

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

CITY OF MARINE CITY

Table of Contents

	Page
Management's Discussion and Analysis	i - iv
Independent Auditor's Report	1-2
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	3
Statement of Activities	4-5
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	6-7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	11
Statement of Net Position - Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	13
Statement of Cash Flows - Proprietary Funds	14
Statement of Fiduciary Net Position - Fiduciary Funds	15
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	16
<i>Component Units:</i>	
Combining Statement of Net Position	17
Combining Statement of Activities	18
Consolidated General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	19
Major Street - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	20
Local Street - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	21
Notes to Financial Statements	22-44
Supplemental Information	
<i>Required Supplementary Information:</i>	
Pension Trust Fund	
Schedule of Changes in the Net Pension Liability and Related Ratios	45
Schedule of Contributions	46-47
Schedule of Investment Returns	48
Retiree Health Trust - Schedule of Funding Progress and Employer Contributions	49

CITY OF MARINE CITY

Table of Contents

Supplemental Schedules

Non-Major Governmental Funds:

Combining Balance Sheet	50-51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	52-53

All Funds Treated as General:

General Fund Combining Balance Sheet	54
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	55

Other Governmental Funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	56-61
---	-------

Component Units:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	62-64
Schedule of Indebtedness	65-66
Schedule of Indebtedness - Component Units	67

CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 decreased by 6.9% from a year ago from \$13.50 million to \$12.56 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$0.8 million during the year, a 9.6% decrease. This was primarily the result of an increase in pension and OPEB liabilities and related expenses in the governmental funds. The business-type activities experienced a \$120,000 decrease in net position, primarily as a result of depreciation and recognition of a portion of the net pension liability 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	
	2015	2014	2015	2014	2015	2014
Current Assets *	\$ 1,895	\$ 1,697	\$ 639	\$ 589	\$ 2,529	\$ 2,286
Noncurrent Assets	8,630	8,984	6,539	6,973	15,169	15,957
Deferred Outflows of Resources	602	81	119	31	721	112
Total Assets and Deferred Outflows	11,127	10,762	7,297	7,593	18,419	18,355
Long-Term Debt Outstanding	3,165	1,997	2,102	2,297	5,267	4,294
Other Liabilities *	295	281	299	280	589	561
Deferred Inflows of Resources	--	--	--	--	--	--
Total Liabilities and Deferred Inflows	3,460	2,278	2,401	2,577	5,856	4,855
Net Position						
Invested in Capital Assets - Net of Debt	8,630	8,969	4,450	4,738	13,080	13,707
Restricted	706	562	86	66	792	628
Unrestricted	(1,669)	(1,047)	360	212	(1,309)	(835)
Total Net Position	\$ 7,667	\$ 8,484	\$ 4,896	\$ 5,016	\$ 12,563	\$ 13,500

* Internal balances eliminated in total column.

See Note 15 for restatement of prior year due to change in accounting principle.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$622,000 for the governmental activities. This was primarily a result of increases in pension and OPEB liabilities. This represents a decrease of approximately 59.4%. The current level of unrestricted net position for our governmental activities stands at (\$1.7 million). This is within the targeted range set during the last budget process.

CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 621	\$ 709	\$ 1,667	\$ 1,636	\$ 2,288	\$ 2,345
Operating Grants and Contributions	424	590	63	--	487	590
Capital Grants and Contributions	13	1,218	--	--	13	1,218
General Revenues						
Taxes	1,464	1,513	--	--	1,464	1,513
State-Shared Revenues	422	414	--	--	422	414
Unrestricted Investment Earnings	--	1	--	--	--	1
Other	71	161	5	25	76	186
Total Revenues	3,015	4,606	1,735	1,661	4,750	6,267
Program Expenses						
Legislative	12	15	--	--	12	15
General Government	601	609	--	--	601	609
Public Safety	1,167	1,279	--	--	1,167	1,279
Highways and Streets	443	460	--	--	443	460
Public Works	690	769	--	--	690	769
Recreation and Cultural	121	190	--	--	121	190
Other	313	621	--	--	313	621
Unallocated pension expense	462	60	--	--	462	60
Cemetery operations	23	33	--	--	23	33
Debt Service	--	1	--	--	--	1
Water and Sewer	--	--	1,855	1,947	1,855	1,947
Total Expenses	3,832	4,037	1,855	1,947	5,687	5,984
Change in Net Position	\$ (817)	\$ 569	\$ (120)	\$ (286)	\$ (937)	\$ 283

The City's net position continues to remain healthy. Total net position decreased by \$937,000. This was primarily because of a change in accounting principle which requires the recognition of the components of the net pension liability on the entity-wide statements. See Note 15 for the details regarding the change in accounting principle.

Governmental Activities

The City's total governmental revenues decreased by approximately \$1.6 million, primarily due to decreases in grants related to projects that were completed in fiscal year 2014. Expenses of the governmental activities decreased by \$205,000 over those of the previous year. This was primarily due to decreased expenses in the public safety and public works departments.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2015

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatments to all City residents. We experienced a slight 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 Street Fund, and the Local Street Fund.

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenditures of approximately \$979,000. These services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$554,000 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 8% during the year. The various departments overall stayed within the budget, resulting in total expenditures \$320,533 below the budget. The General Fund's fund balance increased by \$81,685 from a year ago.

Capital Asset and Debt Administration

As of the Statement of Net Position date, there was \$15 million 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, 2016, 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, 2016.

CITY OF MARINE CITY

**Management's Discussion and Analysis
For the Year Ended 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 2016 has been reduced from the amount required in 2015. 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.



INDEPENDENT AUDITOR'S REPORT

December 16, 2015

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, 2015, 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, 2015, 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 2015 fiscal year, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. 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 45–49 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

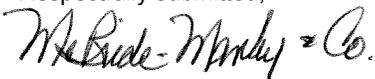
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City’s basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules listed in the table of contents are presented 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 16, 2015, 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 & COMPANY P.C.
Certified Public Accountants

CITY OF MARINE CITY
Statement of Net Position
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,546,070	\$ 107,874	\$ 1,653,944	\$ 1,029,262
Restricted cash	44,738	86,008	130,746	--
Accounts and assessments receivable	19,507	412,418	431,925	--
Taxes receivable	113,812	13,785	127,597	--
Due from other units of government	157,351	18,637	175,988	--
Other assets	1,859	--	1,859	--
Due from agency	6,605	--	6,605	--
Due from primary government	--	--	--	33,170
<i>Internal Balances*</i>	4,703	--	--	--
Total Current Assets	1,894,645	638,722	2,528,664	1,062,432
<i>Noncurrent Assets</i>				
Capital assets, net of accumulated depreciation	8,629,795	6,464,932	15,094,727	--
Cash restricted for payment of bond	--	74,622	74,622	--
Lease receivable	20	--	20	--
Total Assets	10,524,460	7,178,276	17,698,033	1,062,432
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	601,533	119,035	720,568	--
Total Deferred Outflows of Resources	601,533	119,035	720,568	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	75,755	46,241	121,996	17,191
Due to agency funds	44	--	44	--
Accrued wages and vacation pay	94,577	8,828	103,405	--
Accrued interest payable	--	14,610	14,610	1,400
Current portion of debt	--	225,000	225,000	30,000
Due to other units and taxpayers	46,590	--	46,590	--
Pension contribution payable	45,120	--	45,120	--
Due to component units	33,170	--	33,170	--
<i>Internal Balances*</i>	--	4,703	--	--
Total Current Liabilities	295,256	299,382	589,935	48,591
<i>Noncurrent Liabilities</i>				
Accrued sick pay	68,705	--	68,705	--
Long-term obligations, net of current portion	--	1,790,000	1,790,000	95,000
Other postemployment benefit obligation	1,494,693	--	1,494,693	--
Net pension liability	1,575,911	311,860	1,887,771	--
Due to other units and taxpayers	25,082	--	25,082	--
Total Liabilities	3,459,647	2,401,242	5,856,186	143,591
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Investment in capital assets, net of related debt	8,629,795	4,449,932	13,079,727	--
<i>Restricted for:</i>				
Drug enforcement	12,561	--	12,561	--
Perpetual care	137,143	--	137,143	--
Highways and streets - Act 51	429,813	--	429,813	--
Cemetery	53,200	--	53,200	--
Asset replacement	--	14,266	14,266	--
Insurance escrow	8,129	--	8,129	--
Water monitoring system	--	71,742	71,742	--
Highways and streets	20,924	--	20,924	--
Salvage	25,694	--	25,694	--
Parks and recreation	17,530	--	17,530	--
Police	770	--	770	--
<i>Unrestricted</i>	(1,669,213)	360,129	(1,309,084)	918,841
Total Net Position	\$ 7,666,346	\$ 4,896,069	\$ 12,562,415	\$ 918,841

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 12,146	\$ --	\$ --	\$ --
General government	601,540	195,658	--	--
Public safety	1,167,443	96,723	8,605	11,374
Public works	689,825	282,244	--	--
Community and economic development	749	1,013	--	--
Recreation and cultural	121,143	17,174	38,650	1,941
Highways and streets	443,104	--	302,575	--
Other	270,200	10,736	74,330	--
Unallocated pension expense	461,866	--	--	--
Cemetery operations	23,446	17,615	--	--
Debt service interest	61	--	--	--
Water and sewer charges - Intergovernmental	18,000	--	--	--
Equipment rent - Intergovernmental	25,006	--	--	--
Total Governmental Activities	3,834,529	621,163	424,160	13,315
Business-type Activities:				
Water and Sewer Disposal	1,855,267	1,667,243	62,977	--
Total Business-type Activities	1,855,267	1,667,243	62,977	--
Total Primary Government	\$ 5,689,796	\$ 2,288,406	\$ 487,137	\$ 13,315
Component Units				
T.I.F.A. #1	\$ 32,767	\$ --	\$ --	\$ --
T.I.F.A. #2	50,729	--	--	--
T.I.F.A. #3	102,017	--	--	--
Total Component Units	\$ 185,513	\$ --	\$ --	\$ --

General Purpose Revenues and Transfers:

Revenues

Tax collections
Interest revenue
Distributions from State of Michigan
Intergovernmental
Other
Transfers from component units

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period - Restated

Net Position at End of Period

Net (Expense) Revenue				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (12,146)	\$ --	\$ (12,146)	\$	--
(405,882)	--	(405,882)		--
(1,050,741)	--	(1,050,741)		--
(407,581)	--	(407,581)		--
264	--	264		--
(63,378)	--	(63,378)		--
(140,529)	--	(140,529)		--
(185,134)	--	(185,134)		--
(461,866)	--	(461,866)		--
(5,831)	--	(5,831)		--
(61)	--	(61)		--
(18,000)	--	(18,000)		--
(25,006)	--	(25,006)		--
<u>(2,775,891)</u>	<u>--</u>	<u>(2,775,891)</u>		<u>--</u>
--	(125,047)	(125,047)		--
--	(125,047)	(125,047)		--
<u>\$ (2,775,891)</u>	<u>\$ (125,047)</u>	<u>\$ (2,900,938)</u>		<u>--</u>
--	--	--		(32,767)
--	--	--		(50,729)
--	--	--		(102,017)
--	--	--		<u>(185,513)</u>
1,463,998	--	1,463,998		157,039
260	262	522		146
422,374	--	422,374		--
25,006	--	25,006		--
37,798	5,367	43,165		--
8,393	--	8,393		--
<u>1,957,829</u>	<u>5,629</u>	<u>1,963,458</u>		<u>157,185</u>
(818,062)	(119,418)	(937,480)		(28,328)
8,484,408	5,015,487	13,499,895		947,169
<u>\$ 7,666,346</u>	<u>\$ 4,896,069</u>	<u>\$ 12,562,415</u>	<u>\$</u>	<u>918,841</u>

CITY OF MARINE CITY
Balance Sheet
Governmental Funds
June 30, 2015

Special Revenue

	<u>General</u>	<u>Local Street</u>	<u>Major Street</u>
ASSETS			
Cash and cash equivalents	\$ 928,656	\$ 152,864	\$ 256,557
Restricted cash	44,638	--	--
Accounts and assessments receivable	19,507	--	--
Taxes receivable	113,812	--	--
Due from other units of government	107,064	12,238	38,049
Other assets	1,859	--	--
Due from agency	6,605	--	--
Due from other funds	23,824	--	--
Total Assets	<u>1,245,965</u>	<u>165,102</u>	<u>294,606</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 1,245,965</u>	<u>\$ 165,102</u>	<u>\$ 294,606</u>
LIABILITIES			
Accounts payable	\$ 68,311	\$ 3,663	\$ 3,341
Due to agency funds	44	--	--
Accrued wages and vacation pay	45,985	1,758	2,012
Due to other units and taxpayers	46,590	--	--
Due to component units	33,170	--	--
Due to other funds	--	13,390	5,731
Total Liabilities	<u>194,100</u>	<u>18,811</u>	<u>11,084</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	139,618	--	6,082
Total Liabilities and Deferred Inflows of Resources	<u>333,718</u>	<u>18,811</u>	<u>17,166</u>
FUND BALANCE			
Restricted	73,047	146,291	277,440
Committed	44,860	--	--
Assigned	98	--	--
Unassigned	794,242	--	--
Total Fund Balance	<u>912,247</u>	<u>146,291</u>	<u>277,440</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,245,965</u>	<u>\$ 165,102</u>	<u>\$ 294,606</u>

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 207,993	\$ 1,546,070
100	44,738
--	19,507
--	113,812
--	157,351
--	1,859
--	6,605
--	23,824
<u>208,093</u>	<u>1,913,766</u>
--	--
<u>\$ 208,093</u>	<u>\$ 1,913,766</u>
\$ 440	\$ 75,755
--	44
1,397	51,152
--	46,590
--	33,170
--	19,121
<u>1,837</u>	<u>225,832</u>
--	145,700
<u>1,837</u>	<u>371,532</u>
202,904	699,682
3,352	48,212
--	98
--	794,242
<u>206,256</u>	<u>1,542,234</u>
<u>\$ 208,093</u>	<u>\$ 1,913,766</u>

CITY OF MARINE CITY

**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Total Fund Balance - Governmental Funds	\$	1,542,234
Compensated absences expensed as paid in the governmental fund statements are expensed as incurred in the entity-wide statements and are reflected as liabilities on the Statement of Net Position		(112,130)
Revenues that are earned, but not collected within sixty days, are deferred in the governmental fund statements but are recognized as revenue in the Statement of Activities		145,700
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund level statements		8,629,795
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements		(1,494,693)
The current cost of pension benefits due and payable in the current year is not reported in the fund level statements		(45,120)
Long-term receivables are not due in the current period and are not reported in the fund level statements		20
Additional amounts due to related party on fire contract not recognized in the fund-level statements		(25,082)
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the fund level statements		(974,378)
Total Net Position - Governmental Funds	\$	7,666,346

CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015**

Special Revenue

	Special Revenue		
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,458,765	\$ --	\$ --
Distributions from State of Michigan	492,899	94,483	226,422
Licenses, permits, fines, and fees	175,269	--	--
Recreation	34,667	--	--
Grant proceeds and reimbursements	99,816	--	--
Telecommunications	10,736	--	--
Zoning and site plan fees	1,613	--	--
Refuse	278,994	--	--
Intergovernmental	97,836	--	--
Other	58,350	851	567
User fees and other charges	24,944	--	--
Interest revenue	22,454	29	41
Total Revenues	2,756,343	95,363	227,030
Expenditures			
<i>Current</i>			
Legislative	11,812	--	--
General government	447,646	--	--
Public safety	978,993	--	--
Public works	554,319	--	--
Community and economic development	749	--	--
Recreation and cultural	86,243	--	--
Highways and streets	--	96,480	59,694
Other	265,303	--	--
Unallocated pension expense	142,980	--	--
Cemetery operations	--	--	--
<i>Debt Service</i>			
Debt service interest	956	--	--
Debt service principal	15,046	--	--
<i>Capital Outlay</i>			
Legislative	3,342	--	--
General government	750	--	--
Public safety	4,212	--	--
Recreation and cultural	82,521	--	--
Highways and streets	--	26,016	20,388
<i>Intergovernmental</i>			
Water and sewer charges	18,000	--	--
Equipment rent	--	16,191	8,815
Total Expenditures	2,612,872	138,687	88,897
Excess of Revenues Over (Under) Expenditures	143,471	(43,324)	138,133
Other Financing Sources (Uses)			
Transfers from other funds	--	36,868	11,912
Transfers to other funds	(61,780)	--	--
Net Other Financing Sources (Uses)	(61,780)	36,868	11,912
Net Change in Fund Balance	81,691	(6,456)	150,045
<i>Fund Balance at Beginning of Period</i>	830,556	152,747	127,395
Fund Balance at End of Period	\$ 912,247	\$ 146,291	\$ 277,440

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,458,765
--	813,804
--	175,269
--	34,667
--	99,816
--	10,736
--	1,613
--	278,994
--	97,836
10	59,778
17,615	42,559
25	22,549
17,650	3,096,386
--	11,812
--	447,646
10	979,003
--	554,319
--	749
--	86,243
--	156,174
--	265,303
--	142,980
28,776	28,776
--	956
--	15,046
--	3,342
--	750
--	4,212
--	82,521
--	46,404
--	18,000
--	25,006
28,786	2,869,242
(11,136)	227,144
13,016	61,796
(16)	(61,796)
13,000	-
1,864	227,144
204,392	1,315,090
\$ 206,256	\$ 1,542,234

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, 2015**

Total Net Change in Fund Balances - Governmental Funds	\$	227,144
Accrued interest expense included in entity-wide statements are expensed as paid in the governmental fund statements		894
Compensated absences expensed as paid in the governmental fund statements are expensed as incurred in the entity-wide statements and are reflected as liabilities on the Statement of Net Position		8,837
Revenues that are earned, but not collected within sixty days, are deferred in the governmental fund statements but are recognized as revenue in the Statement of Activities		(93,208)
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements		(324,767)
The current cost of pension benefits due and payable in the current year is not reported in the fund level statements		33,312
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives in the Statement of Activities		(354,680)
Principal payments of long-term debt expensed in the governmental funds are a reduction of liabilities in the Statement of Net Position		15,047
Receipt of long-term receivables are revenue in the governmental funds but reduces receivable in Statement of Net Position		(1)
Additional amounts due to related party on fire contract not recognized in the fund-level statements		(25,082)
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the fund level statements		(305,558)
Changes in Net Position - Governmental Funds	\$	(818,062)

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer Disposal</u>
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 107,874
Restricted cash	86,008
Accounts and assessments receivable	412,418
Taxes receivable	13,785
Due from other units of government	18,637
Total Current Assets	<u>638,722</u>
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	6,464,932
Cash restricted for payment of bond	74,622
Total Assets	<u>7,178,276</u>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	119,035
Total Deferred Outflows of Resources	<u>119,035</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	46,241
Accrued wages and vacation pay	8,828
Accrued interest payable	14,610
Current portion of debt	225,000
Due to other funds	4,703
Total Current Liabilities	<u>299,382</u>
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	1,790,000
Net pension liability	311,860
Total Liabilities	<u>2,401,242</u>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Investment in capital assets, net of related debt	4,449,932
<i>Restricted for:</i>	
Asset replacement	14,266
Water monitoring system	71,742
<i>Unrestricted</i>	<u>360,129</u>
Total Net Position	<u>\$ 4,896,069</u>

CITY OF MARINE CITY

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer Disposal</u>
Operating Revenues	
Grant proceeds and reimbursements	\$ 62,977
Interest and penalties earned	64
Other	5,367
Metered sales	1,391,641
Sewage treatment contract	112,699
Hydrant rental and city usage	18,000
Water taps and meter sales	3,340
Total Operating Revenues	<u>1,594,088</u>
Operating Expenses	
Water	852,636
Sewer	948,747
Total Operating Expenses	<u>1,801,383</u>
Operating Income (Loss)	<u>(207,295)</u>
Non-Operating Revenues (Expenses)	
Interest revenue	262
Debt service	141,499
Interest expense and agent fees	(53,884)
Net Non-Operating Revenues (Expenses)	<u>87,877</u>
Change In Net Position	<u>(119,418)</u>
<i>Net Position at Beginning of Period - Restated</i>	<u>5,015,487</u>
Net Position at End of Period	<u>\$ 4,896,069</u>

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,532,508
Receipts from interfund services	18,000
Payments to suppliers	(1,123,610)
Payments to employees	(158,293)
Other receipts (payments)	5,431
Net Cash Provided By (Used In) Operating Activities	274,036
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(54,681)
Principal paid on bonds	(220,000)
Interest and agent fees paid on revenue bonds	(55,657)
Debt service charges	141,499
Net Cash Provided By (Used In) Capital and Related Financing Activities	(188,839)
Cash Flows From Investing Activities:	
Interest on investments	262
Net Cash Provided By (Used In) Investing Activities	262
Net Increase (Decrease) In Cash and Cash Equivalents	85,459
Cash and Cash Equivalents at July 1, 2014	183,045
Cash and Cash Equivalents at June 30, 2015	\$ 268,504
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	\$ (207,295)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	562,380
Change in assets and liabilities:	
Accounts receivable	(19,608)
Due from other governments	(18,637)
Taxes receivable	96
Deferred outflow of resources	(88,465)
Accounts payable	8,965
Due to other funds	4,703
Accrued wages and compensated absences	2,145
Net pension liability	29,752
Net Cash Provided By (Used In) Operating Activities	\$ 274,036

CITY OF MARINE CITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 3,363	\$ 32,697
Investments - mutual funds at fair value	--	5,322,994	--	--
Investments - at fair value	185,873	--	--	--
Accounts and assessments receivable	--	--	--	4,036
Taxes receivable	--	--	1,244,184	--
Prepaid expenses	406	--	--	--
Contributions receivable	--	45,120	--	--
Due from other funds	--	--	44	--
Total Assets	186,279	5,368,114	1,247,591	36,733
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accounts payable - investment management fees	--	6,345	--	--
Accrued interest payable	--	--	--	600
Current portion of debt	--	--	--	6,000
Due to other units and taxpayers	--	--	992,810	--
Due to other funds	6,605	--	254,781	133
Long-term obligations, net of current portion	--	--	--	30,000
Total Liabilities	6,605	6,345	1,247,591	36,733
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Restricted for pensions	--	5,361,769	--	--
Restricted for OPEB	179,674	--	--	--
Total Net Position	\$ 179,674	\$ 5,361,769	\$ --	\$ --

CITY OF MARINE CITY

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	\$ 206,250	\$ 164,043
Employee contributions	--	16,265
Investment income	3,602	152,576
Investment expenses	--	(36,860)
Total Additions	209,852	296,024
Deductions		
Benefits	247,339	1,011,947
Administrative expenses	2,012	14,899
Total Deductions	249,351	1,026,846
Change in Net Position	(39,499)	(730,822)
<i>Net Position at Beginning of Period</i>	219,173	6,092,591
Net Position at End of Period	\$ 179,674	\$ 5,361,769

CITY OF MARINE CITY
Combining Statement of Net Position
Component Units
June 30, 2015

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 29,804	\$ 310,984	\$ 688,474	\$ 1,029,262
Due from primary government	--	14,445	18,725	33,170
Total Current Assets	29,804	325,429	707,199	1,062,432
<i>Noncurrent Assets</i>				
	--	--	--	--
Total Assets	29,804	325,429	707,199	1,062,432
DEFERRED OUTFLOWS OF RESOURCES				
<i>Aggregated deferred outflows</i>				
	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	2,697	7,247	7,247	17,191
Accrued interest payable	1,400	--	--	1,400
Current portion of debt	30,000	--	--	30,000
Total Current Liabilities	34,097	7,247	7,247	48,591
<i>Noncurrent Liabilities</i>				
Long-term obligations, net of current portion	95,000	--	--	95,000
Total Liabilities	129,097	7,247	7,247	143,591
DEFERRED INFLOWS OF RESOURCES				
<i>Aggregated deferred inflows</i>				
	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
<i>Unrestricted</i>				
	(99,293)	318,182	699,952	918,841
Total Net Position	\$ (99,293)	\$ 318,182	\$ 699,952	\$ 918,841

CITY OF MARINE CITY
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2015

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	\$ 7,929	\$ 34,394	\$ 54,952	\$ 97,275
Debt service interest	7,014	--	--	7,014
Administrative expenses - Intergovernmental	10,600	15,555	46,675	72,830
Transfers to primary government	7,224	780	390	8,394
Total Expenses	<u>32,767</u>	<u>50,729</u>	<u>102,017</u>	<u>185,513</u>
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Program Revenues (Expenses)	<u>(32,767)</u>	<u>(50,729)</u>	<u>(102,017)</u>	<u>(185,513)</u>
General Revenue				
Tax collections	52,365	28,408	76,266	157,039
Interest revenue	5	44	97	146
Total General Revenues	<u>52,370</u>	<u>28,452</u>	<u>76,363</u>	<u>157,185</u>
Change in Net Position	19,603	(22,277)	(25,654)	(28,328)
<i>Net Position at Beginning of Period</i>	<u>(118,896)</u>	<u>340,459</u>	<u>725,606</u>	<u>947,169</u>
Net Position at End of Period	\$ (99,293)	\$ 318,182	\$ 699,952	\$ 918,841

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, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Tax collections	\$ 1,455,700	\$ 1,455,700	\$ 1,458,765	\$ 3,065
Distributions from State of Michigan	428,505	428,505	492,899	64,394
Licenses, permits, fines, and fees	153,090	177,090	175,269	(1,821)
Recreation	36,230	36,230	34,667	(1,563)
Grant proceeds and reimbursements	30,780	182,735	99,816	(82,919)
Telecommunications	12,735	12,735	10,736	(1,999)
Zoning and site plan fees	1,000	1,000	1,613	613
Refuse	285,100	279,100	278,994	(106)
Intergovernmental	146,000	146,000	97,836	(48,164)
Other	47,350	54,800	58,350	3,550
User fees and other charges	24,850	24,850	24,944	94
Interest	25,590	25,590	22,454	(3,136)
Total Revenues	<u>2,646,930</u>	<u>2,824,335</u>	<u>2,756,343</u>	<u>(67,992)</u>
Other Financing Sources				
Gain on sale of fixed assets	10,500	10,500	--	(10,500)
Total Revenues and Other Financing Sources	<u>2,657,430</u>	<u>2,834,835</u>	<u>2,756,343</u>	<u>(78,492)</u>
Expenditures				
Legislative	13,190	16,540	15,154	1,386
General government	458,235	489,885	456,396	33,489
Public safety	984,955	1,020,055	983,205	36,850
Public works	670,885	660,885	554,319	106,566
Community and economic development	1,650	1,650	749	901
Recreation and cultural	175,225	207,775	168,764	39,011
Other	376,530	519,485	418,283	101,202
Debt service principal	16,175	16,175	15,046	1,129
Debt service interest	955	955	956	(1)
Total Expenditures	<u>2,697,800</u>	<u>2,933,405</u>	<u>2,612,872</u>	<u>320,533</u>
Other Financing Uses				
Transfers to other funds	68,725	68,725	61,780	6,945
Total Expenditures and Other Financing Uses	<u>2,766,525</u>	<u>3,002,130</u>	<u>2,674,652</u>	<u>327,478</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(109,095)</u>	<u>(167,295)</u>	<u>81,691</u>	<u>248,986</u>
Net Change in Fund Balance	<u>(109,095)</u>	<u>(167,295)</u>	<u>81,691</u>	<u>248,986</u>
<i>Fund Balance at Beginning of Period</i>	<u>830,556</u>	<u>830,556</u>	<u>830,556</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 721,461</u>	<u>\$ 663,261</u>	<u>\$ 912,247</u>	<u>\$ 248,986</u>

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

Major Street

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Distributions from State of Michigan	\$ 196,000	\$ 196,000	\$ 226,422	\$ 30,422
Other	--	--	567	567
Interest	100	100	41	(59)
Total Revenues	<u>196,100</u>	<u>196,100</u>	<u>227,030</u>	<u>30,930</u>
Other Financing Sources				
Transfers from other funds	11,350	11,350	11,912	562
Total Revenues and Other Financing Sources	<u>207,450</u>	<u>207,450</u>	<u>238,942</u>	<u>31,492</u>
Expenditures				
Highways and streets	139,115	143,165	88,897	54,268
Total Expenditures	<u>139,115</u>	<u>143,165</u>	<u>88,897</u>	<u>54,268</u>
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	<u>139,115</u>	<u>143,165</u>	<u>88,897</u>	<u>54,268</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>68,335</u>	<u>64,285</u>	<u>150,045</u>	<u>85,760</u>
Net Change in Fund Balance	68,335	64,285	150,045	85,760
<i>Fund Balance at Beginning of Period</i>	<u>127,395</u>	<u>127,395</u>	<u>127,395</u>	<u>--</u>
Fund Balance at End of Period	\$ 195,730	\$ 191,680	\$ 277,440	\$ 85,760

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

Local Street

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Distributions from State of Michigan	\$ 72,000	\$ 90,125	\$ 94,483	\$ 4,358
Other	--	--	851	851
Interest	135	135	29	(106)
Total Revenues	72,135	90,260	95,363	5,103
Other Financing Sources				
Transfers from other funds	37,650	37,650	36,868	(782)
Total Revenues and Other Financing Sources	109,785	127,910	132,231	4,321
Expenditures				
Highways and streets	180,480	189,205	138,687	50,518
Total Expenditures	180,480	189,205	138,687	50,518
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	180,480	189,205	138,687	50,518
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(70,695)	(61,295)	(6,456)	54,839
Net Change in Fund Balance	(70,695)	(61,295)	(6,456)	54,839
<i>Fund Balance at Beginning of Period</i>	152,747	152,747	152,747	--
Fund Balance at End of Period	\$ 82,052	\$ 91,452	\$ 146,291	\$ 54,839

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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. During the fiscal year, the City charged administrative expenses to T.I.F.A. #1, T.I.F.A. #2, and T.I.F.A. #3 in the amount of \$10,600, \$15,555, and \$46,675, respectively.

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 and issue their own financial statements.

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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 2015 taxable valuation of the City totaled \$91.8 million, on which ad valorem taxes levied consisted of 16.8707 mills for the local governmental operations, raising \$1.46 million for operating. These amounts are recognized in the General Fund as taxes receivable or as tax collections.

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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 fund relates 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 delinquent trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$113,420 in the General Fund and \$13,764 in the Water and Sewer Fund.

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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 the asset's life 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:

<u>Asset Type</u>	<u>Life</u>
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 the 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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	\$ 113,616	\$ --
State and Local Revenue	32,084	--
Total	<u>\$ 145,700</u>	<u>\$ --</u>

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 on a modified-accrual basis. See Note 9 regarding amounts reported as deferred outflows of resources related to the net pension obligation.

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: delinquent 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. See Note 9 regarding amounts reported as deferred inflows of resources related to the net pension obligation.

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 a specific purpose. Commitments of fund balance represent amounts committed by the City'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:

<u>T.I.F.A. #1</u>	
Debt service interest	\$ 10
Transfers to primary government	3,223

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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:

Loss at June 30, 2014	\$ (8,424)
Permit revenues	21,966
Related expenditures	<u>(33,481)</u>
Cumulative surplus (shortfall)	<u>\$ (19,939)</u>

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, 2015. 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	\$ 1,590,808
Total proprietary funds	268,504
Total fiduciary funds	36,060
Total component units	1,029,262
Less cash on hand	<u>(889)</u>
Total Deposits	<u>\$ 2,923,745</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

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

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 963,053	\$ 1,886,070	\$ 2,849,123	\$ 2,890,838
Savings and CD's	74,622	--	74,622	74,622
Cash on hand	--	889	889	--
Total Cash	<u>\$ 1,037,675</u>	<u>\$ 1,886,959</u>	<u>2,924,634</u>	<u>\$ 2,965,460</u>
 <u>Investments - Nonrisk Categorized</u>				
Mutual funds			5,404,293	\$ 5,404,293
Money market account			104,574	66,375
Total Investments			<u>5,508,867</u>	<u>\$ 5,470,668</u>
Total Cash and Investments			<u>\$ 8,433,501</u>	

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, 2015, \$1,886,959 of the government's bank balance of \$2,965,460 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.

PENSION 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; and
4. Commercial paper rated within 3 highest rate classifications by at least 2 rating services and matures not later than 270 days.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

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:

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Raymond James Money Market	Variable	\$ 104,574
Raymond James Mutual Fund Portfolio	Variable	5,404,293
		<u>\$ 5,508,867</u>

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

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	71,742
Total restricted cash reported as current on Statement of Net Position	<u>86,008</u>
Cash restricted to pay for FMHA Series III Bond	74,622
	<u>\$ 160,630</u>

General Fund - Restricted Assets:

Cash restricted for police	\$ 204
Restricted for insurance escrow	8,129
Restricted for rental rehabilitation projects	36,305
	<u>\$ 44,638</u>

Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	\$ 100
	<u>\$ 100</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/14	Additions	Disposals	Balance 06/30/15
Legislative:				
Equipment	\$ 3,087	\$ 3,342	\$ --	\$ 6,429
General Government:				
Equipment and vehicles	1,296,818	1,920	--	1,298,738
Buildings	1,282,837	7,223	--	1,290,060
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	620,318	4,212	--	624,530
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	416,454	47,521	--	463,975
Buildings	596,032	35,000	--	631,032
Highways and Streets:				
Equipment	809,886	45,992	--	855,878
Roads and sidewalks	5,694,118	412	--	5,694,530
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	14,114,448	145,622	--	14,260,070
Accumulated Depreciation	(5,129,973)	(500,302)	--	(5,630,275)
Total Carrying Value of Fixed Assets	<u>\$ 8,984,475</u>	<u>\$ (354,680)</u>	<u>\$ --</u>	<u>\$ 8,629,795</u>

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 \$120,656.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5: CAPITAL ASSETS (Continued)

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

General Government	\$ 39,571
Public Safety	80,237
Public Works	17,020
Recreation and Culture	34,900
Highways and Streets	325,193
Legislative	334
Cemetery	3,047
Total	<u>\$ 500,302</u>

The above expense includes amortization on capitalized leases.

Business-Type Activities Fixed Assets:

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

	Balance <u>06/30/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/15</u>
Water plant, lines, and equipment	\$ 6,743,108	\$ 42,133	\$ --	\$ 6,785,241
Sewer plant, lines, and equipment	14,694,362	12,548	--	14,706,910
Land	63,174	--	--	63,174
Total Capital Assets	<u>21,500,644</u>	<u>54,681</u>	<u>--</u>	<u>21,555,325</u>
Accumulated Depreciation	<u>(14,528,013)</u>	<u>(562,380)</u>	<u>--</u>	<u>(15,090,393)</u>
Total Carrying Value of Fixed Assets	<u>\$ 6,972,631</u>	<u>\$ (507,699)</u>	<u>\$ --</u>	<u>\$ 6,464,932</u>

The above amounts include land with a cost of \$63,174 not subject to depreciation. Depreciation for the water and sewer systems totaled \$189,647 and \$372,733, respectively, for the year ended June 30, 2015.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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:

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
Water and Sewer Fund *	<u>\$ 27,549</u>	Tax Fund	<u>\$ 27,549</u>
General Fund **	<u>\$ 227,232</u>	Tax Fund	<u>\$ 227,232</u>
		Major Street	\$ 5,731
		Local Street	13,390
		Water and Sewer Fund	<u>4,703</u>
General Fund	<u>\$ 23,824</u>		<u>\$ 23,824</u>
Tax Fund	<u>\$ 44</u>	General Fund	<u>\$ 44</u>
Water and Sewer Fund (treated as cash)	<u>\$ 133</u>	Special Assessment Fund	<u>\$ 133</u>
General Fund	<u>\$ 6,605</u>	Retiree Health Trust	<u>\$ 6,605</u>
T.I.F.A. #2	\$ 14,445		
T.I.F.A. #3	<u>18,725</u>		
	<u>\$ 33,170</u>	General Fund	<u>\$ 33,170</u>

*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 \$13,764.

**Taxes receivable in the General Fund from the Tax Fund is shown on the Statement of Net Position and Balance Sheet net of allowance for doubtful accounts of \$113,420.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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

Interfund and component unit transfers:

<u>Transfers In</u>		<u>Transfers Out</u>	
		General Fund	\$ 13,000
		Cemetery Trust	16
Cemetery Fund	<u>\$ 13,016</u>		<u>\$ 13,016</u>
Special Assessment	<u>\$ 1,685</u>	Water and Sewer Fund (treated as interest)	<u>\$ 1,685</u>
Local Street	<u>\$ 36,868</u>	General Fund	<u>\$ 36,868</u>
Major Street	<u>\$ 11,912</u>	General Fund	<u>\$ 11,912</u>
		T.I.F.A. #3	\$ 390
		T.I.F.A. #2	780
		T.I.F.A. #1	7,224
General Fund *	<u>\$ 8,394</u>		<u>\$ 8,394</u>

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

*Transfer 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 \$7,108.

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/14	Increase	Decrease	Payable at 06/30/15	Payable Within One Year
Total Business-Type					
Activities Indebtedness	\$ 2,517,108	\$ 29,752	\$ 220,000	\$ 2,326,860	\$ 225,000
Total Governmental					
Activities Indebtedness	2,012,424	1,175,640	23,673	3,164,391	--
Total Fiduciary Activities					
Indebtedness	41,000	--	5,000	36,000	6,000
Total Indebtedness	<u>\$ 4,570,532</u>	<u>\$ 1,205,392</u>	<u>\$ 248,673</u>	<u>\$ 5,527,251</u>	<u>\$ 231,000</u>

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/14	Increase	Decrease	Payable at 06/30/15	Payable Within One Year
General Obligation:					
Accrued sick pay	\$ 77,331	\$ --	\$ 8,626	\$ 68,705	\$ --
Other postemployment					
benefits	1,169,926	324,767	--	1,494,693	--
Capital lease	15,047	--	15,047	--	--
Net pension obligation *	1,032,228	855,543	--	1,887,771	--
Amounts due on fire					
contract	--	25,082	--	25,082	--
Total General Obligation	<u>2,294,532</u>	<u>1,205,392</u>	<u>23,673</u>	<u>3,476,251</u>	<u>--</u>
Revenue Bonds:					
Water supply and sewage					
disposal	270,000	--	35,000	235,000	35,000
Drinking Water Revolving					
Fund	1,965,000	--	185,000	1,780,000	190,000
Special assessments	41,000	--	5,000	36,000	6,000
Total Revenue Bonds	<u>2,276,000</u>	<u>--</u>	<u>225,000</u>	<u>2,051,000</u>	<u>231,000</u>
Total Indebtedness	<u>\$ 4,570,532</u>	<u>\$ 1,205,392</u>	<u>\$ 248,673</u>	<u>\$ 5,527,251</u>	<u>\$ 231,000</u>

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.

The City did not have any short term debt obligations outstanding at the beginning or end of the period.

*See Note 15 for beginning balance.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF INDEBTEDNESS

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligations:				
Accrued sick pay	N/A	N/A	N/A	\$ 68,705
Other postemployment benefits	N/A	N/A	N/A	1,494,693
Net pension obligation	N/A	N/A	N/A	1,887,771
Amount due on fire contract	N/A	N/A	N/A	25,082
Total General Obligations				<u>\$ 3,476,251</u>
Special Assessment Bonds	1	5.00%	2021	<u>\$ 36,000</u>
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 235,000
Drinking Water Revolving Funds	2	2.125-2.5%	2026	1,780,000
Total Revenue Bonds				<u>\$ 2,015,000</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Business-Type Activities (Enterprise Funds):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 225,000	\$ 41,706	\$ 266,706
2017	235,000	35,550	270,550
2018	240,000	29,144	269,144
2019	240,000	22,631	262,631
2020	175,000	16,119	191,119
2021-2025	750,000	24,468	774,468
2026-2030	150,000	--	150,000
Total	<u>\$ 2,015,000</u>	<u>\$ 169,618</u>	<u>\$ 2,184,618</u>

Fiduciary Activities (Special Assessment Fund):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,000	\$ 1,650	\$ 7,650
2017	6,000	1,350	7,350
2018	6,000	1,050	7,050
2019	6,000	751	6,751
2020	6,000	450	6,450
2021-2025	6,000	150	6,150
Total	<u>\$ 36,000</u>	<u>\$ 5,401</u>	<u>\$ 41,401</u>

Total interest expense for the City for the year was \$54,840.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 8: LONG-TERM DEBT (Continued)

COMPONENT UNIT INDEBTEDNESS

At the end of the period, T.I.F.A. #1 had a total of \$125,000 of Tax Increment Bonds, Series 2001 outstanding. The payments on behalf of T.I.F.A. #1, are to be repaid from the future collection of property tax revenues. The future collection of property tax revenues is dependent upon several factors including development and sale of real estate, increases in property valuation, and general economic conditions. 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.

As of June 30, 2015, the T.I.F.A. #1 fund had the following amounts outstanding:

	Payable at 06/30/14	Increase	Decrease	Payable at 06/30/15	Payable Within One Year
Total Component Unit Indebtedness	\$ 155,000	\$ --	\$ 30,000	\$ 125,000	\$ 30,000
Total Indebtedness	\$ 155,000	\$ --	\$ 30,000	\$ 125,000	\$ 30,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Component Units (T.I.F.A. #1 Fund):

Year	Principal	Interest	Total
2016	\$ 30,000	\$ 5,600	\$ 35,600
2017	30,000	4,100	34,100
2018	30,000	2,585	32,585
2019	35,000	910	35,910
Total	\$ 125,000	\$ 13,195	\$ 138,195

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; and 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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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 participated in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2015, was approximately \$380,000 with total payroll for the year totaling approximately \$1.1 million. Membership in the Retirement System as of June 30, 2014 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Inactive members - Retirees and beneficiaries currently receiving benefits	24
- Retirees eligible for benefits but not receiving benefits	4
Active employees - fully vested	7

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. The 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:

<u>Investments</u>	<u>% of Plan Assets</u>
Blackrock Health Sciences Opportunities	10.1%
Goldman Sachs Rising Dividend Growth Fund	8.8%
Goldman Sachs Income Builder Fund	14.8%
Goldman Sachs Strategic Income Fund	14.5%
Ivy Science and Technology Fund	5.5%
Lord Abbett Short Duration Income Fund	5.3%
Principal Mid Cap Fund	7.0%
Principal Global Diversified Income Fund	15.9%
Thornburg Investment Income Building Fund	10.1%

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Rate of return: For the year ended, June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.75%. 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 as provided by state law. 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, 2015, the City's contribution rate was 50.6% 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	\$ 1,438,906
Fund Balance Reserved for Employer Contribution	3,329,306
Fund Balance Reserved for Annuity	593,557
Balance at June 30, 2015	<u>\$ 5,361,769</u>

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Net pension liability: The components of the net pension liability of the City at June 30, 2015, were as follows:

Total pension liability	\$ 7,249,540
Plan fiduciary net position	5,361,769
City's net pension liability	<u>\$ 1,887,771</u>

Plan fiduciary net position as a percentage of the total pension liability: 73.96%

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

The increases and decreases in the net pension liability are summarized as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 7,124,819	\$ 6,092,591	\$ 1,032,228
Changes for the year:			
Service cost	49,202	--	49,202
Interest on the net pension liability	481,650	--	481,650
Changes of benefit terms	--	--	--
Differences between expected and actual experience	605,816	--	605,816
Changes of assumptions or other inputs	--	--	--
Contributions - employer	--	164,043	(164,043)
Contributions - employee	--	16,265	(16,265)
Net investment income	--	115,716	(115,716)
Benefit payments, including refunds of employee contributions	(1,011,947)	(1,011,947)	--
Administrative expense	--	(14,899)	14,899
Other changes	--	--	--
Net Changes	<u>124,721</u>	<u>(730,822)</u>	<u>855,543</u>
Balances at June 30, 2015	<u>\$ 7,249,540</u>	<u>\$ 5,361,769</u>	<u>\$ 1,887,771</u>

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015. 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.

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	\$ 2,686,564	\$ 1,887,771	\$ 1,206,894

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Payable to the Pension Plan: At June 30, 2015, the City reported a payable of \$45,120 for the outstanding amount of unpaid actuarially required contributions to the pension plan for contributions required for the year ended June 30, 2014. This amount is recognized only on the entity-wide statements since the nature of the liability does not meet the recognition criteria for inclusion in the fund level statements.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, the City recognized total pension expense of \$444,200. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 286,965	\$ --
Changes of assumptions or other inputs	--	--
Net difference between projected and actual earnings on pension plan investments	236,248	--
Contributions made after the measurement date	197,355	--
Total	<u>\$ 720,568</u>	<u>\$ --</u>

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

Fiscal Year Ended <u>June 30</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 543,382	\$ --
2017	59,062	--
2018	59,062	--
2019	59,062	--
2020	--	--
Thereafter	--	--
Total	<u>\$ 720,568</u>	<u>\$ --</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City of Marine City Retiree Health Care Plan is a single-employer defined benefit plan administered by the City of Marine 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Retiree Health Care Fund uses the accrual method of accounting. Contributions from the City and City's employees are recognized as revenue in the period 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 stated at fair market value.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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

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 \$206,250, and benefits paid totaled \$247,339. 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	\$ 551,877	(Represents approximately 50% of covered payroll)
Interest on net OPEB obligation	46,797	
Adjustment to Annual Required Contribution	<u>(67,657)</u>	
Annual OPEB Cost	531,017	
Contributions made	<u>(206,250)</u>	
Increase in net OPEB obligation	324,767	
Net OPEB obligation - beginning of year	<u>1,169,926</u>	
Net OPEB obligation - end of year	<u>\$ 1,494,693</u>	

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:

	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/13</u>
Annual OPEB costs	\$ 551,877	\$ 531,930	\$ 512,704
Percentage contributed	37%	41%	40%
Net OPEB obligation	\$1,494,693	\$1,169,926	\$ 869,284

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

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

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Fund:				
General				
Police equipment	\$ --	\$ 26,464	\$ --	\$ --
Park signs	--	--	--	98
Playground equipment	--	17,530	--	--
Capital projects	--	--	44,860	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	20,924	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	12,561	--	--
Local Street				
Highways and streets - Act 51	--	146,291	--	--
Major Street				
Highways and streets - Act 51	--	277,440	--	--
Woodlawn Cemetery				
Cemetery	--	53,200	--	--
Library Fund				
Library	--	--	3,352	--
Cemetery Perpetual Care				
Perpetual care	--	137,143	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 699,682</u>	<u>\$ 48,212</u>	<u>\$ 98</u>

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 \$32,689 and employer contributions amounted to \$25,036 for the period.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 12: DEFERRED COMPENSATION PLAN (Continued)

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 \$234,598 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 \$20 outstanding on this lease at the end of the current period.

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. 68, Accounting and Financial Reporting for Pensions*. The new guidance requires employers to recognize the net pension liability on the government-wide financial statements and additional note disclosures as provided in Note 9. The standard also provides new accounting requirements to recognize the changes in the net pension liability as expense, or deferred inflow or outflow of resources. See Note 9 for additional information regarding how the net pension liability, related expense, and deferred inflows and outflows of resources are recognized. The statement also requires the City to report the net pension liability on the entity-wide and proprietary fund financial statements and required restatement of the prior year net position. As a result of the change in accounting principle, the beginning net position for the City has been decreased for the following adjustments:

	Governmental Funds	Proprietary Fund	Total
Net pension liability at 06/30/2014 per actuary	\$ 750,120	\$ 282,108	\$ 1,032,228
Deferred outflow for employer contributions made after the measurement date	(81,300)	(30,570)	(111,870)
Decrease in net position for 06/30/2014	668,820	251,538	920,358
Net position at 06/30/2014	9,153,228	5,267,025	14,420,253
Net position at 06/30/2014 - restated	<u>\$ 8,484,408</u>	<u>\$ 5,015,487</u>	<u>\$ 13,499,895</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 16: UPCOMING REPORTING CHANGE

In 2015, the Governmental Accounting Standards Board (GASB) issued *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. This statement will require changes in the presentation and disclosure of the Retiree Health Trust fund to provide users with additional information regarding the total liability for postemployment benefits other than pensions. The provisions of this statement are effective for financial statements for the 2016-2017 fiscal year.

The GASB has also issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. This statement requires all governments providing other postemployment benefits (OPEB) to recognize a liability for the net OPEB liability on the entity-wide statements, as well as provide additional disclosures and required supplementary information (RSI) to provide financial statement users with a better understanding of the impact this liability has on the City. The provisions of this statement are effective for financial statements for the 2017-2018 fiscal year.

The City is currently evaluating the impact these standards will have on the financial statements when adopted.

SUPPLEMENTAL INFORMATION

CITY OF MARINE CITY

Pension Trust Fund

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios

June 30, 2015

(Per actuarial report dated June 30, 2014 updated to June 30, 2015)

	2015	2014
Total Pension Liability		
Service cost	\$ 49,202	\$ 63,069
Interest	481,650	491,659
Changes of benefit terms	--	--
Differences between expected and actual experience	605,816	123,250
Changes of assumptions	--	--
Benefit payments, including refunds of member contributions	(1,011,947)	(606,249)
Net change in total pension liability	<u>124,721</u>	<u>71,729</u>
<i>Total Pension Liability - Beginning</i>	<u>7,124,819</u>	<u>7,053,090</u>
Total Pension Liability - Ending (a)	<u>\$ 7,249,540</u>	<u>\$ 7,124,819</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 164,043	\$ 190,302
Contributions - member	16,265	22,046
Net investment income	115,716	809,302
Benefit payments, including refunds of member contributions	(1,011,947)	(606,249)
Administrative expense	(14,899)	(7,806)
Other	--	--
Net change in plan fiduciary net position	<u>(730,822)</u>	<u>407,595</u>
<i>Plan fiduciary net position - beginning</i>	<u>6,092,591</u>	<u>5,684,996</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,361,769</u>	<u>\$ 6,092,591</u>
City of Marine City's Net Pension Liability - Ending (a)-(b)	<u>\$ 1,887,771</u>	<u>\$ 1,032,228</u>
Plan fiduciary net position as a percentage of the total pension liability	73.96%	85.51%
Covered employee payroll	\$ 379,897	\$ 479,446
City of Marine City's net pension liability as a percentage of covered employee payroll	496.92%	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 and 2015 fiscal years are available to present in accordance with the new standard. Therefore, only two years have been presented.

Latest actuarial report for the pension plan was dated June 30, 2014. 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, 2015.

CITY OF MARINE CITY

Pension Trust Fund

Required Supplementary Information

Schedule of Contributions

June 30, 2015

(Per actuarial report dated June 30, 2014 updated to June 30, 2015)

	2015	2014	2013	2012
Actuarially determined contribution	\$ 164,043	\$ 190,302	\$ 168,317	\$ 157,716
Contributions in relation to the actuarially determined contribution	164,043	190,302	171,849	110,871
Contribution excess (deficiency)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,532</u>	<u>\$ (46,845)</u>
Covered-employee payroll	N/A	\$ 379,897	\$ 479,446	\$ 647,948
Contributions as a percentage of covered-employee payroll	N/A	50.09%	35.84%	17.11%

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:

18 years as of the June 30, 2014 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

2011	2010	2009	2008	2007	2006
\$ 149,956	\$ 136,676	\$ 171,139	\$ 177,626	\$ 187,759	\$ 159,563
97,480	95,469	138,971	155,056	172,895	164,557
<u>\$ (52,476)</u>	<u>\$ (41,207)</u>	<u>\$ (32,168)</u>	<u>\$ (22,570)</u>	<u>\$ (14,864)</u>	<u>\$ 4,994</u>
\$ 824,677	\$ 930,742	\$ 1,181,481	\$ 1,293,609	\$ 1,492,983	\$ 1,512,922
11.82%	10.26%	11.76%	11.99%	11.58%	10.88%

CITY OF MARINE CITY
Pension Trust Fund
Required Supplementary Information
Schedule of Investment Returns
June 30, 2015

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.75%	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 the 2014 and 2015 fiscal years are available to be presented in accordance with the new standard. Therefore, only two years have been presented.

CITY OF MARINE CITY

Required Supplementary Information

Retiree Health Trust - Schedule of Funding Progress and Employer Contributions

June 30, 2015

(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.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning July 1	Actuarial Valuation Date June 30	Annual Required Contribution (ARC)	Percent Contributed
2013	2012	\$ 512,704	37 %
2014	2012	531,930	41
2015	2012	551,877	40

CITY OF MARINE CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
ASSETS			
Cash and cash equivalents	\$ 55,037	\$ 3,352	\$ 12,461
Restricted cash	--	--	100
Total Assets	55,037	3,352	12,561
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 55,037	\$ 3,352	\$ 12,561
LIABILITIES			
Accounts payable	\$ 440	\$ --	\$ --
Accrued wages and vacation pay	1,397	--	--
Total Liabilities	1,837	--	--
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Liabilities and Deferred Inflows of Resources	1,837	--	--
FUND BALANCE			
Restricted	53,200	--	12,561
Committed	--	3,352	--
Unassigned	--	--	--
Total Fund Balance	53,200	3,352	12,561
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 55,037	\$ 3,352	\$ 12,561

<u>Permanent</u>			
<u>Cemetery</u>		<u>Total Nonmajor</u>	
<u>Perpetual Care</u>		<u>Governmental</u>	
		<u>Funds</u>	
\$	137,143	\$	207,993
	--		100
	<u>137,143</u>		<u>208,093</u>
	--		--
\$	<u>137,143</u>	\$	<u>208,093</u>
\$	--	\$	440
	--		1,397
	<u>--</u>		<u>1,837</u>
	--		--
	<u>--</u>		<u>1,837</u>
	137,143		202,904
	--		3,352
	<u>--</u>		<u>--</u>
	<u>137,143</u>		<u>206,256</u>
\$	<u>137,143</u>	\$	<u>208,093</u>

CITY OF MARINE CITY

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015**

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
Revenues			
Other	\$ --	\$ --	\$ 10
User fees and other charges	17,615	--	--
Interest revenue	7	--	--
Total Revenues	17,622	--	10
Expenditures			
Public safety	--	--	10
Cemetery operations	28,776	--	--
Total Expenditures	28,776	--	10
Excess of Revenues Over (Under) Expenditures	(11,154)	--	--
Other Financing Sources (Uses)			
Transfers from other funds	13,016	--	--
Transfers to other funds	--	--	--
Net Other Financing Sources (Uses)	13,016	--	--
Net Change in Fund Balance	1,862	--	--
<i>Fund Balance at Beginning of Period</i>	51,338	3,352	12,561
Fund Balance at End of Period	\$ 53,200	\$ 3,352	\$ 12,561

<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual Care</u>		
\$ --	\$	10
--		17,615
18		25
<u>18</u>		<u>17,650</u>
--		10
--		28,776
<u>--</u>		<u>28,786</u>
18		(11,136)
--		13,016
<u>(16)</u>		<u>(16)</u>
<u>(16)</u>		<u>13,000</u>
2		1,864
137,141		204,392
\$ 137,143	\$	206,256

CITY OF MARINE CITY
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2015

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 44,860	\$ 883,796	\$ 928,656
Restricted cash	--	44,638	44,638
Accounts and assessments receivable	--	19,507	19,507
Taxes receivable	--	113,812	113,812
Due from other units of government	--	107,064	107,064
Other assets	--	1,859	1,859
Due from agency	--	6,605	6,605
Due from other funds	--	23,824	23,824
Total Assets	44,860	1,201,105	1,245,965
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 44,860	\$ 1,201,105	\$ 1,245,965
LIABILITIES			
Accounts payable	\$ --	\$ 68,311	\$ 68,311
Due to agency funds	--	44	44
Accrued wages and vacation pay	--	45,985	45,985
Due to other units and taxpayers	--	46,590	46,590
Due to component units	--	33,170	33,170
Total Liabilities	--	194,100	194,100
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	139,618	139,618
Total Liabilities and Deferred Inflows of Resources	--	333,718	333,718
FUND BALANCE			
Restricted	--	73,047	73,047
Committed	44,860	--	44,860
Assigned	--	98	98
Unassigned	--	794,242	794,242
Total Fund Balance	44,860	867,387	912,247
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 44,860	\$ 1,201,105	\$ 1,245,965

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, 2015**

	<u>Capital Improvement</u>	<u>General Fund</u>	<u>Total General Funds</u>
Revenues			
Tax collections	\$ --	\$ 1,458,765	\$ 1,458,765
Distributions from State of Michigan	--	492,899	492,899
Licenses, permits, fines, and fees	--	175,269	175,269
Recreation	--	34,667	34,667
Grant proceeds and reimbursements	--	99,816	99,816
Telecommunications	--	10,736	10,736
Zoning and site plan fees	--	1,613	1,613
Refuse	--	278,994	278,994
Intergovernmental	--	97,836	97,836
Other	--	58,350	58,350
User fees and other charges	--	24,944	24,944
Interest revenue	6	22,448	22,454
Total Revenues	<u>6</u>	<u>2,756,337</u>	<u>2,756,343</u>
Expenditures			
<i>Current</i>			
Legislative	--	11,812	11,812
General government	--	447,646	447,646
Public safety	--	978,993	978,993
Public works	--	554,319	554,319
Community and economic development	--	749	749
Recreation and cultural	--	86,243	86,243
Other	--	265,303	265,303
Unallocated pension expense	--	142,980	142,980
<i>Debt Service</i>			
Debt service interest	--	956	956
Debt service principal	--	15,046	15,046
<i>Capital Outlay</i>			
Legislative	--	3,342	3,342
General government	--	750	750
Public safety	--	4,212	4,212
Recreation and cultural	--	82,521	82,521
<i>Intergovernmental</i>			
Water and sewer charges	--	18,000	18,000
Total Expenditures	<u>--</u>	<u>2,612,872</u>	<u>2,612,872</u>
Excess of Revenues Over (Under) Expenditures	<u>6</u>	<u>143,465</u>	<u>143,471</u>
Other Financing Sources (Uses)			
Transfers from other funds	--	--	--
Transfers to other funds	--	(61,780)	(61,780)
Net Other Financing Sources (Uses)	<u>--</u>	<u>(61,780)</u>	<u>(61,780)</u>
Net Change in Fund Balance	<u>6</u>	<u>81,685</u>	<u>81,691</u>
<i>Fund Balance at Beginning of Period</i>	44,854	785,702	830,556
Fund Balance at End of Period	<u>\$ 44,860</u>	<u>\$ 867,387</u>	<u>\$ 912,247</u>

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, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Tax collections	\$ 1,455,700	\$ 1,455,700	\$ 1,458,765	\$ 3,065
Distributions from State of Michigan	428,505	428,505	492,899	64,394
Licenses, permits, fines, and fees	153,090	177,090	175,269	(1,821)
Recreation	36,230	36,230	34,667	(1,563)
Grant proceeds and reimbursements	30,780	182,735	99,816	(82,919)
Telecommunications	12,735	12,735	10,736	(1,999)
Zoning and site plan fees	1,000	1,000	1,613	613
Refuse	285,100	279,100	278,994	(106)
Intergovernmental	146,000	146,000	97,836	(48,164)
Other	47,350	54,800	58,350	3,550
User fees and other charges	24,850	24,850	24,944	94
Interest	25,550	25,550	22,448	(3,102)
Total Revenues	2,646,890	2,824,295	2,756,337	(67,958)
Other Financing Sources				
Gain on sale of fixed assets	10,500	10,500	--	(10,500)
Total Revenues and Other Financing Sources	2,657,390	2,834,795	2,756,337	(78,458)
Expenditures				
Legislative	13,190	16,540	15,154	1,386
General government	458,235	489,885	456,396	33,489
Public safety	984,955	1,020,055	983,205	36,850
Public works	670,885	660,885	554,319	106,566
Community and economic development	1,650	1,650	749	901
Recreation and cultural	175,225	207,775	168,764	39,011
Other	376,530	519,485	418,283	101,202
Debt service principal	16,175	16,175	15,046	1,129
Debt service interest	955	955	956	(1)
Total Expenditures	2,697,800	2,933,405	2,612,872	320,533
Other Financing Uses				
Transfers to other funds	68,725	68,725	61,780	6,945
Total Expenditures and Other Financing Uses	2,766,525	3,002,130	2,674,652	327,478
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(109,135)	(167,335)	81,685	249,020
Net Change in Fund Balance	(109,135)	(167,335)	81,685	249,020
<i>Fund Balance at Beginning of Period</i>	785,702	785,702	785,702	--
Fund Balance at End of Period	\$ 676,567	\$ 618,367	\$ 867,387	\$ 249,020

CITY OF MARINE CITY

**Statement 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, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Interest	\$ 40	\$ 40	\$ 6	\$ (34)
Total Revenues	40	40	6	(34)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	40	40	6	(34)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	40	40	6	(34)
Net Change in Fund Balance	40	40	6	(34)
<i>Fund Balance at Beginning of Period</i>	44,854	44,854	44,854	--
Fund Balance at End of Period	\$ 44,894	\$ 44,894	\$ 44,860	\$ (34)

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

Woodlawn Cemetery

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
User fees and other charges	\$ 14,100	\$ 14,100	\$ 17,615	\$ 3,515
Interest	20	20	7	(13)
Total Revenues	14,120	14,120	17,622	3,502
Other Financing Sources				
Transfers from other funds	19,785	19,785	13,016	(6,769)
Total Revenues and Other Financing Sources	33,905	33,905	30,638	(3,267)
Expenditures				
Cemetery operations	33,905	33,905	28,776	5,129
Total Expenditures	33,905	33,905	28,776	5,129
Other Financing Uses				
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
Net Change in Fund Balance	--	--	1,862	1,862
<i>Fund Balance at Beginning of Period</i>	51,338	51,338	51,338	--
Fund Balance at End of Period	\$ 51,338	\$ 51,338	\$ 53,200	\$ 1,862

CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Cemetery Perpetual Care
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Interest	\$ 60	\$ 60	\$ 18	\$ (42)
Total Revenues	60	60	18	(42)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	60	60	18	(42)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	60	60	16	44
Total Expenditures and Other Financing Uses	60	60	16	44
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	2	2
Net Change in Fund Balance	--	--	2	2
<i>Fund Balance at Beginning of Period</i>	137,141	137,141	137,141	--
Fund Balance at End of Period	\$ 137,141	\$ 137,141	\$ 137,143	\$ 2

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

Library Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Interest	\$ 5	\$ 5	\$ --	\$ (5)
Total Revenues	5	5	--	(5)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	5	5	--	(5)
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	--	(5)
Net Change in Fund Balance	5	5	--	(5)
<i>Fund Balance at Beginning of Period</i>	3,352	3,352	3,352	--
Fund Balance at End of Period	\$ 3,357	\$ 3,357	\$ 3,352	\$ (5)

CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Drug Enforcement Law Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Licenses, permits, fines, and fees	\$ 2,000	\$ 2,000	\$ --	\$ (2,000)
Other	--	--	10	10
Total Revenues	2,000	2,000	10	(1,990)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	2,000	2,000	10	(1,990)
Expenditures				
Public safety	3,100	3,100	10	3,090
Total Expenditures	3,100	3,100	10	3,090
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	3,100	3,100	10	3,090
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,100)	(1,100)	--	1,100
Net Change in Fund Balance	(1,100)	(1,100)	--	1,100
<i>Fund Balance at Beginning of Period</i>	12,561	12,561	12,561	--
Fund Balance at End of Period	\$ 11,461	\$ 11,461	\$ 12,561	\$ 1,100

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

T.I.F.A. #1

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Tax collections	\$ 63,400	\$ 63,400	\$ 52,365	\$ (11,035)
Interest	30	30	5	(25)
Total Revenues	63,430	63,430	52,370	(11,060)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	63,430	63,430	52,370	(11,060)
Expenditures				
General government	32,100	32,100	18,530	13,570
Debt service principal	30,000	30,000	30,000	--
Debt service interest	7,375	7,375	7,385	(10)
Total Expenditures	69,475	69,475	55,915	13,560
Other Financing Uses				
Transfers to primary government	4,000	4,000	7,223	(3,223)
Total Expenditures and Other Financing Uses	73,475	73,475	63,138	10,337
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(10,045)	(10,045)	(10,768)	(723)
Net Change in Fund Balance	(10,045)	(10,045)	(10,768)	(723)
<i>Fund Balance at Beginning of Period</i>	<i>37,875</i>	<i>37,875</i>	<i>37,875</i>	<i>--</i>
Fund Balance at End of Period	\$ 27,830	\$ 27,830	\$ 27,107	\$ (723)

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

T.I.F.A. #2

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Tax collections	\$ 32,775	\$ 32,775	\$ 28,408	\$ (4,367)
Interest	175	175	44	(131)
Total Revenues	32,950	32,950	28,452	(4,498)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	32,950	32,950	28,452	(4,498)
Expenditures				
General government	61,000	61,000	49,949	11,051
Total Expenditures	61,000	61,000	49,949	11,051
Other Financing Uses				
Transfers to primary government	70,000	70,000	780	69,220
Total Expenditures and Other Financing Uses	131,000	131,000	50,729	80,271
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(98,050)	(98,050)	(22,277)	75,773
Net Change in Fund Balance	(98,050)	(98,050)	(22,277)	75,773
<i>Fund Balance at Beginning of Period</i>	340,459	340,459	340,459	--
Fund Balance at End of Period	\$ 242,409	\$ 242,409	\$ 318,182	\$ 75,773

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

T.I.F.A. #3

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Tax collections	\$ 80,975	\$ 80,975	\$ 76,266	\$ (4,709)
Interest	325	325	97	(228)
Total Revenues	81,300	81,300	76,363	(4,937)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	81,300	81,300	76,363	(4,937)
Expenditures				
General government	112,900	112,900	101,627	11,273
Total Expenditures	112,900	112,900	101,627	11,273
Other Financing Uses				
Transfers to primary government	80,000	80,000	390	79,610
Total Expenditures and Other Financing Uses	192,900	192,900	102,017	90,883
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(111,600)	(111,600)	(25,654)	85,946
Net Change in Fund Balance	(111,600)	(111,600)	(25,654)	85,946
<i>Fund Balance at Beginning of Period</i>	725,606	725,606	725,606	--
Fund Balance at End of Period	\$ 614,006	\$ 614,006	\$ 699,952	\$ 85,946

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2015

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%	2016	\$ 35,000	\$ 10,875	\$ 45,875
Principal due July 1			2017	40,000	9,000	49,000
Interest due July 1 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				235,000	\$ 35,875	\$ 270,875

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%	2016	\$ 65,000	\$ 6,875	\$ 71,875
Principal due April 1			2017	70,000	5,250	75,250
Interest due October 1 and April 1			2018	70,000	3,500	73,500
			2019	70,000	1,750	71,750
Total Issue Outstanding				275,000	\$ 17,375	\$ 292,375

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%	2016	\$ 125,000	\$ 23,956	\$ 148,956
Principal due April 1			2017	125,000	21,300	146,300
Interest due October 1 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				1,505,000	\$ 116,368	\$ 1,621,368

Total Water and Sewer Fund Bonded Indebtedness

2,015,000

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2015

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%	2016	\$ 6,000	\$ 1,650	\$ 7,650
Principal due September 1			2017	6,000	1,350	7,350
Interest due September 1 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				36,000	\$ 5,401	\$ 41,401

General Government - Operating Leases:

Wells Fargo Lease:

<u>Collateral</u>	Monthly Payment	Payments Remaining	Total Payments
Xerox Copier	\$ 279	month-to-month	\$ 3,348

Neopost Lease:

<u>Collateral</u>	Monthly Payment	Payments Remaining	Total Payments
Postage Machine	\$ 282	month-to-month	\$ 3,384

Standard Office Supply Lease:

<u>Collateral</u>	Monthly Payment	Payments Remaining	Total Payments
Copy Machine (Police)	\$ 94	month-to-month	\$ 376

TOTAL INDEBTEDNESS

\$ 2,051,000

CITY OF MARINE CITY
Component Units
Schedule of Indebtedness
June 30, 2015

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	5.00 %	2016	\$ 30,000	\$ 5,600	\$ 35,600
Principal due October 1		5.00	2017	30,000	4,100	34,100
Interest due October 1		5.10	2018	30,000	2,585	32,585
and April 1		5.20	2019	35,000	910	35,910
Total Component Unit Indebtedness				\$ 125,000	\$ 13,195	\$ 138,195