>\$ 6,414,946</u>	<u>\$ 8,125,398</u>	<u>\$ 8,386,138</u>

The City's governmental activities experienced a decrease in net position of \$175,293. The business-type activities experienced a decrease in net position of \$260,740.

The following table shows the changes in net position for 2017 and 2016:

Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue				
Program Revenue -				
Charges for services	\$ 207,820	\$ 149,247	\$ 1,892,123	\$ 1,847,828
Operating grants and contributions	297,338	309,858	429,848	83,431
Capital grants and contributions	21,018	247,177	-	28,204
General Revenue -				
Property taxes	1,454,181	1,466,298	-	-
State-shared revenue	426,698	411,568	-	-
Local community stabilization	84,541	-	-	-
Franchise fees	47,494	46,341	-	-
Unrestricted investment earnings	10,704	11,095	1,437	460
Gain on sale of assets	-	-	-	296,000
Transfers	-	268,351	-	(268,351)
Total Revenue	<u>2,549,794</u>	<u>2,909,935</u>	<u>2,323,408</u>	<u>1,987,572</u>
Program Expenses				
General government	403,343	394,567	-	-
Public safety	976,932	919,716	-	-
Public works	1,058,982	950,182	-	-
Health & welfare	74,395	70,234	-	-
Recreation and culture	178,793	202,770	-	-
Community & economic development	9,134	10,194	-	-
Interest on long-term debt	23,508	28,847	-	-
Water supply system	-	-	862,822	784,556
Wastewater	-	-	1,517,876	1,063,297
Refuse services	-	-	203,450	198,953
Total Program Expenses	<u>2,725,087</u>	<u>2,576,510</u>	<u>2,584,148</u>	<u>2,046,806</u>
Decrease in Net Position	(175,293)	333,425	(260,740)	(59,234)
Net Position at Beginning of Year	<u>6,414,946</u>	<u>6,081,521</u>	<u>8,386,138</u>	<u>8,445,372</u>
Net Position at End of Year	<u>\$ 6,239,653</u>	<u>\$ 6,414,946</u>	<u>\$ 8,125,398</u>	<u>\$ 8,386,138</u>

Governmental Activities

Revenues for governmental activities totaled \$2,549,794 in 2017. Of this amount, approximately \$1,454,181 or 57% of total revenue was received from taxes, followed by state-shared revenue of \$426,698 or 17% 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 Wastewater, Water, and Refuse Service funds had net decreases in net position of \$136,726, \$117,079, and \$6,935, respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2017 with a fund balance of \$519,901, of which \$41,564 was nonspendable, \$14,844 was restricted, \$100,000 was committed, \$135,500 was assigned, and the remaining amount of \$227,993 was classified as unassigned. This is a decrease of \$188,971 from the prior year.

The City's other major funds, the Major Street Fund, Street Fund, and 2012 Water Bond Debt Fund ended 2017 with fund balances of \$301,627, \$405,096, and \$40,807, respectively. This is an increase of \$114,637 for the Major Street Fund, an increase of \$44,270 in the Street Fund, and an increase of \$17,186 in the 2012 Water Bond Debt Fund.

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 \$426,000 to \$524,440 as a result of a police car grant awarded as well as local community stabilization received from the State of Michigan.
- Charges for services were increased from \$17,450 to \$43,700 as a result of a new police service contract with the Village of Byron.
- City Clerk expenditures were increased from \$127,400 to \$171,800 primarily as a result of staffing changes.
- Director of Public Works expenditures were increased from \$94,200 to \$125,700 as a result of the hiring of a public works consultant.
- Department of Public Works expenditures were increased from \$369,700 to \$459,900 primarily as a result of expected MERS "catch-up" payments, new DPW doors, and also increased equipment rental.

The only significant difference between the final budget and actual amounts was that Other Revenue exceeded the budget by \$46,850 as a result of an insurance recovery of \$42,610.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had \$25,650,528 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2017. 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 \$3,604,645 of capital assets before taking into account depreciation. The City added \$399,968 to the governmental activities. Major additions included a new front-end loader and infrastructure improvements. The business-type activities added \$3,204,677, mainly due to the ongoing USDA Rural Development Project for water and wastewater system improvements, as well as a new sewer pipeline inspection camera.

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

Long-term Liabilities

At June 30, 2017, the City had \$11,150,450 in long-term liabilities, compared to \$8,561,946 at June 30, 2016. The City added a new installment purchase agreement for the purchase of a new front-end loader and a new capital lease for a sewer pipeline inspection camera. The City also drew down approximately \$2,954,000 from USDA to continue to fund 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 2017-18, the City Council adopted a General Fund budget with estimated revenues of \$2,096,250 and expenditures of \$2,231,750 and will use fund balance to cover the estimated shortfall of \$135,500.

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, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	DDA
Assets:				
Cash and cash equivalents	\$ 1,667,032	\$ 879,675	\$ 2,546,707	\$ 93,008
Receivables	238,644	1,266,026	1,504,670	-
Prepaid expenses	86,343	13,560	99,903	145
Inventory	6,395	53,119	59,514	-
Restricted assets				
Cash and cash equivalents	-	165,079	165,079	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,781,212	10,155,169	11,936,381	60,000
Assets being depreciated	6,629,644	7,084,503	13,714,147	289,073
Total Assets	<u>10,409,270</u>	<u>19,617,131</u>	<u>30,026,401</u>	<u>442,226</u>
Deferred Outflows of Resources:				
Related to pension plan	<u>341,206</u>	<u>96,239</u>	<u>437,445</u>	<u>-</u>
Liabilities:				
Payables and accrued liabilities	45,109	924,428	969,537	-
Accrued interest	13,299	36,463	49,762	4,848
Deposits	-	21,850	21,850	-
Non-current liabilities				
Net pension liability	1,722,539	485,844	2,208,383	-
Net OPEB obligation	1,323,538	375,275	1,698,813	-
Due within one year	400,609	298,401	699,010	50,000
Due in more than one year	1,005,729	9,445,711	10,451,440	655,000
Total Liabilities	<u>4,510,823</u>	<u>11,587,972</u>	<u>16,098,795</u>	<u>709,848</u>
Net Position:				
Net investment in capital assets	7,581,909	7,541,148	14,585,057 (1)	219,073
Restricted -				
Debt Service	40,807	114,300	155,107	-
Capital Improvements	-	30,555	30,555	-
Streets	864,303	-	864,303	-
Public Safety	14,565	-	14,565	-
Other	14,844	-	14,844	6,104
Unrestricted (deficit)	<u>(2,276,775)</u>	<u>439,395</u>	<u>(1,299,380)</u>	<u>(492,799)</u>
Total Net Position	<u>\$ 6,239,653</u>	<u>\$ 8,125,398</u>	<u>\$ 14,365,051</u>	<u>\$ (267,622)</u>

(1) The total investment in Capital Assets has been reduced by \$538,000 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, 2017**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 403,343	\$ 123,018	\$ -	\$ 11,900
Public Safety	976,932	63,074	4,569	-
Public Works	1,058,982	14,170	292,769	-
Health and Welfare	74,395	-	-	-
Recreation and Cultural	178,793	7,558	-	9,118
Community and Economic Development	9,134	-	-	-
Interest on Long Term Debt	23,508	-	-	-
Total governmental activities	<u>2,725,087</u>	<u>207,820</u>	<u>297,338</u>	<u>21,018</u>
Business type activities:				
Water Supply System	862,822	745,743	-	-
Wastewater	1,517,876	949,865	429,848	-
Refuse Services	203,450	196,515	-	-
Total business type activities	<u>2,584,148</u>	<u>1,892,123</u>	<u>429,848</u>	<u>-</u>
Total Primary Government	<u>\$ 5,309,235</u>	<u>\$ 2,099,943</u>	<u>\$ 727,186</u>	<u>\$ 21,018</u>
Component Unit				
Downtown Development Authority	<u>\$ 92,060</u>	<u>\$ 7,450</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
 Total general revenues

Change in net position

Net position at beginning of year

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit (DDA)
\$(268,425)	\$ -	\$(268,425)	\$ -
(909,289)	-	(909,289)	-
(752,043)	-	(752,043)	-
(74,395)	-	(74,395)	-
(162,117)	-	(162,117)	-
(9,134)	-	(9,134)	-
(23,508)	-	(23,508)	-
<u>(2,198,911)</u>	<u>-</u>	<u>(2,198,911)</u>	<u>-</u>
-	(117,079)	(117,079)	-
-	(138,163)	(138,163)	-
<u>-</u>	<u>(6,935)</u>	<u>(6,935)</u>	<u>-</u>
<u>-</u>	<u>(262,177)</u>	<u>(262,177)</u>	<u>-</u>
<u>(2,198,911)</u>	<u>(262,177)</u>	<u>(2,461,088)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,610)</u>
1,454,181	-	1,454,181	75,524
426,698	-	426,698	-
84,541	-	84,541	-
47,494	-	47,494	-
10,704	1,437	12,141	-
<u>2,023,618</u>	<u>1,437</u>	<u>2,025,055</u>	<u>75,524</u>
(175,293)	(260,740)	(436,033)	(9,086)
<u>6,414,946</u>	<u>8,386,138</u>	<u>14,801,084</u>	<u>(258,536)</u>
<u>\$ 6,239,653</u>	<u>\$ 8,125,398</u>	<u>\$ 14,365,051</u>	<u>\$(267,622)</u>

CITY OF DURAND, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Major Street	Street	2012 Water Bond Debt
Assets:				
Cash and cash equivalents	\$ 339,738	\$ 260,543	\$ 405,096	\$ 40,807
Accounts and interest receivable	8,948	-	-	-
Due from other governmental units	162,427	39,230	-	-
Prepays and deposits	41,564	-	-	-
Inventory	-	2,229	-	-
	<u>552,677</u>	<u>302,002</u>	<u>405,096</u>	<u>40,807</u>
Total Assets	<u>\$ 552,677</u>	<u>\$ 302,002</u>	<u>\$ 405,096</u>	<u>\$ 40,807</u>
 Liabilities:				
Accounts payable	\$ 17,627	\$ 252	\$ -	\$ -
Accrued liabilities	15,149	123	-	-
	<u>32,776</u>	<u>375</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>32,776</u>	<u>375</u>	<u>-</u>	<u>-</u>
 Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Nonspendable	41,564	2,229	-	-
Restricted	14,844	299,398	405,096	40,807
Committed	100,000	-	-	-
Assigned	135,500	-	-	-
Unassigned	227,993	-	-	-
	<u>519,901</u>	<u>301,627</u>	<u>405,096</u>	<u>40,807</u>
Total Fund Balances	<u>519,901</u>	<u>301,627</u>	<u>405,096</u>	<u>40,807</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 552,677</u>	<u>\$ 302,002</u>	<u>\$ 405,096</u>	<u>\$ 40,807</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 183,447	\$ 1,229,631
10,234	19,182
15,104	216,761
477	42,041
<u>2,229</u>	<u>4,458</u>
<u>\$ 211,491</u>	<u>\$ 1,512,073</u>

\$ 6,109	\$ 23,988
<u>1,257</u>	<u>16,529</u>
<u>7,366</u>	<u>40,517</u>
<u>6,488</u>	<u>6,488</u>

2,706	46,499
169,439	929,584
25,492	125,492
-	135,500
<u>-</u>	<u>227,993</u>
<u>197,637</u>	<u>1,465,068</u>

<u>\$ 211,491</u>	<u>\$ 1,512,073</u>
-------------------	---------------------

CITY OF DURAND, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Fund Balances - total governmental funds	\$ 1,465,068
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	10,967,219
Accumulated depreciation	(3,610,962)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
Special assessments	6,488
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.	903,121
Certain pension contributions and changes in pension plan liabilities are reported as deferred outflows of resources in the statement of net position, but are reported as expenditures in the governmental funds.	341,206
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	(782,619)
Net pension liability	(1,722,539)
Net OPEB obligation	(1,323,538)
Accrued interest	(3,791)
Net Position of governmental activities	<u>\$ 6,239,653</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, 2017**

	General	Major Street	Street	2012 Water Bond Debt
Revenues:				
Taxes	\$ 1,041,641	\$ -	\$ 117,878	\$ 265,383
Licenses and permits	47,494	-	-	-
Intergovernmental -				
Federal/State	501,783	202,803	10,257	14,361
Charges for services	43,118	-	-	-
Fines and forfeits	7,741	-	-	-
Interest and rent	39,075	72	813	81
Special assessments	-	-	-	-
Other	57,470	-	329	-
Total Revenues	1,738,322	202,875	129,277	279,825
Expenditures:				
General Government	307,194	-	-	-
Public Safety	792,896	-	-	-
Public Works	572,387	91,419	2,433	-
Health and Welfare	-	-	-	-
Recreation and Cultural	93,509	-	-	-
Community and				
Economic Development	9,134	-	-	-
Debt Service -				
Principal	63,831	-	-	247,000
Interest	9,306	-	-	15,639
Total Expenditures	1,848,257	91,419	2,433	262,639
Revenues over (under) expenditures	(109,935)	111,456	126,844	17,186
Other Financing Sources (Uses):				
Transfers in from other funds	-	13,181	-	-
Transfers out to other funds	(79,036)	(10,000)	(82,574)	-
Total Other Financing Sources and Uses	(79,036)	3,181	(82,574)	-
Net change in Fund Balance	(188,971)	114,637	44,270	17,186
Fund Balances at beginning of year	708,872	186,990	360,826	23,621
Fund Balances at end of year	\$ 519,901	\$ 301,627	\$ 405,096	\$ 40,807

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 69,250	\$ 1,494,152
20,449	67,943
89,966	819,170
6,034	49,152
-	7,741
-	40,041
9,527	9,527
-	57,799
<u>195,226</u>	<u>2,545,525</u>
-	307,194
101,264	894,160
176,417	842,656
79,659	79,659
-	93,509
-	9,134
-	310,831
-	24,945
<u>357,340</u>	<u>2,562,088</u>
<u>(162,114)</u>	<u>(16,563)</u>
125,393	138,574
<u>-</u>	<u>(171,610)</u>
<u>125,393</u>	<u>(33,036)</u>
(36,721)	(49,599)
<u>234,358</u>	<u>1,514,667</u>
<u>\$ 197,637</u>	<u>\$ 1,465,068</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, 2017**

Net change in fund balances - total governmental funds	\$(49,599)
<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	132,241
Depreciation expense	(369,678)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Special assessments	4,269
<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	310,831
Decrease in accrued interest	1,437
<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>	
Increase in net pension liability	(25,210)
Increase in contributions made subsequent to the pension plan's measurement date	(62,138)
Change in deferred outflows/inflows of resources as a result of changes of assumptions, differences between expected and actual experience, projected and actual earnings, and proportionate share differences	(88,860)
Increase in net OPEB obligation	(52,126)
<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>	
	23,540
Change in net position of governmental activities	\$(175,293)

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

CITY OF DURAND, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Business Type Activities-Enterprise Funds				Governmental
	Water	Wastewater	Refuse Service	Total	Activities
					Internal Service Funds
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 238,152	\$ 615,504	\$ 26,019	\$ 879,675	\$ 437,401
Receivable - accounts and interest	148,187	192,621	11,933	352,741	2,701
Due from other governmental units	209,475	703,810	-	913,285	-
Inventory	50,034	3,085	-	53,119	1,937
Prepaid expenses	6,771	6,789	-	13,560	44,302
Total Current Assets	<u>652,619</u>	<u>1,521,809</u>	<u>37,952</u>	<u>2,212,380</u>	<u>486,341</u>
Restricted Assets:					
Cash and cash equivalents	<u>38,446</u>	<u>126,633</u>	<u>-</u>	<u>165,079</u>	<u>-</u>
Capital Assets:					
Property, plant and equipment	8,887,544	17,187,792	-	26,075,336	2,981,035
Less - accumulated depreciation	<u>(3,056,714)</u>	<u>(5,778,950)</u>	<u>-</u>	<u>(8,835,664)</u>	<u>(1,926,436)</u>
Total Capital Assets, Net	<u>5,830,830</u>	<u>11,408,842</u>	<u>-</u>	<u>17,239,672</u>	<u>1,054,599</u>
Total Assets	<u>6,521,895</u>	<u>13,057,284</u>	<u>37,952</u>	<u>19,617,131</u>	<u>1,540,940</u>
Deferred Outflows of Resources:					
Related to pension plan	<u>48,120</u>	<u>48,119</u>	<u>-</u>	<u>96,239</u>	<u>-</u>
Liabilities:					
Current Liabilities:					
Accounts payable	211,306	705,672	-	916,978	4,015
Accrued expenses	1,482	5,968	-	7,450	577
Accrued interest	9,880	26,583	-	36,463	9,508
Bonds/Notes payable (current portion)	43,000	255,401	-	298,401	73,125
Customer deposits	21,850	-	-	21,850	-
Total Current Liabilities	<u>287,518</u>	<u>993,624</u>	<u>-</u>	<u>1,281,142</u>	<u>87,225</u>
Long-Term Liabilities:					
Accrued vacation and sick	794	794	-	1,588	39,391
Net pension liability	242,922	242,922	-	485,844	-
Net OPEB obligation	148,967	226,308	-	375,275	-
Bonds/Notes payable (net of current portion)	<u>2,505,475</u>	<u>6,938,648</u>	<u>-</u>	<u>9,444,123</u>	<u>511,203</u>
Total Long-Term Liabilities	<u>2,898,158</u>	<u>7,408,672</u>	<u>-</u>	<u>10,306,830</u>	<u>550,594</u>
Total Liabilities	<u>3,185,676</u>	<u>8,402,296</u>	<u>-</u>	<u>11,587,972</u>	<u>637,819</u>
Net Position:					
Net investment in capital assets	3,282,355	4,258,793	-	7,541,148	470,271
Restricted	53,446	91,409	-	144,855	-
Unrestricted	48,538	352,905	37,952	439,395	432,850
Total Net Position	<u>\$ 3,384,339</u>	<u>\$ 4,703,107</u>	<u>\$ 37,952</u>	<u>\$ 8,125,398</u>	<u>\$ 903,121</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, 2017**

	Business Type Activities-Enterprise Funds				Governmental Activities
	Water	Wastewater	Refuse Service	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 722,302	\$ 919,508	\$ 189,848	\$ 1,831,658	\$ 902,296
Intergovernmental	-	429,848	-	429,848	-
Other	23,441	30,357	6,667	60,465	23,331
Total Operating Revenues	745,743	1,379,713	196,515	2,321,971	925,627
Operating Expenses:					
Personal services	201,135	259,635	-	460,770	587,117
Administrative expenses	165,000	165,000	40,000	370,000	40,000
Supplies and postage	25,668	32,100	2,971	60,739	35,905
Other services	264,716	663,809	160,479	1,089,004	133,557
Depreciation	151,572	267,651	-	419,223	164,297
Total Operating Expenses	808,091	1,388,195	203,450	2,399,736	960,876
Operating loss	(62,348)	(8,482)	(6,935)	(77,765)	(35,249)
Non-Operating Revenues (Expenses):					
Gain on sale of assets	-	-	-	-	39,526
Interest income	-	1,437	-	1,437	256
Interest expense	(54,731)	(129,681)	-	(184,412)	(14,029)
Total Non-Operating Revenues (Expenses)	(54,731)	(128,244)	-	(182,975)	25,753
Net loss before transfers	(117,079)	(136,726)	(6,935)	(260,740)	(9,496)
Transfers in	-	-	-	-	33,036
Change in Net Position	(117,079)	(136,726)	(6,935)	(260,740)	23,540
Net Position at beginning of year	3,501,418	4,839,833	44,887	8,386,138	879,581
Net Position at end of year	\$ 3,384,339	\$ 4,703,107	\$ 37,952	\$ 8,125,398	\$ 903,121

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, 2017**

	Business Type Activities-Enterprise Funds				Governmental
	Water	Wastewater	Refuse Service	Total	Internal
					Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 740,107	\$ 947,391	\$ 196,074	\$ 1,883,572	\$ 28,343
Cash receipts (payments) from interfund services	(165,000)	(165,000)	(40,000)	(370,000)	862,296
Cash payments to suppliers	(421,593)	(337,648)	(163,300)	(922,541)	(729,937)
Cash payments to employees	(169,982)	(222,282)	-	(392,264)	(64,895)
Net Cash Provided by (Used in) Operating Activities	(16,468)	222,461	(7,226)	198,767	95,807
Cash Flows From Noncapital Financing Activities:					
Judgment proceeds	-	44,000	-	44,000	-
Cash Flows From Capital and Related Financing Activities:					
Bond/Note proceeds	935,000	2,296,811	-	3,231,811	144,205
Bond/Note payments	(33,000)	(238,581)	-	(271,581)	(70,087)
Interest paid on long term debt	(52,748)	(120,543)	-	(173,291)	(15,121)
Transfers for capital purposes	-	-	-	-	33,036
Proceeds from sale of capital assets	-	-	-	-	39,526
Acquisition of capital assets	(861,566)	(2,343,111)	-	(3,204,677)	(267,727)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(12,314)	(405,424)	-	(417,738)	(136,168)
Cash Flows From Investing Activities:					
Interest earned	-	1,437	-	1,437	256
Net Decrease in Cash and Cash Equivalents	(28,782)	(137,526)	(7,226)	(173,534)	(40,105)
Cash and cash equivalents at beginning of year	305,380	879,663	33,245	1,218,288	477,506
Cash and cash equivalents at end of year	<u>\$ 276,598</u>	<u>\$ 742,137</u>	<u>\$ 26,019</u>	<u>\$ 1,044,754</u>	<u>\$ 437,401</u>
Reconciliation of Operating Loss to Net Cash Provided By (Used in) Operating Activities:					
Operating loss	\$(62,348)	\$(8,482)	\$(6,935)	\$(77,765)	\$(35,249)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities -					
Depreciation	151,572	267,651	-	419,223	164,297
Change in assets and liabilities:					
Receivable	(6,236)	416	(441)	(6,261)	5,012
Prepaid and deposits	378	(581)	150	(53)	(19,612)
Inventory	(8,722)	(1,952)	-	(10,674)	384
Deferred outflows of resources	21,294	21,295	-	42,589	-
Accounts payable/accrued expenses	(112,406)	(55,886)	-	(168,292)	(19,025)
Net Cash Provided by (Used in) Operating Activities	<u>\$(16,468)</u>	<u>\$ 222,461</u>	<u>\$(7,226)</u>	<u>\$ 198,767</u>	<u>\$ 95,807</u>

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

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 between funds, as reported in the fund financial statements, are reported as nonspendable to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 16.5304 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 16.5304 mills for general governmental purposes plus 4.5000 mills for debt service, 2.0000 mills for streets, 1.1750 mills for ambulance services, and .2500 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 fair market 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, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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:

	Primary Government	Component Unit (DDA)
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 Obligations -

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 has the following items that qualify for reporting in this category: pension payments made subsequent to the measurement date, pension related changes in assumptions, differences between expected and actual experience, and the net difference between expected and actual plan investment earnings, which are all reported on the government-wide and proprietary fund statements of net position. The contributions made subsequent to the measurement date are recognized in the following plan year, and the other pension related deferred outflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between expected and actual plan investment earnings which is amortized over five (5) years.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 has one item that qualifies for reporting in this category. The City had 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.

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.

Federal Programs -

Federal programs are accounted for in the General, Water, Wastewater, and DDA Funds of the City. The City has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to March 31, 2018 under a separate cover as supplementary information to the Annual Financial Report.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

Upcoming Accounting Pronouncements -

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. 75, Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans, was issued in June 2015 and will become effective for the City's June 30, 2018 fiscal year. The statement requires governments providing defined benefit plans to report the net OPEB liability in their statement of net position. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets accumulated in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries.

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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

- 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.

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, 2017, the City did not have any overages that exceeded this threshold.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2017, 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	1,334,211	92,958	1,427,169
Savings/Money Markets	<u>973,605</u>	<u>-</u>	<u>973,605</u>
Total Deposits	<u>2,307,816</u>	<u>92,958</u>	<u>2,400,774</u>
Investments -			
Investment Pools	<u>403,720</u>	<u>-</u>	<u>403,720</u>
	<u>\$ 2,711,786</u>	<u>\$ 93,008</u>	<u>\$ 2,804,794</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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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, 2017, the bank balance of the City's deposits was \$2,538,923, of which \$924,143 was insured with the remaining balance of \$1,614,780 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, 2017, the City was invested in an investment pool in the amount of \$403,720. 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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

The City has \$403,720 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 68 days. Michigan CLASS 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, 2017 are as follows:

	Governmental Activities	Business-type Activities
Interest and accounts	\$ 21,883	\$ 352,741
Intergovernmental	216,761	913,285
	\$ 238,644	\$ 1,266,026

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS:

Primary Government -

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

	July 1, 2016		Deletions/	June 30, 2017
	<u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,694,914	\$ -	\$ -	\$ 1,694,914
Construction in progress -				
Infrastructure	<u>-</u>	<u>86,298</u>	<u>-</u>	<u>86,298</u>
Total capital assets, not being depreciated	<u>1,694,914</u>	<u>86,298</u>	<u>-</u>	<u>1,781,212</u>
Capital assets, being depreciated:				
Buildings and improvements	4,124,157	45,943	-	4,170,100
Infrastructure	4,886,031	-	-	4,886,031
Machinery and equipment	1,477,469	238,740	88,500	1,627,709
Vehicles	<u>1,469,454</u>	<u>28,987</u>	<u>15,239</u>	<u>1,483,202</u>
Total capital assets, being depreciated	<u>11,957,111</u>	<u>313,670</u>	<u>103,739</u>	<u>12,167,042</u>
Less accumulated depreciation:				
Buildings and improvements	1,988,870	129,836	-	2,118,706
Infrastructure	1,137,084	237,010	-	1,374,094
Machinery and equipment	972,425	98,509	88,500	982,434
Vehicles	<u>1,008,783</u>	<u>68,620</u>	<u>15,239</u>	<u>1,062,164</u>
Total accumulated depreciation	<u>5,107,162</u>	<u>533,975</u>	<u>103,739</u>	<u>5,537,398</u>
Total capital assets, being depreciated, net	<u>6,849,949</u>	<u>(220,305)</u>	<u>-</u>	<u>6,629,644</u>
Governmental activities, net	<u>\$ 8,544,863</u>	<u>\$(134,007)</u>	<u>\$ -</u>	<u>\$ 8,410,856</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 147,400	\$ -	\$ -	\$ 147,400
Construction in progress -				
Water	1,846,263	856,932	-	2,703,195
Sanitary sewer	<u>5,082,000</u>	<u>2,222,574</u>	<u>-</u>	<u>7,304,574</u>
Total capital assets, not being depreciated	<u>7,075,663</u>	<u>3,079,506</u>	<u>-</u>	<u>10,155,169</u>
Capital assets, being depreciated:				
Buildings and improvements	3,824,802	-	-	3,824,802
Machinery and equipment	70,999	102,188	-	173,187
Vehicles	27,793	-	-	27,793
Wastewater system	6,193,210	18,349	-	6,211,559
Water System	<u>5,678,192</u>	<u>4,634</u>	<u>-</u>	<u>5,682,826</u>
Total capital assets, being depreciated	<u>15,794,996</u>	<u>125,171</u>	<u>-</u>	<u>15,920,167</u>
Less - Accumulated depreciation:				
Building and improvements	2,883,726	80,514	-	2,964,240
Machinery and equipment	70,999	25,547	-	96,546
Vehicles	19,781	3,081	-	22,862
Waste Water system	2,779,453	164,729	-	2,944,182
Water system	<u>2,662,482</u>	<u>145,352</u>	<u>-</u>	<u>2,807,834</u>
Total accumulated depreciation	<u>8,416,441</u>	<u>419,223</u>	<u>-</u>	<u>8,835,664</u>
Total capital assets, being depreciated, net	<u>7,378,555</u>	<u>(294,052)</u>	<u>-</u>	<u>7,084,503</u>
Business-type activities, net	<u>\$ 14,454,218</u>	<u>\$ 2,785,454</u>	<u>\$ -</u>	<u>\$ 17,239,672</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

	<u>July 1, 2016</u>	<u> </u>	<u>Deletions/</u>	<u>June 30, 2017</u>
	<u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<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	<u>519,037</u>	<u>-</u>	<u>-</u>	<u>519,037</u>
Less - Accumulated depreciation	<u>209,897</u>	<u>20,067</u>	<u>-</u>	<u>229,964</u>
Total capital assets, being depreciated, net	<u>309,140</u>	<u>(20,067)</u>	<u>-</u>	<u>289,073</u>
Component unit capital assets, net	<u>\$ 369,140</u>	<u>\$(20,067)</u>	<u>\$ -</u>	<u>\$ 349,073</u>

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

Governmental Activities:		
General Government		\$ 39,374
Public Safety		10,040
Public Works		228,004
Health and Welfare		6,976
Recreation and Cultural		85,284
Depreciation Expense - Governmental Activities		369,678
Depreciation Expense - Internal Service Funds		<u>164,297</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 533,975</u>
Business-type Activities:		
Water Fund		\$ 151,572
Wastewater Fund		<u>267,651</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 419,223</u>
Component Unit Activities:		
Downtown Development Authority		<u>\$ 20,067</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Construction/Purchase Commitments -

The City has committed to the following contracts at June 30, 2017 (These commitments do not include any change orders made after June 30, 2017):

	<u>Contract Amount</u>	<u>Payments Through 6/30/17</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 6/30/17</u>
USDA Rural Development Project -				
Infrastructure improvements	\$ 7,929,700	\$ 7,180,490	\$ 706,930	\$ 42,280
Engineering	1,305,700	1,276,001	-	29,699
Sanitary Sewer Rehab	295,776	220,956	11,629	63,191
SAW Grant Project -				
Engineering	471,200	465,473	74	5,653

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities as of June 30, 2017 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable and retainage	\$ 28,003	\$ 916,978
Accrued wages and fringe benefits	<u>17,106</u>	<u>7,450</u>
	<u>\$ 45,109</u>	<u>\$ 924,428</u>

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	\$ 40,000 (1)
Local Street Fund	Major Street Fund	10,000 (2)
	Street Fund	69,393 (2)
Major Street Fund	Street Fund	13,181 (2)
Sidewalks & Curbs Fund	General Fund	6,000 (2)
Equipment Revolving Fund	General Fund	<u>33,036 (3)</u>
Total Transfers		<u>\$ 171,610</u>

- (1) Funding to subsidize operations
- (2) Funding of current/future improvements
- (3) Funding in support of current operating activities

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Funds -					
2012 G.O. Bonds Refunding	\$ 785,000	\$ -	\$ 247,000	\$ 538,000	\$ 262,000
2004 Installment Purchase - Land	143,450	-	38,831	104,619	40,484
2015 Installment Purchase - Land	30,000	-	10,000	20,000	10,000
2015 Installment Purchase - Infrastructure	<u>135,000</u>	<u>-</u>	<u>15,000</u>	<u>120,000</u>	<u>15,000</u>
Total Governmental Funds	<u>1,093,450</u>	<u>-</u>	<u>310,831</u>	<u>782,619</u>	<u>327,484</u>
Internal Service Funds -					
2012 Installment Purchase - Fire Truck	181,662	-	28,404	153,258	29,128
2015 Installment Purchase - Vactor	328,548	-	36,731	291,817	37,648
2016 Installment Purchase - Loader	-	144,205	4,952	139,253	6,349
Compensated Absences	<u>41,096</u>	<u>-</u>	<u>1,705</u>	<u>39,391</u>	<u>-</u>
Total Internal Service Funds	<u>551,306</u>	<u>144,205</u>	<u>71,792</u>	<u>623,719</u>	<u>73,125</u>
Total Governmental Activities	<u>1,644,756</u>	<u>144,205</u>	<u>382,623</u>	<u>1,406,338</u>	<u>400,609</u>
Enterprise Funds -					
Wastewater Fund -					
Revenue Bonds -					
SDS, Series 2012, Refunding	159,000	-	80,000	79,000	79,000
SDS, Series 2015 A	1,883,093	2,141,349	72,000	3,952,442	74,000
SDS, Series 2015 B	1,509,000	-	25,000	1,484,000	26,000
SDS, Series 2015 C	1,459,000	-	24,000	1,435,000	25,000
2015 Installment Purchase - Infrastructure	135,000	-	15,000	120,000	15,000
2016 Capital Lease - Sewer Camera	-	102,188	22,581	79,607	18,401
Compensated Absences	1,816	-	1,022	794	-
Judgement Payable	-	44,000	-	44,000	18,000
Water Fund -					
Revenue Bonds -					
WSS, Series 2015 A	972,465	479,535	21,000	1,431,000	22,000
WSS, Series 2015 B	796,000	-	12,000	784,000	12,000
WSS, Series 2017	-	333,475	-	333,475	9,000
Compensated Absences	<u>1,816</u>	<u>-</u>	<u>1,022</u>	<u>794</u>	<u>-</u>
Total Business-type Activities	<u>6,917,190</u>	<u>3,100,547</u>	<u>273,625</u>	<u>9,744,112</u>	<u>298,401</u>
Total Primary Government	<u>\$ 8,561,946</u>	<u>\$ 3,244,752</u>	<u>\$ 656,248</u>	<u>\$11,150,450</u>	<u>\$ 699,010</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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 installments of \$141,000 to \$276,000 through 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, 2017 is \$550,000.

\$ 538,000

Water and Wastewater Revenue Bonds -

During 2011, the City advance refunded the Series 1999 Wastewater Treatment Bonds with revenue refunding bonds in the amount of \$598,000 dated August 31, 2011 due in a final installment of \$79,000 on May 1, 2018 with interest of 4.30%, 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, 2017 is \$100,000.

\$ 79,000

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%.

1,431,000

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%.

784,000

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%. As of June 30, 2017, only \$333,475 of the bonds have been drawn.

333,475

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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%. As of June 30, 2017, only \$4,095,442 of the bonds have been drawn. \$ 3,952,442

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%. 1,484,000

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%. 1,435,000
\$ 9,498,917

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%. \$ 104,619

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%. 153,258

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. 20,000

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%. 240,000

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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% \$ 291,817

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. 139,253
\$ 948,947

Capital Lease -

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, 2017, the gross asset value is \$102,188 with accumulated depreciation of \$25,547, leaving a net book value of \$76,641. Amortization expense of \$25,547 is included as part of the depreciation expense. \$ 79,607

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. Payments of \$18,000, \$18,000, and \$8,000 are due in July over the next three years. \$ 44,000

The annual debt service requirements to maturities for the long-term obligations outstanding at June 30, 2017 (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
2018	\$ 262,000	\$ 10,652	\$ 164,000	\$ 125,479	\$ 153,609	\$ 24,950
2019	276,000	5,468	85,000	120,922	157,187	20,569
2020	-	-	89,000	118,904	248,499	14,097
2021	-	-	91,000	116,786	237,439	10,043
2022	-	-	92,000	114,624	62,214	4,037
2023-2027	-	-	497,000	539,000	90,000	4,826
2028-2032	-	-	560,000	476,880	-	-
2033-2037	-	-	631,000	406,744	-	-
2038-2042	-	-	712,000	327,394	-	-
2043-2047	-	-	799,000	237,958	-	-
2048-2052	-	-	900,000	137,346	-	-
2053-2057	-	-	593,000	28,678	-	-
	<u>\$ 538,000</u>	<u>\$ 16,120</u>	<u>\$ 5,213,000</u>	<u>\$ 2,750,715</u>	<u>\$ 948,947</u>	<u>\$ 78,522</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Year Ending June 30,	Capital Lease		Judgement Payable	
	Principal	Interest	Principal	Interest
2018	\$ 18,401	\$ 4,180	\$ 18,000	\$ -
2019	19,367	3,214	18,000	-
2020	20,384	2,197	8,000	-
2021	<u>21,455</u>	<u>1,127</u>	-	-
	<u>\$ 79,607</u>	<u>\$ 10,718</u>	<u>\$ 44,000</u>	<u>\$ -</u>

As of June 30, 2017, the City had incurred \$4,285,917 of expenditures eligible to be drawn down for the Rural Development Water and Wastewater Loan Program. As of June 30, 2017, the construction has not been completed, and a final payment schedule has not been determined. Therefore, the payments are not included in the maturity table above for WSS, Series 2017, and SDS, Series 2015 A.

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 \$794, \$794, \$90, and \$39,301, respectively, at June 30, 2017.

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, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Downtown Development Authority -					
Tax Development Bonds	\$ 600,000	\$ -	\$ 25,000	\$ 575,000	\$ 30,000
2015 Installment Purchase - Land	15,000	-	5,000	10,000	5,000
2015 Installment Purchase Agreement	<u>135,000</u>	-	<u>15,000</u>	<u>120,000</u>	<u>15,000</u>
Total Downtown Development Authority	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 705,000</u>	<u>\$ 50,000</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 \$ 575,000

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. 10,000

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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%.

\$ 120,000
\$ 705,000

The annual debt service requirements to maturity for the long-term obligations outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Development Bonds		Installment Purchases	
	Principal	Interest	Principal	Interest
2018	\$ 30,000	\$ 25,200	\$ 20,000	\$ 3,216
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
2023-2027	300,000	52,875	45,000	2,412
2028	<u>75,000</u>	<u>1,688</u>	-	-
	<u>\$ 575,000</u>	<u>\$ 163,689</u>	<u>\$ 130,000</u>	<u>\$ 14,472</u>

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 as contributions and is 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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The membership at December 31, 2016 was comprised of 21 active participants, 20 retirees and beneficiaries, and 5 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 authority of City Council.

Contributions -

The Plan adopted by the City Council requires no member contributions. The City is required to contribute at an actuarially determined rate. The City contributes 19.97% for police and fire employees and 18.01% for all other employees for fiscal 2017. 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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Net Pension Liability -

At June 30, 2017, the City had a net pension liability of \$2,208,383. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an 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, 2015	\$ 5,813,422	\$ 3,637,359	\$ 2,176,063
Service cost	68,923	-	68,923
Interest on total pension liability	441,239	-	441,239
Changes in benefits	4,314	-	4,314
Differences between expected and actual experience	51,945	-	51,945
Net investment income	-	408,281	(408,281)
Contributions from employer	-	129,581	(129,581)
Contributions from employees	-	49,677	(49,677)
Benefit payments	(308,949)	(308,949)	-
Administrative costs	-	(8,073)	8,073
Other changes	<u>45,365</u>	<u>-</u>	<u>45,365</u>
Balance at December 31, 2016	<u>\$ 6,116,259</u>	<u>\$ 3,907,876</u>	<u>\$ 2,208,383</u>

Plan fiduciary net position as a percentage of the total pension liability 64%

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

For the year ended June 30, 2017, the City recognized pension expense of \$435,151 in the government-wide and proprietary fund financial statements of the primary government. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

Net difference between projected and actual earnings on Plan investments	\$ 137,439
Contributions made subsequent to the measurement date	134,590
Differences between expected and actual experience	71,617
Changes in assumptions	<u>93,799</u>
	<u>\$ 437,445</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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:

	<u>Deferred Outflows Of Resources</u>
2018	\$ 193,472
2019	69,612
2020	55,725
2021	(15,954)
	<u>\$ 302,855</u>

Actuarial Assumptions -

The total pension liability was determined by an actuarial valuation as of December 31, 2016. The valuation used the following actuarial assumptions based on the most recent study of Plan experience covering the period from December 31, 2009 through December 31, 2013.

Salary Increases - 3% in 2017 and 4.50 % thereafter

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.

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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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, 2016 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	\$ <u>2,904,203</u>	\$ <u>2,208,383</u>	\$ <u>1,618,765</u>

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 Retiree Health 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 Retiree Health 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. Benefits provided by the Retiree Health 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.

The Retiree Health Plan does not issue a publicly available financial report.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Contribution and Funding Policy -

The City funds the benefits on a pay-as-you-go method for current retirees. The Retiree Health Plan requires member contributions for those employees with less than 25 years of employment. During the year ended June 30, 2017, employer contributions of \$115,780 were made by the City.

Annual OPEB Cost and Net OPEB Obligation -

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount calculated in accordance with the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period not to exceed thirty years. The actuarial valuations for the Retiree Health Plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The City's annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

	Primary Government
Annual required contribution	\$ 211,539
Interest on net OPEB obligation	65,286
Adjustment to annual required contribution	(94,388)
	182,437
Contributions made	(115,780)
Increase in net OPEB obligation	66,657
Net OPEB obligation – beginning of year	1,632,156
Net OPEB obligation – end of year	\$ 1,698,813

Schedule of Employer Contributions -

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 344,092	30.0 %	\$ 1,400,077
2016	339,792	31.7	1,632,156
2017	182,437	63.5	1,698,813

Funded Status and Funding Progress -

The projection of future benefit payments for the ongoing Retiree Health Plan involves estimates for the value of reported amounts and assumptions about the probability or occurrence of events far into the future. Amounts determined regarding the funded status of the Retiree Health 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.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The Schedule of Funding Progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2011	\$ -	\$ 3,568,337	\$ 3,568,337	0 %	\$ 915,911	389.59 %
2014	-	5,011,459	5,011,459	0	829,828	603.92
2017	-	3,755,162	3,755,162	0	518,326	724.48

Actuarial Methods and Assumptions -

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

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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement Age of Active Employees - Based on the historical average retirement age for the covered group, active 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 mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data are the life tables for males and females, 2011 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 65, No. 8 dated November 25, 2016).

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employment until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. The rate was estimated at 5.8 percent for 2019, increasing to 5.9 percent in 2020 before decreasing each year to 5.7 percent in 2024 and for years thereafter.

Health Insurance Premiums - 2018 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 2.0 percent was based on the salary increases per the union contract.

Based on historical and expected returns of the short-term investment portfolio, a discount rate of 5.0 percent and 5.0 percent investment rate was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed period with a remaining amortization period of 30 years.

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 2017 and 2016 totaling \$8,114 and \$9,286, respectively.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

NOTE 13 - FUND BALANCE/NET POSITION:

The fund balance and net position for the Primary Government and Component Unit has been reported as nonspendable, restricted, committed, or assigned as follows:

Primary Government:

Fund Balance:

Nonspendable:

General Fund -		
Prepays and deposits	\$	41,564
Major Street Fund -		
Inventory		2,229
Local Street Fund -		
Inventory		2,229
Ambulance Fund -		
Prepays and deposits		<u>477</u>
	\$	<u>46,499</u>

Restricted:

General Fund -		
Park Donations - General	\$	4,008
Park Development - Diamond District Park		7,716
Other		3,120
Major Street Fund -		
Street Maintenance and Improvements		299,398
Street Fund -		
Street Maintenance and Improvements		405,096
Local Street Fund -		
Street Maintenance and Improvements		155,351
Building Inspection Fund -		
Inspections		7,309
Ambulance Fund -		
Ambulatory Service		6,779
2012 Water Bond Debt -		
Debt Service		<u>40,807</u>
	\$	<u>929,584</u>

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Committed:	
General Fund -	
Other Postemployment Benefit Costs	\$ 100,000
Sidewalks and Curbs Fund -	
Sidewalk and Curb Improvement	<u>25,492</u>
	<u>\$ 125,492</u>
Assigned:	
General Fund -	
2017-2018 Budget	<u>\$ 135,500</u>
Restricted Net Position:	
Water Fund -	
Debt retirement	\$ 30,600
Well head protection	15,000
Repairs, replacements, and improvements	<u>7,846</u>
	<u>53,446</u>
Sewer Fund -	
Debt retirement	83,700
Repairs, replacements, and improvements	<u>7,709</u>
	<u>91,409</u>
	<u>\$ 144,855</u>

Component Unit:

Nonspendable:	
Prepays	\$ 145
Restricted:	
Downtown Development Authority - Wednesday Night Live	6,104
Assigned:	
2017-2018 Budget	<u>33,743</u>
	<u>\$ 39,992</u>

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 \$575,000 used to purchase the property.

CITY OF DURAND, MICHIGAN
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 2017, the City invested \$100,000 to open a new MERS Retiree Health Funding Vehicle (RHFV) Section 115 Trust 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, 2017**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 1,051,200	\$ 1,043,200	\$ 1,041,641	\$(1,559)
Licenses and permits	45,000	46,500	47,494	994
Intergovernmental -				
Federal/State/Local	426,000	524,440	501,783	(22,657)
Charges for services	17,450	43,700	43,118	(582)
Fines and forfeits	7,500	7,500	7,741	241
Interest and rents	40,000	40,000	39,075	(925)
Other	1,500	10,620	57,470	46,850
Total Revenues	<u>1,588,650</u>	<u>1,715,960</u>	<u>1,738,322</u>	<u>22,362</u>
Expenditures:				
General Government -				
Legislative	18,075	25,875	25,748	127
City Manager	135,700	133,400	121,298	12,102
Elections	9,400	8,275	7,594	681
Assessor	28,225	32,325	32,286	39
City Clerk	127,400	171,800	176,549	(4,749)
Treasurer	116,925	106,825	105,472	1,353
General Administration	240,650	275,750	274,997	753
	<u>676,375</u>	<u>754,250</u>	<u>743,944</u>	<u>10,306</u>
Less: Reimbursement from other funds	(443,000)	(436,750)	(436,750)	-
Total General Government	<u>233,375</u>	<u>317,500</u>	<u>307,194</u>	<u>10,306</u>
Public Safety -				
Police Department	656,725	662,135	665,587	(3,452)
Fire Department	104,400	124,400	127,309	(2,909)
	<u>761,125</u>	<u>786,535</u>	<u>792,896</u>	<u>(6,361)</u>
Public Works -				
Director of Public Works	94,200	125,700	109,505	16,195
Department of Public Works	369,700	459,900	462,882	(2,982)
	<u>463,900</u>	<u>585,600</u>	<u>572,387</u>	<u>13,213</u>
Recreation and Cultural-				
Parks and Recreation	80,225	95,300	93,509	1,791
Community and Economic Development -				
Planning	10,850	8,350	9,134	(784)
Debt Service -				
Principal	64,000	64,000	63,831	169
Interest	9,320	9,320	9,306	14
	<u>73,320</u>	<u>73,320</u>	<u>73,137</u>	<u>183</u>
Total Expenditures	<u>1,622,795</u>	<u>1,866,605</u>	<u>1,848,257</u>	<u>18,348</u>
Revenues under expenditures	(34,145)	(150,645)	(109,935)	40,710

CITY OF DURAND, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses:				
Transfers out	\$(39,050)	\$(79,050)	\$(79,036)	\$ 14
Net change in Fund Balance	(73,195)	(229,695)	(188,971)	40,724
Fund Balance at beginning of year	708,872	708,872	708,872	-
Fund Balance at end of year	<u>\$ 635,677</u>	<u>\$ 479,177</u>	<u>\$ 519,901</u>	<u>\$ 40,724</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, 2017**

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 192,500	\$ 192,500	\$ 202,803	\$ 10,303
Interest	-	-	72	72
	<u>192,500</u>	<u>192,500</u>	<u>202,875</u>	<u>10,375</u>
Expenditures:				
Public Works -				
Administration	15,200	15,200	15,094	106
Construction	83,750	83,750	13,433	70,317
Maintenance -				
Preservation	38,000	51,180	35,514	15,666
Winter maintenance	45,550	45,550	27,378	18,172
Total Expenditures	<u>182,500</u>	<u>195,680</u>	<u>91,419</u>	<u>104,261</u>
Revenues over (under) expenditures	<u>10,000</u>	<u>(3,180)</u>	<u>111,456</u>	<u>114,636</u>
Other Financing Sources (Uses):				
Transfers in	-	13,180	13,181	1
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>3,180</u>	<u>3,181</u>	<u>1</u>
Net change in Fund Balance	-	-	114,637	114,637
Fund Balance at beginning of year	<u>186,990</u>	<u>186,990</u>	<u>186,990</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 186,990</u>	<u>\$ 186,990</u>	<u>\$ 301,627</u>	<u>\$ 114,637</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, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 118,000	\$ 118,000	\$ 117,878	\$(122)
Intergovernmental	-	-	10,257	10,257
Interest	-	-	813	813
Other	-	-	329	329
Total Revenues	118,000	118,000	129,277	11,277
Expenditures:				
Public Works - Maintenance	118,000	118,000	2,433	115,567
Revenues over expenditures	-	-	126,844	126,844
Other Financing Uses:				
Transfers out	-	-	(82,574)	(82,574)
Net change in Fund Balance	-	-	44,270	44,270
Fund Balance at beginning of year	360,826	360,826	360,826	-
Fund Balance at end of year	\$ 360,826	\$ 360,826	\$ 405,096	\$ 44,270

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,			
	2016	2015	2014	2013-2007*
Total Pension Liability				
Service Cost	\$ 68,923	\$ 62,727	\$ 57,941	\$ -
Interest	441,239	410,095	406,693	-
Benefit changes	4,314	-	-	-
Differences between expected and actual experience	51,945	90,182	-	-
Changes in assumptions	-	281,396	-	-
Benefit payments, including refunds	(308,949)	(277,228)	(263,680)	-
Other charges	45,365	12,815	-	-
	<u>302,837</u>	<u>579,987</u>	<u>200,954</u>	<u>-</u>
Change in total pension liability	302,837	579,987	200,954	-
Total pension liability, beginning of year	<u>5,813,422</u>	<u>5,233,435</u>	<u>5,032,481</u>	<u>-</u>
Total pension liability, end of year	<u>\$ 6,116,259</u>	<u>\$ 5,813,422</u>	<u>\$ 5,233,435</u>	<u>\$ -</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 129,581	\$ 116,654	\$ 144,260	\$ -
Contributions - Member	49,677	-	-	-
Net investment income	408,281	(56,167)	235,100	-
Benefit payments, including refunds	(308,949)	(277,228)	(263,680)	-
Administrative expenses	(8,073)	(8,329)	(8,648)	-
	<u>270,517</u>	<u>(225,070)</u>	<u>107,032</u>	<u>-</u>
Net change in plan fiduciary net position	270,517	(225,070)	107,032	-
Plan fiduciary net position, beginning of year	<u>3,637,359</u>	<u>3,862,429</u>	<u>3,755,397</u>	<u>-</u>
Plan fiduciary net position, end of year	<u>\$ 3,907,876</u>	<u>\$ 3,637,359</u>	<u>\$ 3,862,429</u>	<u>\$ -</u>
City's Net Pension Liability - Ending	<u>\$ 2,208,383</u>	<u>\$ 2,176,063</u>	<u>\$ 1,371,006</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	63.89%	62.57%	73.80%	0.00%
Covered Employee Payroll	\$ 913,272	\$ 766,312	\$ 709,585	\$ -
City's Net Pension Liability as a Percentage of Covered Employee Payroll	241.8%	284.0%	193.2%	0.00%

* GASB No. 68 was implemented for fiscal year ended June 30, 2015. The City did not elect to retroactively implement.

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

	For the year ended June 30,			
	2017	2016	2015	2014-2008*
Actuarially determined contributions	\$ 209,594	\$ 116,654	\$ 86,879	\$ -
Contributions in relation to the actuarially determined contribution	<u>209,594</u>	<u>116,654</u>	<u>86,879</u>	<u>-</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered Payroll	\$ 1,024,557	\$ 730,056	\$ 685,484	\$ -
Contributions as a Percentage of Covered Employee Payroll	20.46%	15.98%	12.67%	0.00%

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
Remaining amortization period	23 years
Asset valuation method	10-year smoothed market value, 5 years for the December 31, 2016 valuation date
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Replacement Index up to age 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 City did not elect to retroactively implement.

SUPPLEMENTARY INFORMATION

CITY OF DURAND, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds			Capital Project Fund	Total
	Local Street	Building Inspection	Ambulance	Sidewalks & Curbs	
Assets:					
Cash and cash equivalents	\$ 143,838	\$ 10,895	\$ 3,222	\$ 25,492	\$ 183,447
Receivables - accounts and interest	-	-	3,746	6,488	10,234
Due from other governmental units	15,104	-	-	-	15,104
Inventory	2,229	-	-	-	2,229
Prepays and deposits	-	-	477	-	477
Total Assets	<u>\$ 161,171</u>	<u>\$ 10,895</u>	<u>\$ 7,445</u>	<u>\$ 31,980</u>	<u>\$ 211,491</u>
Liabilities:					
Accounts payable	\$ 3,473	\$ 2,447	\$ 189	\$ -	\$ 6,109
Accrued liabilities	118	1,139	-	-	1,257
Total Liabilities	<u>3,591</u>	<u>3,586</u>	<u>189</u>	<u>-</u>	<u>7,366</u>
Deferred Inflows of Resources:					
Unavailable revenue	-	-	-	6,488	6,488
Fund Balances:					
Nonspendable	2,229	-	477	-	2,706
Restricted	155,351	7,309	6,779	-	169,439
Committed	-	-	-	25,492	25,492
Total Fund Balances	<u>157,580</u>	<u>7,309</u>	<u>7,256</u>	<u>25,492</u>	<u>197,637</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 161,171</u>	<u>\$ 10,895</u>	<u>\$ 7,445</u>	<u>\$ 31,980</u>	<u>\$ 211,491</u>

CITY OF DURAND, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			Capital Project Fund	Total
	Local Street	Building Inspection	Ambulance	Sidewalks & Curbs	
Revenues:					
Taxes	\$ -	\$ -	\$ 69,250	\$ -	\$ 69,250
Licenses and permits	-	20,404	-	45	20,449
Intergovernmental	89,966	-	-	-	89,966
Charges for services	-	6,034	-	-	6,034
Special assessment	-	-	-	9,527	9,527
Total Revenues	<u>89,966</u>	<u>26,438</u>	<u>69,250</u>	<u>9,572</u>	<u>195,226</u>
Expenditures:					
Current -					
Public Safety	-	101,264	-	-	101,264
Public Works	157,921	-	-	18,496	176,417
Health and Welfare	-	-	79,659	-	79,659
Debt Service -					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>157,921</u>	<u>101,264</u>	<u>79,659</u>	<u>18,496</u>	<u>357,340</u>
Revenues under expenditures	(67,955)	(74,826)	(10,409)	(8,924)	(162,114)
Other Financing Sources:					
Transfers in	<u>79,393</u>	<u>40,000</u>	<u>-</u>	<u>6,000</u>	<u>125,393</u>
Net change in Fund Balance	11,438	(34,826)	(10,409)	(2,924)	(36,721)
Fund Balances at beginning of year	<u>146,142</u>	<u>42,135</u>	<u>17,665</u>	<u>28,416</u>	<u>234,358</u>
Fund Balances at end of year	<u>\$ 157,580</u>	<u>\$ 7,309</u>	<u>\$ 7,256</u>	<u>\$ 25,492</u>	<u>\$ 197,637</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, 2017**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
LOCAL STREET FUND				
Revenues:				
Intergovernmental	\$ 84,000	\$ 85,800	\$ 89,966	\$ 4,166
Expenditures:				
Public Works -				
Administration	6,200	6,200	6,075	125
Preservation	62,000	139,100	134,199	4,901
Winter Maintenance	30,200	19,900	17,647	2,253
Total Expenditures	98,400	165,200	157,921	7,279
Revenues under expenditures	(14,400)	(79,400)	(67,955)	11,445
Other Financing Sources:				
Transfers in	10,000	79,400	79,393	(7)
Net change in Fund Balance	(4,400)	-	11,438	11,438
Fund Balance at beginning of year	146,142	146,142	146,142	-
Fund Balance at end of year	\$ 141,742	\$ 146,142	\$ 157,580	\$ 11,438
BUILDING INSPECTION FUND				
Revenues:				
Licenses and permits	\$ 37,200	\$ 39,775	\$ 20,404	\$(19,371)
Charges for services	72,300	24,280	6,034	(18,246)
Total Revenues	109,500	64,055	26,438	(37,617)
Expenditures:				
Public Safety	111,500	104,055	101,264	2,791
Revenues under expenditures	(2,000)	(40,000)	(74,826)	(34,826)
Other Financing Sources :				
Transfers in	-	-	40,000	40,000
Net change in Fund Balance	(2,000)	(40,000)	(34,826)	5,174
Fund Balance at beginning of year	42,135	42,135	42,135	-
Fund Balance at end of year	\$ 40,135	\$ 2,135	\$ 7,309	\$ 5,174

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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
AMBULANCE FUND				
Revenues:				
Taxes	\$ 69,000	\$ 69,000	\$ 69,250	\$ 250
Expenditures:				
Health and Welfare	69,000	80,900	79,659	1,241
Net change in Fund Balance	-	(11,900)	(10,409)	1,491
Fund Balance at beginning of year	17,665	17,665	17,665	-
Fund Balance at end of year	\$ 17,665	\$ 5,765	\$ 7,256	\$ 1,491

Concluded

CITY OF DURAND, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017**

	Employee Benefit	Equipment Revolving	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 9,244	\$ 428,157	\$ 437,401
Accounts and interest receivable	2,701	-	2,701
Inventory	-	1,937	1,937
Prepaid expenses	29,406	14,896	44,302
Total Current Assets	41,351	444,990	486,341
Capital Assets:			
Property, plant and equipment	-	2,981,035	2,981,035
Less - accumulated depreciation	-	(1,926,436)	(1,926,436)
Total Capital Assets, Net	-	1,054,599	1,054,599
Total Assets	41,351	1,499,589	1,540,940
Liabilities:			
Current Liabilities:			
Accounts payable	-	4,015	4,015
Accrued expenses	145	432	577
Interest payable	-	9,508	9,508
Bonds/Notes payable (current portion)	-	73,125	73,125
Total Current Liabilities	145	87,080	87,225
Long-Term Liabilities:			
Accrued vacation and sick	39,301	90	39,391
Notes payable (net of current portion)	-	511,203	511,203
Total Long-Term Liabilities	39,301	511,293	550,594
Total Liabilities	39,446	598,373	637,819
Net Position:			
Net investment in capital assets	-	470,271	470,271
Unrestricted	1,905	430,945	432,850
Total Net Position	\$ 1,905	\$ 901,216	\$ 903,121

CITY OF DURAND, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Employee Benefit	Equipment Revolving	Total
Operating Revenues:			
Charges for services	\$ 509,162	\$ 393,134	\$ 902,296
Other	17,774	5,557	23,331
Total Operating Revenues	526,936	398,691	925,627
Operating Expenses:			
Personal services	531,947	55,170	587,117
Administrative expenses	-	40,000	40,000
Supplies and postage	-	35,905	35,905
Other services	-	133,557	133,557
Depreciation	-	164,297	164,297
Total Operating Expenses	531,947	428,929	960,876
Operating loss	(5,011)	(30,238)	(35,249)
Non-Operating (Expenses):			
Gain on sale of assets	-	39,526	39,526
Interest earned	-	256	256
Interest expense	-	(14,029)	(14,029)
Total Non-Operating Revenues (Expenses)	-	25,753	25,753
Net loss before transfers	(5,011)	(4,485)	(9,496)
Transfers in	-	33,036	33,036
Change in Net Position	(5,011)	28,551	23,540
Net Position at beginning of year	6,916	872,665	879,581
Net Position at end of year	\$ 1,905	\$ 901,216	\$ 903,121

CITY OF DURAND, MICHIGAN

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Employee Benefit	Equipment Revolving	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 22,786	\$ 5,557	\$ 28,343
Cash receipts from interfund services	509,162	353,134	862,296
Cash payments to suppliers	(564,645)	(165,292)	(729,937)
Cash payments to employees	(9,906)	(54,989)	(64,895)
Net Cash Provided by (Used in) Operating Activities	(42,603)	138,410	95,807
Cash Flows From Capital and Related Financing Activities:			
Bond/Note proceeds	-	144,205	144,205
Bond/Note payments	-	(70,087)	(70,087)
Transfers	-	33,036	33,036
Interest paid on long term debt	-	(15,121)	(15,121)
Proceeds from sale of capital assets	-	39,526	39,526
Acquisition and construction of capital assets	-	(267,727)	(267,727)
Net Cash Used in Capital and Related Financing Activities	-	(136,168)	(136,168)
Cash Flows From Investing Activities:			
Interest earned	-	256	256
Net increase (decrease) in Cash and Cash Equivalents	(42,603)	2,498	(40,105)
Cash and Cash Equivalents at beginning of year	51,847	425,659	477,506
Cash and Cash Equivalents at end of year	\$ 9,244	\$ 428,157	\$ 437,401
Reconciliation of Operating Loss to			
Net Cash Provided by (Used in) Operating Activities:			
Operating loss	\$(5,011)	\$(30,238)	\$(35,249)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities -			
Depreciation	-	164,297	164,297
Change in assets and liabilities:			
Receivable	5,012	-	5,012
Prepays	(20,174)	562	(19,612)
Inventory	-	384	384
Accounts payable/accrued expenses	(22,430)	3,405	(19,025)
Net Cash Provided by (Used in) Operating Activities	\$(42,603)	\$ 138,410	\$ 95,807

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF DURAND, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2017**

	Operating Fund	GASB 34 Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 93,008	\$ -	\$ 93,008
Prepays	145	-	145
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	-	60,000	60,000
Assets being depreciated	-	289,073	289,073
	\$ 93,153	349,073	442,226
Liabilities:			
Accrued interest	\$ -	4,848	4,848
Non-current liabilities -			
Due within one year	-	50,000	50,000
Due in more than one year	-	655,000	655,000
Total Liabilities	-	709,848	709,848
Fund Balance:			
Nonspendable	145	(145)	-
Restricted - Wednesday Night Live	6,104	(6,104)	-
Assigned	33,743	(33,743)	-
Unassigned	53,161	(53,161)	-
	93,153	(93,153)	-
Total Liabilities and Fund Balance	\$ 93,153		
Net Position:			
Net investment in capital assets		219,073	219,073
Restricted		6,104	6,104
Unrestricted (deficit)		(492,799)	(492,799)
Total Net Position		\$(267,622)	\$(267,622)

CITY OF DURAND, MICHIGAN

**RECONCILIATION OF THE BALANCE SHEET FOR
GOVERNMENTAL (OPERATING) FUND TO THE STATEMENT OF NET POSITION
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2017**

Fund Balances - total governmental funds	\$	93,153
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	(229,964)
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	(705,000)
Accrued interest payable	(<u>4,848</u>)
Net Position of Downtown Development Authority	\$	<u><u>(267,622)</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, 2017**

	<u>Operating Fund</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Taxes	\$ 75,524	\$ -	\$ 75,524
Other	7,450	-	7,450
	<u>82,974</u>	<u>-</u>	<u>82,974</u>
Expenditures/Expenses:			
Community and Economic Development	38,085	20,067	58,152
Debt Service -			
Principal	45,000	(45,000)	-
Interest	34,163	(255)	33,908
	<u>117,248</u>	<u>(25,188)</u>	<u>92,060</u>
Net change in Fund Balance/Net Position	(34,274)	25,188	(9,086)
Fund Balance/Net Position at beginning of year	127,427	(385,963)	(258,536)
Fund Balance/Net Position at end of year	<u>\$ 93,153</u>	<u>\$(360,775)</u>	<u>\$(267,622)</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, 2017**

Net change in fund balances - governmental funds	\$ (34,274)
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	(20,067)
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	45,000
Decrease in accrued interest	<u>255</u>
Change in net position of Downtown Development Authority activities	<u>\$(9,086)</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, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 71,500	\$ 75,500	\$ 75,524	\$ 24
Other	5,000	7,450	7,450	-
Total Revenues	<u>76,500</u>	<u>82,950</u>	<u>82,974</u>	<u>24</u>
Expenditures:				
Current -				
Community and Economic Development	35,190	44,840	38,085	6,755
Debt Service-				
Principal	45,000	45,000	45,000	-
Interest	30,053	34,053	34,163	(110)
Total Expenditures	<u>110,243</u>	<u>123,893</u>	<u>117,248</u>	<u>6,645</u>
Net Change in Fund Balance	(33,743)	(40,943)	(34,274)	6,669
Fund Balance at beginning of year	<u>127,427</u>	<u>127,427</u>	<u>127,427</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 93,684</u>	<u>\$ 86,484</u>	<u>\$ 93,153</u>	<u>\$ 6,669</u>