

CITY OF ALMA, MICHIGAN

Financial Statements

Fiscal Year Ended June 30, 2018



Prepared by City of Alma Finance Department

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City of Alma, Michigan
Elected and Appointed Officials

City Commission

Greg Mapes	Mayor
Roxann Harrington	Vice Mayor
Melvin Nyman	Commissioner
Donald Ayers	Commissioner
Larry Mott	Commissioner
Nicholas Piccolo	Commissioner
Roger Allman	Commissioner

City Officials

Matthew Schooley	City Manager
Cynthia Michels	City Controller

FINANCIAL SECTION

Independent Auditors' Report

Honorable Mayor and Members of the City Commission
City of Alma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alma Housing Commission, a component unit, which statements reflect total assets constituting 54 percent of total assets and deferred outflows of resources of discretely presented component units at June 30, 2018, and total revenues constituting 57 percent of total revenues of discretely presented component units for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Alma Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter Regarding Correction of Error

As discussed in Note 17 to the financial statements, the financial statements were restated to correct errors related to capital assets and investment in joint venture. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Municipal Employees Retirement System schedules, as identified 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alma's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. The other supplementary 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 other supplementary information, as identified in the table of contents, 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 January 31, 2019 on our consideration of the City of Alma'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alma's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Alma, Michigan
January 31, 2019

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2018

As management of the City of Alma, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Alma for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this discussion as well as the additional information we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- ✚ From an entity-wide perspective, City of Alma primary government net position was \$38,525,593 at the close of fiscal year 2018. Net position refers to the cumulative amount assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources. Of this amount, \$7,636,229 is unrestricted and available to meet the ongoing obligations to citizens and creditors.
- ✚ The net position of the primary government decreased \$608,317 over the course of 2018 operations. This compares to an increase in net position of \$150,046 over fiscal year 2017.
- ✚ Net position of Governmental Activities decreased by \$637,103 from fiscal year 2017. The total cost of the City's governmental programs increased \$643,072 (10.8%) from fiscal year 2017. Housing and redevelopment and Transportation reflect nearly all the increase.
- ✚ Business-type activities provided a \$28,786 increase in net position. The total cost of the City's business-type activities increased \$408,550 (8.7%) from fiscal year 2017.
- ✚ From a fund perspective, the City of Alma's governmental funds report combined Fund Balances of \$7,689,774 at the close of fiscal year 2018. Of this amount, \$3,025,818 is unassigned and available to meet ongoing obligations.
- ✚ The General Fund reported an increase in Fund Balance of \$148,768 for fiscal year 2018.
- ✚ The unassigned portion of General Fund Balance increased \$160,887 over fiscal year 2017.
- ✚ From a fund perspective, net position of the City of Alma's business-type activities totaled \$13,774,083 at the close of fiscal year 2018. Of this amount, \$5,414,894 is available to meet ongoing obligations and \$8,359,189 is net investment in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of five parts: Management's Discussion and Analysis, the basic financial statements, required supplementary information, other supplementary information and governmental auditing standards requirements. The other supplementary information section includes combining statements for nonmajor governmental funds, nonmajor proprietary funds, internal service funds as well as statements for some of City of Alma's joint ventures.

The basic financial statements begin on page 4-1 of this report and present two different views of the City.

Government-wide Financial Statements

The government-wide financial statements summarize all City funds into one statement using the full accrual method of accounting. The primary government is comprised of governmental activities and business-like activities. Governmental activities are most of the basic municipal services including police and fire protection, building code enforcement, public works, cemetery and parks and recreation. Property taxes, state-shared revenue and charges for services finance most of these activities. Business-like activities include water, sewer and refuse collection as well as public transit services. The City charges fees to customers to finance all or a significant portion of these services. The third category is Component Units and is presented in a separate, distinct column in the government-wide statements. These activities include Alma Downtown Development Authority, Alma Public Library and Alma Housing Commission. Additional definition of the City's Component Units can be found beginning on page 4-17 of the Notes to Financial Statements.

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2018

Statement of Net Position

The Statement of Net Position provides information on assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources with the difference between those defined as net position. Over time, increases and decreases in net position can serve as a barometer of financial health. A trend of increasing net position is viewed as a sign of improving financial condition. The Statement of Net Position can be found on page 4-1.

Statement of Activities

The Statement of Activities presents revenues and expenses which reflect the underlying cause of the change in net position. All changes in net position are reported as soon as the underlying event to the change occurs, regardless of the timing of related cash flows. This statement includes depreciation on capital assets and is adjusted to eliminate inter-fund transactions which would distort the overview perspective of government-wide statements. The Statement of Activities can be found on page 4-2.

Internal service funds mainly benefit the governmental activities and are included in that section of the government-wide statements. Additional financial statements for the internal service funds are included as supplementary information beginning on page 6-5 of this report. Financial statements for the component units can be found on pages 4-15 and 4-16.

Fund Financial Statements

This report also includes information on individual funds. A fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. Funds are used to ensure compliance with finance-related legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

Governmental Funds

Governmental funds use a modified accrual basis of accounting which focuses on near-term inflows and outflows and balances of expendable resources. In the governmental fund statements, capital expenditures and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, and depreciation and accrued compensated absences are not recorded. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

The focus of governmental funds is narrower than that of the government-wide financial statements. Therefore, comparing the information presented in each statement can give the reader a better understanding of the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate a comparison to the government-wide statements. The basic governmental fund financial statements can be found on pages 4-3 through 4-6 of this report.

The City of Alma maintains nine individual governmental funds. The largest funds in terms of assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures are considered major funds. General Fund and Major Streets Fund are presented as major funds. Budgetary comparison schedules for the major governmental funds are presented on pages 5-1 through 5-3 of this report. In the basic financial statements, nonmajor funds are consolidated into one column. Combining statements for nonmajor governmental funds can be found beginning on page 6-1.

Proprietary Funds

Proprietary funds use a full accrual basis of accounting for both government-wide statements and individual fund statements. The City of Alma uses two types of proprietary funds. Enterprise funds are used to report business like activities. Internal service funds are used to accumulate and allocate the cost of providing services to other city activities or functions.

City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2018

The City of Alma maintains six enterprise funds. Four are presented separately as major funds in the proprietary fund financial statements found on pages 4-7 through 4-12. Major funds include Transit Services, Wastewater Utility, Water Utility and Refuse Collection. Financial statements for Non-Major funds are presented on pages 6-3 through 6-4.

The City of Alma maintains two internal service funds: Administrative Services and Public Works Services and Equipment Maintenance. These funds are aggregated into a single column in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of Combining Statements beginning on page 6-5.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City of Alma. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available for the use of the City of Alma. The Statement of Net Position for the Fiduciary Funds and the Statement of Changes in Fiduciary Net Position for the Public Safety Employee Benefit Trust Fund is found on pages 4-13 and 4-14 in the Basic Statements.

Notes to the Financial Statements

The notes provide additional detailed information integral to understanding the data provided in the financial statements. The notes begin on page 4-17 of this report.

Required Supplementary Information

This report also presents required supplementary information including budgetary comparison schedules for major funds and the City of Alma's Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer Contributions to Municipal Employees Retirement System of Michigan (MERS). MERS is the primary provider of pension benefits to City employees. These schedules begin on page 5-4 of this report.

Other Supplementary Information

Other supplementary information begins on page 6-1 with Combining Statements for nonmajor governmental funds, nonmajor proprietary funds and internal service funds. Additional financial schedules for the Joint Ventures are also included in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The Statement of Net Position provides an overview of the City of Alma's assets plus deferred outflows of resources, liabilities plus deferred inflows and net position. Over time, the level of net position can provide a good indicator of the City's fiscal health. At the close of fiscal year 2018, the primary government assets exceeded liabilities by \$38,525,593.

The largest portion of City of Alma's net position reflects its net investment in capital assets. At June 30, 2018, this amount is \$26,584,363. The \$745,610 decrease in net investment in capital assets points to prior year adjustments to remove impaired assets.

Streets, bridges and sidewalks are the largest share of investment in capital assets for the governmental funds. The net book value of streets is \$10,465,288; or 57.3% of net investment in capital assets. The City recorded \$1,504,012 in capital asset additions in fiscal year 2018. Additions include reconstruction of Ely, Euclid, and Lincoln. While streets are open for reconstruction, utility mains are evaluated for reconstruction and replaced as needed. The net book value of capital assets decreased 4.22% from last fiscal year. The book value of capital assets is one of many financial indicators analyzed by City management staff. Because depreciation is a constant ratio over the useful life of an asset, a trend of continued decline in aggregated capital asset book value could be an indication that assets are not being replaced as quickly as estimated when they were acquired. Additional information detailing the

City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2018

changes in City of Alma's capital assets is presented in the Notes to Financial Statements beginning on page 4-30.

An additional \$4,305,001, or 11.2%, of City of Alma's net position is subject to restrictions on how it may be used. At the end of fiscal year 2018 the Cemetery Endowment and Library Endowment funds total \$794,485 of that amount. The ordinances creating both of those endowments allow eighty percent of each year's investment income to be transferred to the respective activity for operating purposes. The largest restriction of net position is related to street maintenance. Except for intermittent grant funds, Major and Local Street Funds are funded with Michigan PA 51 contributions and Street Improvement Millage is funded with a voted tax millage.

The remaining balance of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position at the close of 2018 is \$7,636,229; or 19.8% of total the primary government.

A summarized comparison of the Statement of Net Position follows:

Table A-1
City of Alma, Michigan
Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
Assets:							
Current and other assets	\$ 9.10	\$ 8.62	\$ 6.21	\$ 6.25	\$ 15.31	\$ 14.87	2.96%
Investment in joint ventures	1.48	1.52	-	1.27	1.48	2.79	-46.95%
Capital assets	18.25	19.06	14.36	15.06	32.61	34.12	-4.43%
Total assets	28.83	29.20	20.57	22.58	49.40	51.78	-4.60%
Deferred outflows:	0.39	1.03	0.22	0.37	0.61	1.40	
Total assets and deferred outflows	29.22	30.23	20.79	22.95	50.01	53.18	-5.96%
Liabilities:							
Noncurrent liabilities	3.39	3.92	6.31	6.90	9.70	10.82	-10.35%
Other liabilities	0.46	0.50	0.95	0.93	1.41	1.43	-1.40%
Total liabilities	3.85	4.42	7.26	7.83	11.11	12.25	-9.31%
Deferred inflows:	0.30	0.11	0.07	0.02	0.37	0.13	
Total liabilities and deferred inflows	4.15	4.53	7.33	7.85	11.48	12.38	
Net position:							
Net investment in capital assets	18.23	19.02	8.36	8.31	26.59	27.33	-2.71%
Restricted	4.31	3.80	-	-	4.31	3.80	13.42%
Unrestricted	2.53	2.88	5.10	6.79	7.63	9.67	-21.10%
Total net position	\$ 25.07	\$ 25.70	\$ 13.46	\$ 15.10	\$ 38.53	\$ 40.80	-5.56%

Changes in Net Position

From a government wide perspective, City of Alma Net Position decreased \$608,317 over the 2018 fiscal year. Governmental Activities recorded a decrease of \$637,103 and the increase for Business-type Activities was \$28,786. Total revenues for the primary government increased \$293,259 from fiscal year 2017 to fiscal year 2018. Program expenses for Governmental Activities increased \$643,072 or 10.8% from fiscal year 2017 to 2018. Total expenses for Business-type Activities increased \$408,550 or 8.7% from 2017 to 2018.

The following table presents a summarized comparison of changes in net position during fiscal years ending June 30, 2018 and 2017. The information is presented to reflect the programs or activities of the City of Alma and mirrors the government-wide Statement of Activities on pages 4-2 of the basic statements.

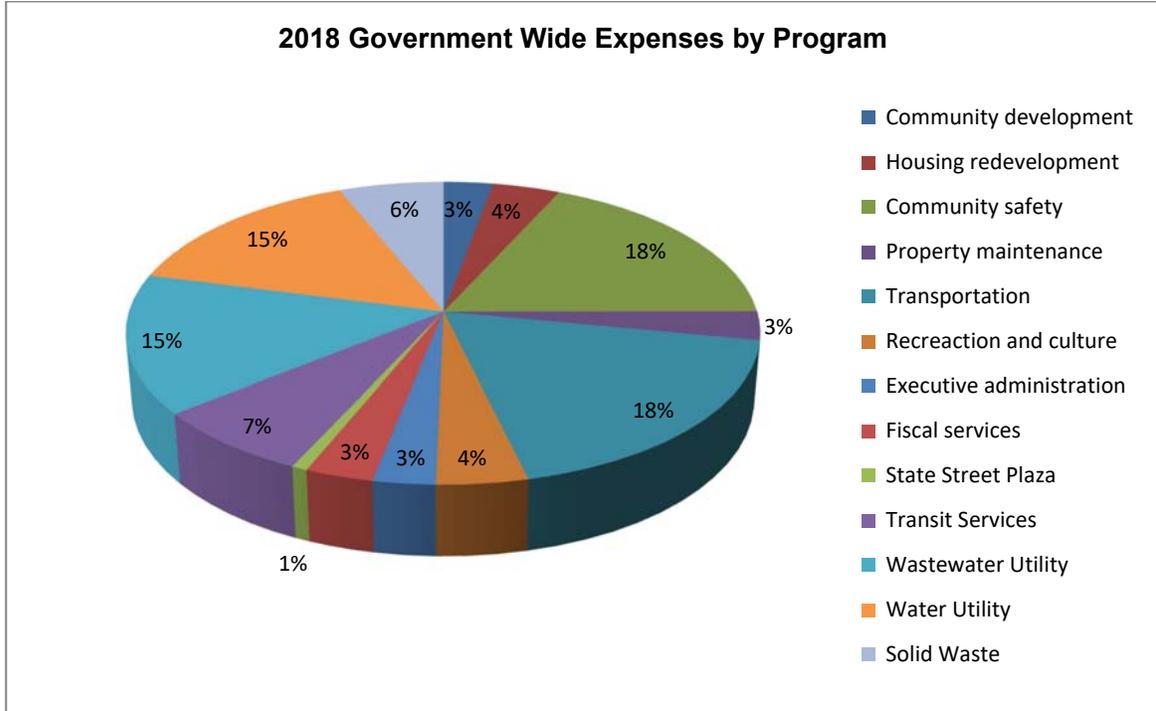
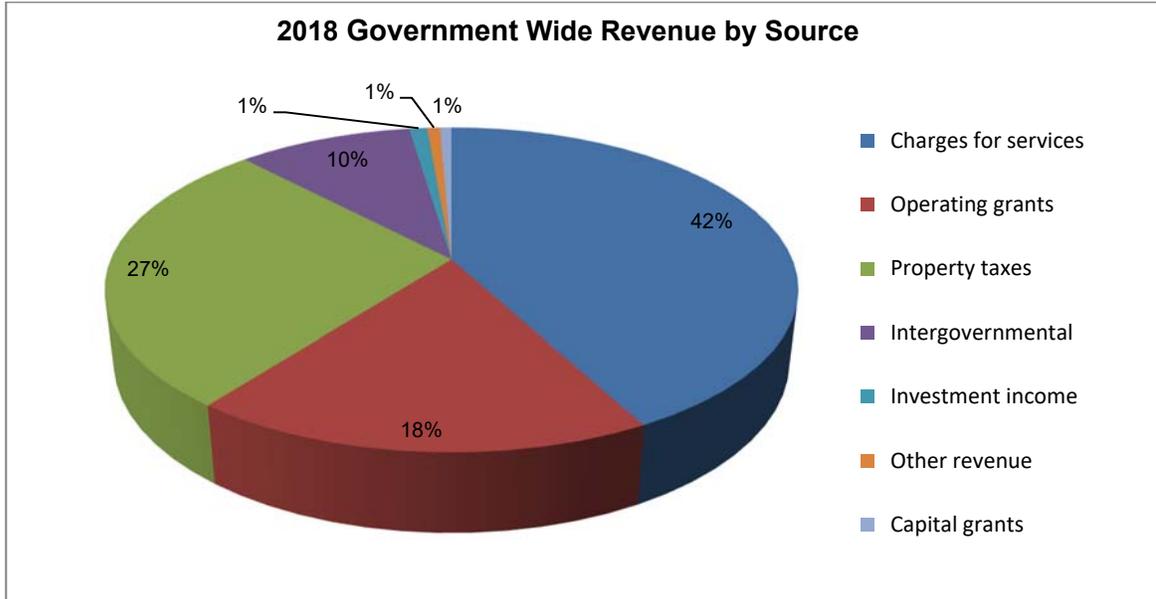
City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2018

Table A-2
City of Alma, Michigan
Changes in Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2018	2017	2018	2017	2018	2017	
Revenues:							
Program revenues							
Charges for services	\$ 0.36	\$ 0.30	\$ 4.31	\$ 4.32	\$ 4.67	\$ 4.62	1.08%
Operating grants and contributions	1.46	0.44	0.56	0.52	2.02	0.96	110.42%
Capital grants and contributions	0.07	0.50	-	-	0.07	0.50	-86.00%
General revenues:							
Property taxes	2.89	2.82	0.15	0.15	3.04	2.97	2.36%
Intergovernmental	1.08	1.09	-	-	1.08	1.09	-0.92%
Investment income	0.07	0.05	0.04	0.02	0.11	0.07	57.14%
Other revenue	0.03	0.46	0.05	0.11	0.08	0.57	-85.96%
Total revenues	<u>5.96</u>	<u>5.66</u>	<u>5.11</u>	<u>5.12</u>	<u>11.07</u>	<u>10.78</u>	2.69%
Expenses:							
Community development	0.33	0.39	-	-	0.33	0.39	-15.38%
Housing and redevelopment	0.45	0.14	-	-	0.45	0.14	221.43%
Community safety	2.08	2.41	-	-	2.08	2.41	-13.69%
Property maintenance	0.41	0.37	-	-	0.41	0.37	10.81%
Transportation	2.09	1.56	-	-	2.09	1.56	33.97%
Recreation and culture	0.57	0.54	-	-	0.57	0.54	5.56%
Executive administration	0.32	0.26	-	-	0.32	0.26	23.08%
Fiscal services	0.35	0.29	-	-	0.35	0.29	20.69%
State Street Plaza	-	-	0.08	0.07	0.08	0.07	14.29%
Transit Services	-	-	0.84	0.93	0.84	0.93	-9.68%
Wastewater Utility	-	-	1.70	1.56	1.70	1.56	8.97%
Water Utility	-	-	1.70	1.38	1.70	1.38	23.19%
Solid Waste	-	-	0.76	0.73	0.76	0.73	4.11%
Total expenses	<u>6.60</u>	<u>5.96</u>	<u>5.08</u>	<u>4.67</u>	<u>11.68</u>	<u>10.63</u>	9.88%
Change in net position	(0.64)	(0.30)	0.03	0.45	(0.61)	0.15	-506.67%
Beginning net position, as restated	25.70	26.00	13.43	14.65	39.13	40.65	-3.74%
Ending net position	<u>\$ 25.06</u>	<u>\$ 25.70</u>	<u>\$ 13.46</u>	<u>\$ 15.10</u>	<u>\$ 38.52</u>	<u>\$ 40.80</u>	-5.59%

City of Alma, Michigan Management's Discussion and Analysis June 30, 2018

Also shown graphically are government-wide revenues by source as well as government-wide expenses by program shown as a percentage to total:



City of Alma, Michigan

Management's Discussion and Analysis

June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Commission adopts budgets for the General, Special Revenue, Enterprise and Internal Service funds. Budgets are adopted at the activity level for General Fund and the fund level for all other funds.

While the General Fund budget for 2018 was amended with the intention of spending \$175,064 of fund balance; the actual result was an increase in General Fund balance of \$148,768.

General Fund appropriations increased by \$156,500 from original budget to final amended budget in fiscal year 2018. There were no revisions to General Fund revenue budget.

CAPITAL ASSETS

The City of Alma, primary government has \$32,621,538 invested in capital assets net of depreciation. Capital assets include all tangible assets that exceed \$5,000 in value and have an expected useful life of greater than a year. Capital assets include land, land improvements, streets, sidewalks, buildings, equipment, vehicles, storm drains and sewer and water mains. The City uses straight line depreciation ranging from three to fifty years of useful life. Additional details of capital assets can be found in the Notes to Financial Statements beginning on page 4-30.

DEBT ADMINISTRATION

Summary of Debt

The Governmental Activities of City of Alma currently have a Brownfield Redevelopment Loan outstanding with Michigan Department of Environmental Quality. At June 30, 2018, the outstanding amount is \$32,664.

The Business-type Activities of the City have \$6,004,511 in outstanding bonded debt as of June 30, 2018. Of the outstanding debt, \$2,710,000 is general obligation bonded debt, \$75,000 is special assessment bonded debt for which the City has pledged its full faith and credit and \$3,219,511 is revenue bonds issued for the Wastewater Utility. Currently, there is no bonded debt outstanding for the Governmental Activities of City of Alma.

There is more detailed information on debt and other obligations beginning on page 4-34 of the Notes to Financial Statements. The Notes also include a complete schedule of debt repayments until maturity.

ECONOMIC FORECAST

The City of Alma has three main sources of revenue: property taxes, service charges and state shared revenue.

Tax Base

The City of Alma has contracted with an outside appraisal company to reappraise all properties within the city. It is expected to take two years to complete the project.

State Shared Revenue

State shared revenue is the second largest source of revenue for General Fund. State shared sales tax revenue is made up of two components. The constitutional component is 13% of the gross collections of the 6% state sales tax. The statutory portion requires certain performances by the local unit to be eligible to receive it. The City has consistently met the requirements. City of Alma has met all requirements to qualify for next year's funding also.

Utility Charges

From an entity-wide perspective, utility service charges are the third major revenue source. The Gratiot Area Water Authority has been created to produce potable water for both City of Alma and City of St. Louis. Water usage is metered for both municipalities. City of Alma Water Utility is charged with the distribution of water to its residents.

City of Alma, Michigan
Management's Discussion and Analysis
June 30, 2018

THE FUTURE

In the last two years, the City has been working on updating the community master plan. Many of the local units in Gratiot County have joined together to create a county-wide master plan. The master plan considers the physical characteristics, population and housing, community services available, roadways and transportation available and existing land use to set goals and objectives for future land use and development. The plan addresses such items as zoning requirements, funding sources and capital improvements necessary to develop mutually beneficial and cohesive communities.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

This financial report is designed to provide a general overview of the City of Alma's finances for all those with an interest and to show accountability for the financial resources managed for the benefit of its constituents. Questions concerning any of the information provided in this report or requests for additional information may be directed to the Interim City Manager or City Controller at 525 E. Superior Street, Alma, Michigan, 48801.

BASIC FINANCIAL STATEMENTS

City of Alma
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,119,392	\$ 1,627,545	\$ 3,746,937	\$ 937,242
Investments	5,548,851	3,866,503	9,415,354	1,449,662
Receivables	162,905	694,467	857,372	38,207
Due from other units of government	400,308	273,861	674,169	87,554
Internal balances	316,198	(316,198)	-	-
Due from component unit	39,699	-	39,699	-
Due from joint venture	9,334	-	9,334	-
Inventories	60,605	2,809	63,414	-
Prepaid items	441,048	65,088	506,136	4,499
Restricted assets				
Cash and cash equivalents	-	-	-	189,444
Equity interest in Gratiot Community Airport Authority	764,306	-	764,306	-
Equity interest in Rural Urban Fire Board	713,303	-	713,303	-
Capital assets not being depreciated	3,645,166	770,905	4,416,071	261,894
Capital assets, net of accumulated depreciation	14,612,672	13,592,795	28,205,467	4,492,602
Total assets	<u>28,833,787</u>	<u>20,577,775</u>	<u>49,411,562</u>	<u>7,461,104</u>
Deferred outflows of resources				
Deferred amount on bond refunding	-	63,837	63,837	45,181
Deferred amount relating to net pension liability - MERS	389,189	149,656	538,845	63,984
Total deferred outflows of resources	<u>389,189</u>	<u>213,493</u>	<u>602,682</u>	<u>109,165</u>
Total assets and deferred outflows of resources	<u>29,222,976</u>	<u>20,791,268</u>	<u>50,014,244</u>	<u>7,570,269</u>
Liabilities				
Current payables and accrued expenses	282,677	352,353	635,030	113,190
Due to primary government	-	-	-	39,699
Due to other units of government	15,126	3,503	18,629	1,015
Portion of noncurrent liabilities due within one year	157,990	591,707	749,697	227,831
Noncurrent liabilities				
Compensated absences	88,032	21,868	109,900	37,946
Bonds payable, net of discount	-	5,454,511	5,454,511	1,355,000
Notes payable	21,991	-	21,991	-
Net pension liability - MERS	3,284,683	837,652	4,122,335	476,847
Total liabilities	<u>3,850,499</u>	<u>7,261,594</u>	<u>11,112,093</u>	<u>2,251,528</u>
Deferred inflows of resources				
Deferred amount relating to net pension liability - MERS	304,769	71,789	376,558	41,148
Total liabilities and deferred inflows of resources	<u>4,155,268</u>	<u>7,333,383</u>	<u>11,488,651</u>	<u>2,292,676</u>
Net Position				
Net investment in capital assets	18,225,174	8,359,189	26,584,363	3,239,677
Restricted for:				
Street maintenance	3,478,330	-	3,478,330	-
Special tax districts	20,135	-	20,135	-
Housing rehabilitation	880	-	880	-
Tenant funds	-	-	-	7,758
Debt service	11,171	-	11,171	179,437
Permanent funds	794,485	-	794,485	-
Unrestricted	2,537,533	5,098,696	7,636,229	1,850,721
Total net position	<u>\$ 25,067,708</u>	<u>\$ 13,457,885</u>	<u>\$ 38,525,593</u>	<u>\$ 5,277,593</u>

City of Alma
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
Community development	\$ 334,219	\$ 25,432	\$ -	\$ -	\$ (308,787)	\$ -	\$ (308,787)	\$ -
Housing and redevelopment	453,096	-	444,444	-	(8,652)	-	(8,652)	-
Community safety	2,080,334	60,109	11,205	-	(2,009,020)	-	(2,009,020)	-
Property maintenance	415,008	54,914	-	-	(360,094)	-	(360,094)	-
Transportation	2,089,189	62,827	1,005,839	70,010	(950,513)	-	(950,513)	-
Recreation and cultural	566,482	53,202	-	-	(513,280)	-	(513,280)	-
Executive administration	319,538	400	-	-	(319,138)	-	(319,138)	-
Fiscal services	347,854	103,607	-	-	(244,247)	-	(244,247)	-
Interest on long-term debt	701	-	-	-	(701)	-	(701)	-
Total governmental activities	6,606,421	360,491	1,461,488	70,010	(4,714,432)	-	(4,714,432)	-
Business-type activities								
State Street Plaza	84,868	38,986	-	-	-	(45,882)	(45,882)	-
Transit Services	839,725	172,226	441,205	-	-	(226,294)	(226,294)	-
Wastewater Utility	1,701,500	2,058,243	114,177	-	-	470,920	470,920	-
Water Utility	1,692,845	1,430,835	-	-	-	(262,010)	(262,010)	-
Solid Waste Disposal	761,323	608,927	-	-	-	(152,396)	(152,396)	-
Total business-type activities	5,080,261	4,309,217	555,382	-	-	(215,662)	(215,662)	-
Total primary government	\$ 11,686,682	\$ 4,669,708	\$ 2,016,870	\$ 70,010	(4,714,432)	(215,662)	(4,930,094)	-
Component units								
Alma Downtown Development Authority	\$ 19,725	\$ -	\$ 26,551	\$ -	-	-	-	-
Alma Public Library	758,320	29,801	543,802	-	-	-	-	-
Alma Housing Commission	1,219,841	351,859	709,291	5,946	-	-	-	-
Interest on long term debt	35,745	-	-	-	-	-	-	-
Total component units	\$ 2,033,631	\$ 381,660	\$ 1,279,644	\$ 5,946	-	-	-	(366,381)
General revenues								
Property taxes	-	-	-	-	2,887,146	151,653	3,038,799	236,777
State shared revenue	-	-	-	-	1,080,900	-	1,080,900	-
Investment income	-	-	-	-	74,741	46,203	120,944	16,397
Gain on sale of capital assets	-	-	-	-	9,182	-	9,182	-
Miscellaneous	-	-	-	-	25,360	46,592	71,952	35,056
Total general revenues	-	-	-	-	4,077,329	244,448	4,321,777	288,230
Change in net position	-	-	-	-	(637,103)	28,786	(608,317)	(78,151)
Net position - beginning of year, as restated	-	-	-	-	25,704,811	13,429,099	39,133,910	5,355,744
Net position - end of year	-	-	-	-	\$ 25,067,708	\$ 13,457,885	\$ 38,525,593	\$ 5,277,593

See Accompanying Notes to the Financial Statements

City of Alma
Balance Sheet
Governmental Funds
June 30, 2018

	Special Revenue Fund			Total Governmental Funds
	General	Major Streets	Nonmajor Governmental Funds	
Assets				
Cash and cash equivalents	\$ 671,733	\$ 724,068	\$ 624,048	\$ 2,019,849
Investments	2,105,604	1,637,052	1,287,886	5,030,542
Receivables	124,363	11,917	11,470	147,750
Due from other units of government	232,204	124,497	43,607	400,308
Due from other funds	57,750	-	-	57,750
Prepaid items	381,355	-	-	381,355
Total assets	\$ 3,573,009	\$ 2,497,534	\$ 1,967,011	\$ 8,037,554
Liabilities				
Current payables	\$ 109,285	\$ 101,129	\$ 129	\$ 210,543
Due to other funds	-	-	57,750	57,750
Due to other units of government	5,578	-	31	5,609
Total liabilities	114,863	101,129	57,910	273,902
Deferred inflows of resources				
Unavailable property tax revenue	13,125	-	1,068	14,193
Unavailable investment income	14,273	11,780	10,057	36,110
Unavailable special assessments	7,575	-	-	7,575
Unavailable lease revenue	16,000	-	-	16,000
Total deferred inflows of resources	50,973	11,780	11,125	73,878
Fund Balances				
Non-spendable				
Prepaid items	381,355	-	-	381,355
Permanent Fund principal (nonexpendable)	-	-	790,523	790,523
Restricted for				
Street maintenance	-	2,384,625	1,075,800	3,460,425
TIF district infrastructure	-	-	20,035	20,035
Debt service	-	-	11,618	11,618
Unassigned	3,025,818	-	-	3,025,818
Total fund balances	3,407,173	2,384,625	1,897,976	7,689,774
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,573,009	\$ 2,497,534	\$ 1,967,011	\$ 8,037,554

City of Alma
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2018

Total fund balances for governmental funds	\$ 7,689,774
Total net position for governmental activities in the statement of net position is different because:	
Internal balances related to fund consolidations.	316,198
City of Alma investment in Gratiot Community Airport Authority, joint venture.	764,306
City of Alma investment in Rural Urban Fire Board, joint venture.	713,303
Capital assets not being depreciated used in governmental activities are not financial resources and therefore are not reported in the funds.	3,632,666
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	12,940,435
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	73,878
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(505)
Compensated absences	(119,685)
Deferred outflows of resources resulting from net pension liability - MERS	230,788
Deferred inflows of resources resulting from net pension liability - MERS	(197,821)
Outstanding Brownfield Redevelopment loan is reported in the statement of net position.	(32,664)
Net pension liability - MERS is reported in the statement of net position	(2,101,081)
Internal service funds are included as part of governmental activities.	1,158,116
Net position of governmental activities	\$ 25,067,708

City of Alma
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General	Special Revenue Fund Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,394,602	\$ -	\$ 396,451	\$ 2,791,053
Licenses and permits	69,012	-	-	69,012
Federal grants	3,106	70,010	444,444	517,560
Intergovernmental revenue	1,179,061	750,868	254,971	2,184,900
Charges for services	237,905	42,857	1,050	281,812
Fines and forfeitures	26,753	-	-	26,753
Investment income	22,906	13,087	10,994	46,987
Rental income	28,973	-	-	28,973
Other revenue	54,059	533	-	54,592
Total revenues	4,016,377	877,355	1,107,910	6,001,642
Expenditures				
Current				
Community development	313,446	-	-	313,446
Housing and redevelopment	-	-	452,992	452,992
Community safety	1,922,773	-	-	1,922,773
Property maintenance	354,618	-	-	354,618
Transportation	205,307	608,701	431,099	1,245,107
Recreation and culture	453,820	-	1,479	455,299
Executive administration	298,006	-	-	298,006
Fiscal services	315,109	-	-	315,109
Debt service				
Principal retirement	10,464	-	-	10,464
Interest and fiscal charges	863	-	-	863
Total expenditures	3,874,406	608,701	885,570	5,368,677
Excess of revenues over expenditures	141,971	268,654	222,340	632,965
Other financing sources (uses)				
Transfers in	1,978	-	166,863	168,841
Transfers out	(4,363)	(162,500)	(1,978)	(168,841)
Sale of fixed assets	9,182	-	-	9,182
Total other financing sources and uses	6,797	(162,500)	164,885	9,182
Net change in fund balance	148,768	106,154	387,225	642,147
Fund balance - beginning of year	3,258,405	2,278,471	1,510,751	7,047,627
Fund balance - end of year	\$ 3,407,173	\$ 2,384,625	\$ 1,897,976	\$ 7,689,774

City of Alma
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds	\$ 642,147
Total change in net position reported for governmental activities in the statement of activities is different because:	
The statement of activities includes a gain on investment in Rural Urban Fire Board	(41,425)
Governmental funds report capital outlays 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	(888,278)
Capital outlay	57,377
Sale of capital assets (net book value)	(12,187)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(6,252)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest on outstanding note payable	162
Compensated absences	(9,583)
The statement of net position reports the net pension liability and deferred outflows and deferred inflows of resources related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the deferred outflows of resources related to the net pension liability - MERS	(390,677)
Net change in the deferred inflows of resources related to the net pension liability - MERS	(119,619)
Net change in pension liability - MERS	327,692
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Principal payment on Brownfield Redevelopment loan	10,464
The statement of activities includes charges to bring internal service funds to a break-even position	(213,095)
The statement of activities includes non operating revenues earned on internal service funds	6,171
Change in net position of governmental activities	\$ (637,103)

City of Alma
Proprietary Funds
Statement of Net Position
June 30, 2018

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Assets			
Current assets			
Cash and cash equivalents	\$ 209,453	\$ 329,155	\$ 779,144
Investments	611,982	777,907	1,816,153
Receivables, net	24,000	349,405	219,682
Due from other units of government	82,701	170,554	-
Due from component unit and joint ventures	-	-	-
Inventories	-	2,809	-
Prepaid items	-	65,088	-
Total current assets	<u>928,136</u>	<u>1,694,918</u>	<u>2,814,979</u>
Noncurrent assets			
Land	-	10,000	35,603
Construction in progress	-	136,926	526,076
Land improvements	-	-	3,105
Buildings and improvements	1,454,425	5,203,830	-
Equipment	97,109	1,194,225	261,756
Vehicles	510,627	-	-
Utility lines and appurtenances	-	8,531,780	7,673,794
Less accumulated depreciation	(873,141)	(6,215,344)	(4,438,247)
Total noncurrent assets	<u>1,189,020</u>	<u>8,861,417</u>	<u>4,062,087</u>
Total assets	<u>2,117,156</u>	<u>10,556,335</u>	<u>6,877,066</u>
Deferred Outflows of Resources			
Deferred amount on bond refunding	-	27,547	36,290
Deferred amount relating to net pension liability - MERS	47,025	50,718	51,913
Total deferred outflows of resources	<u>47,025</u>	<u>78,265</u>	<u>88,203</u>
Total assets and deferred outflows of resources	<u>2,164,181</u>	<u>10,634,600</u>	<u>6,965,269</u>
Liabilities			
Current liabilities			
Current payables	31,040	261,111	20,867
Due to other units of government	1,495	986	640
Current portion of noncurrent liabilities	15,294	411,962	161,091
Total current liabilities	<u>47,829</u>	<u>674,059</u>	<u>182,598</u>
Noncurrent liabilities			
Compensated absences	8,834	7,429	4,383
Long-term debt net of current portion	-	4,352,511	1,102,000
Net pension liability - MERS	223,997	252,689	360,966
Total noncurrent liabilities	<u>232,831</u>	<u>4,612,629</u>	<u>1,467,349</u>
Total liabilities	<u>280,660</u>	<u>5,286,688</u>	<u>1,649,947</u>
Deferred Inflows of Resources			
Deferred amount relating to net pension liability - MERS	19,017	19,943	32,829
Net Position			
Net investment in capital assets	1,189,020	4,109,706	2,809,287
Unrestricted	675,484	1,218,263	2,473,206
Total net position	<u>\$ 1,864,504</u>	<u>\$ 5,327,969</u>	<u>\$ 5,282,493</u>

City of Alma
Proprietary Funds
Statement of Net Position
June 30, 2018

	Enterprise Funds			Internal Service Funds
	Refuse Disposal	Nonmajor Funds	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 101,492	208,301	\$ 1,627,545	\$ 99,543
Investments	227,204	433,257	3,866,503	518,309
Receivables, net	90,513	10,867	694,467	15,155
Due from other units of government	-	20,606	273,861	-
Due from component unit and joint ventures	-	-	-	49,033
Inventories	-	-	2,809	60,605
Prepaid items	-	-	65,088	59,693
Total current assets	<u>419,209</u>	<u>673,031</u>	<u>6,530,273</u>	<u>802,338</u>
Noncurrent assets				
Land	-	62,300	107,903	12,500
Construction in progress	-	-	663,002	-
Land improvements	3,900	137,422	144,427	94,794
Buildings and improvements	-	769,791	7,428,046	585,188
Equipment	6,595	-	1,559,685	1,791,191
Vehicles	-	-	510,627	2,604,321
Utility lines and appurtenances	-	-	16,205,574	-
Less accumulated depreciation	(9,476)	(719,356)	(12,255,564)	(3,403,257)
Total noncurrent assets	<u>1,019</u>	<u>250,157</u>	<u>14,363,700</u>	<u>1,684,737</u>
Total assets	<u>420,228</u>	<u>923,188</u>	<u>20,893,973</u>	<u>2,487,075</u>
Deferred Outflows of Resources				
Deferred amount on bond refunding	-	-	63,837	-
Deferred amount relating to net pension liability - MERS	-	-	149,656	158,401
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>213,493</u>	<u>158,401</u>
Total assets and deferred outflows of resources	<u>420,228</u>	<u>923,188</u>	<u>21,107,466</u>	<u>2,645,476</u>
Liabilities				
Current liabilities				
Current payables	35,049	4,286	352,353	71,629
Due to other units of government	-	382	3,503	9,517
Current portion of noncurrent liabilities	-	3,360	591,707	80,857
Total current liabilities	<u>35,049</u>	<u>8,028</u>	<u>947,563</u>	<u>162,003</u>
Noncurrent liabilities				
Compensated absences	-	1,222	21,868	34,807
Long-term debt net of current portion	-	-	5,454,511	-
Net pension liability - MERS	-	-	837,652	1,183,602
Total noncurrent liabilities	<u>-</u>	<u>1,222</u>	<u>6,314,031</u>	<u>1,218,409</u>
Total liabilities	<u>35,049</u>	<u>9,250</u>	<u>7,261,594</u>	<u>1,380,412</u>
Deferred Inflows of Resources				
Deferred amount relating to net pension liability - MERS	-	-	71,789	106,948
Net Position				
Net investment in capital assets	1,019	250,157	8,359,189	1,684,737
Unrestricted	384,160	663,781	5,414,894	(526,621)
Total net position	<u>\$ 385,179</u>	<u>\$ 913,938</u>	<u>\$ 13,774,083</u>	<u>\$ 1,158,116</u>
			(316,198)	
			<u>\$ 13,457,885</u>	

Internal balances related to internal service fund eliminations (316,198)
Net position for business-type activities \$ 13,457,885

City of Alma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Operating Revenue			
Local unit contributions	\$ -	\$ -	\$ -
Charges for services	110,850	2,058,243	1,294,498
Fines and forfeits	-	-	75,791
Rental income	-	-	60,546
Other revenue	3,749	-	3,018
Total operating revenue	<u>114,599</u>	<u>2,058,243</u>	<u>1,433,853</u>
Operating Expenses			
Plant operations and maintenance	-	339,359	5,996
Purification and industrial pretreatment	-	224,887	737,078
Disconnection of illicit storm drains	-	79,903	-
Engineering	-	-	-
Maintenance	-	316,328	475,518
Refuse collection and disposal	-	-	-
Yard waste collection and compost site	-	-	-
Facility and vehicle maintenance	45,508	-	-
Transit operations	475,756	-	-
Accounting and administration	111,483	230,271	194,976
Information systems maintenance	-	-	-
Retiree health insurance	-	-	-
Facility maintenance	-	-	-
Public works services	-	-	-
Equipment maintenance services	-	-	-
Depreciation	71,232	324,907	193,954
Total operating expenses	<u>703,979</u>	<u>1,515,655</u>	<u>1,607,522</u>
Operating income (loss)	<u>(589,380)</u>	<u>542,588</u>	<u>(173,669)</u>
Nonoperating Revenue (Expenses)			
Property taxes	151,653	-	-
Federal grants	116,922	-	-
Intergovernmental	283,070	114,177	-
Investment income	7,391	9,708	21,261
Gain on disposal of assets	1,000	-	-
Interest expense and fiscal charges	-	(132,417)	(29,692)
Total nonoperating revenues (expenses)	<u>560,036</u>	<u>(8,532)</u>	<u>(8,431)</u>
Change in net position	<u>(29,344)</u>	<u>534,056</u>	<u>(182,100)</u>
Net position - beginning of year, as restated	<u>1,893,848</u>	<u>4,793,913</u>	<u>5,464,593</u>
Net position - end of year	<u>\$ 1,864,504</u>	<u>\$ 5,327,969</u>	<u>\$ 5,282,493</u>

City of Alma
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Refuse Disposal	Nonmajor Funds	Total	
Operating Revenue				
Local unit contributions	\$ 3,177	-	\$ 3,177	\$ -
Charges for services	605,750	100,362	4,169,703	2,269,548
Fines and forfeits	-	-	75,791	-
Rental income	-	-	60,546	-
Other revenue	39,825	-	46,592	9,474
Total operating revenue	648,752	100,362	4,355,809	2,279,022
Operating Expenses				
Plant operations and maintenance	-	-	345,355	-
Purification and industrial pretreatment	-	-	961,965	-
Disconnection of illicit storm drains	-	-	79,903	-
Engineering	-	-	-	334,858
Maintenance	-	-	791,846	-
Refuse collection and disposal	313,609	-	313,609	-
Yard waste collection and compost site	309,251	-	309,251	-
Facility and vehicle maintenance	-	45,858	91,366	-
Transit operations	-	137,847	613,603	-
Accounting and administration	75,702	10,384	622,816	448,452
Information systems maintenance	-	-	-	70,385
Retiree health insurance	-	-	-	80,640
Facility maintenance	-	-	-	30,415
Public works services	-	-	-	1,071,237
Equipment maintenance services	-	-	-	377,310
Depreciation	259	25,666	616,018	252,240
Total operating expenses	698,821	219,755	4,745,732	2,665,537
Operating income (loss)	(50,069)	(119,393)	(389,923)	(386,515)
Nonoperating Revenue (Expenses)				
Property taxes	-	-	151,653	-
Federal grants	-	-	116,922	-
Intergovernmental	-	41,213	438,460	-
Investment income	2,412	5,431	46,203	6,171
Gain on disposal of assets	-	-	1,000	-
Interest expense and fiscal charges	-	-	(162,109)	-
Total nonoperating revenues (expenses)	2,412	46,644	592,129	6,171
Change in net position	(47,657)	(72,749)	202,206	(380,344)
Net position - beginning of year, as restated	432,836	986,687	13,571,877	1,538,460
Net position - end of year	\$ 385,179	\$ 913,938	\$ 13,774,083	\$ 1,158,116

**Reconciliation of Statement of Revenues, Expenses and Changes
in Net Position of Proprietary Funds to Statement of Activities
For the Year Ended June 30, 2018**

Change in net position per fund financial statements	\$ 202,206
Change in internal service charges to break even	(173,420)
Change in net position of per statement of activities	<u>\$ 28,786</u>

City of Alma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

	Enterprise Funds		
	Transit Services	Wastewater Utility	Water Utility
Cash flows from operating activities			
Receipts from customers	\$ 130,464	\$ 1,897,618	\$ 1,447,220
Payments to vendors	(93,265)	(91,559)	(1,065,822)
Payments to employees	(466,769)	(356,134)	(227,151)
Internal activity-payments to other funds	(31,578)	(255,380)	(200,620)
Other payments	(26,316)	(284,469)	(7,508)
Net cash provided (used) by operating activities	<u>(487,464)</u>	<u>910,076</u>	<u>(53,881)</u>
Cash flows from noncapital financing activities			
Receipts from long term receivables	-	12,703	-
Subsidies from other units	426,247	114,177	-
Receipts from voted millage	151,690	-	-
Net cash provided by noncapital financing activities	<u>577,937</u>	<u>126,880</u>	<u>-</u>
Cash flows from capital and related financing activities			
Acquisitions of capital assets	(6,907)	(21,838)	(289,143)
Proceeds from sale of capital assets	1,000	-	-
Principal paid on capital debt	-	(387,100)	(147,900)
Interest paid on capital debt	-	(133,979)	(30,155)
Net cash used by capital and related financing activities	<u>(5,907)</u>	<u>(542,917)</u>	<u>(467,198)</u>
Cash flows from investing activities			
Investment income	4,904	5,618	15,903
Maturity of investments	2,140	-	653,630
Purchase of investments	-	(295,001)	-
Net cash provided (used) by investing activities	<u>7,044</u>	<u>(289,383)</u>	<u>669,533</u>
Net change in cash and cash equivalents	<u>91,610</u>	<u>204,656</u>	<u>148,454</u>
Cash and cash equivalents - beginning of year	<u>117,843</u>	<u>124,499</u>	<u>630,690</u>
Cash and cash equivalents - end of year	<u>\$ 209,453</u>	<u>\$ 329,155</u>	<u>\$ 779,144</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (589,380)	\$ 542,588	\$ (173,669)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation and amortization expense	71,232	324,907	193,954
Net pension liability - MERS	(33,821)	(39,082)	48,624
Changes in assets and liabilities			
Receivables (net)	15,865	11,546	14,959
Due from other units of government	-	(170,225)	-
Due from component units and joint ventures	-	-	-
Inventory	-	1,887	-
Prepaid items	-	(15,304)	-
Deferred outflows of resources	40,322	49,655	63,257
Current payables	8,225	187,575	(225,606)
Due to other units of government	(1,284)	(799)	(350)
Deferred inflows of resources	12,346	14,266	23,888
Compensated absences	(10,969)	3,062	1,062
Net cash provided (used) by operating activities	<u>\$ (487,464)</u>	<u>\$ 910,076</u>	<u>\$ (53,881)</u>

City of Alma
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Refuse Disposal	Nonmajor Funds	Total	
Cash flows from operating activities				
Receipts from customers	\$ 688,506	\$ 97,764	\$ 4,261,572	\$ 2,305,647
Payments to vendors	(185,757)	(15,771)	(1,452,174)	(426,156)
Payments to employees	(8,870)	(131,265)	(1,190,189)	(1,759,471)
Internal activity-payments to other funds	(368,249)	(15,997)	(871,824)	(60,248)
Other payments	(102,066)	(27,170)	(447,529)	(144,105)
Net cash provided (used) by operating activities	<u>23,564</u>	<u>(92,439)</u>	<u>299,856</u>	<u>(84,333)</u>
Cash flows from noncapital financing activities				
Receipts from long term receivables	-	-	12,703	-
Subsidies from other units	-	41,213	581,637	-
Receipts from voted millage	-	-	151,690	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>41,213</u>	<u>746,030</u>	<u>-</u>
Cash flows from capital and related financing activities				
Acquisitions of capital assets	-	-	(317,888)	(290,576)
Proceeds from sale of capital assets	-	-	1,000	-
Principal paid on capital debt	-	-	(535,000)	-
Interest paid on capital debt	-	-	(164,134)	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,016,022)</u>	<u>(290,576)</u>
Cash flows from investing activities				
Investment income	1,637	3,878	31,940	4,449
Maturity of investments	48,283	110,337	814,390	157,205
Purchase of investments	-	-	(295,001)	(32,766)
Net cash provided (used) by investing activities	<u>49,920</u>	<u>114,215</u>	<u>551,329</u>	<u>128,888</u>
Net change in cash and cash equivalents	<u>73,484</u>	<u>62,989</u>	<u>581,193</u>	<u>(246,021)</u>
Cash and cash equivalents - beginning of year	<u>28,008</u>	<u>145,312</u>	<u>1,046,352</u>	<u>345,564</u>
Cash and cash equivalents - end of year	<u>\$ 101,492</u>	<u>\$ 208,301</u>	<u>\$ 1,627,545</u>	<u>\$ 99,543</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (50,069)	\$ (119,393)	\$ (389,923)	\$ (386,515)
Adjustments to reconcile operating loss to net cash from operating activities				
Depreciation and amortization expense	259	25,666	616,018	252,240
Net pension liability - MERS	-	-	(24,279)	(207,438)
Changes in assets and liabilities				
Receivables (net)	39,754	(2,598)	79,526	27,961
Due from other units of government	-	-	(170,225)	-
Due from component units and joint ventures	-	-	-	(1,336)
Inventory	-	-	1,887	789
Prepaid items	-	-	(15,304)	(4,491)
Deferred outflows of resources	-	-	153,234	247,308
Current payables	33,688	391	4,273	(79,793)
Due to other units of government	(68)	239	(2,262)	2,120
Deferred inflows of resources	-	-	50,500	75,723
Compensated absences	-	3,256	(3,589)	(10,901)
Net cash provided (used) by operating activities	<u>\$ 23,564</u>	<u>\$ (92,439)</u>	<u>\$ 299,856</u>	<u>\$ (84,333)</u>

City of Alma
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Public Safety Employees' Benefit Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 169,183	\$ 273,704
Investments		
Certificates of deposit	382,506	-
Interest receivable	2,753	-
	554,442	\$ 273,704
Total assets		
Liabilities		
Due to other units of government	-	\$ 131,265
Due to parks project		141,369
Customer deposits	-	1,070
	-	\$ 273,704
Total liabilities		
Net Position		
Held in trust for employees	\$ 554,442	

City of Alma
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Public Safety Employees' Benefit Trust Fund
Additions	
Private donations	\$ 500
Investment earnings	4,559
	<hr/>
Change in net position	5,059
Beginning net position	549,383
Ending net position	<hr/> <u>\$ 554,442</u>

City of Alma
Combining Statement of Net Position
Component Units
June 30, 2018

	Alma Downtown Development Authority	Alma Public Library	at 12/31/17 Alma Housing Commission	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 24,016	\$ 35,999	\$ 877,227	\$ 937,242
Investments	56,370	119,928	1,273,364	1,449,662
Receivables	940	3,650	33,617	38,207
Due from other units of government	-	87,554	-	87,554
Due from primary government	290	-	-	290
Prepaid items	-	-	4,499	4,499
Restricted assets				
Restricted cash	-	181,686	7,758	189,444
Total current assets	81,616	428,817	2,196,465	2,706,898
Noncurrent assets				
Land	-	93,309	168,585	261,894
Land improvements	-	108,210	1,241,440	1,349,650
Buildings and improvements	-	3,769,327	6,343,938	10,113,265
Equipment and furnishings	-	257,167	428,873	686,040
Books	-	691,075	-	691,075
Less accumulated depreciation	-	(1,998,566)	(6,348,862)	(8,347,428)
Total noncurrent assets	-	2,920,522	1,833,974	4,754,496
Total assets	81,616	3,349,339	4,030,439	7,461,394
Deferred Outflows of Resources				
Deferred amount on bond refunding	-	45,181	-	45,181
Deferred amount relating to net pension liability - MERS	-	40,244	23,740	63,984
Total deferred outflows of resources	-	85,425	23,740	109,165
Total assets and deferred outflows of resources	81,616	3,434,764	4,054,179	7,570,559
Liabilities				
Current liabilities				
Current payables	592	21,174	91,424	113,190
Due to other units of government	26	989	-	1,015
Due to primary government	-	39,989	-	39,989
Portion of noncurrent liabilities due within one year	-	216,856	10,975	227,831
Total current liabilities	618	279,008	102,399	382,025
Due in more than one year				
Compensated absences	-	13,160	24,786	37,946
Bonds payable, net of unamortized discount	-	1,355,000	-	1,355,000
Net pension liability - MERS	-	226,633	250,214	476,847
Total liabilities due in more than one year	-	1,594,793	275,000	1,869,793
Total liabilities	618	1,873,801	377,399	2,251,818
Deferred Inflows of Resources				
Deferred amount relating to net pension liability - MERS	-	17,739	23,409	41,148
Net Position				
Net investment in capital assets	-	1,405,703	1,833,974	3,239,677
Restricted	-	179,437	7,758	187,195
Unrestricted (deficit)	80,998	(41,916)	1,811,639	1,850,721
Total net position	\$ 80,998	\$ 1,543,224	\$ 3,653,371	\$ 5,277,593

City of Alma
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2018

	Alma Downtown Development Authority	Alma Public Library	at 12/31/17 Alma Housing Commission	Total
Expenses				
Community development	\$ 19,725	\$ -	\$ -	\$ 19,725
Recreation and culture	-	758,320	-	758,320
Public housing	-	-	1,219,841	1,219,841
Interest on long term debt	-	35,745	-	35,745
Total expenses	19,725	794,065	1,219,841	2,033,631
Program revenues				
Property tax levy for operating	20,551	271,517	-	292,068
Charges for services	-	29,801	351,859	381,660
Operating grants and contributions	6,000	272,285	709,291	987,576
Capital grants and contributions	-	-	5,946	5,946
Total program revenues	26,551	573,603	1,067,096	1,667,250
Net program revenue (expense)	6,826	(220,462)	(152,745)	(366,381)
General revenues				
Property tax levy for debt retirement	-	236,777	-	236,777
Investment income	705	2,518	13,174	16,397
Other revenue	-	-	35,056	35,056
Total general revenue	705	239,295	48,230	288,230
Change in net position	7,531	18,833	(104,515)	(78,151)
Beginning net position	73,467	1,524,391	3,757,886	5,355,744
Ending net position	\$ 80,998	\$ 1,543,224	\$ 3,653,371	\$ 5,277,593

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Located in Gratiot County, Michigan, Alma was settled in 1853 along the banks of the Pine River, became a village in 1872 and was incorporated in 1905 as the City of Alma. Organized under Michigan's Comprehensive Home Rule City Act, the City of Alma is governed by a seven-member City Commission elected by its more than 9,000 citizens at large. The City Commission selects the Mayor and Vice Mayor from among its members. A City Manager is appointed to administer the business of the City. By charter, City of Alma is a full service city providing police and fire protection, highways and streets, sanitation, water production and distribution, housing, recreation, public improvements, planning, zoning and general administration. The accounting policies of the City of Alma conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

(A) THE REPORTING ENTITY

As required by generally accepted accounting principles, the reporting entity consists of the primary government and component units for which the elected officials of the primary government are financially accountable. Component units are those legally separate entities which are fiscally dependent on the primary government or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading. The financial statements are written from the perspective of the primary government.

All component units are presented in a separate column in the government-wide financial statements to emphasize their separate legal status from the primary government. Alma Downtown Development Authority and Alma Public Library have a June 30 year end. Alma Housing Commission has a December 31 year end. The following component units are included in the City's reporting entity.

(i) Discretely Presented Component Units

Alma Downtown Development Authority is responsible for the correction and prevention of deterioration, encouragement of historic preservation, authorization of the creation and implementation of development plans and promotion of economic growth within the central business district. The Alma City Commission appoints board members as recommended by the Mayor. The Alma D.D.A. is legally separate from the City and is funded by a two-mill property tax levied on the district as authorized by the Alma City Commission. The D.D.A. also receives contributions from the City and rental income from a donated downtown building. There are no separate financial statements.

Alma Public Library operates the local library in Alma. The Library Board is appointed by the City Commission. The Library is legally separate from the City; however, any debt issued by the Library must be approved by the Alma City Commission. The Library is funded primarily by contributions from the City and an allocation of penal fines from the district court. There are no separate financial statements.

Alma Housing Commission provides assistance with low income housing by operating subsidized low-income housing and rent vouchers. The Board of the Housing Commission is appointed by the City Manager. The Commission is legally separate from the City. All debt must be approved by the City of Alma. All land used by the Housing Commission is owned by the City. Tartan Terrace was originally constructed with bond proceeds issued by the Alma Building Authority and remains titled to the City. The Commission receives most of its funding from rental income and federal grants. Fiscal year ended December 31, 2017 has been presented in this report.

Complete financial statements for the Housing Commission can be obtained by writing to:

Mr. Eric Schalm
Alma Housing Commission
400 E. Warwick
Alma, MI 48801

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

(ii) Blended Component Units

Alma Building Authority provides bond financing for City of Alma and its component units. The Board is appointed by the Alma City Commission. The Authority is a separate legal entity. Although there are residual debt service monies on hand, the authority is inactive.

Local Development Finance Authority is responsible for providing infrastructure improvements in Alma's industrial district. A majority of the board of the Alma L.D.F.A. is appointed by the City Manager. The Alma Public School Board and the Gratiot County Board of Commissioners each appoint one member of the board. Projects are restricted to the established development district. The Alma L.D.F.A. is legally separate from the City but the Alma City Commission must approve all debt issues. There are no separate financial statements.

(iii) Joint Ventures

Rural Urban Fire Board was created through Public Act 35 of 1951, as amended and Public Act 8, as amended. The agreement is made among the City of Alma, the Township of Arcada, the Township of Sumner, the Township of Seville and the Township of Pine River. The Board consists of seven voting members, including the Supervisor of each of the Townships, the City Manager of Alma and two other individuals appointed by Alma's City Commission. The primary purpose of the Rural Urban Fire Board is to provide fire protection services to its members.

The Board approves an annual budget and within the financial constraints of that budget and the authority granted by the agreement, the Department is managed by Alma according to laws, rules and regulations applicable to Alma as a municipal corporation. The employees of the Rural Urban Fire Department are considered employees of City of Alma. The City of Alma's equity interest in the Rural Urban Fire Board's operating reserve totaling \$713,303 is recorded within the governmental activities column of the entity-wide statement of net position.

The City maintains the accounting records for the Board. The financial statements are presented in other supplementary information. There are no separate financial statements.

Gratiot Area Solid Waste Authority provides solid waste management services to its members. Any local governmental unit under Act 7 of 1967 of the Michigan Public Acts is permitted to become a member of the Authority. Each member has one trustee on the board. The Authority negotiates mutually beneficial waste management contracts with third party service providers.

The City maintains the accounting records for the Authority. The financial statements are presented in other supplementary information. There are no separate financial statements. The City has no equity interest in the Gratiot Area Solid Waste Authority.

Gratiot Community Airport Authority operates the only public airport in Gratiot County. Under MCL 259.621, et. Seq. an agreement to establish the Gratiot Community Airport Authority was entered into on February 18, 2009 and amended on January 30, 2012. The agreement is between the County of Gratiot, City of Alma, City of St. Louis, City of Ithaca, Township of Pine River and Township of Arcada. The Authority is operated by a six person board, one member from each member municipality.

Operational funds are contributed by each member municipality. Each municipality will contribute \$2,000 per year with Gratiot County and City of Alma contributing additional funds required in equal percentages. The Authority Board is responsible for preparing and adopting a budget including the appropriations required from each member municipality.

The member municipalities conveyed title to the lands used as the Airport to the Authority. Any lands obtained hereafter shall be owned by the Authority. The City of Alma's equity interest in the Authority's operating reserve totaling \$764,306 is recorded within the governmental activities column of the entity-wide statement of net position.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

The City maintains the accounting records for the Gratiot Community Airport Authority. The financial statements are presented in other supplementary information. The Gratiot Community Airport Authority is a proprietary fund type and does not produce separate financial statements.

Gratiot Area Water Authority is a joint venture between the City of Alma and the City of St Louis. The purpose of the Authority is to locate, treat and deliver potable water to the residents of the two cities. The Authority is governed by a Board of Trustees consisting of two voting representatives for each constituent municipality as appointed by a majority vote of the respective governing body. The city managers for each constituent municipality also serve, ex officio.

The Board is responsible for preparing and adopting an annual budget of proposed expenditures for the operation of the Authority. The Board has the power to acquire real and personal property, enter into contracts and issue debt. Funding for the Authority is provided by each constituent municipality based on metered water usage. The City has no equity interest in the Gratiot Area Water Authority. The City of Alma maintains the accounting records for the Authority. The Gratiot Area Water Authority is a proprietary fund type and produces separate audited financial statements which may be obtained by contacting the City of Alma.

Gratiot County Central Dispatch Authority is a joint venture between Gratiot County, the State of Michigan, City of Alma, City of St. Louis, City of Ithaca and City of Breckenridge. The Authority provides emergency dispatch services for all police, fire and rescue services in Gratiot County. The governing board is comprised of 11 members. Gratiot County appoints six board members: the County Sheriff, one township representative, one village representative, one county citizen, and two county commissioners. Each other unit appoints one board member. The Authority is responsible for preparing the annual budget (which must also be approved by Gratiot County) and carrying out all activities of the Authority.

The Authority receives funding from telephone surcharge fees and local contributions. A formula has been established to allocate the local contributions. The financial activities of Gratiot County Central Dispatch Authority are reported in Gratiot County's financial statements as a component unit. Gratiot County Central Dispatch is on an October 1 to September 30, fiscal year. The City has no equity interest in the Dispatch Authority. There are no separate financial statements produced for Gratiot County Central Dispatch Authority. Copies of Gratiot County financial statements can be obtained by writing:

Gratiot County Treasurer
P.O. Drawer 437
Ithaca, Michigan 48847

(iv) Joint Operation

Mid-Michigan Area Cable Communications Consortium is a joint operation between twelve mid-Michigan communities with cable franchises granted to Charter Communications Inc. The twelve communities include the Cities of Alma, Clare, Harrison, Ithaca, Mt Pleasant and St Louis, the Villages of Breckenridge, North Star and Shepherd, and the Townships of Arcada, Pine River and The Charter Township of Union. The Consortium is responsible for developing, monitoring, and enforcing the cable ordinance, negotiating and monitoring cable franchise agreements, and, to the extent permitted by federal law, regulating cable rates. The Consortium is responsible for the operation of the public, education and government access channels. Each community is permitted two members of the governing board. The Consortium is responsible for preparing the annual budget.

A formula has been established to allocate the portion of each unit's cable franchise fees contributed to the consortium. The Consortium is on a January 1 to December 31, fiscal year and produces separate financial statements. Copies of Mid-Michigan Area Cable Communication Consortium financial statements can be obtained by writing:

Mr. Carey Hammel, Executive Director
Mid-Michigan Area Cable Consortium
312 West Michigan Street
Mt. Pleasant, MI. 48858

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government of the City of Alma and its component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of Alma is reported separately from certain legally separate component units for which the City of Alma is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a 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, investment income and other items not properly included as program revenues are reported 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 STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Fund does not have a measurement focus; however it is subject to the accrual basis of accounting. 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 for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor 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 available when they are collectible within the current period or soon enough thereafter to offset liabilities of the current period. The City of Alma considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, except debt service expenditures, compensated absences and claims and judgments are recorded only when payment is due.

Intergovernmental revenues, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The City of Alma reports the following major governmental funds:

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

The Major Streets Fund accounts for the receipt of state shared gas and weight taxes allocated to the City according to Act 51. The expenditure of these funds is restricted to City of Alma streets that have been designated as major by the Michigan Department of Transportation.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

The City of Alma reports the following major proprietary funds:

The Transit Services Fund accounts for the activities of the demand response bus system operated by the City of Alma. The system is supported by federal and state grants, local tax dollars and user fees.

The Wastewater Utility Fund accounts for activities related to the collection and purification of wastewater.

The Water Utility Fund accounts for activities related to the distribution of potable water and contributions to the Gratiot Area Water Authority.

The Refuse Disposal Fund accounts for the activities of collection and disposal of household hazardous waste, yard waste and City of Alma contributions to the Gratiot Area Solid Waste Authority.

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

Permanent Funds are used to account for the Cemetery Endowment and the Library Endowment. Both endowments were created by ordinance and transfer eighty percent of investment income to operating funds.

Special Revenue Funds are used to account for the administration of grant monies received from Michigan Housing Development Authority. Special revenue funds are also used to account for the residual funds of the Local Development Finance Authority, local streets funding and related project, and the street improvement millage.

A Debt Service Fund is used to account for Alma Building Authority funds remaining after payment of bonds issued to construct Tartan Terrace senior housing complex.

Nonmajor proprietary funds are used to account for the rental facilities owned and leased by the City and special transit services.

Internal Service Funds are used to account for public works services, fleet maintenance, equipment replacement, engineering services, geographical information system, data information systems, accounting, retiree medical insurance, and buildings and grounds maintenance services provided to other departments on a cost reimbursement basis.

Fiduciary Funds include the Public Safety Employees' Benefit Trust Fund and an Agency fund used to collect and distribute State of Michigan, Gratiot County, Alma Public Schools, and Gratiot Isabella Regional Educational School District property tax monies and payments in lieu of taxes collected from subsidized housing units within the city limits. The agency fund accounts for amounts on hand related to the Woodland Park project run by a third party. The Public Safety Employees' Benefit Trust Fund is used to account for private donations legally held in trust for Police and Fire personnel killed or disabled in the line of duty.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions are charges for services provided between the Transit Services Fund, Water Utility Fund, Wastewater Utility Fund and other functions and segments and payment in lieu of taxes from the Alma Housing Commission. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Property taxes, state shared sales tax revenue and investment income are reported as general revenue. Examples of program revenues include:

- Cemetery burial charges
- Building permits
- Special assessments
- Usage charges for water and sewer services
- Charges for police and fire incident reports and fines

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(D) DEPOSITS AND INVESTMENTS

Cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of less than three months at time of purchase. City of Alma includes cash on hand, demand deposits and short term investments as cash equivalents.

Investments are reported at fair market value. City of Alma has adopted an Investment Policy which specifies all investments be made in accordance with all State of Michigan laws and regulations. The policy allows investment in approved financial institution certificates of deposit and other interest bearing demand deposit accounts and obligations of the U.S. Treasury. In addition, excess funds of the Cemetery Endowment Fund, Library Endowment Fund and Public Safety Employees' Benefit Trust Fund may be invested in mutual funds.

(E) RECEIVABLES

Receivables have been recognized for all significant amounts due the City. Generally, no allowances have been made for uncollectible receivables. Most delinquent receivables can be added to the tax roll and become a lien against the property. No allowance for uncollectible accounts has been determined necessary.

(F) INVENTORIES

Inventories of proprietary funds are valued at lower of cost or market using first-in, first-out costing. Inventories consist of disinfecting chemicals, vehicle maintenance parts and tires and road maintenance materials and signs. In governmental funds, materials purchased are recorded as expenditures when acquired.

(G) PREPAID ITEMS

Certain types of services are paid for in advance. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items include rent payments, insurance premiums and software maintenance agreements. The consumption method is used to account for prepaid items in governmental funds.

(H) RESTRICTED ASSETS

Unexpended proceeds of bond issuances, as well as certain resources set aside for bond repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

(I) CAPITAL ASSETS

Capital assets include property, buildings, equipment, vehicles and infrastructure assets (e.g. streets, bridges, and sidewalks) and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Alma as tangible assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

City of Alma, Michigan
Notes to the Financial Statements
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Depreciation of all exhaustible capital assets used is charged as an expense against the related function or program in the government-wide Statement of Activities and all proprietary fund financial statements. Accumulated depreciation is reported on the government-wide statement of net position and all proprietary fund statements of net position.

The straight-line depreciation method is used for all depreciable capital assets. Land is not depreciated. The estimated useful lives for capital assets are displayed in the following table:

Asset Class	Depreciable Life
Land Improvements	10-20 Years
Buildings	10-40 Years
Equipment	5-20 Years
Vehicles	3-10 Years
Utility Lines and Appurtenances	10-40 Years
Streets and Bridges	25 Years
Sidewalks	50 Years
Library Books	15-20 Years

(J) DEFERRED OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Deferred amounts on bond refunding represent the difference between the reacquisition price and the net carrying amount of the prior debt.

(K) ENCUMBRANCES

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrances outstanding at year end lapse and are generally re-appropriated as part of the following year's budget.

(L) COMPENSATED ABSENCES

The City allows employees to accumulate sick leave to a maximum of 720 hours. Sick leave is paid only upon illness while in the employ of the City. Sick leave is not paid upon termination. No liability provision is made for accumulated sick leave due to the uncertainty of the actual amount which may eventually be paid.

Earned vacation leave is required to be used within two years of accrual with a maximum carryover of 120 hours. Earned vacation leave is paid upon termination. Accumulated unpaid vacation pay is accrued when incurred in the government wide financial statements and in proprietary fund financial statements.

(M) LONG-TERM OBLIGATIONS

In the government-wide financial statements and fund financial statements of proprietary fund types, long term debt and obligations are reported as liabilities in the applicable statement of net position. Bond premiums or discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount.

City of Alma, Michigan
Notes to the Financial Statements
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In the fund financial statements of governmental fund types, bond premiums, discounts, and issuance costs are reported in 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. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service in the current period.

(N) PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The City receives actuarial-based calculations to compute the annual determined contributions (ADC) necessary to fund the obligations over the remaining amortization periods. In the governmental funds, pension costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contributions, adjusted for interest and "adjustment to the ADC" on the beginning of the year underpaid amount, if any.

(O) DEFERRED INFLOWS OF RESOURCES

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

Unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from five sources: property taxes, special assessments, cable franchise fees, lease income and investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

(P) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Q) FUND BALANCE POLICIES AND FLOW ASSUMPTION

In the fund financial statements, governmental funds report fund balance in the following categories:

- Non-spendable – assets that are not available in a spendable form.
- Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.
- Committed – amounts constrained on use imposed by the City's highest level of decision-making, its City Commission. A fund balance commitment may be established, modified or rescinded by a resolution of the City Commission.

City of Alma, Michigan
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- Assigned – amounts intended to be used for specific purposes, as determined by the City Commission or City Manager. The City Commission has granted the City Manager the authority to assign funds. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.
- Unassigned – all other resources, the remaining fund balances after non-spendable restrictions, commitments and assignments.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When expenditures are incurred for purposes for which committed, assigned or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: 1) committed, 2) assigned, 3) unassigned.

(R) PROPERTY TAXES

City property taxes are assessed as of December 31 and attached as an enforceable lien on property as of July 1 of the following year. The taxes are due without penalty on or before September 15. Real property taxes unpaid at March 1 are advanced to the City and collected by Gratiot County. Personal property taxes, property taxes on leased land and industrial facilities property taxes remaining unpaid at March 1 are collected by the City of Alma Treasurer. The City considers property taxes both measurable and available when they are levied on July 1 and recognizes property tax revenue at that time.

The City acts as property tax collection agent for Gratiot County, Alma Public Schools, and the Gratiot-Isabella Intermediate School District. Taxes collected on behalf of those units are remitted according to State of Michigan regulation. The tax collections are received and distributed from an agency fund. The City collects a 1% property tax administration fee.

(S) BUDGETS AND BUDGETARY ACCOUNTING

Under City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30th of each year.
2. The City Manager shall submit a proposed operating budget to the City Commission by April 20.
3. A public hearing must be held before the budget is adopted. The budget hearing must be properly noticed seven days before the hearing.
4. The City Commission must adopt the budget by resolution no later than June 1.

Formal budgetary integration is employed as a management control device for all funds except:

- Cemetery Endowment Fund – permanent fund
- Library Endowment Fund – permanent fund
- Public Safety Employees' Benefit Trust Fund – fiduciary fund
- Agency Fund – fiduciary fund
- Alma Building Authority Debt Fund – debt service fund

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriation budgets are adopted for the General, Special Revenue, Enterprise and Internal Service Funds. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for all Capital Project Funds. In addition, the City Commission approves budgets for two component units: Alma Public Library and Alma Downtown Development Authority.

The budget for the General Fund is adopted at the activity level. All other budgets are approved at the fund level. For management purposes, the City develops a more detailed budget. The City Commission must approve any revision that alters the total expenditures above the legal level. City Commission approval of projects involving intergovernmental grant funding are considered approved budget amendments when grant awards are approved. The City Manager, or his designee, is authorized to transfer budgeted amounts within these functional areas.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Excess of expenditures over appropriations

The City had the following expenditures in excess of appropriations.

Fund	Final Budget	Actual	Difference
General Fund			
Transfers out	\$ -	\$ 4,363	\$ 4,363
Major Streets Fund			
Transfers out	150,781	162,500	11,719

Fund Deficits

The City has an accumulated unrestricted net position deficit in the internal service funds in the amount of \$526,621, and the Alma Public Library fund of \$41,916 as of June 30, 2018.

(T) BUILDING PERMIT REVENUES AND RELATED EXPENDITURES

Under Public Act 245 of 1999, permit fees for building construction must be restricted to the operation of the enforcing agency. For the fiscal year ending June 30, 2018, the City of Alma collected \$41,658 in building permit fees. For the same time period, the City expended an amount in excess of the collections related to the building permit program.

(U) ADOPTION OF NEW ACCOUNTING STANDARDS

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement are effective for the fiscal year ending June 30, 2018.

(V) UPCOMING ACCOUNTING AND REPORTING CHANGES

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities should be included when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The City is evaluating the impact that the above GASBs will have on its financial reporting.

NOTE 2 - DEPOSITS AND INVESTMENTS

(A) RECONCILIATION OF DEPOSITS AND INVESTMENTS

Following is a reconciliation of cash and investments as reported in the financial statements to the City's deposits and investments:

Government-wide Financial Statement Captions:	
<i>Primary Government:</i>	
Cash and cash equivalents	\$ 3,746,937
Investments	9,415,354
<i>Fiduciary Funds:</i>	
Cash and cash equivalents	442,887
Investments	382,506
<i>Component Units:</i>	
Cash and cash equivalents	937,242
Investments	1,449,662
Restricted cash	189,444
<i>Joint Ventures:</i>	
Cash and cash equivalents	458,955
Investments	792,500
Total	<u><u>\$ 17,815,487</u></u>

Notes to Financial Statements:	
Deposits	\$ 17,332,642
Cash on hand	1,855
Investments	480,990
Total	<u><u>\$ 17,815,487</u></u>

(B) DEPOSITS

For deposits, custodial credit risk is the risk that in the event of a bank failure the government may lose its deposits in that bank. The City's investment policy restricts the amount of deposits in any one financial institution to 50% of the City's total deposits. Alma Housing Commission is included, but reported in the financial statements as of

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

December 31, 2017. At June 30, 2018, the bank balance was \$19,235,434. Of the bank balance, \$10,908,549 was covered by FDIC insurance and \$4,827,808 was collateralized by governmental securities having a fair market value of \$5,567,858, leaving \$3,499,076 uninsured and uncollateralized.

At December 31, 2017, the carrying amount of Alma Housing Commission's deposits was \$884,985 and the bank balance was \$886,036. Of the bank balance, \$250,005 was covered by FDIC insurance and \$636,031 was collateralized by governmental securities having a fair market value of \$688,139 at December 31, 2017.

Following an Attorney General Opinion, the City restricts its deposits to banks, savings and loan associations or credit unions having their principal office in the State of Michigan.

(C) INVESTMENTS

Under its investment policy, which follows State statutes, the City restricts its investments to bonds, bills, or notes of the United States; commercial paper rated prime; securities issued or guaranteed by agencies or instrumentalities of the United States; United States government federal agency obligation repurchase agreements composed of eligible collateral whose fair value must be maintained equal to or greater than amounts advanced, and with an undivided interest; bankers' acceptances; and mutual funds and investments pools that are composed entirely of the aforementioned investments that are legal for direct investment by a city.

As of June 30, 2018 the City of Alma had an investment in Michigan Class. The fair value of the investment was \$480,990. Michigan Class operates like a money market mutual fund with each share valued at \$1.00. Michigan Class has a Standard & Poor's rating of AAAM.

Interest Rate Risk

Unless matched to a specific cash flow, the City's investment policy restricts investments to one year for governmental fund types, two years for enterprise fund types, and five years for endowment funds.

Credit Risk

The City's investment policy restricts investment in commercial paper to the top investment rating provided by two nationally recognized rating agencies at the time of purchase and requires immediate sale if the principal invested becomes jeopardized. City of Alma is not invested in commercial paper.

Concentration of Credit Risk

The City of Alma uses common checking accounts for several of the operating funds. Each fund's share of the cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings in relation to the average cash balance of each fund. Investments are carried at cost as declines in fair values are considered temporary except for investments where the term is for more than twelve months or in the case of mutual funds. Investments in long term investments and mutual funds are recorded at fair value.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are in US Government instruments or securities guaranteed by the US Government or collateralized. The City has not adopted a formal custodial credit risk policy.

(D) RELATED PARTY

A City Commissioner is the vice president of deposit administration for a bank that the City holds deposits with in the amount of \$8,000,000 as of June 30, 2018.

NOTE 3 - FAIR MARKET VALUE

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

The City has the following recurring fair value measurements as of June 30, 2018:

- The Michigan Class investment is categorized as a money market mutual fund. The \$480,990 fiscal year end balance is valued using quoted market prices (Level 1 inputs).

NOTE 4 - RECEIVABLES

Receivables of the primary government and component units have been disaggregated in the following table. All major funds have been shown individually. Delinquent utility bills are placed as a lien against the property and collected in the next year with the property taxes.

	Within One Year			Long Term Receivables		Total
	Taxes	Accounts/ Special Assessments/ Utilities	Investment Earnings	Special Assessments	Contracts	
Primary Government						
Governmental Activities:						
General Fund	\$ 13,379	\$ 73,136	\$ 14,273	\$ 7,575	\$ 16,000	\$ 124,363
Major Streets Fund	-	137	11,780	-	-	11,917
Non-Major Funds	-	-	11,470	-	-	11,470
Total governmental funds	13,379	73,273	37,523	7,575	16,000	147,750
Internal service Funds	-	11,426	3,729	-	-	15,155
Total governmental activities	13,379	84,699	41,252	7,575	16,000	162,905
Business-type Activities:						
Transit Services	262	19,334	4,404	-	-	24,000
Wastewater Utility	-	315,022	5,598	28,785	-	349,405
Water Utility	-	206,613	13,069	-	-	219,682
Refuse Disposal	-	88,878	1,635	-	-	90,513
Non-Major Funds	-	7,750	3,117	-	-	10,867
Total business-type activities	262	637,597	27,823	28,785	-	694,467
Primary Government Totals	\$ 13,641	\$ 722,296	\$ 69,075	\$ 36,360	\$ 16,000	\$ 857,372
Component Units						
Alma Downtown Development Authority	\$ 530	\$ 4	\$ 406	\$ -	\$ -	\$ 940
Alma Public Library	904	1,883	863	-	-	3,650
Alma Housing Commission	-	33,617	-	-	-	33,617
Total Component Units	\$ 1,434	\$ 35,504	\$ 1,269	\$ -	\$ -	\$ 38,207

Amounts due from other governmental units to the primary government and component units have been disaggregated in the following table. All major funds have been shown individually.

	Due From Federal	Due From State	Due From Local Units	Total
Primary Government				
Governmental Activities:				
General Fund	\$ -	\$ 187,125	\$ 45,079	\$ 232,204
Major Streets Fund	-	124,497	-	124,497
Non-Major Funds	-	43,607	-	43,607
Total governmental activities	-	355,229	45,079	400,308
Business-type Activities:				
Transit Services	73,700	9,001	-	82,701
Wastewater Utility	-	41,267	129,287	170,554
Non-Major Funds	20,606	-	-	20,606
Total business-type activities	94,306	50,268	129,287	273,861
Primary Government Totals	\$ 94,306	\$ 405,497	\$ 174,366	\$ 674,169
Component Units				
Alma Public Library	\$ -	\$ -	\$ 87,554	\$ 87,554

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The following table presents amounts due at June 30, 2018:

Interfund Receivables / Payables Between Funds of Primary Government

Due From Nonmajor Governmental Funds to General Fund

Timing difference of when cash transfer was recorded on the books and actual bank transfer was made \$ 57,750

Interfund Receivables / Payables Between Governmental Activities and Component Units

Transactions Related to Internal Service Fund Eliminations

Due from Governmental Activities to Downtown Development Authority	\$ 290
Due from Alma Public Library to Governmental Activities	(39,989)
	<u>\$ (39,699)</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets including internal service funds is presented below:

Governmental Activities of Primary Government

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	\$ 3,610,427	\$ -	\$ (4,704)	\$ 3,605,723
Construction in progress	1,190,798	-	(1,151,355)	39,443
Total capital assets not being depreciated	4,801,225	-	(1,156,059)	3,645,166
Capital assets being depreciated				
Land improvements	2,160,118	62,081	-	2,222,199
Buildings and improvements	3,191,829	130,540	-	3,322,369
Equipment	2,127,092	38,269	(18,280)	2,147,081
Vehicles	2,482,554	121,767	-	2,604,321
Sidewalks	1,671,427	-	-	1,671,427
Streets and Bridges	23,855,653	1,151,355	-	25,007,008
Total capital assets being depreciated	35,488,673	1,504,012	(18,280)	36,974,405
Less accumulated depreciation for				
Land improvements	1,226,706	72,986	-	1,299,692
Buildings and improvements	2,709,049	42,352	-	2,751,401
Equipment	1,412,311	105,408	(6,093)	1,511,626
Vehicles	1,580,211	143,271	-	1,723,482
Sidewalks	492,631	41,181	-	533,812
Streets and Bridges	13,806,400	735,320	-	14,541,720
Total accumulated depreciation	21,227,308	1,140,518	(6,093)	22,361,733
Net capital assets being depreciated	14,261,365	363,494	(12,187)	14,612,672
Governmental activities capital assets, net	\$ 19,062,590	\$ 363,494	\$ (1,168,246)	\$ 18,257,838

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Depreciation expense was charged to the following governmental activities of the primary government:

Governmental Activities Depreciation Expense	
Community development	\$ 2,956
Community safety	6,519
Property maintenance	13,993
Transportation	793,239
Recreation and culture	71,571
Internal service funds	252,240
Total governmental activities	<u>\$ 1,140,518</u>

A summary of changes in capital assets for business-type activities is presented below:

Business-type Activities of Primary Government				
	Restated Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	\$ 107,903	\$ -	\$ -	\$ 107,903
Construction in progress	373,109	289,893	-	663,002
Total capital assets not being depreciated	481,012	289,893	-	770,905
Capital assets being depreciated				
Land improvements	144,427	-	-	144,427
Buildings and improvements	7,428,046	-	-	7,428,046
Equipment	1,534,693	27,995	(3,003)	1,559,685
Vehicles	510,627	-	-	510,627
Utility lines and appurtenances	16,205,574	-	-	16,205,574
Total capital assets being depreciated	25,823,367	27,995	(3,003)	25,848,359
Less accumulated depreciation for				
Land improvements	51,200	5,860	-	57,060
Buildings and improvements	3,891,204	141,266	-	4,032,470
Equipment	728,714	70,925	(3,003)	796,636
Vehicles	458,472	30,075	-	488,547
Utility lines and appurtenances	6,512,959	367,892	-	6,880,851
Total accumulated depreciation	11,642,549	616,018	(3,003)	12,255,564
Net capital assets being depreciated	14,180,818	(588,023)	-	13,592,795
Business-type capital assets, net	\$ 14,661,830	\$ (298,130)	\$ -	\$ 14,363,700

Depreciation expense was charged to the following business-type activities of the primary government:

Business-type Activities Depreciation Expense	
State Street Plaza	\$ 25,666
Transit Services	71,232
Wastewater Utility	324,907
Water Utility	193,954
Refuse Disposal	259
Total business-type activities	<u>\$ 616,018</u>

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Summaries of changes in capital assets for component units are presented in the following schedules:

Alma Public Library Component Unit

	Balances June 30, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	\$ 93,309	\$ -	\$ -	\$ 93,309
Capital assets being depreciated				
Land improvements	108,210	-	-	108,210
Buildings and improvements	3,769,327	-	-	3,769,327
Equipment	257,167	-	-	257,167
Books	691,075	-	-	691,075
Total capital assets being depreciated	4,825,779	-	-	4,825,779
Less accumulated depreciation for				
Land improvements	42,116	4,617	-	46,733
Buildings and improvements	1,169,631	93,374	-	1,263,005
Equipment	207,434	7,319	-	214,753
Books	439,676	34,399	-	474,075
Total accumulated depreciation	1,858,857	139,709	-	1,998,566
Net capital assets being depreciated	2,966,922	(139,709)	-	2,827,213
Total net capital assets	\$ 3,060,231	\$ (139,709)	\$ -	\$ 2,920,522

Alma Housing Commission Component Unit

	Balances December 31, 2016	Additions	Deletions	Balances December 31, 2017
Capital assets not being depreciated				
Land	\$ 124,090	\$ 44,495	\$ -	\$ 168,585
Capital assets being depreciated				
Land improvements	1,280,606	5,329	(44,495)	1,241,440
Buildings and improvements	6,337,088	6,850	-	6,343,938
Equipment	428,256	617	-	428,873
Total capital assets being depreciated	8,045,950	12,796	(44,495)	8,014,251
Less accumulated depreciation	6,104,125	244,737	-	6,348,862
Net capital assets being depreciated	1,941,825	(231,941)	(44,495)	1,665,389
Total net capital assets	\$ 2,065,915	\$ (187,446)	\$ (44,495)	\$ 1,833,974

Component Unit Totals

Capital assets not being depreciated		
Alma Public Library	\$ 93,309	
Alma Housing Commission	168,585	
	<u>\$ 261,894</u>	
Capital assets, net of accumulated depreciation		
Alma Public Library	\$ 2,827,213	
Alma Housing Commission	1,665,389	
	<u>\$ 4,492,602</u>	

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

NOTE 7 - PAYABLES

Payables due within one year have been disaggregated for the primary government and component units in the table below:

	<u>Vendors</u>	<u>Wages/ Benefits</u>	<u>Accrued Interest</u>	<u>Total</u>
<u>Primary Government</u>				
Governmental Activities:				
General Fund	\$ 76,976	\$ 32,309	\$ -	\$ 109,285
Major Streets Fund	101,129	-	-	101,129
Non-Major Funds	-	129	-	129
Total governmental funds	<u>178,105</u>	<u>32,438</u>	<u>-</u>	<u>210,543</u>
Internal service Funds	39,953	31,676	-	71,629
Reconciling items	-	-	505	505
Total governmental activities	<u>218,058</u>	<u>64,114</u>	<u>505</u>	<u>282,677</u>
Business-type Activities:				
Transit Services	23,561	7,479	-	31,040
Wastewater Utility	228,229	5,736	27,146	261,111
Water Utility	13,018	3,924	3,925	20,867
Refuse Disposal	35,049	-	-	35,049
Non-Major Funds	2,309	1,977	-	4,286
Total business-type activities	<u>302,166</u>	<u>19,116</u>	<u>31,071</u>	<u>352,353</u>
Primary Government Totals	<u>\$ 520,224</u>	<u>\$ 83,230</u>	<u>\$ 31,576</u>	<u>\$ 635,030</u>
<u>Component Units</u>				
Alma Downtown Development Authority	\$ 305	287	\$ -	\$ 592
Alma Public Library	13,430	5,495	2,249	21,174
Alma Housing Commission	91,424	-	-	91,424
Total Component Units	<u>\$ 105,159</u>	<u>\$ 5,782</u>	<u>\$ 2,249</u>	<u>\$ 113,190</u>

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

NOTE 8 - CHANGES IN LONG-TERM DEBT

The following summaries relate to long-term debt transactions of the primary government and discretely presented component units for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Reductions	Balance At June 30, 2018	Due Within One Year
Governmental activities					
Note payable	\$ 43,128	\$ -	\$ (10,464)	\$ 32,664	\$ 10,673
Compensated absences	236,667	88,032	(89,350)	235,349	147,317
Total long-term liabilities	<u>\$ 279,795</u>	<u>\$ 88,032</u>	<u>\$ (99,814)</u>	<u>\$ 268,013</u>	<u>\$ 157,990</u>
Business-type activities					
Bonds payable					
General obligation bonds	\$ 3,030,000	\$ -	\$ (320,000)	\$ 2,710,000	\$ 335,000
Special assessment bonds	95,000	-	(20,000)	75,000	20,000
Revenue bonds	3,414,511	-	(195,000)	3,219,511	195,000
Total bonds payable	<u>6,539,511</u>	<u>-</u>	<u>(535,000)</u>	<u>6,004,511</u>	<u>550,000</u>
Compensated absences	67,164	21,869	(25,458)	63,575	41,707
Total long-term liabilities	<u>\$ 6,606,675</u>	<u>\$ 21,869</u>	<u>\$ (560,458)</u>	<u>\$ 6,068,086</u>	<u>\$ 591,707</u>
Component Units					
Bonds payable					
General obligation bonds	\$ 1,760,000	\$ -	\$ (200,000)	\$ 1,560,000	\$ 205,000
Compensated absences	56,732	13,160	(9,115)	60,777	22,831
Total long-term liabilities	<u>\$ 1,816,732</u>	<u>\$ 13,160</u>	<u>\$ (209,115)</u>	<u>\$ 1,620,777</u>	<u>\$ 227,831</u>

The note payable in governmental activities is a Brownfield Redevelopment Loan with Michigan Department of Environmental Quality, Remediation Division. The contract was executed on September 21, 2005. The ten year repayment commenced September 21, 2010. Interest is at a nominal annual rate of 2%. The annual requirements to pay future principal and interest on the note payable are as follows:

Primary Government - Governmental Activities			
Year Ending June 30,	Note Payable		
	Principal	Interest	Total
2019	\$ 10,673	\$ 653	\$ 11,326
2020	10,886	440	11,326
2021	11,105	222	11,327
	<u>\$ 32,664</u>	<u>\$ 1,315</u>	<u>\$ 33,979</u>

For governmental activities, compensated absences are generally liquidated by the general fund. Internal service funds predominantly serve the governmental funds. Accordingly, compensated absences for internal service funds are included as part of the totals for governmental activities.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

City of Alma, Michigan
Notes to the Financial Statements
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Long-term bonded debt of the primary government and discretely presented component units is comprised of the following individual issues:

	Balance at June 30, 2017	Additions	Reductions	Balance At June 30, 2018	Due Within One Year
Business-type activities:					
\$485,000 2006 General Obligation Bonds. Bonds due in annual installments of \$20,000 to \$25,000 through May 1, 2022, interest at 4.60% to 4.75%. Sold at par.	\$ 110,000	\$ -	\$ (20,000)	\$ 90,000	\$ 25,000
\$755,000 2011 Capital Improvement Limited Tax General Obligation Bonds. Bonds due in annual installments of \$50,000 to \$70,000 through May 1, 2026, interest at 3.30% to 4.50% Sold at par.	505,000	-	(45,000)	460,000	50,000
\$2,655,000 2016 General Obligation Refunding Bonds. Bonds due in annual installments of \$260,000 to \$310,000 through May 1, 2026, interest at 1.88% Sold at par.	2,415,000	-	(255,000)	2,160,000	260,000
\$500,000 2006 Special Assessment Bonds. Bonds due in annual installments of \$20,000 to \$25,000 through May 1, 2022, interest at 4.60% to 4.75%. Sold at par.	95,000	-	(20,000)	75,000	20,000
\$1,465,451 2011 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$60,000 to \$90,451 through April 1, 2032, interest at 2.5%.	1,155,451	-	(65,000)	1,090,451	65,000
\$660,000 2013 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$30,000 to \$39,960 through April 1, 2033, interest at 2.0%.	544,960	-	(30,000)	514,960	30,000
\$494,981 2012 Sewer System Junior Lien Revenue Bonds, Series 2012. Bonds due in installments of \$20,000 to \$34,981 through April 1, 2032, interest at 2.5%.	394,981	-	(20,000)	374,981	20,000
Lien Revenue Bonds, Series 2013. Bonds due in installments of \$60,000 to \$85,000 through April 1, 2033, interest at 2.5%.	1,160,000	-	(60,000)	1,100,000	60,000
Lien Revenue Bonds, Series 2013. Bonds due in installments of \$19,119 to \$25,000 through April 1, 2024, interest at 2.5%.	159,119	-	(20,000)	139,119	20,000
Total Business-type activities	<u>\$ 6,539,511</u>	<u>\$ -</u>	<u>\$ (535,000)</u>	<u>\$ 6,004,511</u>	<u>\$ 550,000</u>
Component Units:					
\$1,945,000 General Obligation Refunding Bonds. Bonds due in annual installments of \$205,000 to \$240,000 through June 1, 2025, interest 1.73%.	<u>\$ 1,760,000</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 1,560,000</u>	<u>\$ 205,000</u>

The annual requirements to pay future principal and interest on bonded debt are as follows:

Primary Government - Business-type Activities

Year Ending June 30,	General Obligation Bonds		Special Assessment Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 335,000	\$ 63,278	\$ 20,000	\$ 3,502	\$ 195,000	\$ 75,282	\$ 550,000	\$ 142,062
2020	340,000	55,590	20,000	2,582	215,000	70,432	575,000	128,604
2021	345,000	47,884	20,000	1,652	215,000	65,333	580,000	114,869
2022	365,000	39,948	15,000	712	220,000	60,108	600,000	100,768
2023	350,000	31,258	-	-	225,000	54,783	575,000	86,041
2024 - 2028	975,000	44,540	-	-	1,079,119	197,026	2,054,119	241,566
2029 - 2033	-	-	-	-	1,070,392	63,654	1,070,392	63,654
	<u>\$ 2,710,000</u>	<u>\$ 282,498</u>	<u>\$ 75,000</u>	<u>\$ 8,448</u>	<u>\$ 3,219,511</u>	<u>\$ 586,618</u>	<u>\$ 6,004,511</u>	<u>\$ 877,564</u>

The City has pledged its full faith and credit on the special assessment bonds. In the event that the special assessments collected do not provide sufficient resources to repay the bonds, the City will be responsible for the repayment.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

Component Units			
Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 205,000	\$ 26,988	\$ 231,988
2020	210,000	23,442	233,442
2021	215,000	19,808	234,808
2022	225,000	16,090	241,090
2023	230,000	12,196	242,196
2024 - 2025	475,000	12,370	487,370
	\$ 1,560,000	\$ 110,894	\$ 1,670,894

NOTE 9 - INTERFUND TRANSFERS

During the year, the following transfers were made between funds:

	Transfers from:			Totals
	General Fund	Major Streets Fund	Nonmajor Governmental Funds	
Transfers to:				
General Fund: cemetery maintenance	\$ -	\$ -	\$ 1,978	\$ 1,978
Nonmajor Governmental Funds: operations	4,363	162,500	-	166,863
Totals	\$ 4,363	\$ 162,500	\$ 1,978	\$ 168,841

NOTE 10 - PENSION PLANS

(A) MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

Plan description – The City participates in the Michigan Municipal Employees’ Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all full-time employees of the City. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to:

Municipal Employees Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917
<http://www.mersofmich.com>

Benefits provided – At the December 31, 2017 valuation date, the benefits provided were as follows:

	General	POAM/COAM Middle Emp	Fire Volunteer	Housing Commission	POAM/COAM Senior Emp
Status	Open	Closed to new hires	Open	Open	Closed to new hires
Benefit Multiplier	2.25% (80% max)	2.00% (no max)	2.25% (80% max)	2.25% (80% max)	2.50% (80% max)
Normal Retirement Age	60	60	60	60	60
Vesting	10 years	10 years	10 years	10 years	10 years
Early Retirement (Unreduced)	N/A	55/25	N/A	N/A	55/25
Early Retirement (Reduced)	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15	50/25 or 55/15
Final Average Compensation	3 years	3 years	3 years	3 years	3 years
Employee Contributions	5.50%	4.83%	5.50%	5.50%	5.00%
DC Plan for New Hires	N/A	7/28/1997	N/A	N/A	N/A

City of Alma, Michigan
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The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Employees covered by benefit terms – At the December 31, 2017 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to, but not yet receiving benefits	6
Active employees	74
	167

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 10.77% to 19.57% based on annual payroll for open divisions. The division closed to new employees has an annual employer contribution amount of \$167,004.

Net pension liability – The employer’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.75% in the long-term; 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

Mortality rates used were based on a 50% male and 50% female blend of the following tables: the RP-2014 Healthy Annuitant Mortality Tables, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% male and 50% female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study. There were no significant changes in assumptions in the latest actuarial valuation.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.5%	8.65%
Global fixed income	18.5%	3.76%
Real assets	13.5%	9.72%
Diversifying strategies	12.5%	7.50%

City of Alma, Michigan
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Discount rate – The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Changes in the net pension liability during the measurement year were as follows:

Total Pension Liability	
Service cost	\$ 302,791
Interest on the total pension liability	1,749,781
Experience differences	37,163
Benefit payments and refunds	(1,467,129)
Net change in total pension liability	622,606
Total pension liability - beginning	22,454,433
Total pension liability - ending (a)	\$ 23,077,039
Plan Fiduciary Net Position	
Employer contributions	\$ 530,295
Employee contributions	178,066
Pension plan net investment income	2,195,796
Benefit payments and refunds	(1,467,129)
Pension plan administrative expense	(34,814)
Net change in plan fiduciary net position	1,402,214
Plan fiduciary net position - beginning	16,861,571
Plan fiduciary net position - ending (b)	\$ 18,263,785
Net pension liability (a-b)	\$ 4,813,254
Plan fiduciary net position as a percentage of total pension liability	79.14%
Covered employee payroll	2,992,991
Net pension liability as a percentage of covered employee payroll	160.82%

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 25,422,614	\$ 23,077,039	\$ 21,066,021
Fiduciary net position	18,263,785	18,263,785	18,263,785
Net pension liability	\$ 7,158,829	\$ 4,813,254	\$ 2,802,236

City of Alma, Michigan
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Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2018, the employer recognized pension expense of \$990,888. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount to Amortize
Differences in experience	\$ 103,189	\$ (94,618)	\$ 8,571
Differences in assumptions	267,444	-	267,444
Excess investment returns	-	(345,075)	(345,075)
Contributions subsequent to the measurement date*	254,659	-	-
Total	<u>\$ 625,292</u>	<u>\$ (439,693)</u>	<u>\$ (69,060)</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the net pension expense for the following fiscal year. The joint ventures report a portion of the net pension liability and related deferred outflows of resources. The City's financial statements report the investment in joint ventures using the equity method. Therefore, a portion of the contributions are not recorded on the City's financial statements, except as they relate to the overall investment in the joint venture.

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

Year Ended June 30,	
2019	\$ 388,919
2020	(10,818)
2021	(275,021)
2022	(174,529)
2023	1,193
Thereafter	1,196
	<u>\$ (69,060)</u>

The net pension liability and deferred outflows of resources have been reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Pension Liability
Governmental activities	\$ 389,189	\$ 304,769	\$ 3,284,683
Business-type activities	149,656	71,789	837,652
Component units	63,984	41,148	476,847
Joint ventures	22,463	21,987	214,072
	<u>\$ 625,292</u>	<u>\$ 439,693</u>	<u>\$ 4,813,254</u>

(B) POLICE DEFINED CONTRIBUTION PLAN

The Police Defined Contribution Plan is a 401A defined contribution pension plan administered by the ICMA Retirement Corporation through MERS. All full-time sworn union police officers hired after July 28, 1997 received the defined contribution plan. As of June 30, 2018 twelve officers were participating in the defined contribution plan. Under the contract agreement, the employees contribute 4.65% of gross compensation and the City contributes 5.85% of gross compensation. Over the past year, the employees contributed \$28,129 and the City contributed \$35,429 to the plan. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

City of Alma, Michigan
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(C) MIDDLE TIER POLICE OFFICERS PLAN

The Middle Tier Police Officers Plan is a 401A defined contribution plan administered by the ICMA Retirement Corporation. This plan covered all full-time police officers that were hired by July 27, 1997 and had less than 20 years of service and were not age 50 or older. This is a supplemental pension plan that is not currently receiving contributions from either the employees or the City. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

(D) 457 RETIREMENT PLAN

The City maintains a Section 457 retirement plan for eligible employees. The City contributes 1.5% of gross compensation for eligible employees. Over the past year, the employees contributed \$99,109 and the City contributed \$10,106 to the plan. Plan provisions and contribution requirements are established through negotiation between the City and the police unions. The plan can be amended by mutual agreement of the City and the unions.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risk of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City is a member of Michigan Municipal Risk Management Authority, a public entity risk pool of cities, counties, authorities, colleges and other local units of government. The Authority had more than 300 members as of June 30, 2018. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services for general and automotive liability, motor vehicle physical damage, and property; purchase or otherwise make other provisions for reinsurance, excess insurance or make other provisions for payment of losses and related expenses; and provide claims, legal defense and related general administrative services to members.

The Authority is governed by a ten member Board of Directors composed of local government representatives from the membership elected by the membership. The Board of Directors establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered to impose sanctions or terminate membership.

The City's maximum retention on general liability and auto liability is \$75,000 per occurrence. The retention limit on auto physical damage is \$15,000 per unit and \$30,000 per occurrence after a \$1,000 deductible. The retention limits for property coverage are subject to a \$1,000 deductible with 10% of the first \$100,000 to be paid by the City. At June 30, 2018, the City had funds on deposit of \$220,737 with the Authority in the Member Risk Retention Fund. Claims have not exceeded coverage in any of the prior three fiscal years.

The City uses a risk management program for risks associated with the employees' dental insurance program and Supplemental Medical Reimbursement program. The City self-funds a portion of the deductibles associated with the employees' Blue Cross/Blue Shield program. The Supplemental Medical Reimbursement program allows an employee to be reimbursed for a portion of higher deductibles purchased from Blue Cross/Blue Shield. A cost per covered employee is calculated using trends in actual claims experience. That cost is allocated to each fund based on the covered employees accounted for in that fund. Liabilities of the program are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. All liabilities are considered current and have not been discounted. The maximum out of pocket cost for the City is \$1,000 for each eligible employee and qualified dependent. Liabilities include an amount for claims that have been incurred but not yet reported (IBNRs).

City of Alma, Michigan
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	2018	2017
Beginning of year - claims incurred but not reported	\$ 8,582	\$ 9,706
Claims incurred	53,201	33,457
Payments on claims	(53,201)	(33,457)
Change in estimate	-	(1,124)
End of year - claims incurred but not report	\$ 8,582	\$ 8,582

Claims have not exceeded insurance coverage in any of the prior three fiscal years.

NOTE 12 - CONTINGENCIES AND COMMITMENTS

(A) GRANTS AND REIMBURSEMENTS

The City has received federal and state grants for specific purposes subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement would not be material.

(B) PENDING LITIGATION

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel, with the exception of the follow matter, that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The current chief of police filed suit against the City. Subsequent to fiscal year end an out of court settlement was reached in an amount not material to the City and the case is now closed.

(C) CONSTRUCTION COMMITMENTS

At June 30, 2018, the City, including joint ventures, has a balance of \$377,245 remaining on construction commitments which totaled \$979,586.

(D) POSTCLOSURE CARE OF LANDFILL

In October of 2007, Weston Solutions, working on behalf of the Michigan Department of Environmental Quality (MDEQ), issued a report entitled "Site Investigation Report Midwest Refinery/Pine River Alma, MI". The report was part of a project to identify sites impacting the Pine River and its sediments. Subsequently, City of Alma was informed that the report identified Euclid Ball Field site as a former dump site. The City of Alma retained NTH Consultants to assist with additional assessment of the current conditions at the Euclid Ball Field site with respect to the City's obligations under Part 201, Environmental Remediation, of Michigan's Natural Resources and Environmental Protection Act, 1994 P.A. 451, as amended (Part 201).

According to historical MDEQ file information, beginning in October 1958, the City of Alma owned and operated the City of Alma Municipal Landfill at the site currently known as Euclid Ball Field. The site covers approximately 7 acres and generally sits adjacent to the Pine River in the City of Alma. Active filling of the landfill took place between 1958 and 1969, and before this time, the site was reportedly used for land filling various waste residuals by the Alma Sugar Company.

The results of the study performed by NTH Consultants were reviewed with representatives from the Michigan Department of Environmental Quality, NTH Consultants and City of Alma. The MDEQ recommended that the City pursue a "mixing zone" designation for Euclid Ball Field. This means that when the groundwater is mixed with river water the resulting combination of water and impurities is so diluted that it is unlikely to harm the environment or aquatic life. The City will have some ongoing responsibilities for continuing to monitor and occasionally test the groundwater. The groundwater does not have to be routed through our wastewater plant.

Additionally, there are two hotspots on the site with elevated concentrations of lead. The first spot is just outside the outfield fence and is covered in vegetation. The second spot is at the far end of the field near the river bank and is covered by a patch of poison ivy. The options for remediation of the first hot spot include covering the spot

City of Alma, Michigan
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with clean soil, removing the soil or capping the spot with an asphalt cover. The exact method of remediation has not yet been agreed to with MDEQ. Remediation of the second hot spot is still being discussed with MDEQ. Estimates of the cost of remediation and monitoring the groundwater are currently being developed.

NOTE 13 - LEASE AGREEMENTS

The City currently has operating lease agreements for office space in the State Street Plaza. Individual details of these agreements are not significant.

There are two lease agreements with The Lamar Companies for ground space on which they erected bill board signs for advertising. Both leases are for twenty-five years, ending June 1, 2026, at a rate of \$1,000 per year or 10% of net sales, whichever is higher.

The City owns vacant land which it leases for agricultural purposes. A local farming operation leases a total of 42 acres. Individual details of this lease are not significant.

The City owns property at 6524 N Jerome Road. Great Lakes Petroleum leases the property at a rate of \$340 per month.

Water towers are leased to various cellular providers with monthly rates ranging from \$832 to \$1,282.

Future minimum rentals to be received under these leases as of June 30, 2018 are as follows:

Fiscal year ending June 30,	
2019	\$ 79,140
2020	4,500
2021	2,000
2022	2,000
2023	2,000
2024-2028	8,000
	<u>\$ 97,640</u>

Property Description	Property Cost	Accumulated Depreciation	Carrying Amount	Remaining Lease Payments
State Street Building	\$ 436,611	\$ 394,070	\$ 42,541	\$ 16,900
Land at 820 Superior Street	13,000	-	13,000	9,000
Land at Lot 83 of Elmwood Subdivision	1,076	-	1,076	9,000
Agricultural Land	18,078	-	18,078	1,728
Agricultural Land	131,785	-	131,785	2,150
6524 N Jerome Road	-	-	-	4,080
Water tower	-	-	-	54,782
	<u>\$ 600,550</u>	<u>\$ 394,070</u>	<u>\$ 206,480</u>	<u>\$ 97,640</u>

NOTE 14 - PERMANENT FUNDS

The City of Alma has two permanent funds that were created by ordinance by the Alma City Commission. The Cemetery Endowment Fund receives half the proceeds from the sale of grave lots. The Library Endowment Fund was created through donations. The creating ordinances permit up to eighty percent of current interest revenue, excluding any gains or losses recorded to adjust investments to market, to be transferred to the designated activity. In fiscal year 2018, the Cemetery Endowment Fund earned \$2,474 in investment income and transferred \$1,978 to the General Fund for cemetery operations. The Library Endowment Fund earned \$1,849 in investment income and transferred \$1,479 to Alma Public Library for collection purchases. Transfer of funds was made prior to June 30, 2018.

City of Alma, Michigan
Notes to the Financial Statements
June 30, 2018

NOTE 15 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under programs as authorized under Public Act 198 of 1974, as amended (PA 198), Public Act 346 of 1966 (PA 346) and Public Act 381 of 1996, as amended (PA 381).

PA 198 (Industrial Property Tax Abatement) allows abatements to encourage Michigan manufacturers to build new plans, expand existing plans, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement. Once approved the firm pays an Industrial Facilities Tax (IFT), instead of property taxes, which reflects the abatement savings. The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to the construction of a new facility are not exempt. Likewise, any structures or equipment added after completion of the project are fully taxable. The IFT on new plant and non-industrial personal property is computed at half the local property mileage rate, resulting in a reduction of property taxes of approximately 50%. For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement, resulting in a 100% exemption from property tax on the value of the improvements. A speculative building would be eligible for a reduction in property taxes of approximately 50%. Commercial personal property will receive an automatic reduction of 12 mills for local school on their property tax bill. The City abated \$74,294 related to PA 198 during fiscal year 2018.

PA 346 (State Housing Development Authority Act) provides property tax abatements in the form of payments in lieu of taxes for nonprofit housing corporations, consumer housing cooperatives, limited dividend housing corporations, mobile home park corporations, and mobile home park associations. Properties must meet eligibility requirements. The City abated \$129,482 related to PA 346 during fiscal year 2018.

PA 381 (Brownfield Redevelopment Abatement) allows abatements to encourage the purchase and revitalization of properties in which redevelopment or reuse may be complicated by the presence or perception of contamination. Revitalizing and redeveloping these properties protects the environment, reuses existing infrastructure, minimizes urban sprawl and creates economic opportunities. The City abated \$34,063 related to PA 381 during fiscal year 2018.

PA 146 (Obsolete Property Rehabilitation Act) provides property tax exemptions for commercial properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1 to 12 years as determined by the City. The City abated \$12,708 related to PA 146 during fiscal year 2018.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

Net position of the Water Utility Fund and the total business-type activities were restated to correct for an error in capital assets and investment in joint venture. Well #2 has been impaired for several years and capital assets should have been reduced for the impairment. Therefore, net position as of July 1, 2017 was reduced by \$403,192. The City originally recorded an investment in joint venture for the Gratiot Area Water Authority (GAWA). Upon further examination of executed agreements, the City has no explicit interest in the net position of GAWA. Therefore, net position as of July 1, 2017 was reduced by \$1,270,085. These corrections restated the Water Utility Fund net position from \$7,137,870 to \$5,464,593, and the total business-type activities net position from \$15,102,376 to \$13,429,099.

NOTE 17 - SUBSEQUENT EVENT

Subsequent to year end, the City entered into an agreement with a third party under which the City was to plug and abandon a discontinued municipal water supply well, and to enact a groundwater use ordinance governing certain areas of the City and impose institutional controls on certain City-owned real property. In exchange, the City received a \$539,322 cash payment.

REQUIRED SUPPLEMENTARY INFORMATION

City of Alma
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final Budget
Revenues				
Taxes	\$ 2,398,528	\$ 2,398,528	\$ 2,394,602	\$ (3,926)
Licenses and permits	66,050	66,050	69,012	2,962
Federal grants	-	-	3,106	3,106
Intergovernmental revenue	1,070,205	1,070,205	1,179,061	108,856
Charges for services	274,720	274,720	237,905	(36,815)
Fines and forfeitures	30,000	30,000	26,753	(3,247)
Investment income	17,785	17,785	22,906	5,121
Rental income	17,850	17,850	28,973	11,123
Other revenue	102,600	102,600	54,059	(48,541)
Total revenues	3,977,738	3,977,738	4,016,377	38,639
Expenditures				
Community Development				
Economic development	292,155	243,155	210,165	(32,990)
Contribution to Downtown Development Authority	6,000	6,000	6,000	-
Downtown maintenance	65,044	74,044	73,210	(834)
Zoning	24,991	24,991	24,071	(920)
Total community development	388,190	348,190	313,446	(34,744)
Community Safety				
Police	1,638,253	1,638,253	1,562,425	(75,828)
Contribution to Rural Urban Fire Board	232,097	232,097	232,096	(1)
Inspection services	150,300	150,300	128,252	(22,048)
Total community safety	2,020,650	2,020,650	1,922,773	(97,877)
Property Maintenance				
Riverside Cemetery	221,168	273,168	246,605	(26,563)
Municipal building	111,885	111,885	108,013	(3,872)
Total property maintenance	333,053	385,053	354,618	(30,435)
Transportation				
Contribution to Gratiot Community Airport Authority	26,000	26,000	26,000	-
Sidewalks	96,785	96,785	58,128	(38,657)
Public service permits	12,578	12,578	9,349	(3,229)
Street lighting	122,034	122,034	111,830	(10,204)
Total transportation	257,397	257,397	205,307	(52,090)
Recreation and Culture				
Parks and recreation	308,620	308,620	258,025	(50,595)
Contribution to Alma Public Library	175,000	175,000	175,000	-
Contribution to Mid-MI Area Cable Consortium	20,880	20,880	20,795	(85)
Total recreation and culture	504,500	504,500	453,820	(50,680)
Executive Administration				
City commission	55,116	35,116	32,404	(2,712)
City manager	100,882	205,382	203,392	(1,990)
City clerk	69,009	69,009	62,210	(6,799)
Total executive administration	225,007	309,507	298,006	(11,501)

City of Alma
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Fiscal Services				
City treasurer	\$ 86,845	\$ 131,845	\$ 139,495	\$ 7,650
City assessor	172,921	187,921	175,614	(12,307)
Total fiscal services	<u>259,766</u>	<u>319,766</u>	<u>315,109</u>	<u>(4,657)</u>
Debt service				
Principal retirement	10,464	10,464	10,464	-
Interest and fiscal charges	870	870	863	(7)
Total debt service	<u>11,334</u>	<u>11,334</u>	<u>11,327</u>	<u>(7)</u>
Total expenditures	<u>3,999,897</u>	<u>4,156,397</u>	<u>3,874,406</u>	<u>(281,991)</u>
Excess (deficiency) of revenues over expenditures	<u>(22,159)</u>	<u>(178,659)</u>	<u>141,971</u>	<u>320,630</u>
Other financing sources				
Transfers in	3,595	3,595	1,978	(1,617)
Transfers out	-	-	(4,363)	(4,363)
Sale of fixed assets	-	-	9,182	9,182
Total other financing sources	<u>3,595</u>	<u>3,595</u>	<u>6,797</u>	<u>3,202</u>
Net change in fund balance	<u>(18,564)</u>	<u>(175,064)</u>	<u>148,768</u>	<u>323,832</u>
Fund balance - beginning of year	<u>3,258,405</u>	<u>3,258,405</u>	<u>3,258,405</u>	<u>3,258,405</u>
Fund balance - end of year	<u>\$ 3,239,841</u>	<u>\$ 3,083,341</u>	<u>\$ 3,407,173</u>	<u>\$ 3,582,237</u>

City of Alma
Budgetary Comparison Schedule
Major Streets Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Final
				Budget
Revenues				
Federal grants	\$ -	\$ -	\$ 70,010	\$ 70,010
Intergovernmental revenue	603,127	603,127	750,868	147,741
Charges for services	92,250	92,250	42,857	(49,393)
Investment income	19,118	19,118	13,087	(6,031)
Other revenue	-	-	533	533
Total revenues	714,495	714,495	877,355	162,860
Expenditures				
Transportation				
Construction	96,500	398,500	415,096	16,596
Michigan trunkline maintenance	56,577	56,577	39,647	(16,930)
Street and right-of-way maintenance	112,118	112,118	65,000	(47,118)
Bridge maintenance	3,003	3,003	1,500	(1,503)
Traffic services	47,005	47,005	20,459	(26,546)
Storm sewer maintenance	43,617	43,617	11,081	(32,536)
Winter maintenance	65,490	65,490	50,193	(15,297)
Administration	8,389	8,389	5,725	(2,664)
Total expenditures	432,699	734,699	608,701	(125,998)
Excess (deficiency) of revenues over expenditures	281,796	(20,204)	268,654	288,858
Other financing uses				
Transfers out	(150,781)	(150,781)	(162,500)	(11,719)
Net change in fund balance	131,015	(170,985)	106,154	277,139
Fund balance - beginning of year	2,278,471	2,278,471	2,278,471	2,278,471
Fund balance - end of year	\$ 2,409,486	\$ 2,107,486	\$ 2,384,625	\$ 2,555,610

City of Alma
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2018

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 302,791	\$ 309,665	\$ 313,992	\$ 294,442
Interest on the total pension liability	1,749,781	1,718,730	1,563,120	1,562,072
Experience differences	37,163	(198,912)	297,688	-
Changes in actuarial assumptions	-	-	1,069,778	-
Other changes	-	1	48,849	1
Benefit payments and refunds	<u>(1,467,129)</u>	<u>(1,408,696)</u>	<u>(1,283,580)</u>	<u>(1,239,396)</u>
Net change in total pension liability	622,606	420,788	2,009,847	617,119
Total pension liability - beginning	<u>22,454,433</u>	<u>22,033,645</u>	<u>20,023,798</u>	<u>19,406,679</u>
Total pension liability - ending (a)	<u>\$ 23,077,039</u>	<u>\$ 22,454,433</u>	<u>\$ 22,033,645</u>	<u>\$ 20,023,798</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 530,295	\$ 456,069	\$ 381,166	\$ 327,410
Employee contributions	178,066	175,037	173,737	164,795
Pension plan net investment income (loss)	2,195,796	1,777,699	(247,530)	1,041,229
Benefit payments and refunds	(1,467,129)	(1,408,696)	(1,283,580)	(1,239,396)
Pension plan administrative expense	<u>(34,814)</u>	<u>(35,118)</u>	<u>(36,550)</u>	<u>(38,113)</u>
Net change in plan fiduciary net position	1,402,214	964,991	(1,012,757)	255,925
Plan fiduciary net position - beginning	<u>16,861,571</u>	<u>15,896,580</u>	<u>16,909,337</u>	<u>16,653,412</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,263,785</u>	<u>\$ 16,861,571</u>	<u>\$ 15,896,580</u>	<u>\$ 16,909,337</u>
Net pension liability (a-b)	<u>\$ 4,813,254</u>	<u>\$ 5,592,862</u>	<u>\$ 6,137,065</u>	<u>\$ 3,114,461</u>
Plan fiduciary net position as a percentage of total pension liability	79.14%	75.09%	72.15%	84.45%
Covered employee payroll	\$ 2,992,991	\$ 3,087,594	\$ 3,147,432	\$ 2,950,843
Net pension liability as a percentage of covered employee payroll	160.82%	181.14%	194.99%	105.54%

Note 1: The joint ventures are recorded on the City's financial statements using the equity method. The joint ventures have recorded their proportionate share of the above net pension liability.

*GASB Statement No. 68 was implemented for the fiscal year ended June 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

City of Alma
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
June 30, 2018

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2009	\$ 137,340	\$ 162,538	\$ (25,198)	\$ 3,052,302	5.33%
6/30/2010	160,668	150,624	10,044	2,989,733	5.04%
6/30/2011	214,704	163,855	50,849	3,029,810	5.41%
6/30/2012	237,912	216,042	21,870	2,980,941	7.25%
6/30/2013	279,504	242,253	37,251	2,949,631	8.21%
6/30/2014	262,728	278,860	(16,132)	3,013,287	9.25%
6/30/2015	327,410	327,410	-	2,949,367	11.10%
6/30/2016	381,166	381,166	-	3,172,776	12.01%
6/30/2017	456,069	456,069	-	3,130,701	14.57%
6/30/2018	530,295	530,295	-	3,127,404	16.96%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage, open
Remaining amortization period	21 years
Asset valuation method	5-year smoothed value of assets
Price inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	60
Mortality	RP-2014 Healthy Annuitant Mortality Tables - 50% male and 50% female blend RP-2014 Employee Mortality Tables - 50% male and 50% female blend RP-2014 Juvenile Mortality Tables - 50% male and 50% female blend RP-2014 Disabled Retiree Mortality Tables - 50% male and 50% female blend

OTHER SUPPLEMENTARY INFORMATION

City of Alma
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Permanent Funds		Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Cemetery Endowment	Library Endowment	Local Streets	Street Improvement Millage	Local Development Financing Authority	Housing Improvement	Alma Building Authority	
Assets								
Cash and cash equivalents	\$ 137,400	\$ 102,627	\$ 205,711	\$ 110,731	\$ 6,144	\$ 57,872	\$ 3,563	\$ 624,048
Investments	315,121	235,375	465,093	250,351	13,891	-	8,055	1,287,886
Receivables	2,268	1,694	3,562	2,870	100	918	58	11,470
Due from other units of government	-	-	43,607	-	-	-	-	43,607
Total assets	\$ 454,789	\$ 339,696	\$ 717,973	\$ 363,952	\$ 20,135	\$ 58,790	\$ 11,676	\$ 1,967,011
Liabilities								
Current payables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129	\$ -	\$ 129
Due to other funds	-	-	-	-	-	57,750	-	57,750
Due to other units of government	-	-	-	-	-	31	-	31
Total liabilities	-	-	-	-	-	57,910	-	57,910
Deferred inflows of resources								
Unavailable property tax revenue	-	-	-	1,068	-	-	-	1,068
Unavailable investment income	2,268	1,694	3,347	1,710	100	880	58	10,057
Total deferred inflows of resources	2,268	1,694	3,347	2,778	100	880	58	11,125
Fund Balances								
Non-spendable								
Permanent Fund principal (nonexpendable)	452,521	338,002	-	-	-	-	-	790,523
Restricted for								
Street maintenance	-	-	714,626	361,174	-	-	-	1,075,800
TIF district infrastructure	-	-	-	-	20,035	-	-	20,035
Debt service	-	-	-	-	-	-	11,618	11,618
Total fund balances	452,521	338,002	714,626	361,174	20,035	-	11,618	1,897,976
Total liabilities, deferred inflows of resources, and fund balances	\$ 454,789	\$ 339,696	\$ 717,973	\$ 363,952	\$ 20,135	\$ 58,790	\$ 11,676	\$ 1,967,011

City of Alma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Permanent Funds		Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Cemetery Endowment	Library Endowment	Local Streets	Street Improvement Millage	Local Development Financing Authority	Housing Improvement	Alma Building Authority	
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ 396,451	\$ -	\$ -	\$ -	\$ 396,451
Federal grants	-	-	-	-	-	444,444	-	444,444
Intergovernmental	-	-	254,971	-	-	-	-	254,971
Charges for services	1,050	-	-	-	-	-	-	1,050
Investment income	2,474	1,849	3,084	2,504	102	918	63	10,994
Total revenues	3,524	1,849	258,055	398,955	102	445,362	63	1,107,910
Expenditures								
Current								
Housing and redevelopment	-	-	-	-	-	452,992	-	452,992
Transportation	-	-	238,613	192,486	-	-	-	431,099
Recreation and culture	-	1,479	-	-	-	-	-	1,479
Total expenditures	-	1,479	238,613	192,486	-	452,992	-	885,570
Excess (deficiency) of revenues over expenditures	3,524	370	19,442	206,469	102	(7,630)	63	222,340
Other financing sources (uses)								
Transfers in	-	-	162,500	-	-	4,363	-	166,863
Transfers out	(1,978)	-	-	-	-	-	-	(1,978)
Total other financing sources and uses	(1,978)	-	162,500	-	-	4,363	-	164,885
Net change in fund balance	1,546	370	181,942	206,469	102	(3,267)	63	387,225
Fund balance - beginning of year	450,975	337,632	532,684	154,705	19,933	3,267	11,555	1,510,751
Fund balance - end of year	\$ 452,521	\$ 338,002	\$ 714,626	\$ 361,174	\$ 20,035	\$ -	\$ 11,618	\$ 1,897,976

City of Alma
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2018

	Enterprise Funds		
	State Street Plaza	Transit Special Services	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 187,118	\$ 21,183	\$ 208,301
Investments	424,450	8,807	433,257
Receivables, net	6,687	4,180	10,867
Due from other units of government	-	20,606	20,606
Total current assets	618,255	54,776	673,031
Noncurrent assets			
Land	62,300	-	62,300
Land improvements	137,422	-	137,422
Buildings and improvements	769,791	-	769,791
Less accumulated depreciation	(719,356)	-	(719,356)
Total noncurrent assets	250,157	-	250,157
Total assets	868,412	54,776	923,188
Liabilities			
Current liabilities			
Current payables	2,453	1,833	4,286
Due to other units of government	11	371	382
Current portion of noncurrent liabilities	-	3,360	3,360
Total current liabilities	2,464	5,564	8,028
Noncurrent liabilities			
Compensated absences	-	1,222	1,222
Total liabilities	2,464	6,786	9,250
Net Position			
Net investment in capital assets	250,157	-	250,157
Unrestricted	615,791	47,990	663,781
Total net position	\$ 865,948	\$ 47,990	\$ 913,938

City of Alma
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Year Ended June 30, 2018

	Enterprise Funds		Total
	State Street Plaza	Transit Special Services	
Operating Revenue			
Charges for services	\$ 38,986	\$ 61,376	\$ 100,362
Operating Expenses			
Facility and vehicle maintenance	45,858	-	45,858
Transit operations	-	137,847	137,847
Accounting and administration	10,384	-	10,384
Depreciation	25,666	-	25,666
Total operating expenses	81,908	137,847	219,755
Operating loss	(42,922)	(76,471)	(119,393)
Nonoperating Revenues			
Intergovernmental	-	41,213	41,213
Investment income	5,087	344	5,431
Total nonoperating revenues	5,087	41,557	46,644
Change in net position	(37,835)	(34,914)	(72,749)
Net position - beginning of year	903,783	82,904	986,687
Net position - end of year	<u>\$ 865,948</u>	<u>\$ 47,990</u>	<u>\$ 913,938</u>

City of Alma
Combining Statement of Net Position
Internal Service Funds
June 30, 2018

	Administrative Services	Public Works Services and Equipment Maintenance	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 31,228	\$ 68,315	\$ 99,543
Investments	146,110	372,199	518,309
Receivables	1,393	13,762	15,155
Due from component units and joint ventures	-	49,033	49,033
Inventory	-	60,605	60,605
Prepaid items	58,743	950	59,693
Total current assets	237,474	564,864	802,338
Noncurrent assets			
Land	-	12,500	12,500
Land improvements	-	94,794	94,794
Buildings and improvements	-	585,188	585,188
Equipment	396,950	1,394,241	1,791,191
Vehicles	-	2,604,321	2,604,321
Less accumulated depreciation	(265,495)	(3,137,762)	(3,403,257)
Total noncurrent assets	131,455	1,553,282	1,684,737
Total assets	368,929	2,118,146	2,487,075
Deferred Outflows of Resources			
Deferred amount relating to net pension liability - MERS	55,975	102,426	158,401
Total assets and deferred outflows of resources	424,904	2,220,572	2,645,476
Liabilities			
Current liabilities			
Current payables	13,440	58,189	71,629
Due to other units of government	4,878	4,639	9,517
Portion of noncurrent liabilities due within one year	15,945	64,912	80,857
Total current liabilities	34,263	127,740	162,003
Due in more than one year			
Compensated absences	7,804	27,003	34,807
Net pension liability - MERS	343,244	840,358	1,183,602
Total liabilities due in more than one year	351,048	867,361	1,218,409
Total liabilities	385,311	995,101	1,380,412
Deferred Inflows of Resources			
Deferred amount relating to net pension liability - MERS	28,412	78,536	106,948
Net Position			
Net investment in capital assets	131,455	1,553,282	1,684,737
Unrestricted (deficit)	(120,274)	(406,347)	(526,621)
Total net position	\$ 11,181	\$ 1,146,935	\$ 1,158,116

City of Alma
Combining Statement of Revenue, Expenses and Change in Net Position
Internal Service Funds
For the Year Ended June 30, 2018

	Administrative Services	Public Works Services and Equipment Maintenance	Total
Operating Revenues			
Internal service charges	\$ 536,339	\$ 1,659,831	\$ 2,196,170
Retiree reimbursements	73,378	-	73,378
Other revenue	-	9,474	9,474
Total operating revenues	<u>609,717</u>	<u>1,669,305</u>	<u>2,279,022</u>
Operating Expenses			
Accounting	448,452	-	448,452
Information systems	70,385	-	70,385
Retiree health insurance	80,640	-	80,640
Facility maintenance	-	30,415	30,415
Engineering	-	334,858	334,858
Public works services	-	1,071,237	1,071,237
Equipment maintenance	-	377,310	377,310
Depreciation	25,964	226,276	252,240
Total operating expenses	<u>625,441</u>	<u>2,040,096</u>	<u>2,665,537</u>
Operating income (loss)	(15,724)	(370,791)	(386,515)
Nonoperating Revenues			
Investment income	1,725	4,446	6,171
Change in net position	(13,999)	(366,345)	(380,344)
Beginning net position	25,180	1,513,280	1,538,460
Ending net position	<u>\$ 11,181</u>	<u>\$ 1,146,935</u>	<u>\$ 1,158,116</u>

City of Alma
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Administrative Services	Public Works Services and Equipment Maintenance	Total
Cash flows from operating activities			
Internal service charges	\$ 628,013	\$ 1,677,634	\$ 2,305,647
Payments to vendors	(148,448)	(277,708)	(426,156)
Payments to employees	(364,759)	(1,394,712)	(1,759,471)
Internal activity-receipts from (payments to) other funds	-	(60,248)	(60,248)
Other payments	(89,273)	(54,832)	(144,105)
Net cash provided (used) by operating activities	25,533	(109,866)	(84,333)
Cash flows from capital and related financing activities			
Acquisitions of capital assets	(15,269)	(275,307)	(290,576)
Cash flows from investing activities			
Investment income	1,028	3,421	4,449
Maturity of investments	-	157,205	157,205
Purchase of investments	(32,766)	-	(32,766)
Net cash provided (used) by investing activities	(31,738)	160,626	128,888
Net change in cash and cash equivalents	(21,474)	(224,547)	(246,021)
Cash and cash equivalents - beginning of year	52,702	292,862	345,564
Cash and cash equivalents - end of year	\$ 31,228	\$ 68,315	\$ 99,543
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (15,724)	\$ (370,791)	\$ (386,515)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation expense	25,964	226,276	252,240
Net pension liability - MERS	(54,114)	(153,324)	(207,438)
Changes in assets and liabilities			
Receivables (net)	18,296	9,665	27,961
Due from component units and joint ventures	-	(1,336)	(1,336)
Inventory	-	789	789
Prepaid items	(3,541)	(950)	(4,491)
Deferred outflows of resources	64,515	182,793	247,308
Current payables	(6,118)	(73,675)	(79,793)
Due to other units	3,357	(1,237)	2,120
Deferred inflows of resources	19,754	55,969	75,723
Compensated absences	(26,856)	15,955	(10,901)
Net cash provided (used) by operating activities	\$ 25,533	\$ (109,866)	\$ (84,333)

City of Alma
Joint Ventures
Combining Statement of Net Position
June 30, 2018

	Rural Urban Fire Board	Gratiot Community Airport Authority	Gratiot Area Solid Waste Authority	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 348,189	\$ 110,766	\$ -	\$ 458,955
Investments	541,101	251,399	-	792,500
Receivables	7,514	4,621	-	12,135
Due from other units of government	-	252	-	252
Prepaid items	337	-	-	337
Total current assets	897,141	367,038	-	1,264,179
Noncurrent assets				
Capital assets not being depreciated	-	208,000	-	208,000
Capital assets, net of accumulated depreciation	851,347	1,577,381	-	2,428,728
Total noncurrent assets	851,347	1,785,381	-	2,636,728
Total assets	1,748,488	2,152,419	-	3,900,907
Deferred Outflows of Resources				
Deferred amount relating to net pension liability - MERS	22,463	-	-	22,463
Total assets and deferred outflows of resources	1,770,951	2,152,419	-	3,923,370
Liabilities				
Current liabilities				
Current payables	152,223	2,999	-	155,222
Due to other units of government	712	11	-	723
Due to primary government	1,602	3,513	-	5,115
Unearned revenue	-	140	-	140
Total current liabilities	154,537	6,663	-	161,200
Due in more than one year				
Net pension liability - MERS	214,072	-	-	214,072
Total liabilities	368,609	6,663	-	375,272
Deferred Inflows of Resources				
Deferred amount relating to net pension liability - MERS	21,987	-	-	21,987
Net Position				
Net investment in capital assets	851,347	1,785,381	-	2,636,728
Unrestricted	529,008	360,375	-	889,383
Total net position	\$ 1,380,355	\$ 2,145,756	\$ -	\$ 3,526,111

**City of Alma
Joint Ventures
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018**

	Rural Urban Fire Board	Gratiot Community Airport Authority	Gratiot Area Solid Waste Authority	Total
Operating Revenues				
Licenses and permits	\$ -	\$ 1,150	\$ -	\$ 1,150
Local contributions	439,063	66,000	72,004	577,067
Charges for services	30	3,050	-	3,080
Rental income	-	51,653	-	51,653
Total operating revenues	439,093	121,853	72,004	632,950
Operating Expenses				
Fire protection	363,096	-	-	363,096
Transportation	-	96,866	-	96,866
Refuse collection	-	-	112,465	112,465
Depreciation	47,076	107,297	-	154,373
Total operating expenses	410,172	204,163	112,465	726,800
Operating income (loss)	28,921	(82,310)	(40,461)	(93,850)
Nonoperating Revenues				
Investment income	7,042	2,939	16	9,997
Other revenue	8,865	522	-	9,387
Total nonoperating revenues	15,907	3,461	16	19,384
Income (loss) before capital contributions	44,828	(78,849)	(40,445)	(74,466)
Capital Contributions				
State grants	-	1,249	-	1,249
Change in net position	44,828	(77,600)	(40,445)	(73,217)
Beginning net position	1,335,527	2,223,356	40,445	3,599,328
Ending net position	\$ 1,380,355	\$ 2,145,756	\$ -	\$ 3,526,111

City of Alma
Joint Ventures
Combining Statement of Cash Flows
For the Year Ended June 30, 2018

	Rural Urban Fire Board	Gratiot Community Airport Authority	Gratiot Area Solid Waste Authority	Total
Cash flows from operating activities				
Receipts from customers	\$ 441,207	\$ 122,722	\$ 96,050	\$ 659,979
Payments to vendors	(66,011)	(59,000)	(109,243)	(234,254)
Payments to employees	(102,179)	(3,260)	-	(105,439)
Payments for interfund services used	(8,186)	(12,838)	10	(21,014)
Other payments	(17,589)	(21,642)	(40,461)	(79,692)
Net cash provided (used) by operating activities	<u>247,242</u>	<u>25,982</u>	<u>(53,644)</u>	<u>219,580</u>
Cash flows from noncapital financing activities				
Other revenue	12,056	771	-	12,827
Cash flows from capital and related financing activities				
Capital contributions	-	1,249	-	1,249
Acquisitions of capital assets	(188,651)	(1,251)	-	(189,902)
Net cash used by capital and related financing activities	<u>(188,651)</u>	<u>(2)</u>	<u>-</u>	<u>(188,653)</u>
Cash flows from investing activities				
Investment income	5,286	1,549	149	6,984
Maturity of investments	143,760	15,527	42,683	201,970
Net cash provided by investing activities	<u>149,046</u>	<u>17,076</u>	<u>42,832</u>	<u>208,954</u>
Net change in cash and cash equivalents	219,693	43,827	(10,812)	252,708
Cash and cash equivalents - beginning of year	128,496	66,939	10,812	206,247
Cash and cash equivalents - end of year	<u>\$ 348,189</u>	<u>\$ 110,766</u>	<u>\$ -</u>	<u>\$ 458,955</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 28,921	\$ (82,310)	\$ (40,461)	\$ (93,850)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation expense	47,076	107,297	-	154,373
Net pension liability - MERS	(45,847)	-	-	(45,847)
Changes in assets and liabilities				
Receivables (net)	2,114	729	24,046	26,889
Due from other units of government	-	185	-	185
Due from other funds	-	-	10	10
Prepaid items	(109)	3,200	-	3,091
Deferred outflows of resources	54,659	-	-	54,659
Current payables	144,444	(5,600)	(37,239)	101,605
Due to other units of government	(264)	(2)	-	(266)
Due to primary government	(488)	2,343	-	1,855
Unearned revenue	-	140	-	140
Deferred inflows of resources	16,736	-	-	16,736
Net cash provided (used) by operating activities	<u>\$ 247,242</u>	<u>\$ 25,982</u>	<u>\$ (53,644)</u>	<u>\$ 219,580</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Honorable Mayor and Members of the City Commission
City of Alma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Alma's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2018-003 to be a significant deficiency.

Compliance and Other Matters

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

City of Alma's Response to Findings and Corrective Action Plan

City of Alma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses and corrective action plan. City of Alma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, MI
January 31, 2019

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2018

Finding 2018-001, 2017-001, 2016-001, 2015-001 and 2014-001 Material Weakness – Audit Adjustments

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries, so that the trial balances from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Condition: Material journal entries were proposed by the auditors to properly account for transactions within the Major Streets Fund, Water Utility Fund, and overall business-type activities. In addition, there was a total of twenty-five adjustments proposed that affected several funds. These misstatements were not detected by the City's internal control over financial reporting. Material audit adjustments is a repeat finding, and is reflective of the City having a poor overall control environment that contains multiple control deficiencies.

Cause and Effect: The root cause of the City's inability to produce accurate financial statements in a timely manner is not limited to one particular issue, but is caused by a culmination of the following:

- The finance department has lacked, for several years, leadership who has the ability to structure the department in a way that makes appropriate use of employees' skills and City resources. The responsibility for closing the general ledger at year end and posting necessary accruals has historically been placed on the controller. The controller has performed a majority of the work herself instead of relying on others in the department to prepare work for her to review and approve.
- The finance department does not have written policies and procedures to aide employees' in completing their jobs. Finance departments benefit from the use of checklists and templates to ensure that work necessary on a monthly, quarterly and annual basis are being completed by prescribed deadlines.
- Employees within the finance department lack the skill and knowledge to adequately complete the work required for their position.
- There does not appear to be an emphasis on implementing best practices.
- There is little regard for deadlines. Often times reporting type projects will not be completed until the last minute, which can lead to errors and incomplete reporting. Reporting deadlines are not always met. As has been the case for several years, the finance department was not truly prepared for us to begin the audit.
- The finance department scheduled a software implementation for the same time period as the financial statement audit. Software implementations require significant time resources. Finance department personnel were often working on the implementation instead of focusing on completing the audit.

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2018

Recommendation:

In order to ensure the City Commission and public are provided with accurate financial information in a timelier manner we recommend the following:

- The number of personnel necessary to run a high functioning finance department, structure of job responsibilities, and the makeup of personnel within the finance department should be evaluated. We believe it is likely that the department is currently overstaffed due to proper lack of structure and knowledge within the department. Personnel in positions being supervised by the controller should be responsible for assisting with reconciliations so that the controller can serve as the party responsible for reviewing and approving the work performed.
- The finance department should develop and use checklists to follow on at least a monthly, quarterly and annual basis that include deadlines to ensure all required work is being completed at the appropriate time. Templates for reconciliations should be established that provide instructions along with other additional information for department staff to use.
- An assessment of the knowledge and skill level of each employee in the department should be performed, and appropriate action should take place based on this assessment including, but not limited to, providing additional training, moving employees to other positions or terminating employment.
- The controller should be provided with time and email management training.
- As the above recommendations are implemented, the department should consider best practices for each particular area. Department staff may need to shadow or make inquiries of others in similar positions at other municipalities. The City may also want to consider hiring a consultant to aide in these implementations.
- To uphold public trust, deadlines need to be met. Deadlines should be communicated with the appropriate department personnel, and the controller should ensure a plan is in place to meet deadlines while allowing adequate time to review and approve information required to meet said deadlines.

Views of Responsible Officials:

Management agrees with the finding.

Corrective Action Plan:

See attached corrective action plan from management.

Finding 2018-002 Material Weakness – Prior Period Adjustments

Criteria:

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the recording of all appropriate journal entries, so that the trial balances from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Condition:

City management recorded a prior period adjustment in the Water Utility Fund and the total business-type activities in the amount of \$1,673,277.

City of Alma, Michigan
Schedule of Findings and Responses
June 30, 2018

Cause and Effect: Well #2 has been impaired for several years and capital assets should have been reduced for the impairment. This error was caused by lack of communication between the departments of public works and finance. Beginning net position was reduced by \$403,192.

The City had recorded investment in joint venture related to the Gratiot Area Water Authority (GAWA). Upon further examination of executed agreements, the City determined it has no explicit interest in the net position of GAWA. Beginning net position was reduced by \$1,270,085.

Recommendation: We recommend that departments be educated on the general rules of asset capitalization to ensure they have some familiarity with when assets should be capitalized when they should be recorded as impaired or disposed. We further recommend that when a joint venture is entered into that all applicable executed agreements related to the joint venture be provided to the finance department for further analysis to determine when it's appropriate to record an investment in joint venture.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

Finding 2018-003, 2017-003 and 2016-002 Significant Deficiency – Written Procedures

Criteria: Uniform Grant Guidance requires written procedures covering the following: financial management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred and suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and subrecipient monitoring.

Condition: The City has not developed the required written procedures. This is a repeat finding.

Cause and Effect: Management was initially unaware of the requirement to establish federal written procedures during the June 30, 2016 audit. Subsequently, management has not made development of written procedures a priority.

Recommendation: The City should develop and implement the required federal written procedures.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan from management.

City of Alma, Michigan
Corrective Action Plan
June 30, 2018

CITY OF ALMA, MICHIGAN

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City of Alma, Michigan
Corrective Action Plan for Fiscal Year Ending 2018

Finding 2018-001, 2017-001, 2016-001, 2015-001 and 2014-001 Material Weakness

Condition:

Material journal entries were proposed by the auditors to properly account for receivable and revenue amounts. These misstatements were not detected by the City's internal control over financial reporting. Material audit adjustments is a repeat finding.

We concur with this finding and acknowledge that material journal entries were required to properly account for receivable and revenue amounts. The necessity of these journal entries is related to the timeliness of individual fund analysis required to calculate and write such journal entries. The City also concurs there is limited Finance department personnel trained and assigned to perform such analysis. The City also concurs the controller scheduled conversion to a new financial software package near the same time the audit work should have taken a priority. It is the belief the new software will provide a vehicle by which to aid in the reevaluation of not just Finance department policies and practices, but the communication and procedures between all city departments. This software conversion involved all departments and managers and provided training as well as a forum for departments to bring their issues to the table. While it is admitted this path is not an immediate fix to the city's material weaknesses as presented in Yeo & Yeo's Schedule of Findings and Responses; when taken in conjunction with the City's other plans for reorganization, training, documentation and issuance of best practices and procedures, it is a place to begin. The Finance department is committed to implementing the recommendations provided by Yeo & Yeo.

Finding 2018-002 Material Weakness

Condition:

City management recorded a prior period adjustment in the Water Utility Fund and total business-type activities in the amount of \$1,673,277.

We concur with this finding and acknowledge a lack of communication between departments as well as policy makers as to the functioning of the Gratiot Area Water Authority. The City believes the cities of St Louis and Alma made significant improvements to the relationship and communication as related to GAWA.

Finding 2018-003, 2017-003 and 2016-002 Significant Deficiency

Condition:

The City has not developed the required written procedures. This a repeat finding.

We concur with this finding and acknowledge proper written procedures are not in place to meet Uniform Grant Guidance. We will be developing all written procedures required by Uniform Grant Guidance.