CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

CITY OF MARINE CITY
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CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The City's combined net position increased by 2% from a year ago from $14.137 million to $14.42 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately $569,000 during the year, a 6.6% increase. This was the result of grant revenues in the General Fund and decreases in debt payments in the Debt Service Funds. The business-type activities experienced a $286,000 decrease in net position, primarily as a result of depreciation in the Water and Sewer Fund. In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets *	$ 1,697	$ 1,906	$ 589	$ 610	$ 2,286	$ 2,516
Noncurrent Assets	8,984	7,893	6,973	7,453	15,957	15,346
Total Assets	10,681	9,799	7,562	8,063	18,243	17,862
Long-Term Debt Outstanding	1,247	996	2,015	2,235	3,262	3,231
Other Liabilities *	281	219	280	275	561	494
Total Liabilities	1,528	1,215	2,295	2,510	3,823	3,725
Net Position						
Invested in Capital Assets - Net of Debt	8,969	7,864	4,738	5,038	13,707	12,902
Restricted	562	632	66	44	628	676
Unrestricted	(378)	88	463	471	85	559
Total Net Position	$ 9,153	$ 8,584	$ 5,267	$ 5,553	$ 14,420	$ 14,137

* Internal balances eliminated in total column.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by $466,000 for the governmental activities, primarily a result from pension and OPEB liabilities. This represents a decrease of approximately 530%. The current level of unrestricted net position for our governmental activities stands at ($378,000). This is within the targeted range set during the last budget process.

The following table shows the changes of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	$ 709	$ 719	$ 1,636	$ 1,630	$ 2,345	$ 2,349
Operating Grants and Contributions	590	430	-	-	590	430
Capital Grants and Contributions	1,218	2,870	-	-	1,218	2,870
General Revenues						
Taxes	1,513	1,871	-	-	1,513	1,871
State-Shared Revenues	414	403	-	-	414	403
Unrestricted Investment Earnings	1	4	-	-	1	4
Other	161	519	25	17	186	536
Total Revenues	4,606	6,816	1,661	1,647	6,267	8,463
Program Expenses						
Legislative	15	14	-	-	15	14
General Government	609	638	-	-	609	638
Public Safety	1,279	1,315	-	-	1,279	1,315
Highways and Streets	460	410	-	-	460	410
Public Works	769	852	-	-	769	852
Recreation and Cultural	190	179	-	-	190	179
Other	714	402	-	-	714	402
Debt Service	1	10	-	-	1	10
Water and Sewer	-	-	1,947	1,939	1,947	1,939
Total Expenses	4,037	3,820	1,947	1,939	5,984	5,759
Change in Net Position	$ 569	$ 2,996	$ (286)	$ (292)	$ 283	$ 2,704

The City's net position continues to remain healthy. Total net position increased by $283,000. This was primarily because of increases in Net Position of Governmental Activities as a result of grant revenues.

Governmental Activities

The City's total governmental revenues decreased by approximately $2,210,000, primarily due to decreases in grants related to street projects that were completed or wrapped up early in fiscal year 2014, and the majority of work was performed in the prior fiscal year. Expenses of the governmental activities increased by $217,000 over those of the previous year. This was primarily due to increased expenditures for retiree and employee health insurance costs.

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatment to all City residents. We experienced a net loss for the year.

The City's Funds

Our analysis of the City's major funds begins on page 6, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The major funds include the General Fund, the Major and Local Street Funds, and the 1991 Unlimited Bond Series A Debt Fund.

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenditures of approximately $1,103,000. These services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately $677,000 on Public Works. These two areas represent approximately 59% of the General Fund's total expenditures.

General Fund Budgetary Highlights

Over the course of the year, we amended the budget to take into account events occurring during the year. The total budgeted expenditures for the General Fund were increased by approximately 15% during the year. The various departments overall stayed within the budget, resulting in total expenditures $244,703 below the budget. The General Fund's fund balance decreased by $62,572 from a year ago.

Capital Asset and Debt Administration

As of the Statement of Net Position date, there was $15,957,106 invested in a broad range of capital assets, including buildings, police equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2015, kept tax levels at the same level as in the previous year. Because of the impact of state law on property tax assessments, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits the growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

In addition, as the City prepares for the next fiscal year, the property tax revenue is expected to decrease due to the current economic state of affairs and recent personal property tax reform, which could present some problems in balancing the budget.

The building at 300 Broadway, the City's administrative facility, has been vacated due to structural problems. Therefore, the City officials and taxpayers must make a decision as to the future of this building and permanent location of these offices.

Water/Sewer usage rates have been increased by the rate of inflation plus amounts to offset expenditures that exceeded the revenue for Wastewater operations for the year ending June 30, 2015.

Economic Factors and Next Year's Budgets and Rates (Continued)

Due to the State of Michigan's budget problems, the City of Marine City is concerned about State Revenue Sharing funds. In addition, the City's fringe benefit costs have increased. The City's pension contribution rate for the fiscal year 07/01/14-06/30/15 has not been adjusted as of the balance sheet date. However, it is expected to increase from the rate of 29.37% for the fiscal year 07/01/14-06/30/15. The City is also responsible to set aside funds for retiree's health care cost. The City funds this on a pay-as-you-go basis. However, the City's actuary has recommended the City increase contributions in order to maintain the level of benefits currently in place.

Contacting Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Treasurer's office.

McBride - Manley
& COMPANY P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 11, 2014

Honorable Mayor and City Commission
City of Marine City
303 S. Water Street
Marine City, Michigan 48039

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 MARINE CITY as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Marine City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the Consolidated General Fund, Major Street Fund, and Local Street Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 15 to the financial statements, in the 2014 fiscal year, the City adopted new accounting guidance, *GASB Statement No. 67, Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Pension and Retiree Health Trust schedules on pages i–iv and 40–45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the City of Marine City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marine City's internal control over financial reporting and compliance.

Respectfully submitted,

McBride-Manley & Co.

MCBRIDE - MANLEY & COMPANY P.C.
Certified Public Accountants

CITY OF MARINE CITY
Statement of Net Position
June 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,291,231	$ 42,167	$ 1,333,398	$ 1,104,438
Restricted cash	8,433	140,878	149,311	--
Accounts and assessments receivable	25,862	392,810	418,672	--
Taxes receivable	108,382	13,881	122,263	--
Due from other units of government	262,597	--	262,597	--
Other assets	485	--	485	--
Total Current Assets	1,696,990	589,736	2,286,726	1,104,438
Noncurrent Assets				
Capital assets, net of accumulated depreciation	8,984,475	6,972,631	15,957,106	--
Total Assets	10,681,465	7,562,367	18,243,832	1,104,438
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Current Liabilities				
Accounts payable	85,131	37,276	122,407	498
Due to agency funds	96	--	96	--
Accrued wages and vacation pay	91,380	6,683	98,063	--
Accrued interest payable	894	16,383	17,277	1,771
Current portion of debt	15,047	220,000	235,047	30,000
Due to other units and taxpayers	10,000	--	10,000	--
Net pension obligation	78,432	--	78,432	--
Total Current Liabilities	280,980	280,342	561,322	32,269
Noncurrent Liabilities				
Accrued sick pay	77,331	--	77,331	--
Long-term obligations, net of current portion	--	2,015,000	2,015,000	125,000
Other postemployment benefit obligation	1,169,926	--	1,169,926	--
Total Liabilities	1,528,237	2,295,342	3,823,579	157,269
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Investment in capital assets, net of related debt	8,969,428	4,737,631	13,707,059	--
Restricted for:				
Drug enforcement	12,561	--	12,561	--
Perpetual care	137,141	--	137,141	--
Highways and streets - Act 51	305,405	--	305,405	--
Cemetery	51,338	--	51,338	--
Asset replacement	--	14,266	14,266	--
Insurance escrow	8,129	--	8,129	--
Water monitoring system	--	52,233	52,233	--
Highways and streets	47,073	--	47,073	--
Unrestricted	(377,847)	462,895	85,048	947,169
Total Net Position	$ **9,153,228**	$ **5,267,025**	$ **14,420,253**	$ **947,169**

See accompanying notes.

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 15,034	$ --	$ --	$ --
General government	609,166	224,586	--	--
Public safety	1,279,556	157,092	27,273	30,390
Public works	768,850	282,222	--	--
Community and economic development	328	928	--	--
Recreation and cultural	189,806	12,732	23,342	20
Highways and streets	460,092	--	324,970	1,187,925
Other	616,853	12,047	214,888	--
Cemetery operations	33,099	19,473	--	--
Debt service interest	1,011	--	--	--
Water and sewer charges - Intergovernmental	18,000	--	--	--
Equipment rent - Intergovernmental	45,636	--	--	--
Total Governmental Activities	4,037,431	709,080	590,473	1,218,335
Business-type Activities:				
Water and Sewer Disposal	1,946,966	1,636,153	--	--
Total Business-type Activities	1,946,966	1,636,153	--	--
Total Primary Government	$ 5,984,397	$ 2,345,233	$ 590,473	$ 1,218,335
Component Units				
T.I.F.A. #1	$ 49,040	$ --	$ --	$ --
T.I.F.A. #2	51,094	--	--	--
T.I.F.A. #3	119,126	--	--	--
Total Component Units	$ 219,260	$ --	$ --	$ --

General Purpose Revenues and Transfers:
Revenues
Tax collections
Interest revenue
Distributions from State of Michigan
Intergovernmental
Other
Transfers from component units
Gain on sale of fixed assets
Insurance recoveries
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position at Beginning of Period

Net Position at End of Period

See accompanying notes.

Net (Expense) Revenue			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (15,034)	$ --	$ (15,034)	$ --
(384,580)	--	(384,580)	--
(1,064,801)	--	(1,064,801)	--
(486,628)	--	(486,628)	--
600	--	600	--
(153,712)	--	(153,712)	--
1,052,803	--	1,052,803	--
(389,918)	--	(389,918)	--
(13,626)	--	(13,626)	--
(1,011)	--	(1,011)	--
(18,000)	--	(18,000)	--
(45,636)	--	(45,636)	--
(1,519,543)	--	(1,519,543)	--
--	(310,813)	(310,813)	--
--	(310,813)	(310,813)	--
$ (1,519,543)	$ (310,813)	$ (1,830,356)	--
--	--	--	(49,040)
--	--	--	(51,094)
--	--	--	(119,126)
--	--	--	(219,260)
1,512,629	--	1,512,629	180,273
831	246	1,077	506
414,445	--	414,445	--
45,636	--	45,636	--
28,057	1,787	29,844	--
56,309	--	56,309	--
1,213	--	1,213	--
52,121	--	52,121	--
(22,060)	22,060	--	--
2,089,181	24,093	2,113,274	180,779
569,638	**(286,720)**	**282,918**	**(38,481)**
8,583,590	5,553,745	14,137,335	985,650
$ **9,153,228**	$ **5,267,025**	$ **14,420,253**	$ **947,169**

See accompanying notes.

CITY OF MARINE CITY

Balance Sheet
Governmental Funds
June 30, 2014

		Special Revenue	
	General	**Local Street**	**Major Street**
ASSETS			
Cash and cash equivalents	$ 831,834	$ 154,700	$ 98,814
Restricted cash	8,333	--	--
Accounts and assessments receivable	25,862	--	--
Taxes receivable	216,763	--	--
Due from other units of government	192,854	12,310	57,412
Other assets	485	--	--
Due from other funds	3,895	--	--
Total Assets	1,280,026	167,010	156,226
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	$ **1,280,026**	$ **167,010**	$ **156,226**
LIABILITIES			
Accounts payable	$ 72,602	$ 10,227	$ 1,847
Due to agency funds	96	--	--
Accrued wages and vacation pay	44,746	969	893
Due to other units and taxpayers	10,000	--	--
Due to other funds	--	3,067	828
Total Liabilities	127,444	14,263	3,568
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	322,026	--	25,263
Total Liabilities and Deferred Inflows of Resources	449,470	14,263	28,831
FUND BALANCE			
Restricted	55,202	152,747	127,395
Committed	44,854	--	--
Assigned	105,466	--	--
Unassigned	625,034	--	--
Total Fund Balance	830,556	152,747	127,395
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ **1,280,026**	$ **167,010**	$ **156,226**

See accompanying notes.

Debt Service		
1991 Unlimited Bond Series A Fund	Other Governmental Funds	Total Governmental Funds
$ --	$ 205,883	$ 1,291,231
--	100	8,433
--	--	25,862
--	--	216,763
--	--	262,576
--	--	485
--	--	3,895
--	205,983	1,809,245
--	--	--
$ **--**	$ **205,983**	$ **1,809,245**
$ --	$ 455	$ 85,131
--	--	96
--	1,136	47,744
--	--	10,000
--	--	3,895
--	1,591	146,866
--	--	347,289
--	1,591	494,155
--	201,040	536,384
--	3,352	48,206
--	--	105,466
--	--	625,034
--	204,392	1,315,090
$ **--**	$ **205,983**	$ **1,809,245**

See accompanying notes.

CITY OF MARINE CITY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Total Fund Balance - Governmental Funds	$	1,315,090
Accrued interest expense included in entity-wide statements, expensed as paid in governmental fund statements		(894)
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements and reflected as liability on Statement of Net Position		(120,967)
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities		238,908
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		8,984,475
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		(93,458)
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements		(1,169,926)
Total Net Position-Governmental Funds	$	**9,153,228**

See accompanying notes.

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

		Special Revenue	
	General	Local Street	Major Street
Revenues			
Tax collections	$ 1,506,113	$ --	$ --
Distributions from State of Michigan	411,809	84,726	216,450
Licenses, permits, fines, and fees	335,635	--	--
Recreation	30,598	--	--
Grant proceeds and reimbursements	262,801	--	--
Telecommunications	12,047	--	--
Zoning and site plan fees	1,828	--	--
Refuse	279,819	--	--
Intergovernmental	45,637	--	--
Other	31,921	--	--
User fees and other charges	24,218	--	--
Interest revenue	24,115	129	78
Total Revenues	2,966,541	84,855	216,528
Expenditures			
Current			
Legislative	15,034	--	--
General government	460,620	--	--
Public safety	1,038,569	--	--
Public works	676,603	--	--
Community and economic development	328	--	--
Recreation and cultural	158,279	--	--
Highways and streets	--	101,985	139,272
Other	543,318	--	--
Cemetery operations	--	--	--
Debt Service			
Debt service interest	1,851	--	--
Debt service principal	14,149	--	--
Capital Outlay			
General government	8,834	--	--
Public safety	64,199	--	--
Recreation and cultural	7,923	--	--
Highways and streets	--	3,969	172,882
Intergovernmental			
Water and sewer charges	18,000	--	--
Equipment rent	--	25,554	20,082
Total Expenditures	3,007,707	131,508	332,236
Excess of Revenues Over (Under) Expenditures	(41,166)	(46,653)	(115,708)
Other Financing Sources (Uses)			
Gain on sale of fixed assets	4,473	--	--
Insurance recoveries	52,121	--	--
Transfers from other funds	--	--	63,000
Transfers to other funds	(78,000)	--	--
Net Other Financing Sources (Uses)	(21,406)	--	63,000
Net Change in Fund Balance	**(62,572)**	**(46,653)**	**(52,708)**
Fund Balance at Beginning of Period	893,128	199,400	180,103
Fund Balance at End of Period	$ **830,556**	$ **152,747**	$ **127,395**

See accompanying notes.

Debt Service 1991 Unlimited Bond Series A Fund	Other Governmental Funds	Total Governmental Funds
$ 6	$ --	$ 1,506,119
--	--	712,985
--	1,894	337,529
--	--	30,598
--	--	262,801
--	--	12,047
--	--	1,828
--	--	279,819
--	--	45,637
--	--	31,921
--	19,473	43,691
4	79	24,405
10	21,446	3,289,380
--	--	15,034
678	--	461,298
--	100	1,038,669
--	--	676,603
--	--	328
--	--	158,279
--	--	241,257
--	--	543,318
--	29,799	29,799
--	--	1,851
--	--	14,149
--	--	8,834
--	--	64,199
--	--	7,923
--	--	176,851
--	--	18,000
--	--	45,636
678	29,899	3,502,028
(668)	(8,453)	(212,648)
--	--	4,473
--	--	52,121
--	15,050	78,050
(8,084)	(50)	(86,134)
(8,084)	15,000	48,510
(8,752)	**6,547**	**(164,138)**
8,752	197,845	1,479,228
$ **--**	$ **204,392**	$ **1,315,090**

See accompanying notes.

CITY OF MARINE CITY

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2014

Total Net Change in Fund Balances - Governmental Funds	$	(164,138)
Accrued interest expense included in entity-wide statements, expensed as paid in governmental fund statements		840
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements and reflected as liability on Statement of Net Position		38,849
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities		33,104
Prepaid expenses treated as assets in Statement of Net Position, expensed in governmental fund statements		(65,356)
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements		(300,642)
Governmental funds report capital outlays as expenditures, but these costs are depreciated over their estimated useful lives in the Statement of Activities		1,091,265
Principal payments of long-term debt are expensed in governmental funds, reduce liabilities in Statement of Net Position		(64,284)
Changes in Net Position-Governmental Funds	$	**569,638**

See accompanying notes.

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
ASSETS	
Current Assets	
Cash and cash equivalents	$ 42,167
Restricted cash	140,878
Accounts and assessments receivable	392,810
Taxes receivable	13,881
Total Current Assets	589,736
Noncurrent Assets	
Capital assets, net of accumulated depreciation	6,972,631
Total Assets	7,562,367
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
Current Liabilities	
Accounts payable	37,276
Accrued wages and vacation pay	6,683
Accrued interest payable	16,383
Current portion of debt	220,000
Total Current Liabilities	280,342
Noncurrent Liabilities	
Long-term obligations, net of current portion	2,015,000
Total Liabilities	2,295,342
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Investment in capital assets, net of related debt	4,737,631
Restricted for:	
Asset replacement	14,266
Water monitoring system	52,233
Unrestricted	462,895
Total Net Position	$ **5,267,025**

See accompanying notes.

CITY OF MARINE CITY

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Operating Revenues	
Interest and penalties earned	$ 250
Other	1,787
Metered sales	1,380,550
Sewage treatment contract	91,411
Hydrant rental and city usage	18,000
Total Operating Revenues	1,491,998
Operating Expenses	
Water	983,738
Sewer	904,937
Total Operating Expenses	1,888,675
Operating Income (Loss)	(396,677)
Non-Operating Revenues (Expenses)	
Interest revenue	246
Debt service	145,942
Interest expense and agent fees	(58,291)
Net Non-Operating Revenues (Expenses)	87,897
Income Before Contributions and Transfers	(308,780)
Transfers from other funds	22,060
Change In Net Position	**(286,720)**
Net Position at Beginning of Period	5,553,745
Net Position at End of Period	$ **5,267,025**

See accompanying notes.

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	$ 1,459,403
Payments to suppliers	(1,192,756)
Payments to employees	(173,623)
Other receipts (payments)	1,950
Net Cash Provided By (Used In) Operating Activities	**94,974**
Cash Flows From Noncapital Financing Activities:	
Transfers from other funds	22,060
Net Cash Provided By (Used In) Noncapital Financing Activities	**22,060**
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(80,622)
Principal paid on bonds	(180,000)
Interest and agent fees paid on revenue bonds	(53,683)
Debt service charges	145,942
Net Cash Provided By (Used In) Capital and Related Financing Activities	**(168,363)**
Cash Flows From Investing Activities:	
Interest on investments	246
Net Cash Provided By (Used In) Investing Activities	**246**
Net Increase (Decrease) In Cash and Cash Equivalents	**(51,083)**
Cash and Cash Equivalents at July 1, 2013	234,128
Cash and Cash Equivalents at June 30, 2014	$ **183,045**
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	$ (396,677)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	561,232
Change in assets and liabilities:	
Accounts receivable	(16,819)
Due from other funds	56
Taxes receivable	(13,881)
Accounts payable	(38,509)
Due to other funds	(11)
Accrued wages and compensated absences	(417)
Net Cash Provided By (Used In) Operating Activities	$ **94,974**

See accompanying notes.

CITY OF MARINE CITY

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	$ --	$ --	$ 10,370	$ 37,156
Investments - mutual funds at fair value	--	6,015,254	--	--
Investments - at fair value	217,652	--	--	--
Accounts and assessments receivable	--	--	--	4,694
Taxes receivable	--	--	1,149,955	--
Prepaid expenses	1,521	--	--	--
Contributions receivable	--	78,432	--	--
Due from other funds	--	--	96	--
Total Assets	219,173	6,093,686	1,160,421	41,850
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accounts payable - investment management fees	--	1,095	--	--
Accrued interest payable	--	--	--	683
Current portion of debt	--	--	--	5,000
Due to other units and taxpayers	--	--	915,896	--
Due to other funds	--	--	244,525	167
Long-term obligations, net of current portion	--	--	--	36,000
Total Liabilities	--	1,095	1,160,421	41,850
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Held in Trust	--	--	**--**	**--**
Restricted for Pensions	--	6,092,591	--	--
Restricted for OPEB	219,173	--	--	--
Total Net Position	$ **219,173**	$ **6,092,591**	$ **--**	$ **--**

See accompanying notes.

CITY OF MARINE CITY

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	$ 217,938	$ 190,302
Employee contributions	--	22,046
Net appreciation in fair value of investments	19,210	--
Investment income	--	852,313
Interest, dividends, and realized gains	4,511	--
Investment expenses	--	(43,011)
Total Additions	241,659	1,021,650
Deductions		
Benefits	231,128	606,249
Administrative expenses	1,822	7,806
Total Deductions	232,950	614,055
Change in Net Position	**8,709**	**407,595**
Net Position at Beginning of Period	210,464	5,684,996
Net Position at End of Period	$ **219,173**	$ **6,092,591**

See accompanying notes.

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Tax collections	$ 1,484,425	$ 1,505,425	$ 1,506,113	$ 688
Distributions from State of Michigan	400,000	400,000	411,809	11,809
Licenses, permits, fines, and fees	375,390	335,890	335,635	(255)
Recreation	33,530	35,565	30,598	(4,967)
Grant proceeds and reimbursements	21,775	250,315	262,801	12,486
Telecommunications	12,475	12,475	12,047	(428)
Zoning and site plan fees	500	500	1,828	1,328
Refuse	277,650	279,150	279,819	669
Intergovernmental	50,000	50,000	45,637	(4,363)
Other	28,700	34,000	31,921	(2,079)
User fees and other charges	24,200	24,200	24,218	18
Interest	25,975	25,975	24,115	(1,860)
Total Revenues	2,734,620	2,953,495	2,966,541	13,046
Other Financing Sources				
Gain on sale of fixed assets	2,000	4,475	4,473	(2)
Insurance recoveries	--	52,125	52,121	(4)
Total Revenues and Other Financing Sources	2,736,620	3,010,095	3,023,135	13,040
Expenditures				
Legislative	16,940	16,940	15,034	1,906
General government	474,430	494,710	471,319	23,391
Public safety	1,154,640	1,190,555	1,102,768	87,787
Public works	660,270	710,145	676,603	33,542
Community and economic development	1,750	1,750	328	1,422
Recreation and cultural	173,735	213,435	166,202	47,233
Other	286,025	585,315	559,453	25,862
Debt service principal	14,150	14,150	14,149	1
Debt service interest	1,855	1,855	1,851	4
Total Expenditures	2,783,795	3,228,855	3,007,707	221,148
Other Financing Uses				
Transfers to other funds	88,515	88,515	78,000	10,515
Total Expenditures and Other Financing Uses	2,872,310	3,317,370	3,085,707	231,663
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(135,690)	(307,275)	(62,572)	244,703
Net Change in Fund Balance	**(135,690)**	**(307,275)**	**(62,572)**	**244,703**
Fund Balance at Beginning of Period	893,128	893,128	893,128	--
Fund Balance at End of Period	$ **757,438**	$ **585,853**	$ **830,556**	$ **244,703**

See accompanying notes.

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Street
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Distributions from State of Michigan	$ 196,000	$ 202,650	$ 216,450	$ 13,800
Interest	525	525	78	(447)
Total Revenues	196,525	203,175	216,528	13,353
Other Financing Sources				
Transfers from other funds	63,000	63,000	63,000	--
Total Revenues and Other Financing Sources	259,525	266,175	279,528	13,353
Expenditures				
Highways and streets	419,370	383,490	332,236	51,254
Total Expenditures	419,370	383,490	332,236	51,254
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	419,370	383,490	332,236	51,254
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(159,845)	(117,315)	(52,708)	64,607
Net Change in Fund Balance	**(159,845)**	**(117,315)**	**(52,708)**	**64,607**
Fund Balance at Beginning of Period	180,103	180,103	180,103	--
Fund Balance at End of Period	$ **20,258**	$ **62,788**	$ **127,395**	$ **64,607**

See accompanying notes.

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Street
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Distributions from State of Michigan	$ 72,000	$ 81,975	$ 84,726	$ 2,751
Interest	300	300	129	(171)
Total Revenues	72,300	82,275	84,855	2,580
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	72,300	82,275	84,855	2,580
Expenditures				
Highways and streets	132,210	160,810	131,508	29,302
Total Expenditures	132,210	160,810	131,508	29,302
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	132,210	160,810	131,508	29,302
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(59,910)	(78,535)	(46,653)	31,882
Net Change in Fund Balance	**(59,910)**	**(78,535)**	**(46,653)**	**31,882**
Fund Balance at Beginning of Period	199,400	199,400	199,400	--
Fund Balance at End of Period	$ **139,490**	$ **120,865**	$ **152,747**	$ **31,882**

See accompanying notes.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

DESCRIPTION OF ENTITY AND ITS OPERATIONS
The City of Marine City covers an area of four square miles. The City operates under an elected Mayor and Board of six commissioners and provides services to its residents, approximately 4,500, in many areas including law enforcement, recreation, fire protection, and sanitation.

REPORTING ENTITY
The financial reporting entity consists of the primary government of the City of Marine City and its discretely presented component units. The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the inclusion of a related entity are the makeup of its governing body, legal status, degree of fiscal independence, the primary entity's ability to appoint a voting majority of its governing body, or to impose its will, and the potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, the following have been determined to be discretely presented component units of the City of Marine City:

- T.I.F.A. #1
- T.I.F.A. #2
- T.I.F.A. #3

All of the component units were established to prevent urban deterioration and encourage economic development and activity as well as to encourage neighborhood revitalization and historic preservation. The component units do not issue separate financial statements.

The City of Marine City has entered into an agreement with the Township of Cottrellville, the Township of East China, and China Township for an area fire authority (Marine City Fire Authority) to provide fire and emergency services to the residents of the City and Townships. This entity is not treated as a component unit. See Note 14.

The financial statements of the City do not include the Building Authority. This entity is inactive and has no assets, liabilities, or fund balance. The City retains its existence for possible future use. Educational services are provided to citizens through local school districts which are separate governmental entities.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, 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 support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

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

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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed as of December 31, and the related property taxes are levied on July 1, and become a lien on that date. These taxes are due on August 31, with a final collection date of February 28, before they are delinquent.

The 2014 taxable valuation of the City totaled $96.4 million, on which Ad valorem taxes levied consisted of 16.8707 mills for the local governmental operations, raising $1.5 million for operating. These amounts are recognized in the General Fund as taxes receivable or as tax revenue.

The government reports the following major governmental funds:

GENERAL FUND - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

MAJOR AND LOCAL STREET FUNDS - The Major Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on major streets. The Local Street Fund accounts for all financial resources of state gas and weight tax revenues that are restricted for use on local streets.

1991 UNLIMITED BONDS SERIES A FUND - The 1991 Unlimited Bonds Series A Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund is not legally required to adopt a budget, and a budgetary comparison statement has not been presented for the Fund. This fund was closed as of June 30, 2014, after related debt was paid off and remaining assets transferred to the Water and Sewer Fund. Therefore, this fund will not be included in the City's financial statements in future fiscal years.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

The government reports the following major proprietary funds:

ENTERPRISE FUNDS - The Water Supply and Sewage Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the government reports the following fund types:

PENSION FUND - This fund is an agent for retirement contributions for the City's employees.

RETIREE HEALTH TRUST - This fund is an agent for health insurance contributions for the City's employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for functions of the government when eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY

DEPOSITS AND INVESTMENTS
Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

RECEIVABLES AND PAYABLES
In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling $122,262.

INVENTORY AND PREPAID ITEMS
Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements only.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

CAPITAL ASSETS
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Infrastructure assets acquired prior to July 1, 2003, have not been capitalized and are omitted from the Statement of Net Position.

Assets are depreciated using the straight-line method over the following useful lives:

Asset Type	Life
Office Equipment	3-15 years
Buildings and Additions	15-60 years
Roads and Sidewalks	20 years
Machinery and Equipment	5-10 years
Water and Sewer System	20-40 years
Water and Sewer Plant and Equipment	20 years

CAPITALIZED ASSETS
The City capitalizes interest during the construction phase of proprietary fund assets if financed by revenue bonds. Interest is not capitalized for assets constructed with general obligation debt. There was no interest capitalized for the period.

COMPENSATED ABSENCES
The City accrues the liability for future vacation, sick, and other leave benefits that are attributable to employee services already rendered if this obligation relates to vested obligations, the payment of which is probable and can be reasonably estimated. Vacation benefits are treated as current, as they are payable within one year.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

UNEARNED/UNAVAILABLE REVENUE
Governmental funds report a deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Unavailable	Unearned
Delinquent Property Taxes	$ 216,763	$ --
State and Local Revenue	130,526	--
Total	$ 347,289	$ --

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any amounts that qualify to be reported as deferred outflows 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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which qualifies under a modified-accrual basis of accounting, for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, state revenue sharing, special assessments, and contract revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

FUND EQUITY
In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent amounts committed by the government's highest level of decision-making authority and require resolution by the City Commission. Assignments represent tentative management plans that are subject to change. Management's authority to create these assignments are established by the City Commission.

It is the policy of the City to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. Committed or assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2: *STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY*

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
Michigan Law provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the City for these budgetary funds were adopted to the departmental level. Budget amendments require approval from a majority of the City Commission. Actual expenditures exceeding those budgeted are as follows:

T.I.F.A. #1

Debt Service Interest	$193

NOTE 2: *STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)*

CONSTRUCTION CODE FEES
The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Permit revenues	$ 17,899
Related expenditures	(26,323)
Current year surplus (shortfall)	$ (8,424)

NOTE 3: *CASH AND INVESTMENTS*

DEPOSITS
Deposits are carried at cost. Deposits are at Michigan banks in the name of the City of Marine City Treasurer. Governing statutes allow a city to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies, or instrumentalities;
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan;
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days;
4. U.S. or agency repurchase agreements;
5. Mutual funds, interlocal unit agreement pools, or investment pools whose portfolios consist solely of investments otherwise allowable for direct investments;
6. Bankers' acceptances of U.S. banks;
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; and
8. Certificates of deposit that are purchased through a Michigan bank that are subsequently allocated to additional banks or credit unions in order to maintain full federal depository insurance.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The above investment restrictions do not apply to the City's Pension Fund or the Retirees' Healthcare Trust.

The deposits and investments of the City are not limited beyond statutory authority and are in compliance as of June 30, 2014. Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents" and "Restricted cash".

The City's cash deposits are as follows:

Deposits are reflected on the individual fund balance sheet as follows:

Total governmental funds	$ 1,299,664
Total proprietary funds	183,045
Total fiduciary funds	47,526
Total component units	1,104,438
Less cash on hand	(927)
Total Deposits	$ 2,633,746

NOTE 3: ***CASH AND INVESTMENTS (Continued)***

Deposits and investments at the balance sheet date consisted of the following:

Deposits	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance / Market Value
Demand deposits	$ 818,406	$ 1,740,961	$ 2,559,367	$ 2,584,070
Savings and CD's	74,379	--	74,379	74,379
Cash on hand	--	927	927	--
Total Cash	$ 892,785	$ 1,741,888	2,634,673	$ 2,658,449
Investments - Nonrisk Categorized				
Mutual funds			6,046,561	$ 6,046,561
Money market account			186,250	147,730
Total Investments			6,232,811	$ 6,194,291
Total Cash and Investments			$ 8,867,484	

INTEREST RATE RISK
The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City made no investments that have market value risk during the current fiscal year.

CREDIT RISK
Statutes limit investments as stated above. The City's investment policy does not limit its investment choices beyond the statute. The authority to make investment decisions has been granted to the City Manager and City Treasurer.

CONCENTRATION OF CREDIT RISK
The City places no limit on the amount that it may invest in any one issuer. All of the City's investments are mutual funds invested with Raymond James & Associates.

CUSTODIAL CREDIT RISK
Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, $1,741,888 of the government's bank balance of $2,658,449 was exposed to custodial credit risk because it was uninsured.

Custodial credit risk for investments 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. The City does not have exposure to this type of risk.

NOTE 4: ***RESTRICTED ASSETS AND INVESTMENTS***

As of the balance sheet date, certain assets were subject to restrictions as follows:

Water and Sewer Fund - Restricted Assets:

Per Bond Ordinance 48, as amended by 48A and 57 - cash restricted to pay for asset replacement	$ 5,000
Per City's designation - cash restricted for sewer construction	9,266
Restricted for water monitoring system	52,233
Cash restricted to pay for FMHA Series III Bond	74,379
	$ 140,878

NOTE 4: ***RESTRICTED ASSETS AND INVESTMENTS (Continued)***

General Fund - Restricted Assets:

Cash restricted for police	$ 204
Restricted for insurance escrow	8,129
	$ 8,333

Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	$ 100
	$ 100

Pension Fund and Retiree Health Care Trust:

Michigan law authorizes a political subdivision to make various investments with assets of public employee retirement systems including, but not limited to, the following:

1. The general account of a life insurer authorized to do business in this state, but the total of the assets invested shall not exceed 50% of the capital and surplus of the insurer.
2. Obligations of the United States or its agencies.
3. Banker's acceptances, commercial accounts, certificates of deposit or depository receipts issued by a bank, trust company, savings and loan association, or a credit union.
4. Commercial paper rated within 3 highest rate classifications by at least 2 rating services and matures not later than 270 days.

The City of Marine City's Pension and Retiree Health Care Trust deposits and investments are in accordance with statutory authority.

The Pension and Retiree Health Care Trust investments are carried at market value as follows:

Investment	Interest Rate	Amount
Raymond James Money Market	Variable	$ 186,250
Raymond James Mutual Fund Portfolio	Variable	6,046,561
		$ 6,232,811

All of the investments are held in the name of the City's Pension and Retiree Health Care Trust.

NOTE 5: *CAPITAL ASSETS*

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/13	Additions	Disposals	Balance 06/30/14
Legislative:				
Equipment	$ 3,087	$ --	$ --	$ 3,087
General Government:				
Equipment and vehicles	1,337,401	9,444	50,027	1,296,818
Buildings	1,282,837	--	--	1,282,837
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	572,421	64,199	16,302	620,318
Buildings	679,310	--	--	679,310
Capitalized leases	66,040	--	--	66,040
Public Works:				
Equipment and vehicles	319,260	--	--	319,260
Buildings	242,719	--	--	242,719
Capitalized leases	77,214	--	--	77,214
Recreation and Culture:				
Land	258,116	--	--	258,116
Equipment	375,374	41,080	--	416,454
Buildings	596,032	--	--	596,032
Highways and Streets:				
Equipment	809,886	--	--	809,886
Roads and sidewalks	1,563,699	4,130,419	--	5,694,118
Construction in process	2,743,102	--	2,743,102	--
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	12,678,737	4,245,142	2,809,431	14,114,448
Accumulated Depreciation	(4,785,527)	(407,515)	(63,069)	(5,129,973)
Total Carrying Value of Fixed Assets	$ 7,893,210	$ 3,837,627	$ 2,746,362	$ 8,984,475

The above amounts include land with a cost of $1,729,293 not subject to depreciation.

The assets above include assets acquired through capital leases with a cost of $143,254 and accumulated depreciation of $107,755.

NOTE 5: ***CAPITAL ASSETS (Continued)***

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

General Government	$ 39,158
Public Safety	90,843
Public Works	23,852
Recreation and Culture	31,527
Highways and Streets	218,835
Cemetery	3,300
Total	$ 407,515

The above expense includes amortization on capitalized leases.

Business-Type Activities Fixed Assets:

A summary of changes in business-type fixed assets follows:

	Balance 06/30/13	Additions	Disposals	Balance 06/30/14
Water plant, lines, and equipment	$ 6,665,926	$ 77,182	$ --	$ 6,743,108
Sewer plant, lines, and equipment	14,690,922	3,440	--	14,694,362
Land	63,174	--	--	63,174
Total Capital Assets	21,420,022	80,622	--	21,500,644
Accumulated Depreciation	(13,966,781)	(561,232)	--	(14,528,013)
Total Carrying Value of Fixed Assets	$ 7,453,241	$ (480,610)	$ --	$ 6,972,631

Depreciation for the water and sewer systems totaled $188,855 and $372,377, respectively, for the year ended June 30, 2014.

NOTE 6: ***INTERFUND/COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS***

During the course of operations, numerous transactions occur between individual funds and component units for goods provided or services rendered. The amounts of interfund/component units receivables and payables are as follows:

Fund/Component Unit	Receivable	Fund/Component Unit	Payable
		Tax Fund (treated as taxes receivable)	$ 216,763
		Major Street	828
		Local Street	3,067
General Fund	$ 220,658		$ 220,658
Water and Sewer Fund	$ 27,762 *	Tax Fund (treated as taxes receivable)	$ 27,762
Tax Fund	$ 96	General Fund	$ 96
Water and Sewer Fund (treated as cash)	$ 167	Special Assessment Fund	$ 167

* Taxes Receivable in the Water and Sewer Fund from the Tax Fund is shown on the Statement of Net Position net of allowance for doubtful accounts of $13,881.

NOTE 6: ***INTERFUND/COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS (Continued)***

Interfund and component unit transfer:

Transfers In		Transfers Out	
Water and Sewer	$ 22,060	1991 Unlimited Tax Bonds Series A *	$ 22,060
		General Fund	$ 15,000
		Cemetery Trust	50
Cemetery Fund	$ 15,050		$ 15,050
Special Assessment	$ 1,955	Water and Sewer Fund (treated as interest)	$ 1,955
Major Street	$ 63,000	Capital Projects	$ 63,000
Water and Sewer Fund (treated as interest)	$ 251	Special Assessment Fund	$ 251

The above transfers were made to provide various permissible interfund subsidies and reimbursements.

*$13,976 of the balance relates to full accrual items not included on the governmental fund statements.

NOTE 7: ***LEASE OBLIGATIONS***

The City has entered into leases for copying and postage equipment. These leases are month-to-month and are being treated as operating leases. Lease expense for the period amounted to $5,601.

NOTE 8: ***LONG-TERM DEBT***

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Certain contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/13	Increase	Decrease	Payable at 06/30/14
Total Business-Type Activities Indebtedness	$ 2,415,000	$ --	$ 180,000	$2,235,000
Total Governmental Indebtedness	1,010,289	300,642	48,627	1,262,304
Special Assessments	46,000	--	5,000	41,000
Total Indebtedness	$ 3,471,289	$ 300,642	$ 233,627	$3,538,304

PERMITTED DEBT
Michigan Compiled Law limits indebtedness incurred by cities to 10% of the total state equalized valuation of the city. For the fiscal year 13/14, the state equalized value of the City of Marine City was $98,852,100; therefore, the legal debt margin is $9,885,210.

NOTE 8: ***LONG-TERM DEBT (Continued)***

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/13	Increase	Decrease	Payable at 06/30/14
General Obligation:				
Accrued sick pay	$ 111,809	$ --	$ 34,478	$ 77,331
Other postemployment benefits	869,284	300,642	--	1,169,926
Capital lease	29,196	--	14,149	15,047
Total General Obligation	1,010,289	300,642	48,627	1,262,304
Revenue Bonds:				
Water supply and sewage disposal	270,000	--	--	270,000
Drinking Water Revolving Fund	2,145,000	--	180,000	1,965,000
Special assessments	46,000	--	5,000	41,000
Total Indebtedness	$3,471,289	$ 300,642	$ 233,627	$3,538,304

The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund. The special assessment bonds are to be retired from collection of special assessments.

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Obligations:				
Accrued sick pay	N/A	N/A	N/A	$ 77,331
Other postemployment benefits	N/A	N/A	N/A	1,169,926
Capital Lease	2	6.34%	2014	15,047
Total General Obligations				$ 1,262,304
Special Assessment Bonds	1	5.00%	2021	$ 41,000
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	$ 270,000
Drinking Water Revolving Funds	2	2.125-2.5%	2026	1,965,000
Total Revenue Bonds				$ 2,235,000

NOTE 8: *LONG-TERM DEBT (Continued)*

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

	2015	2016	2017	2018	2019
Minimum future payments on capital lease	$ 16,000	$ --	$ --	$ --	$ --
Revenue Bonds	47,625	45,875	49,000	47,000	45,000
Drinking Water Revolving Fund Bonds	220,006	220,831	221,550	222,144	217,631
Special Assessment Bonds	6,925	7,650	7,350	7,050	6,751
Total Principal and Interest Requirements	$ 290,556	$ 274,356	$ 277,900	$ 276,194	$ 269,382

	2020-2024	2025-2029	Total
Minimum future payments on capital lease	$ --	$ --	$ 16,000
Revenue Bonds	84,000	--	318,500
Drinking Water Revolving Fund Bonds	731,587	300,000	2,133,749
Special Assessment Bonds	12,600	--	48,326
Total Principal and Interest Requirements	$ 828,187	$ 300,000	$2,516,575

Total interest expense for the City for the year was $60,142.

COMPONENT UNIT INDEBTEDNESS
At June 30, 2014, T.I.F.A. #1 had a total of $155,000 of Tax Increment Bonds, Series 2001 outstanding. The City has pledged its full faith and credit in the event the Component Unit Debt Retirement Fund does not pay the principal and interest payments as they come due. See Page 66 for details on this obligation.

NOTE 9: *EMPLOYEE RETIREMENT SYSTEM*

PLAN DESCRIPTION
The City of Marine City Retirement System is a single-employer defined benefit pension plan administered by the City of Marine City. The plan is authorized under applicable Michigan public law and City ordinances. The City does not issue a stand-alone financial report for this fund.

Plan administration: Management of the Marine City Retirement System vests with a pension board consisting of 7 members. Board make-up must consist of the following: two members must be City Commissioners; the City Manager; an individual who is not a member, spouse of a member, or child of a member; three members elected by members of the retirement system with no more than one trustee from any one city department.

Benefits provided: The plan provides retirement benefits to plan members and beneficiaries. The City Commission of the City of Marine City has the authority to establish and amend benefit provisions.

Employees attaining the age of 55 who have completed 25 or more continuous years of service or who have attained the age of 60 with 10 or more years of service, are entitled to annual benefits of 2.25 percent (2.0 percent prior to 2003) of their final average compensation for each year of continuous service. Benefits are reduced by .005 for each month, or fraction thereof, by which the date of benefit commencement precedes the member's attainment of age 60.

The Retirement System allows early retirement at the completion of 15 years of continuous service. Active employees, with 10 or more years of service, who become disabled, are entitled to the same benefit as if voluntarily retired. Disability benefits are paid until the earlier of death or recovery from disability. If the disabled member becomes gainfully employed, the pension benefit is reduced by the amount so earned.

NOTE 9: *EMPLOYEE RETIREMENT SYSTEM (Continued)*

If an employee terminates employment with the City and is not eligible for any other benefits under the Retirement System, the employee is entitled to the following:

- If voluntary retirement conditions have not been met - may receive lump sum payment equal to the larger of (1) the actuarial equivalent of the deferred pension, or (2) their accumulated contributions.

- If voluntary retirement conditions have been met - may receive vested benefits at normal retirement age.

The plan is closed to new entrants.

Plan membership: Substantially all of the City's employees participate in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2014, was approximately $479,000 with payroll for the year totaling approximately $1,200,000. Membership in the Retirement System as of June 30, 2013 (latest actuarial report available), is comprised of the following:

Group	Employees
Inactive members - Retirees and beneficiaries currently receiving benefits	23
- Retirees eligible for benefits but not receiving benefits	4
Active employees - fully vested	9

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS
The Pension Fund uses the accrual method of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plan. Benefits and refunds are recognized when due to members.

Investments are reported at fair value.

Investment Policy: The Pension Board are the trustees of the assets of the retirement system. City Commission retains full power and authority to invest and reinvest assets subject to any restrictions, limitations, terms, and conditions imposed by the State of Michigan for pension plans. The City's investment policy does not limit investment types beyond those imposed by applicable state statutes.

The City's investment policy focuses on making investments to provide the highest rate of return with maximum security while meeting cashflow needs. The City prioritizes the investment strategy in the following order: maintaining the safety and preservation of capital; diversification by type and institution so potential losses do not exceed income generated from the remaining portfolio; liquidity; and return on investments. There were no investment policy changes during the fiscal year.

Concentration risk: Investments, other than U.S. Government securities, that represent 5% or more of the plan's net position are as follows:

Investments	% of Plan Assets
Blackrock Health Sciences Opportunities	7.9%
Goldman Sachs Rising Dividend Growth Fund	8.8
Goldman Sachs Income Building Fund	15.5
Goldman Sachs Strategic Income Fund	15.4
Ivy Science and Technology Fund	5.6
Lord Abbett Short Duration Income Fund	7.7
Principal Mid Cap Fund	6.5
Principal Global Diversified Income Fund	16.6
Oppenheimer Steelpath MPL Alpha Fund	5.6
Thornburg Investment Income Building Fund	10.5

NOTE 9: *EMPLOYEE RETIREMENT SYSTEM (Continued)*

Note: All investments are mutual funds invested at Raymond James and Associates.

Rate of return: For the year ended, June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

FUNDING POLICY AND OTHER MATTERS
The contribution requirements of plan members and the City are established and may be amended by the City Commission. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs and benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2014, the City's contribution rate was 29.37% of annual covered payroll.

The costs of administering the plan are paid from plan assets.

FUND BALANCE ALLOCATION
City ordinance requires reserves of fund balance to be maintained for employee and employer contributions to the City of Marine City Employee Retirement System.

The employee reserve accounts for the accumulated contributions deducted from compensation of members plus an allocation of related interest and unrealized gains. The employee reserve accumulates until the employee retires from the plan.

The employer contribution reserve accounts for the accumulated contributions by the City to cover employee retirement benefits plus an allocation of interest and unrealized gains. The objective of this reserve is to require city contributions to the retirement system each fiscal year which, when considering the employee contributions, are sufficient to fully fund the cost of benefits likely to be paid to members, finance unfunded costs of benefits likely to be paid by service of employees prior to the current year.

The annuity reserve consists of the total of the reserve for retirement benefits and reserve for undistributed investment income/expenses. This reserve is for the benefit payments that will be made by the retirement system.

Reserve balances as of the current fiscal year are as follows:

Fund Balance Reserved for Employee Contribution	$ 1,441,945
Fund Balance Reserved for Employer Contribution	3,304,815
Fund Balance Reserved for Annuity	1,345,831
Balance at June 30, 2014	$ 6,092,591

ANNUAL PENSION COST AND NET PENSION OBLIGATION
The City's annual pension cost for the current year totaled $190,302. The City's net pension obligation at June 30, 2014, is summarized as follows:

Net Pension Obligation at June 30, 2013	$ --
Annual required contribution for fiscal year	190,302
Actual contributions made during fiscal year	(111,870)
Net pension obligation at June 30, 2014	$ 78,432

The annual required contribution for the current year was determined as part of the June 30, 2013, actuarial valuation, using an individual entry-age actuarial funding method.

NOTE 9: ***EMPLOYEE RETIREMENT SYSTEM (Continued)***

	2014	2013	2012
Annual Pension Cost	$ 190,302	$ 171,849	$ 110,871
Percentage Contributed	58.8%	100%	100%
Net Pension Obligation	$ 78,432	$ --	$ --

As of the latest actuarial valuation at June 30, 2013, there was an actuarially accrued liability of $7,053,000. The actuarial value of plan assets are approximately $5,740,000 and an unfunded actuarial accrued liability of $1,312,944. The actuarial value of assets as a percentage of the actuarial accrued liability as of June 30, 2013, was 81.4% with annual covered payroll of $479,000. The ratio of the unfunded actuarial liability to the annual covered payroll was 274.1%.

The schedule of funding progress for the plan follows the notes to the financial statements and presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

Cost Method	Asset Value Assumptions		Amortization Method
Individual Entry Age	Inflation rate	3.75%	Level dollar amount, closed
	Investment return	7.25%	19 year amortization period
	Projected salary increases	3.9%-7.7%	
	Asset Valuation Method	4-year smoothed market	

ANNUAL PENSION COST AND NET PENSION OBLIGATION (Presented in accordance with GASB No. 67)

Net pension liability: The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	$ 7,124,819
Plan fiduciary net position	6,092,591
City's net pension liability	$ 1,032,228

Plan fiduciary net position as a percentage of the total pension liability: 85.51%

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014. The following actuarial assumptions were applied to compute the total pension liability:

Actuarial cost method	Entry Age
Inflation	3.75%
Salary increases	7.74% - 3.75% (includes inflation)
Cost of living assumption adjustments	None

Mortality rates were based on the RP 2000 Mortality with projected improvements through 2010.

NOTE 9: *EMPLOYEE RETIREMENT SYSTEM (Continued)*

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 7.25% discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the City's net pension liability, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease Rate 6.25%	Computed GASB 67 Rate 7.25%	1% Increase Rate 8.25%
City's net pension liability	$1,842,491	$1,032,228	$343,323

NOTE 10: *OTHER POSTEMPLOYMENT BENEFITS (OPEB)*

PLAN DESCRIPTION
The City is a single-employer which has a public employee retirement system plan administered by the City.

DESCRIPTION OF BENEFITS AND AUTHORITY
The plan provides postretirement hospitalization insurance to all employees who were full-time employees on or before December 31, 2007, and who were eligible for the medical plan and the retirement system. The City Commission has the authority to establish and amend benefit provisions.

OPEB FUND FINANCIAL STATEMENTS
The plan does not issue a stand-alone financial report for this fund.

FUNDING POLICY AND OTHER MATTERS
The City's obligations for these benefits are established by labor contracts. Currently, under these contracts, the City is responsible for 100% of these benefits. Contributions for the current year were $215,788, and benefits paid totaled $231,128. Plan members are not responsible for contributions to the plan and the City funds the plan on a pay-as-you-go basis.

There are currently 12 active employees covered by the plan and 2 inactive vested employees and 9 retirees receiving benefits.

ANNUAL OPEB COST AND NET OPEB OBLIGATION
The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters set by governmental accounting standards. The ARC presents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The amount actually contributed to the plan, and changes in the net OPEB obligation are summarized as follows:

Annual Required Contribution	$ 531,930	(Represents approximately 50% of covered payroll)
Interest on net OPEB obligation	34,771	
Adjustment to Annual Required Contribution	(50,271)	
Annual OPEB Cost	516,430	
Contributions made	(215,788)	
Increase in net OPEB obligation	300,642	
Net OPEB obligation - beginning of year	869,284	
Net OPEB obligation - end of year	$ 1,169,926	

NOTE 10: ***OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)***

The City's annual OPEB costs, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligations for the current and prior years are as follows:

	06/30/14	06/30/13	06/30/12
Annual OPEB costs	$ 531,930	$ 512,704	$ 389,665
Percentage contributed	41%	40%	43%
Net OPEB obligation	$1,169,926	$ 869,284	$ 561,199

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point.

FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
Assets are valued at market value. The most recent actuarial valuation was completed June 30, 2012. The actuarial value of plan assets was $238,000 with an actuarially accrued liability of $7,803,000. The unfunded actuarial accrued liability was $7,565,000 or 3.1% funded. The annual covered payroll was $644,000 with an unfunded actuarial accrued liability ratio to the annual covered payroll of 1,174.7%.

The schedule of funding progress for the plan can be found following the notes and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2012
Actuarial Cost Method	Individual Entry-Age
Amortization Method	Level Dollar Assuming 3.75% Payroll Growth Rate
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate (Investment Rate)	4.00% per year (net of expenses)
Projected Salary Increases	3.75% across the board
Valuation Health Care Cost Trend Rate	9% in 2012, grading to 4.00% in 0.5% increments over 10 years then 3.75% thereafter

The City has implemented GASB standards for "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension" prospectively (zero net OPEB obligation at transition).

NOTE 11: ***FUND BALANCE/RETAINED EARNINGS RESTRICTIONS, COMMITMENTS AND ASSIGNMENTS***

	Nonspendable	Restricted	Committed	Assigned
Fund:				
General				
Police equipment	$ --	$ --	$ --	$ 22,846
Park signs	--	--	--	98
Playground equipment	--	--	--	67,522
Lighthouse	--	--	--	15,000
Capital projects	--	--	44,854	--
Fire insurance program	--	8,129	--	--
Streets and Highways - County	--	47,073	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	12,561	--	--
Local Street				
Highways and streets - Act 51	--	152,747	--	--
Major Street				
Highways and streets - Act 51	--	127,395	--	--
Woodlawn Cemetery				
Cemetery	--	51,338	--	--
Library Fund				
Library	--	--	3,352	--
Cemetery Perpetual Care				
Perpetual care	--	137,141	--	--
Total Governmental Funds	$ --	$ 536,384	$ 48,206	$ 105,466

NOTE 12: ***DEFERRED COMPENSATION PLAN***

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code of 1986, as amended, (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The City matches employee contributions for those employees who elect not to participate in the City's pension plan. Currently, the City is matching contributions for 7 employees. The City Commission approves the matching contribution rate each year. Employee deferrals amounted to $41,215 and employer contributions amounted to $28,090 for the period.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the City of Marine City that the City has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

NOTE 13: ***CONTINGENCIES AND RISKS***

RISK FINANCING
The City of Marine City purchases insurance coverage from independent third parties and is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage during the year.

NOTE 14: *JOINT VENTURE/RELATED PARTY TRANSACTIONS*

The City of Marine City entered into an agreement with the Township of Cottrellville, the Township of East China, and China Township for an area fire authority to provide fire and emergency services to the residents of the City and Townships. The Marine City Fire Authority is funded by contract revenues paid by the municipalities. The amount due from each municipality is determined based on total budgeted expenditures of the Authority and allocated to each government based on an average of fire and emergency runs from the previous three years.

During the fiscal year, the City paid $235,268 to the Marine City Fire Authority for its portion of fire and emergency services. The City also transferred personal property and the related debt to the Marine City Fire Authority upon formation of the Authority subject to an annual lease of $1 through June 30, 2035. There was $21 outstanding on this lease at the end of the current period.

The City passed a resolution during the current fiscal year which allowed the Marine City Fire Authority to retain overpayments by the City on fire contracts and invest the funds for future asset replacement expenditures. As a result, the City contributed $107,304 to the Fire Authority. This amount represents $73,556 in amounts overpaid on old contracts and $33,748 for the current year contract.

The Marine City Fire Authority is a separate legal entity and issues its own financial statements. These statements are available from the Marine City Fire Authority at 200 S. Parker Street, Marine City, MI 48039.

NOTE 15: *CHANGE IN ACCOUNTING PRINCIPLE*

During the fiscal year, the City adopted *GASB Statement No. 67*, *Financial Reporting for Pension Plans*. The new guidance requires increased disclosures about the pension plan and are included in Note 9 to the Financial Statements. The standard also required new presentation of the Pension Fund financial statement and additional required schedules, as identified in the table of contents. The City has not elected to early implement the corresponding *GASB Statement No. 68 Accounting and Financial Reporting for Pensions*.

NOTE 16: *FISCAL YEAR 2012 ESSENTIAL SERVICES*

Michigan Public Act 86 of 2014 requires a municipality to disclose the percentage of general operating millage used to fund essential services for June 30, 2012. Essential services are defined as police, fire, ambulatory, and emergency services. For Fiscal Year 2012, the City of Marine City had $1,611,173 in general operating millage revenue and $1,214,804 in essential services expenditures. Therefore, the percentage of general operating millage used to fund essential services for fiscal year 2012 was 75.4%.

NOTE 17: *UPCOMING REPORTING CHANGE*

In June 2012, the Governmental Accounting Standards Board (GASB) issued *Statement No. 68, Accounting and Financial Reporting for Pensions*. This statement requires governments providing defined benefit pensions to recognize their unfunded pension obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be reported on the government-wide, proprietary, and discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2014-2015 fiscal year.

SUPPLEMENTAL INFORMATION

CITY OF MARINE CITY

Required Supplementary Information
Pension Trust Fund - Schedule of Funding Progress and Employer Contributions
June 30, 2014
(Per latest actuarial report dated June 30, 2013)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b - a)/c)
($ amounts in thousands)						
06/30/01	$ 5,286	$ 4,527	$ (815)	118.2 %	$ 1,468	-- %
06/30/02	5,464	4,854	(610)	112.6	1,471	--
06/30/03	5,397	5,901	505	91.4	1,317	38.3
06/30/04	5,384	5,952	568	90.5	1,370	41.5
06/30/05	5,575	6,358	783	87.7	1,510	51.9
06/30/06	5,911	6,536	625	90.4	1,513	41.3
06/30/07	6,395	6,868	473	93.1	1,493	31.7
06/30/08	6,649	6,907	258	96.3	1,294	19.9
06/30/09	6,624	7,326	702	90.4	1,181	59.4
06/30/10	6,257	7,309	1,052	85.6	931	113.0
06/30/11	6,001	7,326	1,324	81.9	795	166.5
06/30/12	5,739	7,240	1,501	79.3	648	231.6
06/30/13	5,740	7,053	1,313	81.4	479	274.1

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning July 1	Actuarial Valuation Date June 30	Annual Required Contribution	Percent Contributed
2004	2003	$ 161,159	100 %
2005	2004	164,557	100
2006	2005	172,895	100
2007	2006	155,056	100
2008	2007	138,971	100
2009	2008	95,469	100
2010	2009	97,480	100
2011	2010	110,871	100
2012	2011	171,849	100
2013	2012	190,302	59

Market value

CITY OF MARINE CITY

Pension Trust Fund
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2014
(Per updated actuarial report dated June 30, 2014)

		2014
Total Pension Liability		
Service cost	$	63,069
Interest		491,659
Changes of benefit terms		--
Differences between expected and actual experience		123,250
Changes of assumptions		--
Benefit payments, including refunds of member contributions		(606,249)
Net change in total pension liability		71,729
Total Pension Liability - Beginning		7,053,090
Total Pension Liability - Ending (a)	$	7,124,819
Plan Fiduciary Net Position		
Contributions - employer	$	190,302
Contributions - member		22,046
Net investment income		809,302
Benefit payments, including refunds of member contributions		(606,249)
Administrative expense		(7,806)
Other		--
Net change in plan fiduciary net position		407,595
Plan fiduciary net position - beginning		5,684,996
Plan Fiduciary Net Position - Ending (b)	$	6,092,591
City of Marine City's Net Pension Liability - Ending (a)-(b)	$	1,032,228
Plan fiduciary net position as a percentage of the total pension liability		85.51%
Covered employee payroll	$	479,446
City of Marine City's net pension liability as a percentage of covered employee payroll		215.30%

Notes to Schedule:

Presentation: GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Changes in Net Pension Liability and Related Ratios. Only the 2014 fiscal year is available to present in accordance with the new standard. Therefore, only one year has been presented.

Latest actuarial report for the pension plan was dated June 30, 2013. The computations and assumptions have been updated by the actuary to reflect any significant changes in methods or assumptions in accordance with applicable standards for June 30, 2014.

CITY OF MARINE CITY

Pension Trust Fund
Required Supplementary Information
Schedule of Contributions
June 30, 2014
(Per updated actuarial report dated June 30, 2014)

	2014	2013	2012	2011
Actuarially determined contribution	$ 190,302	$ 168,317	$ 157,716	$ 149,956
Contributions in relation to the actuarially determined contribution	190,302	171,849	110,871	97,480
Contribution excess (deficiency)	$ --	$ 3,532	$ (46,845)	$ (52,476)
Covered-employee payroll	N/A	$ 479,446	$ 647,948	$ 824,677
Contributions as a percentage of covered-employee payroll	N/A	35.84%	17.11%	11.82%

Notes to Schedule:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Covered employee payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level dollar, Closed
Remaining amortization period:	19 years as of the June 30, 2013 regular actuarial valuation
Asset valuation method:	4 years smoothed market
Inflation:	3.25%
Salary increases:	7.74% - 3.75%, including inflation
Investment rate of return:	7.25%, net of pension plan investment expense, including inflation
Retirement age:	Not provided by Actuary
Mortality:	Based on the RP 2000 Mortality with projected improvements through 2010

2010	2009	2008	2007	2006	2005
$ 136,676	$ 171,139	$ 177,626	$ 187,759	$ 159,563	$ 153,022
95,469	138,971	155,056	172,895	164,557	161,159
$ (41,207)	$ (32,168)	$ (22,570)	$ (14,864)	$ 4,994	$ 8,137
$ 930,742	$ 1,181,481	$ 1,293,609	$ 1,492,983	$ 1,512,922	$ 1,509,919
10.26%	11.76%	11.99%	11.58%	10.88%	10.67%

CITY OF MARINE CITY

Pension Trust Fund
Required Supplementary Information
Schedule of Investment Returns
June 30, 2014

	2014
Annual money-weighted rate of return, net of investment expense	15.69%

Notes to Schedule:

Presentation: GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Investment Returns. Only 2014 fiscal year is available to be presented in accordance with the new standard. Therefore, only one year has been presented.

CITY OF MARINE CITY

Required Supplementary Information
Retiree Health Trust - Schedule of Funding Progress and Employer Contributions
June 30, 2014
(Per latest actuarial report dated June 30, 2012)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b - a)/c)
($ amounts in thousands)						
06/30/07	$ **	$ **	$ **	** %	$ **	** %
06/30/08	**	**	**	**	**	**
06/30/09	247	6,125	5,878	4.0	1,167	503.7
06/30/10	**	**	**	**	**	**
06/30/11	**	**	**	**	**	**
06/30/12	238	7,803	7,565	3.1	644	1,174.7

**Actuarial information is unavailable for these years
Market value

Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2012
Actuarial Cost Method	Individual Entry-Age
Amortization Method	Level Dollar Assuming 3.75% Payroll Growth Rate
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate (Investment Rate)	4.00% per year (net of expenses)
Projected Salary Increases	3.75% across the board
Valuation Health Care Cost Trend Rate	9% in 2012, grading to 4.00% in 0.5% increments over 10 years then 3.75% thereafter

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made.

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members at that point.

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

CITY OF MARINE CITY

Combining Statement of Net Position
Component Units
June 30, 2014

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 38,041	$ 340,625	$ 725,772	$ 1,104,438
Total Current Assets	38,041	340,625	725,772	1,104,438
Noncurrent Assets	--	--	--	--
Total Assets	38,041	340,625	725,772	1,104,438
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Current Liabilities				
Accounts payable	166	166	166	498
Accrued interest payable	1,771	--	--	1,771
Current portion of debt	30,000	--	--	30,000
Total Current Liabilities	31,937	166	166	32,269
Noncurrent Liabilities				
Long-term obligations, net of current portion	125,000	--	--	125,000
Total Liabilities	156,937	166	166	157,269
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Unrestricted	(118,896)	340,459	725,606	947,169
Total Net Position	**$ (118,896)**	**$ 340,459**	**$ 725,606**	**$ 947,169**

See accompanying letter.

CITY OF MARINE CITY

Combining Statement of Activities
Component Units
For the Year Ended June 30, 2014

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	$ 3,044	$ 15,895	$ 29,638	$ 48,577
Debt service interest	8,374	--	--	8,374
Administrative expenses - Intergovernmental	10,600	30,000	65,400	106,000
Transfers to primary government	27,022	5,199	24,088	56,309
Total Expenses	49,040	51,094	119,126	219,260
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	--	--	--	--
Net Program Revenues (Expenses)	(49,040)	(51,094)	(119,126)	(219,260)
General Revenue				
Tax collections	64,567	33,067	82,639	180,273
Interest revenue	24	154	328	506
Total General Revenues	64,591	33,221	82,967	180,779
Change in Net Position	**15,551**	**(17,873)**	**(36,159)**	**(38,481)**
Net Position at Beginning of Period	(134,447)	358,332	761,765	985,650
Net Position at End of Period	$ **(118,896)**	$ **340,459**	$ **725,606**	$ **947,169**

See accompanying letter.

CITY OF MARINE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
ASSETS			
Cash and cash equivalents	$ 52,929	$ 3,352	$ 12,461
Restricted cash	--	--	100
Total Assets	52,929	3,352	12,561
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	$ **52,929**	$ **3,352**	$ **12,561**
LIABILITIES			
Accounts payable	$ 455	$ --	$ --
Accrued wages and vacation pay	1,136	--	--
Total Liabilities	1,591	--	--
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Liabilities and Deferred Inflows of Resources	1,591	--	--
FUND BALANCE			
Restricted	51,338	--	12,561
Committed	--	3,352	--
Unassigned	--	--	--
Total Fund Balance	51,338	3,352	12,561
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ **52,929**	$ **3,352**	$ **12,561**

See accompanying letter.

Permanent	
Cemetery Perpetual Care	Total Nonmajor Governmental Funds
$ 137,141	$ 205,883
--	100
137,141	205,983
--	--
$ **137,141**	$ **205,983**
$ --	$ 455
--	1,136
--	1,591
--	--
--	1,591
137,141	201,040
--	3,352
--	--
137,141	204,392
$ **137,141**	$ **205,983**

CITY OF MARINE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
Revenues			
Licenses, permits, fines, and fees	$ --	$ --	$ 1,894
User fees and other charges	19,473	--	--
Interest revenue	19	1	--
Total Revenues	19,492	1	1,894
Expenditures			
Current			
Public safety	--	--	100
Cemetery operations	29,799	--	--
Total Expenditures	29,799	--	100
Excess of Revenues Over (Under) Expenditures	(10,307)	1	1,794
Other Financing Sources (Uses)			
Transfers from other funds	15,050	--	--
Transfers to other funds	--	--	--
Net Other Financing Sources (Uses)	15,050	--	--
Net Change in Fund Balance	**4,743**	**1**	**1,794**
Fund Balance at Beginning of Period	46,595	3,351	10,767
Fund Balance at End of Period	$ **51,338**	$ **3,352**	$ **12,561**

See accompanying letter.

Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
$ --	$ 1,894
--	19,473
59	79
59	21,446
--	100
--	29,799
--	29,899
59	(8,453)
--	15,050
(50)	(50)
(50)	15,000
9	**6,547**
137,132	197,845
$ **137,141**	$ **204,392**

CITY OF MARINE CITY

General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2014

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	$ 44,854	$ 786,980	$ 831,834
Restricted cash	--	8,333	8,333
Accounts and assessments receivable	--	25,862	25,862
Taxes receivable	--	216,763	216,763
Due from other units of government	--	192,854	192,854
Other assets	--	485	485
Due from other funds	--	3,895	3,895
Total Assets	44,854	1,235,172	1,280,026
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	**$ 44,854**	**$ 1,235,172**	**$ 1,280,026**
LIABILITIES			
Accounts payable	$ --	$ 72,602	$ 72,602
Due to agency funds	--	96	96
Accrued wages and vacation pay	--	44,746	44,746
Due to other units and taxpayers	--	10,000	10,000
Total Liabilities	--	127,444	127,444
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	322,026	322,026
Total Liabilities and Deferred Inflows of Resources	--	449,470	449,470
FUND BALANCE			
Restricted	--	55,202	55,202
Committed	44,854	--	44,854
Assigned	--	105,466	105,466
Unassigned	--	625,034	625,034
Total Fund Balance	44,854	785,702	830,556
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 44,854**	**$ 1,235,172**	**$ 1,280,026**

See accompanying letter.

CITY OF MARINE CITY

General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Funds Treated as General
For the Year Ended June 30, 2014

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	$ --	$ 1,506,113	$ 1,506,113
Distributions from State of Michigan	--	411,809	411,809
Licenses, permits, fines, and fees	--	335,635	335,635
Recreation	--	30,598	30,598
Grant proceeds and reimbursements	--	262,801	262,801
Telecommunications	--	12,047	12,047
Zoning and site plan fees	--	1,828	1,828
Refuse	--	279,819	279,819
Intergovernmental	--	45,637	45,637
Other	--	31,921	31,921
User fees and other charges	--	24,218	24,218
Interest revenue	38	24,077	24,115
Total Revenues	38	2,966,503	2,966,541
Expenditures			
Current			
Legislative	--	15,034	15,034
General government	--	460,620	460,620
Public safety	--	1,038,569	1,038,569
Public works	--	676,603	676,603
Community and economic development	--	328	328
Recreation and cultural	--	158,279	158,279
Other	--	543,318	543,318
Debt Service			
Debt service interest	--	1,851	1,851
Debt service principal	--	14,149	14,149
Capital Outlay			
General government	--	8,834	8,834
Public safety	--	64,199	64,199
Recreation and cultural	--	7,923	7,923
Intergovernmental			
Water and sewer charges	--	18,000	18,000
Total Expenditures	--	3,007,707	3,007,707
Excess of Revenues Over (Under) Expenditures	38	(41,204)	(41,166)
Other Financing Sources (Uses)			
Gain on sale of fixed assets	--	4,473	4,473
Insurance recoveries	--	52,121	52,121
Transfers to other funds	(63,000)	(15,000)	(78,000)
Net Other Financing Sources (Uses)	(63,000)	41,594	(21,406)
Net Change in Fund Balance	**(62,962)**	**390**	**(62,572)**
Fund Balance at Beginning of Period	107,816	785,312	893,128
Fund Balance at End of Period	$ **44,854**	$ **785,702**	$ **830,556**

See accompanying letter.

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (a consolidated component of the General Fund)
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Tax collections	$ 1,484,425	$ 1,505,425	$ 1,506,113	$ 688
Distributions from State of Michigan	400,000	400,000	411,809	11,809
Licenses, permits, fines, and fees	375,390	335,890	335,635	(255)
Recreation	33,530	35,565	30,598	(4,967)
Grant proceeds and reimbursements	21,775	250,315	262,801	12,486
Telecommunications	12,475	12,475	12,047	(428)
Zoning and site plan fees	500	500	1,828	1,328
Refuse	277,650	279,150	279,819	669
Intergovernmental	50,000	50,000	45,637	(4,363)
Other	28,700	34,000	31,921	(2,079)
User fees and other charges	24,200	24,200	24,218	18
Interest	25,825	25,825	24,077	(1,748)
Total Revenues	2,734,470	2,953,345	2,966,503	13,158
Other Financing Sources				
Gain on sale of fixed assets	2,000	4,475	4,473	(2)
Insurance recoveries	--	52,125	52,121	(4)
Total Revenues and Other Financing Sources	2,736,470	3,009,945	3,023,097	13,152
Expenditures				
Legislative	16,940	16,940	15,034	1,906
General government	474,430	494,710	471,319	23,391
Public safety	1,154,640	1,190,555	1,102,768	87,787
Public works	660,270	710,145	676,603	33,542
Community and economic development	1,750	1,750	328	1,422
Recreation and cultural	173,735	213,435	166,202	47,233
Other	286,025	585,315	559,453	25,862
Debt service principal	14,150	14,150	14,149	1
Debt service interest	1,855	1,855	1,851	4
Total Expenditures	2,783,795	3,228,855	3,007,707	221,148
Other Financing Uses				
Transfers to other funds	25,515	25,515	15,000	10,515
Total Expenditures and Other Financing Uses	2,809,310	3,254,370	3,022,707	231,663
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(72,840)	(244,425)	390	244,815
Net Change in Fund Balance	**(72,840)**	**(244,425)**	**390**	**244,815**
Fund Balance at Beginning of Period	785,312	785,312	785,312	--
Fund Balance at End of Period	$ **712,472**	$ **540,887**	$ **785,702**	$ **244,815**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Capital Improvement (a consolidated component of the General Fund)
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Interest	$ 150	$ 150	$ 38	$ (112)
Total Revenues	150	150	38	(112)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	150	150	38	(112)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	63,000	63,000	63,000	--
Total Expenditures and Other Financing Uses	63,000	63,000	63,000	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(62,850)	(62,850)	(62,962)	(112)
Net Change in Fund Balance	**(62,850)**	**(62,850)**	**(62,962)**	**(112)**
Fund Balance at Beginning of Period	107,816	107,816	107,816	--
Fund Balance at End of Period	$ **44,966**	$ **44,966**	$ **44,854**	$ **(112)**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Woodlawn Cemetery
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
User fees and other charges	$ 14,100	$ 14,100	$ 19,473	$ 5,373
Interest	25	25	19	(6)
Total Revenues	14,125	14,125	19,492	5,367
Other Financing Sources				
Transfers from other funds	25,600	25,600	15,050	(10,550)
Total Revenues and Other Financing Sources	39,725	39,725	34,542	(5,183)
Expenditures				
Cemetery operations	39,725	39,725	29,799	9,926
Total Expenditures	39,725	39,725	29,799	9,926
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	39,725	39,725	29,799	9,926
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	4,743	4,743
Net Change in Fund Balance	**--**	**--**	**4,743**	**4,743**
Fund Balance at Beginning of Period	46,595	46,595	46,595	--
Fund Balance at End of Period	$ **46,595**	$ **46,595**	$ **51,338**	$ **4,743**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Cemetery Perpetual Care
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Interest	$ 100	$ 100	$ 59	$ (41)
Total Revenues	100	100	59	(41)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	100	100	59	(41)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	85	85	50	35
Total Expenditures and Other Financing Uses	85	85	50	35
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	15	15	9	(6)
Net Change in Fund Balance	**15**	**15**	**9**	**(6)**
Fund Balance at Beginning of Period	137,132	137,132	137,132	--
Fund Balance at End of Period	$ **137,147**	$ **137,147**	$ **137,141**	$ **(6)**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Library Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Interest	$ 5	$ 5	$ 1	$ (4)
Total Revenues	5	5	1	(4)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	5	5	1	(4)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5	5	1	(4)
Net Change in Fund Balance	**5**	**5**	**1**	**(4)**
Fund Balance at Beginning of Period	3,351	3,351	3,351	--
Fund Balance at End of Period	$ **3,356**	$ **3,356**	$ **3,352**	$ **(4)**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Drug Enforcement Law Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Licenses, permits, fines, and fees	$ --	$ --	$ 1,894	$ 1,894
Total Revenues	--	--	1,894	1,894
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	--	--	1,894	1,894
Expenditures				
Public safety	5,500	5,500	100	5,400
Total Expenditures	5,500	5,500	100	5,400
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	5,500	5,500	100	5,400
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(5,500)	(5,500)	1,794	7,294
Net Change in Fund Balance	**(5,500)**	**(5,500)**	**1,794**	**7,294**
Fund Balance at Beginning of Period	10,767	10,767	10,767	--
Fund Balance at End of Period	$ **5,267**	$ **5,267**	$ **12,561**	$ **7,294**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
T.I.F.A. #1
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Tax collections	$ 64,150	$ 64,150	$ 64,567	$ 417
Interest	35	35	24	(11)
Total Revenues	64,185	64,185	64,591	406
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	64,185	64,185	64,591	406
Expenditures				
General government	32,100	32,100	13,644	18,456
Debt service principal	25,000	25,000	25,000	--
Debt service interest	8,515	8,515	8,708	(193)
Total Expenditures	65,615	65,615	47,352	18,263
Other Financing Uses				
Transfers to primary government	3,000	28,000	27,022	978
Total Expenditures and Other Financing Uses	68,615	93,615	74,374	19,241
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,430)	(29,430)	(9,783)	19,647
Net Change in Fund Balance	**(4,430)**	**(29,430)**	**(9,783)**	**19,647**
Fund Balance at Beginning of Period	47,658	47,658	47,658	--
Fund Balance at End of Period	$ **43,228**	$ **18,228**	$ **37,875**	$ **19,647**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
T.I.F.A. #2
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Tax collections	$ 31,275	$ 31,275	$ 33,067	$ 1,792
Interest	325	325	154	(171)
Total Revenues	31,600	31,600	33,221	1,621
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	31,600	31,600	33,221	1,621
Expenditures				
General government	56,000	56,000	45,895	10,105
Total Expenditures	56,000	56,000	45,895	10,105
Other Financing Uses				
Transfers to primary government	100,000	100,000	5,199	94,801
Total Expenditures and Other Financing Uses	156,000	156,000	51,094	104,906
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(124,400)	(124,400)	(17,873)	106,527
Net Change in Fund Balance	**(124,400)**	**(124,400)**	**(17,873)**	**106,527**
Fund Balance at Beginning of Period	358,332	358,332	358,332	--
Fund Balance at End of Period	$ **233,932**	$ **233,932**	$ **340,459**	$ **106,527**

See accompanying letter.

CITY OF MARINE CITY

Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
T.I.F.A. #3
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Tax collections	$ 95,300	$ 95,300	$ 82,639	$ (12,661)
Interest	650	650	328	(322)
Total Revenues	95,950	95,950	82,967	(12,983)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	95,950	95,950	82,967	(12,983)
Expenditures				
General government	98,900	98,900	95,038	3,862
Total Expenditures	98,900	98,900	95,038	3,862
Other Financing Uses				
Transfers to primary government	140,000	140,000	24,088	115,912
Total Expenditures and Other Financing Uses	238,900	238,900	119,126	119,774
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(142,950)	(142,950)	(36,159)	106,791
Net Change in Fund Balance	**(142,950)**	**(142,950)**	**(36,159)**	**106,791**
Fund Balance at Beginning of Period	761,765	761,765	761,765	--
Fund Balance at End of Period	$ **618,815**	$ **618,815**	$ **725,606**	$ **106,791**

See accompanying letter.

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2014

Water Supply and Sewage Disposal System Revenue Bonds - Series III:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	$ 628,000	5.00%	2015	$ 35,000	$ 12,625	$ 47,625
Principal due July 1			2016	35,000	10,875	45,875
Interest due July 1			2017	40,000	9,000	49,000
and January 1			2018	40,000	7,000	47,000
			2019	40,000	5,000	45,000
			2020	40,000	3,000	43,000
			2021	40,000	1,000	41,000
	Total Revenue Bonds			270,000	$ **48,500**	$ **318,500**

Drinking Water Revolving Fund Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
9-29-98	$ 1,155,000	2.50%	2015	$ 65,000	$ 8,500	$ 73,500
Principal due April 1			2016	65,000	6,875	71,875
Interest due October 1			2017	70,000	5,250	75,250
and April 1			2018	70,000	3,500	73,500
			2019	70,000	1,750	71,750
	Total Issue Outstanding			340,000	$ **25,875**	$ **365,875**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
12-23-05	$ 2,500,000	2.125%	2015	$ 120,000	$ 26,506	$ 146,506
Principal due April 1			2016	125,000	23,956	148,956
Interest due October 1			2017	125,000	21,300	146,300
and April 1			2018	130,000	18,644	148,644
			2019	130,000	15,881	145,881
			2020	135,000	13,119	148,119
			2021	135,000	10,250	145,250
			2022	140,000	7,381	147,381
			2023	140,000	4,406	144,406
			2024	145,000	1,431	146,431
			2025	150,000	--	150,000
			2026	150,000	--	150,000
	Total Issue Outstanding			1,625,000	$ **142,874**	$ **1,767,874**
	Total Water and Sewer Fund Bonded Indebtedness			**2,235,000**		

See accompanying letter.

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2014

Special Assessment Bonds - 1981:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
10-2-81	$ 167,000	5.00%	2015	$ 5,000	$ 1,925	$ 6,925
Principal due September 1			2016	6,000	1,650	7,650
Interest due September 1			2017	6,000	1,350	7,350
and March 1			2018	6,000	1,050	7,050
			2019	6,000	751	6,751
			2020	6,000	450	6,450
			2021	6,000	150	6,150
	Total Special Assessment Bonded Indebtedness			**41,000**	$ **7,326**	$ **48,326**

See accompanying letter.

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2014

Police Capital Lease:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
7-23-12	$ 45,196	6.34%	2015	$ 15,047	$ 953	$ 16,000
	Total Amount Outstanding			**15,047**	**$ 953**	**$ 16,000**

Total Governmental Funds Indebtedness	**15,047**

Wells Fargo Lease:

Collateral	Monthly Payment	Payments Remaining	Total Payments
Xerox Copier	$ 279	month-to-month	$ --

Neopost Lease:

Collateral	Monthly Payment	Payments Remaining	Total Payments
Postage Machine	$ 282	month-to-month	$ --

Standard Office Supply Lease:

Collateral	Monthly Payment	Payments Remaining	Total Payments
Copy Machine (Police)	$ 94	month-to-month	$ --
		TOTAL INDEBTEDNESS	**$ 2,291,047**

See accompanying letter.

CITY OF MARINE CITY

Component Units
Schedule of Indebtedness
June 30, 2014

Tax Increment Bonds, Series 2001:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
5-1-01	$ 425,000	4.90%	2015	$ 30,000	$ 7,085	$ 37,085
Principal due October 1		5.00	2016	30,000	5,600	35,600
Interest due October 1		5.00	2017	30,000	4,100	34,100
and April 1		5.10	2018	30,000	2,585	32,585
		5.20	2019	35,000	910	35,910
	Total Component Unit Indebtedness			$ **155,000**	$ **20,280**	$ **175,280**

See accompanying letter.