

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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
Consolidated General Fund - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	17
Major Street - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	18
Local Street - Statement of Revenues,	
Expenditures, and Changes in Fund Balance -	
Budget and Actual	19
Notes to Financial Statements	20-36
Supplemental Information	
Pension Trust Fund	37
Retiree Health Trust	38
Combining Statement of Net Position -	
Component Units	39
Combining Statement of Activities -	
Component Units	40
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	41-42
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balance	43-44

CITY OF MARINE CITY

Table of Contents

	Page
Supplemental Schedules	
<i>All Funds Treated as General:</i>	
General Fund Combining Balance Sheet	45
General Fund Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	46
<i>Other Governmental Funds:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	47-52
<i>Component Units:</i>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	53-55
Schedule of Indebtedness	56-58
Schedule of Indebtedness - Component Units	59

CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Using this Annual Report

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

The City as a Whole

The City's combined net position increased by 23.6% from a year ago from \$11.433 million to \$14.137 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$2,996,000 during the year, a 53.61% increase. This was the result of increases in grant revenues in the General Fund and increases in Debt Service Fund Net Position. The business-type activities experienced a \$292,000 decrease in net position, primarily as a result of depreciation in the Water and Sewer Fund. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets *	\$ 1,906	\$ 2,192	\$ 610	\$ 677	\$ 2,516	\$ 2,869
Noncurrent Assets	7,893	4,841	7,453	7,852	15,346	12,693
Total Assets	9,799	7,033	8,063	8,529	17,862	15,562
Long-Term Debt Outstanding	996	684	2,235	2,450	3,231	3,134
Other Liabilities *	219	761	275	234	494	995
Total Liabilities	1,215	1,445	2,510	2,684	3,725	4,129
Net Position						
Invested in Capital Assets - Net of Debt	7,864	4,308	5,038	5,227	12,902	9,535
Restricted	632	839	44	26	675	865
Unrestricted	88	441	471	592	560	1,033
Total Net Position	\$ 8,584	\$ 5,588	\$ 5,553	\$ 5,845	\$ 14,137	\$ 11,433

* Internal balances eliminated in total column.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$353,000 for the governmental activities. This represents a decrease of approximately 80%. The current level of unrestricted net position for our governmental activities stands at \$88,000, or about 2.3% of expenditures. 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, 2013

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 719	\$ 864	\$ 1,630	\$ 1,506	\$ 2,349	\$ 2,370
Operating Grants and Contributions	430	555	-	-	430	555
Capital Grants and Contributions	2,870	10	-	-	2,870	10
General Revenues						
Taxes and Payments in Lieu of Taxes	1,871	1,772	-	-	1,871	1,772
State-Shared Revenues	403	390	-	-	403	390
Unrestricted Investment Earnings	4	4	-	-	4	4
Other	519	576	17	-	536	576
Total Revenues	6,816	4,171	1,647	1,506	8,463	5,677
Program Expenses						
Legislative	14	15	-	-	14	15
General Government	638	614	-	-	638	614
Public Safety	1,315	1,336	-	-	1,315	1,336
Highways and Streets	410	365	-	-	410	365
Public Works	852	786	-	-	852	786
Planning and Economic Development	-	2	-	-	-	2
Recreation and Cultural	179	182	-	-	179	182
Other	402	435	-	-	402	435
Debt Service	10	20	-	-	10	20
Water and Sewer	-	-	1,939	1,899	1,939	1,899
Total Expenses	3,820	3,755	1,939	1,899	5,759	5,654
Change in Net Position	\$ 2,996	\$ 416	\$ (292)	\$ (393)	\$ 2,704	\$ 23

The City's net position continues to remain healthy. Total net position increased by \$2,704,000. This was primarily because of increases in Net Position of Governmental Activities as a result of increased grant revenues.

Governmental Activities

The City's total governmental revenues increased by approximately \$2,645,000, primarily due to increases in grant revenues. Expenses of the governmental activities increased by \$65,000 over those of the previous year. This was primarily due to increased expenditures for street projects and retiree health insurance costs.

CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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 net loss consistent with the prior 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 & Local Street Funds, and the 1991 Unlimited Bond Series A Debt Fund.

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenses of approximately \$1,166,000. These services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$725,000 on Public Works. These two areas represent approximately 58% 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 25% during the year. The various departments overall stayed within the budget, resulting in total expenditures \$166,448 below the budget. The General Fund's fund balance decreased by \$45,585 from a year ago.

Capital Asset and Debt Administration

As of the balance sheet date, there was \$15,346,451 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, 2014, kept tax levels at the same level as in the previous year. Because of the impact of Proposal A, however, 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 property sales and the current economic state of affairs, which could present some problems in balancing the budget.

The building at 300 Broadway, the City 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, 2014.

CITY OF MARINE CITY
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

Due to the State of Michigan's budget problems, the City of Marine City is concerned about State Revenue Sharing funds. In addition, the City's fringe benefit costs have increased. The City's pension contribution rate for the fiscal year 07/01/13-06/30/14 has not been adjusted as of the balance sheet date. However, it is expected to increase from the rate of 20.41% for the fiscal year 07/01/13-06/30/14. 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

November 12, 2013

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, 2013, 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, 2013, 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.

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 37–38 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 November 12, 2013, 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* and should be considered in assessing the results of our audit.

Respectfully submitted,



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

CITY OF MARINE CITY
Statement of Net Position
June 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,495,963	\$ 115,842	\$ 1,611,805	\$ 1,167,756
Restricted cash	8,433	118,286	126,719	--
Accounts and assessments receivable	19,516	375,992	395,508	--
Taxes receivable	115,892	--	115,892	--
Due from other units of government	198,929	--	198,929	--
Prepaid expenses	65,356	--	65,356	--
Other assets	2,204	--	2,204	--
<i>Internal Balances*</i>	11	56	--	--
Total Current Assets	1,906,304	610,176	2,516,413	1,167,756
<i>Noncurrent Assets</i>				
Capital assets, net of accumulated depreciation	7,893,210	7,453,241	15,346,451	--
Total Assets	9,799,514	8,063,417	17,862,864	1,167,756
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	92,810	75,785	168,595	--
Due to agency	30	--	30	--
Accrued wages and vacation pay	101,007	7,099	108,106	--
Accrued interest payable	1,734	11,775	13,509	2,105
Current portion of debt	14,149	180,000	194,149	25,000
Due to other units and taxpayers	10,000	--	10,000	--
<i>Internal Balances*</i>	56	11	--	--
Total Current Liabilities	219,786	274,670	494,389	27,105
<i>Noncurrent Liabilities</i>				
Accrued sick pay	111,809	--	111,809	--
Long-term obligations, net of current portion	15,047	2,235,000	2,250,047	155,000
Other postemployment benefit obligation	869,284	--	869,284	--
Total Liabilities	1,215,926	2,509,670	3,725,529	182,105
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Investment in capital assets, net of related debt	7,864,014	5,038,241	12,902,255	--
<i>Restricted for:</i>				
Debt service	22,727	--	22,727	--
Drug enforcement	10,767	--	10,767	--
Perpetual care	137,132	--	137,132	--
Highways and streets - Act 51	380,969	--	380,969	--
Cemetery	46,595	--	46,595	--
Asset replacement	--	14,266	14,266	--
MI Public Act 2845 of 1998	8,129	--	8,129	--
Water monitoring system	--	29,826	29,826	--
Highways and streets	25,013	--	25,013	--
<i>Unrestricted</i>	88,242	471,414	559,656	985,651
Total Net Position	\$ 8,583,588	\$ 5,553,747	\$ 14,137,335	\$ 985,651

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2013

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 13,626	\$ --	\$ --	\$ --
General government	637,640	242,609	--	250,000
Public safety	1,314,888	146,666	11,420	23,961
Public works	852,426	272,807	--	--
Community and economic development	285	744	125,125	--
Recreation and cultural	178,517	13,694	21,574	100
Highways and streets	409,563	--	272,350	2,596,193
Other	310,325	12,731	--	--
Cemetery operations	35,756	19,069	--	--
Debt service interest	9,969	11,152	--	--
Intergovernmental	56,878	--	--	--
Total Governmental Activities	3,819,873	719,472	430,469	2,870,254
Business-type Activities:				
Water and Sewer Disposal	1,939,318	1,630,140	--	--
Total Business-type Activities	1,939,318	1,630,140	--	--
Total Primary Government	\$ 5,759,191	\$ 2,349,612	\$ 430,469	\$ 2,870,254
Component Units				
T.I.F.A. #1	\$ 27,492	\$ --	\$ --	\$ --
T.I.F.A. #2	129,863	--	--	--
T.I.F.A. #3	295,775	--	--	--
Total Component Units	\$ 453,130	\$ --	\$ --	\$ --

General Purpose Revenues and Transfers:

Revenues

Tax collections
Interest revenue
Gain on sale of assets
Distributions from State of Michigan
Reimbursements from other funds and local units
Intergovernmental
Other
Transfers from component units

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period

Net Position at End of Period

Net (Expense) Revenue				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (13,626)	\$ --	\$ (13,626)	\$	--
(145,031)	--	(145,031)		--
(1,132,841)	--	(1,132,841)		--
(579,619)	--	(579,619)		--
125,584	--	125,584		--
(143,149)	--	(143,149)		--
2,458,980	--	2,458,980		--
(297,594)	--	(297,594)		--
(16,687)	--	(16,687)		--
1,183	--	1,183		--
(56,878)	--	(56,878)		--
200,322	--	200,322		--
--	(309,178)	(309,178)		--
--	(309,178)	(309,178)		--
\$ 200,322	\$ (309,178)	\$ (108,856)		--
--	--	--		(27,492)
--	--	--		(129,863)
--	--	--		(295,775)
--	--	--		(453,130)
1,870,528	--	1,870,528		335,154
3,882	266	4,148		1,055
7,470	--	7,470		--
402,738	--	402,738		--
112,908	--	112,908		--
38,878	--	38,878		--
60,876	--	60,876		--
315,449	--	315,449		--
(17,275)	17,275	--		--
2,795,454	17,541	2,812,995		336,209
2,995,776	(291,637)	2,704,139		(116,921)
5,587,812	5,845,384	11,433,196		1,102,572
\$ 8,583,588	\$ 5,553,747	\$ 14,137,335	\$	985,651

See accompanying notes.

CITY OF MARINE CITY
**Balance Sheet
Governmental Funds
June 30, 2013**

		Special Revenue	
	General	Local Street	Major Street
ASSETS			
Cash and cash equivalents	\$ 916,881	\$ 192,573	\$ 177,254
Restricted cash	8,333	--	--
Accounts and assessments receivable	19,516	--	--
Taxes receivable	203,786	--	--
Due from other units of government	154,053	12,001	32,853
Other assets	2,204	--	--
Due from other funds	1,361	--	--
Total Assets	1,306,134	204,574	210,107
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,306,134	\$ 204,574	\$ 210,107
LIABILITIES			
Accounts payable	\$ 61,204	\$ 2,808	\$ 28,069
Due to agency	30	--	--
Accrued wages and vacation pay	49,538	1,334	151
Due to other units and taxpayers	10,000	--	--
Due to other funds	--	1,032	318
Total Liabilities	120,772	5,174	28,538
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	292,232	--	1,469
Total Liabilities and Deferred Inflows of Resources	413,004	5,174	30,007
FUND BALANCE			
Restricted	33,142	199,400	180,100
Committed	107,815	--	--
Assigned	83,868	--	--
Unassigned	668,305	--	--
Total Fund Balance	893,130	199,400	180,100
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,306,134	\$ 204,574	\$ 210,107

Debt Service		
1991 Unlimited Bond Series A Fund	Other Governmental Funds	Total Governmental Funds
\$ 9,170	\$ 200,085	\$ 1,495,963
--	100	8,433
--	--	19,516
27,954	--	231,740
--	--	198,907
--	--	2,204
--	--	1,361
<u>37,124</u>	<u>200,185</u>	<u>1,958,124</u>
--	--	--
\$ 37,124	\$ 200,185	\$ 1,958,124
\$ 366	\$ 363	\$ 92,810
--	--	30
--	1,977	53,000
--	--	10,000
56	--	1,406
<u>422</u>	<u>2,340</u>	<u>157,246</u>
27,951	--	321,652
<u>28,373</u>	<u>2,340</u>	<u>478,898</u>
8,751	194,494	615,887
--	3,351	111,166
--	--	83,868
--	--	668,305
<u>8,751</u>	<u>197,845</u>	<u>1,479,226</u>
\$ 37,124	\$ 200,185	\$ 1,958,124

CITY OF MARINE CITY**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013**

Total Fund Balance - Governmental Funds	\$ 1,479,226
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements	(1,734)
Allowance for uncollectible taxes reflected in Statement of Net Position, not reflected in governmental fund statements	(115,848)
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements and reflected as liability on Statement of Net Position	(159,816)
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities	321,652
Fixed assets net of accumulated depreciation not reflected on governmental balance sheets and expensed in fund level statements at time of purchase	7,893,210
Long-term debt reflected on Statement of Net Position not on governmental funds balance sheet and proceeds of long-term debt treated as revenue in fund level statements	(29,174)
Prepaid expenses treated as asset in Statement of Net Position, expensed in governmental fund statements	65,356
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements	(869,284)
Total Net Position-Governmental Funds	\$ 8,583,588

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013**

		Special Revenue	
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,591,466	\$ --	\$ --
Distributions from State of Michigan	399,573	72,478	196,329
Licenses, permits, fines, and fees	343,301	--	--
Recreation	32,144	--	--
Grant proceeds and reimbursements	405,655	--	--
Telecommunications	12,731	--	--
Zoning and site plan fees	1,044	--	--
Reimbursements from other funds and local units	--	--	--
Refuse	271,027	--	--
Intergovernmental	38,879	--	--
Other	67,062	3,700	--
User fees and other charges	23,512	--	--
Interest revenue	26,022	318	514
Total Revenues	3,212,416	76,496	196,843
Expenditures			
<i>Current</i>			
Legislative	13,317	--	--
General government	487,640	--	--
Public safety	1,165,790	--	--
Public works	724,923	--	--
Community and economic development	285	--	--
Recreation and cultural	148,348	--	--
Highways and streets	--	81,665	214,693
Other	310,325	--	--
Cemetery operations	--	--	--
<i>Debt Service</i>			
Debt service interest	534	--	--
Debt service principal	39,969	--	--
<i>Capital Outlay</i>			
General government	250,000	--	--
Public safety	58,273	--	--
Public works	42,056	--	--
Recreation and cultural	14,742	--	--
Highways and streets	--	19,262	164,981
<i>Intergovernmental</i>			
Water and sewer charges	18,000	--	--
Equipment rent	--	24,899	13,979
Total Expenditures	3,274,202	125,826	393,653
Excess of Revenues Over (Under) Expenditures	(61,786)	(49,330)	(196,810)
Other Financing Sources (Uses)			
Capital lease	45,196	--	--
Transfers from component units	--	--	--
Gain on sale of fixed assets	2,280	--	--
Transfers from other funds	91,000	--	--
Transfers to other funds	(122,275)	--	--
Net Other Financing Sources (Uses)	16,201	--	--
Net Change in Fund Balance	(45,585)	(49,330)	(196,810)
<i>Fund Balance at Beginning of Period</i>	<i>938,715</i>	<i>248,730</i>	<i>376,910</i>
Fund Balance at End of Period	\$ 893,130	\$ 199,400	\$ 180,100

See accompanying notes.

Debt Service		
1991 Unlimited	Other	Total
Bond Series A	Governmental	Governmental
Fund	Funds	Funds
\$ 270,480	\$ 2	\$ 1,861,948
--	--	668,380
--	1,144	344,445
--	--	32,144
--	--	405,655
--	--	12,731
--	--	1,044
112,908	--	112,908
--	--	271,027
--	--	38,879
--	--	70,762
11,152	19,069	53,733
1,907	144	28,905
<u>396,447</u>	<u>20,359</u>	<u>3,902,561</u>
--	--	13,317
2,017	15	489,672
--	1,190	1,166,980
--	--	724,923
--	--	285
--	--	148,348
--	--	296,358
--	--	310,325
--	32,336	32,336
10,300	--	10,834
515,000	--	554,969
--	--	250,000
--	--	58,273
--	--	42,056
--	4,895	19,637
--	--	184,243
--	--	18,000
--	--	38,878
<u>527,317</u>	<u>38,436</u>	<u>4,359,434</u>
<u>(130,870)</u>	<u>(18,077)</u>	<u>(456,873)</u>
--	--	45,196
120,000	--	120,000
--	5,190	7,470
3,357	15,095	109,452
--	(4,452)	(126,727)
<u>123,357</u>	<u>15,833</u>	<u>155,391</u>
<u>(7,513)</u>	<u>(2,244)</u>	<u>(301,482)</u>
16,264	200,089	1,780,708
<u>\$ 8,751</u>	<u>\$ 197,845</u>	<u>\$ 1,479,226</u>

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, 2013**

Total Net Change in Fund Balances - Governmental Funds	\$ (301,482)
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements	841
Allowance for uncollectible taxes reflected in Statement of Net Position, not reflected in governmental fund statements	(9,253)
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements and reflected as liability on Statement of Net Position	16,298
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities	20,505
Fixed assets net of accumulated depreciation not reflected on governmental balance sheets and expensed in fund level statements at time of purchase	3,052,484
Long-term debt reflected on Statement of Net Position not on governmental funds balance sheet and proceeds of long-term debt treated as revenue in fund level statements	509,796
Prepaid expenses treated as asset in Statement of Net Position, expensed in governmental fund statements	14,672
The current cost of other postemployment benefits not due and payable in the current year is not reported in the fund level statements	(308,085)
Changes in Net Position-Governmental Funds	\$ 2,995,776

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds	
	Water and Sewer Disposal	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 115,842	\$ 115,842
Restricted cash	118,286	118,286
Accounts and assessments receivable	375,992	375,992
Due from other funds	56	56
Total Current Assets	610,176	610,176
<i>Noncurrent Assets</i>		
Capital assets, net of accumulated depreciation	7,453,241	7,453,241
Total Assets	8,063,417	8,063,417
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	75,785	75,785
Accrued wages and vacation pay	7,099	7,099
Accrued interest payable	11,775	11,775
Current portion of debt	180,000	180,000
Due to other funds	11	11
Total Current Liabilities	274,670	274,670
<i>Noncurrent Liabilities</i>		
Long-term obligations, net of current portion	2,235,000	2,235,000
Total Liabilities	2,509,670	2,509,670
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	--	--
NET POSITION		
Investment in capital assets, net of related debt	5,038,241	5,038,241
<i>Restricted for:</i>		
Asset replacement	14,266	14,266
Water monitoring system	29,826	29,826
<i>Unrestricted</i>	471,414	471,414
Total Net Position	\$ 5,553,747	\$ 5,553,747

CITY OF MARINE CITY**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds	
	Water and Sewer Disposal	Total Enterprise Funds
Operating Revenues		
Licenses, permits, fines, and fees	\$ 420	\$ 420
Interest and penalties earned	1,297	1,297
Metered sales	1,375,145	1,375,145
Sewage treatment contract	91,152	91,152
Hydrant rental and city usage	18,000	18,000
Other	394	394
Total Operating Revenues	1,486,408	1,486,408
Operating Expenses		
Water	942,136	942,136
Sewer	931,958	931,958
Total Operating Expenses	1,874,094	1,874,094
Operating Income (Loss)	(387,686)	(387,686)
Non-Operating Revenues (Expenses)		
Interest revenue	266	266
Debt service	143,732	143,732
Interest expense and agent fees	(65,224)	(65,224)
Net Non-Operating Revenues (Expenses)	78,774	78,774
Income Before Contributions and Transfers	(308,912)	(308,912)
Transfers from other funds	17,275	17,275
Change In Net Position	(291,637)	(291,637)
<i>Net Position at Beginning of Period</i>	<i>5,845,384</i>	<i>5,845,384</i>
Net Position at End of Period	\$ 5,553,747	\$ 5,553,747

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,492,835
Payments to suppliers	(1,104,691)
Payments to employees	(170,041)
Other receipts (payments)	1,691
Net Cash Provided By (Used In) Operating Activities	219,794
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(163,426)
Principal paid on bonds	(210,000)
Interest and agent fees paid on revenue bonds	(66,210)
Debt service charges	143,732
Transfer from Capital Improvement Fund for asset acquisition	17,275
Net Cash Provided By (Used In) Capital and Related Financing Activities	(278,629)
Cash Flows From Investing Activities:	
Interest on investments	266
Net Cash Provided By (Used In) Investing Activities	266
Net Increase (Decrease) In Cash and Cash Equivalents	(58,569)
Cash and Cash Equivalents at July 1, 2012	292,697
Cash and Cash Equivalents at June 30, 2013	\$ 234,128
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	\$ (387,686)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	562,564
Change in assets and liabilities:	
Accounts receivable	8,174
Due from other funds	(56)
Accounts payable	40,614
Due to other funds	(731)
Accrued wages and compensated absences	(3,085)
Net Cash Provided By (Used In) Operating Activities	\$ 219,794

CITY OF MARINE CITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 52,868	\$ 39,566
Investments - at fair value	215,263	5,686,153	--	--
Accounts and assessments receivable	--	--	--	7,285
Taxes receivable	--	--	1,051,103	--
Due from other funds	--	--	30	--
Total Assets	215,263	5,686,153	1,104,001	46,851
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accounts payable	4,800	1,155	--	--
Accrued interest payable	--	--	--	767
Current portion of debt	--	--	--	5,000
Due to other units and taxpayers	--	--	872,302	--
Due to other funds	--	--	231,699	84
Long-term obligations, net of current portion	--	--	--	41,000
Total Liabilities	4,800	1,155	1,104,001	46,851
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Held in Trust	\$ 210,463	\$ 5,684,998	\$ --	\$ --

CITY OF MARINE CITY**Statement of Changes in Fiduciary Net Position****Fiduciary Funds****For the Year Ended June 30, 2013**

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	\$ 204,619	\$ 171,849
Employee contributions	--	30,293
Net appreciation in fair value of investments	3,070	493,174
Interest, dividends, and realized gains	6,529	19,238
Total Additions	214,218	714,554
Deductions		
Benefits	235,263	499,884
Administrative expenses	7,003	60,036
Total Deductions	242,266	559,920
Change in Net Position	(28,048)	154,634
<i>Net Position at Beginning of Period</i>	238,511	5,530,364
Net Position at End of Period	\$ 210,463	\$ 5,684,998

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, 2013**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,519,150	\$ 1,599,385	\$ 1,591,466	\$ (7,919)
Distributions from State of Michigan	390,725	402,725	399,573	(3,152)
Licenses, permits, fines, and fees	294,790	610,980	343,301	(267,679)
Recreation	37,115	37,115	32,144	(4,971)
Grant proceeds and reimbursements	20,800	154,835	405,655	250,820
Telecommunications	13,200	13,200	12,731	(469)
Zoning and site plan fees	600	600	1,044	444
Refuse	282,450	282,450	271,027	(11,423)
Intergovernmental	50,000	50,000	38,879	(11,121)
Other	39,400	71,900	69,342	(2,558)
User fees and other charges	23,500	23,500	23,512	12
Interest	31,275	31,275	26,022	(5,253)
Debt service	--	--	45,196	45,196
Total Revenues	2,703,005	3,277,965	3,259,892	(18,073)
Other Financing Sources				
Transfers from other funds	55,000	91,000	91,000	--
Total Revenues and Other Financing Sources	2,758,005	3,368,965	3,350,892	(18,073)
Expenditures				
Legislative	17,235	17,235	13,317	3,918
General government	527,675	535,315	495,640	39,675
Public safety	1,109,115	1,277,175	1,240,063	37,112
Public works	703,720	778,460	766,979	11,481
Community and economic development	5,600	5,600	285	5,315
Recreation and cultural	194,025	219,525	163,090	56,435
Other	177,875	580,015	570,325	9,690
Debt service principal	26,025	26,025	23,969	2,056
Debt service interest	1,300	1,300	534	766
Total Expenditures	2,762,570	3,440,650	3,274,202	166,448
Other Financing Uses				
Transfers to other funds	144,370	164,370	122,275	42,095
Total Expenditures and Other Financing Uses	2,906,940	3,605,020	3,396,477	208,543
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(148,935)	(236,055)	(45,585)	190,470
Net Change in Fund Balance	(148,935)	(236,055)	(45,585)	190,470
<i>Fund Balance at Beginning of Period</i>	<i>938,715</i>	<i>938,715</i>	<i>938,715</i>	<i>--</i>
Fund Balance at End of Period	\$ 789,780	\$ 702,660	\$ 893,130	\$ 190,470

See accompanying notes.

CITY OF MARINE CITY

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

Major Street

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 194,000	\$ 194,000	\$ 196,329	\$ 2,329
Licenses, permits, fines, and fees	500	500	--	(500)
Interest	650	650	514	(136)
Total Revenues	195,150	195,150	196,843	1,693
Other Financing Sources				
Transfers from other funds	63,000	63,000	--	(63,000)
Total Revenues and Other Financing Sources	258,150	258,150	196,843	(61,307)
Expenditures				
Highways and streets	527,565	601,095	393,653	207,442
Total Expenditures	527,565	601,095	393,653	207,442
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	527,565	601,095	393,653	207,442
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(269,415)	(342,945)	(196,810)	146,135
Net Change in Fund Balance	(269,415)	(342,945)	(196,810)	146,135
<i>Fund Balance at Beginning of Period</i>	376,910	376,910	376,910	--
Fund Balance at End of Period	\$ 107,495	\$ 33,965	\$ 180,100	\$ 146,135

CITY OF MARINE CITY

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

Local Street

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 71,000	\$ 71,000	\$ 72,478	\$ 1,478
Licenses, permits, fines, and fees	500	500	--	(500)
Other	--	3,700	3,700	--
Interest	425	425	318	(107)
Total Revenues	71,925	75,625	76,496	871
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	71,925	75,625	76,496	871
Expenditures				
Highways and streets	149,175	172,040	125,826	46,214
Total Expenditures	149,175	172,040	125,826	46,214
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	149,175	172,040	125,826	46,214
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(77,250)	(96,415)	(49,330)	47,085
Net Change in Fund Balance	(77,250)	(96,415)	(49,330)	47,085
<i>Fund Balance at Beginning of Period</i>	<i>248,730</i>	<i>248,730</i>	<i>248,730</i>	<i>--</i>
Fund Balance at End of Period	\$ 171,480	\$ 152,315	\$ 199,400	\$ 47,085

CITY OF MARINE CITY

Notes to Financial Statements

For the Year Ended June 30, 2013

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 Entity 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

During the year ended June 30, 2013, T.I.F.A. #2 contributed \$35,000 and T.I.F.A. #3 contributed \$85,000 to Debt Service in fulfillment of bond obligations.

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

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 government reports the following major governmental funds:

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

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

1991 UNLIMITED BONDS SERIES A FUND - The 1991 Unlimited Bonds Series A Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This fund is not legally required to adopt a budget, and a budgetary comparison statement has not been presented for the Fund.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

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

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

DEPOSITS AND INVESTMENTS

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

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$115,848.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

CAPITAL ASSETS

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

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

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

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

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

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

LONG-TERM OBLIGATIONS

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	\$ 231,696	\$ --
State and Local Revenue	88,294	--
Contract revenue	1,662	--
Total	<u>\$ 321,652</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.

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

FUND EQUITY

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

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 Council. For fiscal year 2012/2013, there were no amounts expended that exceeded the budget.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

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 - investments which local unit can make directly
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

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, 2013. 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	\$ 1,504,396
Total proprietary funds	234,128
Total fiduciary funds	92,434
Total component units	1,167,756
Less cash on hand	(250)
Total Deposits	<u>\$ 2,998,464</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 3: CASH AND INVESTMENTS (Continued)

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

	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance / Market Value
<u>Deposits</u>				
Demand deposits	\$ 1,029,960	\$ 1,894,228	\$ 2,924,188	\$ 2,774,001
Savings and CD's	74,194	--	74,194	74,194
Cash on hand	--	250	250	--
Total Cash	<u>\$ 1,104,154</u>	<u>\$ 1,894,478</u>	<u>2,998,632</u>	<u>\$ 2,848,195</u>
<u>Investments - Nonrisk</u>				
<u>Categorized</u>				
Mutual funds			5,682,678	\$ 5,682,678
Money Market Account			218,738	184,226
Total Investments			<u>5,901,416</u>	<u>\$ 5,866,904</u>
Total Cash and Investments			<u>\$ 8,900,048</u>	

INTEREST RATE RISK

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, 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 Treasurer.

CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that it may invest in any one issuer. Approximately ninety-nine percent 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, 2013, \$1,894,478 of the government's bank balance of \$2,848,195 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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

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	29,826
Cash restricted to pay for FMHA Series III Bond	74,194
	<u>\$ 118,286</u>

General Fund - Restricted Assets:

Cash restricted for police	\$ 204
Restricted in accordance with Michigan Public Act 2845 of 1998	8,129
	<u>\$ 8,333</u>

Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	<u>\$ 100</u>
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Pension Fund and Retiree Health Care Trust:

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

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

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

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

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Wilmington Trust		
Money Market Portfolio	Variable	\$ 5,557,860
Raymond James Money Market	Variable	218,738
Raymond James		
Mutual Fund Portfolio	Variable	124,818
		<u>\$ 5,901,416</u>

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/12	Additions	Disposals	Balance 06/30/13
Legislative: Equipment	\$ 3,087	\$ --	\$ --	\$ 3,087
General Government:				
Equipment and vehicles	1,310,861	26,540	--	1,337,401
Buildings	863,928	418,909	--	1,282,837
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	517,288	55,133	--	572,421
Buildings	679,310	--	--	679,310
Capitalized leases	20,844	45,196	--	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	366,979	8,395	--	375,374
Buildings	584,789	11,243	--	596,032
Highways and Streets:				
Equipment	780,770	29,116	--	809,886
Roads and sidewalks	1,555,482	8,217	--	1,563,699
Construction in process	--	2,743,102	--	2,743,102
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	9,332,886	3,345,851	--	12,678,737
Accumulated Depreciation	4,492,160	293,367	--	4,785,527
Total Carrying Value of Fixed Assets	<u>\$ 4,840,726</u>	<u>\$ 3,052,484</u>	<u>\$ --</u>	<u>\$ 7,893,210</u>

The above amounts include land and construction in process with a cost of \$1,729,293 and \$2,743,102, respectively, not subject to depreciation.

The assets above include assets acquired through capital leases with a cost of \$143,254 and accumulated depreciation of \$90,996.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5: CAPITAL ASSETS (Continued)

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

Legislative	\$ 309
General Government	38,451
Public Safety	83,756
Public Works	24,057
Recreation and Culture	30,169
Highways and Streets	113,205
Cemetery	3,420
Total	<u>\$ 293,367</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 06/30/12	Additions	Disposals	Balance 06/30/13
Water plant, lines, and equipment	\$ 6,533,952	\$ 131,974	\$ --	\$ 6,665,926
Sewer plant, lines, and equipment	14,659,470	31,452	--	14,690,922
Land	63,174	--	--	63,174
Total Capital Assets	<u>21,256,596</u>	<u>163,426</u>	<u>--</u>	<u>21,420,022</u>
Accumulated Depreciation	13,404,217	562,564	--	13,966,781
Total Carrying Value of Fixed Assets	<u>\$ 7,852,379</u>	<u>\$ (399,138)</u>	<u>\$ --</u>	<u>\$ 7,453,241</u>

Depreciation for the water and sewer systems totaled \$192,306 and \$370,258, respectively, for the year ended June 30, 2013.

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>
Debt Service Fund-1991 Unlimited Tax Bonds Series A	<u>\$ 27,954</u>	Tax Fund (treated as taxes receivable)	<u>\$ 27,954</u>
		Tax Fund (treated as taxes receivable)	\$ 203,786
		Major Street	318
		Local Street	1,032
		Water and Sewer Fund	11
General Fund	<u>\$ 205,147</u>		<u>\$ 205,147</u>
		Debt Service Fund - 1991 Unlimited Tax Bonds Series A	<u>\$ 56</u>
Water and Sewer Fund	<u>\$ 56</u>		
		General Fund	<u>\$ 30</u>
Tax Fund	<u>\$ 30</u>		
Water and Sewer Fund (treated as cash)	<u>\$ 84</u>	Special Assessment Fund	<u>\$ 84</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

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

Interfund and component unit transfer:

<u>Transfers In</u>		<u>Transfers Out</u>	
		T.I.F.A. #2	\$ 35,000
		T.I.F.A. #3	85,000
1991 Unlimited Tax Bonds-		1992 Limited Tax Bonds	3,357
Series A	<u>\$ 123,357</u>		<u>\$ 123,357</u>
		General Fund	\$ 15,000
		Cemetery Trust	95
Cemetery Fund	<u>\$ 15,095</u>		<u>\$ 15,095</u>
Special Assessment	<u>\$ 2,082</u>	Water and Sewer Fund (treated as interest)	<u>\$ 2,082</u>
		Drug Enforcement Fund	\$ 1,000
		Capital Improvement Fund	90,000
General Fund	<u>\$ 91,000</u>		<u>\$ 91,000</u>
Water and Sewer Fund	<u>\$ 17,275</u>	Capital Improvement Fund	<u>\$ 17,275</u>

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

The transfers from T.I.F.A. #2 and T.I.F.A. #3 to the 1991 Unlimited Tax Bond - Series A Fund is an annual transfer of those funds' share of the annual debt obligation paid by the debt fund.

NOTE 7: LEASE OBLIGATIONS

The City has entered into a lease for copying equipment and postage. These leases are on a month-to-month basis and are being treated as operating leases. Lease expense for the period amounted to \$9,074.

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, 2013

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/12	Increase	Decrease	Payable at 06/30/13
General Obligation:				
General obligation bonds	\$ 515,000	\$ --	\$ 515,000	\$ --
Mortgage	23,993	--	23,993	--
Accrued sick pay	122,833	--	11,024	111,809
Other postemployment benefits	561,199	308,085	--	869,284
Capital lease	--	45,196	16,000	29,196
Total General Obligation	1,223,025	353,281	566,017	1,010,289
Revenue Bonds:				
Water supply and sewage disposal	305,000	--	35,000	270,000
Drinking Water Revolving Fund	2,320,000	--	175,000	2,145,000
Special assessments	51,000	--	5,000	46,000
Total Indebtedness	\$3,899,025	\$ 353,281	\$ 781,017	\$3,471,289

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/12	Increase	Decrease	Payable at 06/30/13
Total Business-Type Activities Indebtedness	\$ 2,625,000	\$ --	\$ 210,000	\$2,415,000
Total Governmental Indebtedness	1,223,025	353,281	566,017	1,010,289
Special Assessments	51,000	--	5,000	46,000
Total Indebtedness	\$ 3,899,025	\$ 353,281	\$ 781,017	\$3,471,289

The general obligation bonds and indebtedness are to be financed by revenues of the Debt Service Fund. The installment loan revenue bonds are to be retired by the revenues of the Water and Sewer Fund. The special assessment bonds are to be retired from collection of special assessments.

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Obligations:				
Accrued sick pay	N/A	N/A	N/A	\$ 111,809
Other postemployment benefits	N/A	N/A	N/A	869,284
Capital lease	2	6.34%	2014	29,196
Total General Obligations				\$ 1,010,289
Special Assessment Bonds	1	5.00%	2021	\$ 46,000
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 270,000
Drinking Water Revolving Funds	2	2.125-2.5%	2026	2,145,000
Total Revenue Bonds				\$ 2,415,000

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Minimum future payments on capital lease	\$ 16,000	\$ 16,000	\$ --	\$ --	\$ --
Revenue Bonds	14,375	47,625	45,875	49,000	47,000
Drinking Water Revolving Fund Bonds	219,075	220,006	220,831	221,550	222,144
Special Assessment Bonds	7,175	6,925	7,650	7,350	7,050
Total Principal and Interest Requirements	<u>\$ 256,625</u>	<u>\$ 290,556</u>	<u>\$ 274,356</u>	<u>\$ 277,900</u>	<u>\$ 276,194</u>

	<u>2019-2023</u>	<u>2024-2028</u>	<u>Total</u>
Minimum future payments on capital lease	\$ --	\$ --	\$ 32,000
Revenue Bonds	129,000	--	332,875
Drinking Water Revolving Fund Bonds	802,787	446,431	2,352,824
Special Assessment Bonds	19,351	--	55,501
Total Principal and Interest Requirements	<u>\$ 951,138</u>	<u>\$ 446,431</u>	<u>\$ 2,773,200</u>

Total interest expense for the City for the year was \$77,044.

PERMITTED DEBT

Michigan Compiled Law limits indebtedness incurred by cities to 10% of the total state equalized valuation of the city. For the fiscal year 12/13, the state equalized value of the City of Marine City was \$104,943,200; therefore, the legal debt margin is \$10,494,320.

COMPONENT UNIT INDEBTEDNESS

At June 30, 2013, T.I.F.A. #1 had a total of \$180,000 of Tax Increment Bonds, series 2001 outstanding. The City has pledged its full faith and credit in the event the Component Unit Debt Retirement Fund does not pay the principal and interest payments as they come due. See Page 59 for details on this obligation.

NOTE 9: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

The City of Marine City Retirement System is a single-employer defined benefit pension plan administered by the City of Marine City. The plan provides retirement benefits to plan members and beneficiaries. The City Council of the City of Marine City has the authority to establish and amend benefit provisions. The City does not issue a stand-alone financial report for this Fund.

Substantially all of the City's employees participate in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2013, was approximately \$603,000 with payroll for the year totaling approximately \$1,300,000. Membership in the Retirement System as of June 30, 2012 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Retirees and beneficiaries currently receiving benefits	23
Active employees - fully vested	20
- nonvested	3

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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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.

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.

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 paid.

Assets are recorded at market for reporting purposes and at market for actuarial valuation.

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

<u>Investments</u>	<u>% of Plan Assets</u>
Wilmington Trust Fundamental Value Portfolio	9.3%
Wilmington Trust Large Cap Core Portfolio	8.6
Wilmington Trust Large Co Value Portfolio	7.3
Wilmington Trust Short Duration Portfolio	53.1

FUNDING POLICY AND OTHER MATTERS

The contribution requirements of plan members and the City are established and may be amended by the City Council. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 20.41% of annual covered payroll for the year ending June 30, 2013.

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

FUND BALANCE ALLOCATION

The Fund Balance allocation for the City of Marine City Employee Retirement System in compliance with the City's ordinance is as follows:

Fund Balance Reserved for Employee Contribution	\$ 1,490,859
Fund Balance Reserved for Employer Contribution	3,002,785
Fund Balance Reserved for Annuity	1,191,354
Balance at June 30, 2013	<u>\$ 5,684,998</u>

ANNUAL PENSION COST AND NET PENSION OBLIGATION

The City's annual pension cost for the current year totaled \$171,849, and there was no net pension obligation as of the latest valuation date of June 30, 2012. The annual required contribution for the current year was determined as part of the June 30, 2012, actuarial valuation, using an individual entry-age actuarial funding method.

There was an unfunded actuarial accrued liability of \$1,501,036 at June 30, 2012.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

The schedule of funding progress for the plan follows the notes to the financial statements.

ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

<u>Cost Method</u>	<u>Asset Value Assumptions</u>	<u>Amortization Method</u>
Individual Entry Age	Inflation rate 3.75%	Level Dollar Amount, Closed
	Investment return 7.25%	30 year amortization period
	Projected salary increases 3.9%-7.7%	
	Asset Valuation Method Smoothed Market	

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

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

DESCRIPTION OF BENEFITS AND AUTHORITY

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

PENSION FUND FINANCIAL STATEMENTS

The plan does not issue a stand-alone financial report for this Fund.

FUNDING POLICY AND OTHER MATTERS

The City's obligations for these benefits are established by labor contracts. Currently, under these contracts, the City is responsible for 100% of these benefits. Contributions for the current year were \$204,619, and benefits paid totaled \$235,263. 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 (Interest on net OPEB obligation included)	\$ 512,704	(Represents approximately 50% of covered payroll)
Adjustment to Annual Required Contribution	--	
Annual OPEB Cost	512,704	
Contributions made	(204,619)	
Increase in net OPEB obligation	308,085	
Net OPEB obligation - beginning of year	561,199	
Net OPEB obligation - end of year	<u>\$ 869,284</u>	

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

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

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>6/30/11</u>
Annual OPEB costs	\$ 512,704	\$ 389,665	\$ 375,581
Percentage contributed	40%	43%	41%
Net OPEB obligation	\$ 869,284	\$ 561,199	\$ 337,501

FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Assets are valued at market value. The schedule of funding progress for the plan can be found following the notes.

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	\$ --	\$ --	\$ --	\$ 12,366
Park signs	--	--	--	98
Playground equipment	--	--	--	56,404
Lighthouse	--	--	--	15,000
Capital projects	--	--	107,815	--
Fire insurance program - MI PA 2845 of 1998	--	8,129	--	--
Streets and Highways - County	--	25,013	--	--
Drug Law Enforcement Fund				
Drug Forfeitures	--	10,767	--	--
Local Street				
Highways and streets - Act 51	--	199,400	--	--
Major Street				
Highways and streets - Act 51	--	180,100	--	--
1991 Unlimited Bond Series A				
Debt Service	--	8,751	--	--
Woodlawn Cemetery				
Cemetery	--	46,595	--	--
Library Fund				
Library	--	--	3,351	--
Cemetery Perpetual Care				
Perpetual care	--	137,132	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 615,887</u>	<u>\$ 111,166</u>	<u>\$ 83,868</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 12: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with 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 2 employees. The City Council approves the matching contribution rate each year. Employee deferrals amounted to \$7,091, and employer contributions amounted to \$14,182 for the period.

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

It is the opinion of the City 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

LOSS CONTINGENCIES

The City is currently involved in litigation regarding bidding procedures, as well as civil actions. No risk of loss can be determined at the time.

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 \$230,524 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.

As part of the Marine City Fire Authority agreement, the City of Marine City maintained the Marine City Fire Authority's accounting records and performed payroll services through mid-June 2013. The Marine City Fire Authority reimbursed the City for these expenses. Total revenue recognized from administrative services performed for the Marine City Fire Authority was \$15,000 for the year.

As of year end, the Marine City Fire Authority owed the City of Marine City \$29 for miscellaneous administrative expenditures. This amount is included in "Due from other units".

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.

SUPPLEMENTAL INFORMATION

CITY OF MARINE CITY
Pension Trust Fund
Required Supplementary Information
June 30, 2013
(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)						
06/30/01	\$ 5,286	\$ 4,527	\$ (815)	118.2	% \$ 1,468	--
06/30/02	5,464	4,854	(610)	112.6	1,471	--
06/30/03	5,397	5,901	505	91.4	1,317	38.3
06/30/04	5,384	5,952	568	90.5	1,370	41.5
06/30/05	5,575	6,358	783	87.7	1,510	51.9
06/30/06	5,911	6,536	625	90.4	1,513	41.3
06/30/07	6,395	6,868	473	93.1	1,493	31.7
06/30/08	6,649	6,907	258	96.3	1,294	19.9
06/30/09	6,624	7,326	702	90.4	1,181	59.4
06/30/10	6,257	7,309	1,052	85.6	931	113.0
06/30/11	6,001	7,326	1,324	81.9	795	166.5
06/30/12	5,739	7,240	1,501	79.3	648	231.6

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Market value

CITY OF MARINE CITY**Retiree Health Trust****Required Supplementary Information****June 30, 2013****(Per latest actuarial report dated June 30, 2012)**SCHEDULE OF FUNDING PROGRESS

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

**Actuarial information is unavailable for these years

Market value

Summary of Actuarial Methods and Assumptions

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

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

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

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

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

CITY OF MARINE CITY
Combining Statement of Net Position
Component Units
June 30, 2013

	<u>T.I.F.A. #1</u>	<u>T.I.F.A. #2</u>	<u>T.I.F.A. #3</u>	<u>Total Component Units</u>
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 47,658	\$ 358,332	\$ 761,766	\$ 1,167,756
Total Current Assets	<u>47,658</u>	<u>358,332</u>	<u>761,766</u>	<u>1,167,756</u>
<i>Noncurrent Assets</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>47,658</u>	<u>358,332</u>	<u>761,766</u>	<u>1,167,756</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accrued interest payable	2,105	--	--	2,105
Current portion of debt	<u>25,000</u>	<u>--</u>	<u>--</u>	<u>25,000</u>
Total Current Liabilities	<u>27,105</u>	<u>--</u>	<u>--</u>	<u>27,105</u>
<i>Noncurrent Liabilities</i>				
Long-term obligations, net of current portion	<u>155,000</u>	<u>--</u>	<u>--</u>	<u>155,000</u>
Total Liabilities	<u>182,105</u>	<u>--</u>	<u>--</u>	<u>182,105</u>
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION				
<i>Unrestricted</i>	<u>(134,447)</u>	<u>358,332</u>	<u>761,766</u>	<u>985,651</u>
Total Net Position	<u>\$ (134,447)</u>	<u>\$ 358,332</u>	<u>\$ 761,766</u>	<u>\$ 985,651</u>

CITY OF MARINE CITY
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	\$ 7,306	\$ 6,760	\$ 8,029	\$ 22,095
Debt service interest	9,586	--	--	9,586
Administrative expenses - intergovernmental	10,600	31,800	63,600	106,000
Transfers to primary government	--	91,303	224,146	315,449
Total Expenses	27,492	129,863	295,775	453,130
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	--	--	--	--
Net Program Revenues (Expenses)	(27,492)	(129,863)	(295,775)	(453,130)
General Revenue				
Tax collections	73,466	70,071	191,617	335,154
Interest revenue	37	323	695	1,055
Total General Revenues	73,503	70,394	192,312	336,209
Change in Net Position	46,011	(59,469)	(103,463)	(116,921)
<i>Net Position at Beginning of Period</i>	<i>(180,458)</i>	<i>417,801</i>	<i>865,229</i>	<i>1,102,572</i>
Net Position at End of Period	\$ (134,447)	\$ 358,332	\$ 761,766	\$ 985,651

CITY OF MARINE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
ASSETS			
Cash and cash equivalents	\$ 48,935	\$ 3,351	\$ 10,667
Restricted cash	--	--	100
Total Assets	48,935	3,351	10,767
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 48,935	\$ 3,351	\$ 10,767
LIABILITIES			
Accounts payable	\$ 363	\$ --	\$ --
Accrued wages and vacation pay	1,977	--	--
Total Liabilities	2,340	--	--
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Liabilities and Deferred Inflows of Resources	2,340	--	--
FUND BALANCE			
Restricted	46,595	--	10,767
Committed	--	3,351	--
Unassigned	--	--	--
Total Fund Balance	46,595	3,351	10,767
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 48,935	\$ 3,351	\$ 10,767

<u>Debt Service</u>	<u>Permanent</u>	
<u>1992 Unlimited Tax Bonds- Series C</u>	<u>Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
\$ --	\$ 137,132	\$ 200,085
--	--	100
--	137,132	200,185
--	--	--
\$ --	\$ 137,132	\$ 200,185
\$ --	\$ --	\$ 363
--	--	1,977
--	--	2,340
--	--	--
--	--	2,340
--	137,132	194,494
--	--	3,351
--	--	--
--	137,132	197,845
\$ --	\$ 137,132	\$ 200,185

CITY OF MARINE CITY
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
Revenues			
Tax collections	\$ --	\$ --	\$ --
Licenses, permits, fines, and fees	--	--	1,144
User fees and other charges	19,069	--	--
Interest revenue	32	4	--
Total Revenues	19,101	4	1,144
Expenditures			
<i>Current</i>			
General government	--	--	--
Public safety	--	--	1,190
Cemetery operations	32,336	--	--
<i>Capital Outlay</i>			
Recreation and cultural	--	4,895	--
Total Expenditures	32,336	4,895	1,190
Excess of Revenues Over (Under) Expenditures	(13,235)	(4,891)	(46)
Other Financing Sources (Uses)			
Gain on sale of fixed assets	--	--	5,190
Transfers from other funds	15,095	--	--
Transfers to other funds	--	--	(1,000)
Net Other Financing Sources (Uses)	15,095	--	4,190
Net Change in Fund Balance	1,860	(4,891)	4,144
<i>Fund Balance at Beginning of Period</i>	<i>44,735</i>	<i>8,242</i>	<i>6,623</i>
Fund Balance at End of Period	\$ 46,595	\$ 3,351	\$ 10,767

<u>Debt Service</u>	<u>Permanent</u>	
<u>1992 Unlimited Tax Bonds- Series C</u>	<u>Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2	\$ --	\$ 2
--	--	1,144
--	--	19,069
1	107	144
<u>3</u>	<u>107</u>	<u>20,359</u>
15	--	15
--	--	1,190
--	--	32,336
--	--	4,895
<u>15</u>	<u>--</u>	<u>38,436</u>
(12)	107	(18,077)
--	--	5,190
--	--	15,095
(3,357)	(95)	(4,452)
<u>(3,357)</u>	<u>(95)</u>	<u>15,833</u>
(3,369)	12	(2,244)
3,369	137,120	200,089
<u>\$ --</u>	<u>\$ 137,132</u>	<u>\$ 197,845</u>

CITY OF MARINE CITY**General Fund Combining Balance Sheet****All Funds Treated as General****June 30, 2013**

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 107,815	\$ 809,066	\$ 916,881
Restricted cash	--	8,333	8,333
Accounts and assessments receivable	--	19,516	19,516
Taxes receivable	--	203,786	203,786
Due from other units of government	--	154,053	154,053
Other assets	--	2,204	2,204
Due from other funds	--	1,361	1,361
Total Assets	107,815	1,198,319	1,306,134
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 107,815	\$ 1,198,319	\$ 1,306,134
LIABILITIES			
Accounts payable	\$ --	\$ 61,204	\$ 61,204
Due to agency	--	30	30
Accrued wages and vacation pay	--	49,538	49,538
Due to other units and taxpayers	--	10,000	10,000
Total Liabilities	--	120,772	120,772
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	292,232	292,232
Total Liabilities and Deferred Inflows of Resources	--	413,004	413,004
FUND BALANCE			
Restricted	--	33,142	33,142
Committed	107,815	--	107,815
Assigned	--	83,868	83,868
Unassigned	--	668,305	668,305
Total Fund Balance	107,815	785,315	893,130
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 107,815	\$ 1,198,319	\$ 1,306,134

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, 2013

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	\$ --	\$ 1,591,466	\$ 1,591,466
Distributions from State of Michigan	--	399,573	399,573
Licenses, permits, fines, and fees	--	343,301	343,301
Recreation	--	32,144	32,144
Grant proceeds and reimbursements	--	405,655	405,655
Telecommunications	--	12,731	12,731
Zoning and site plan fees	--	1,044	1,044
Refuse	--	271,027	271,027
Intergovernmental	--	38,879	38,879
Other	--	67,062	67,062
User fees and other charges	--	23,512	23,512
Interest revenue	141	25,881	26,022
Total Revenues	141	3,212,275	3,212,416
Expenditures			
<i>Current</i>			
Legislative	--	13,317	13,317
General government	--	487,640	487,640
Public safety	--	1,165,790	1,165,790
Public works	--	724,923	724,923
Community and economic development	--	285	285
Recreation and cultural	--	148,348	148,348
Other	--	310,325	310,325
<i>Debt Service</i>			
Debt service interest	--	534	534
Debt service principal	--	39,969	39,969
<i>Capital Outlay</i>			
General government	--	250,000	250,000
Public safety	--	58,273	58,273
Public works	--	42,056	42,056
Recreation and cultural	--	14,742	14,742
<i>Intergovernmental</i>			
Water and sewer charges	--	18,000	18,000
Total Expenditures	--	3,274,202	3,274,202
Excess of Revenues Over (Under) Expenditures	141	(61,927)	(61,786)
Other Financing Sources (Uses)			
Capital lease	--	45,196	45,196
Gain on sale of fixed assets	--	2,280	2,280
Transfers from other funds	--	91,000	91,000
Transfers to other funds	(107,275)	(15,000)	(122,275)
Net Other Financing Sources (Uses)	(107,275)	123,476	16,201
Net Change in Fund Balance	(107,134)	61,549	(45,585)
<i>Fund Balance at Beginning of Period</i>	<i>214,949</i>	<i>723,766</i>	<i>938,715</i>
Fund Balance at End of Period	\$ 107,815	\$ 785,315	\$ 893,130

CITY OF MARINE CITY
**Schedule 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, 2013**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,519,150	\$ 1,599,385	\$ 1,591,466	\$ (7,919)
Distributions from State of Michigan	390,725	402,725	399,573	(3,152)
Licenses, permits, fines, and fees	294,790	610,980	343,301	(267,679)
Recreation	37,115	37,115	32,144	(4,971)
Grant proceeds and reimbursements	20,800	154,835	405,655	250,820
Telecommunications	13,200	13,200	12,731	(469)
Zoning and site plan fees	600	600	1,044	444
Refuse	282,450	282,450	271,027	(11,423)
Intergovernmental	50,000	50,000	38,879	(11,121)
Other	39,400	71,900	69,342	(2,558)
User fees and other charges	23,500	23,500	23,512	12
Interest	31,025	31,025	25,881	(5,144)
Debt service	--	--	45,196	45,196
Total Revenues	2,702,755	3,277,715	3,259,751	(17,964)
Other Financing Sources				
Transfers from other funds	40,000	91,000	91,000	--
Total Revenues and Other Financing Sources	2,742,755	3,368,715	3,350,751	(17,964)
Expenditures				
Legislative	17,235	17,235	13,317	3,918
General government	527,675	535,315	495,640	39,675
Public safety	1,109,115	1,277,175	1,240,063	37,112
Public works	703,720	778,460	766,979	11,481
Community and economic development	5,600	5,600	285	5,315
Recreation and cultural	194,025	219,525	163,090	56,435
Other	177,875	580,015	570,325	9,690
Debt service principal	26,025	26,025	23,969	2,056
Debt service interest	1,300	1,300	534	766
Total Expenditures	2,762,570	3,440,650	3,274,202	166,448
Other Financing Uses				
Transfers to other funds	41,370	11,370	15,000	(3,630)
Total Expenditures and Other Financing Uses	2,803,940	3,452,020	3,289,202	162,818
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(61,185)	(83,305)	61,549	144,854
Net Change in Fund Balance	(61,185)	(83,305)	61,549	144,854
<i>Fund Balance at Beginning of Period</i>	<i>723,766</i>	<i>723,766</i>	<i>723,766</i>	<i>--</i>
Fund Balance at End of Period	\$ 662,581	\$ 640,461	\$ 785,315	\$ 144,854

CITY OF MARINE CITY

**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Capital Improvement (a consolidated component of the General Fund)
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 250	\$ 250	\$ 141	\$ (109)
Total Revenues	250	250	141	(109)
Other Financing Sources				
Transfers from other funds	15,000	--	--	--
Total Revenues and Other Financing Sources	15,250	250	141	(109)
Expenditures				
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	103,000	153,000	107,275	45,725
Total Expenditures and Other Financing Uses	103,000	153,000	107,275	45,725
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(87,750)	(152,750)	(107,134)	45,616
Net Change in Fund Balance	(87,750)	(152,750)	(107,134)	45,616
<i>Fund Balance at Beginning of Period</i>	214,949	214,949	214,949	--
Fund Balance at End of Period	\$ 127,199	\$ 62,199	\$ 107,815	\$ 45,616

CITY OF MARINE CITY

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

Woodlawn Cemetery

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
User fees and other charges	\$ 14,100	\$ 14,100	\$ 19,069	\$ 4,969
Interest	30	30	32	2
Total Revenues	14,130	14,130	19,101	4,971
Other Financing Sources				
Transfers from other funds	26,495	26,495	15,095	(11,400)
Total Revenues and Other Financing Sources	40,625	40,625	34,196	(6,429)
Expenditures				
Cemetery operations	40,625	40,625	32,336	8,289
Total Expenditures	40,625	40,625	32,336	8,289
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	40,625	40,625	32,336	8,289
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	1,860	1,860
Net Change in Fund Balance	--	--	1,860	1,860
<i>Fund Balance at Beginning of Period</i>	44,735	44,735	44,735	--
Fund Balance at End of Period	\$ 44,735	\$ 44,735	\$ 46,595	\$ 1,860

CITY OF MARINE CITY

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

Cemetery Perpetual Care

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 135	\$ 135	\$ 107	\$ (28)
Total Revenues	135	135	107	(28)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	135	135	107	(28)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	125	125	95	30
Total Expenditures and Other Financing Uses	125	125	95	30
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	10	10	12	2
Net Change in Fund Balance	10	10	12	2
<i>Fund Balance at Beginning of Period</i>	137,120	137,120	137,120	--
Fund Balance at End of Period	\$ 137,130	\$ 137,130	\$ 137,132	\$ 2

CITY OF MARINE CITY

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

Library Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 10	\$ 10	\$ 4	\$ (6)
Total Revenues	10	10	4	(6)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	10	10	4	(6)
Expenditures				
Recreation and cultural	--	4,895	4,895	--
Total Expenditures	--	4,895	4,895	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	4,895	4,895	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	10	(4,885)	(4,891)	(6)
Net Change in Fund Balance	10	(4,885)	(4,891)	(6)
<i>Fund Balance at Beginning of Period</i>	8,242	8,242	8,242	--
Fund Balance at End of Period	\$ 8,252	\$ 3,357	\$ 3,351	\$ (6)

CITY OF MARINE CITY

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

Drug Enforcement Law Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Licenses, permits, fines, and fees	\$ 2,000	\$ 2,000	\$ 1,144	\$ (856)
Total Revenues	2,000	2,000	1,144	(856)
Other Financing Sources				
Gain on sale of fixed assets	--	--	5,190	5,190
Total Revenues and Other Financing Sources	2,000	2,000	6,334	4,334
Expenditures				
Public safety	6,550	5,550	1,190	4,360
Total Expenditures	6,550	5,550	1,190	4,360
Other Financing Uses				
Transfers to other funds	--	1,000	1,000	--
Total Expenditures and Other Financing Uses	6,550	6,550	2,190	4,360
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,550)	(4,550)	4,144	8,694
Net Change in Fund Balance	(4,550)	(4,550)	4,144	8,694
<i>Fund Balance at Beginning of Period</i>	6,623	6,623	6,623	--
Fund Balance at End of Period	\$ 2,073	\$ 2,073	\$ 10,767	\$ 8,694

CITY OF MARINE CITY

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

T.I.F.A. #1

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 68,025	\$ 68,025	\$ 73,466	\$ 5,441
Interest	50	50	37	(13)
Total Revenues	68,075	68,075	73,503	5,428
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	68,075	68,075	73,503	5,428
Expenditures				
General government	37,100	37,100	17,906	19,194
Debt service principal	25,000	25,000	25,000	--
Debt service interest	9,900	9,900	9,883	17
Total Expenditures	72,000	72,000	52,789	19,211
Other Financing Uses				
Transfers to primary government	3,000	3,000	--	3,000
Total Expenditures and Other Financing Uses	75,000	75,000	52,789	22,211
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(6,925)	(6,925)	20,714	27,639
Net Change in Fund Balance	(6,925)	(6,925)	20,714	27,639
<i>Fund Balance at Beginning of Period</i>	26,944	26,944	26,944	--
Fund Balance at End of Period	\$ 20,019	\$ 20,019	\$ 47,658	\$ 27,639

CITY OF MARINE CITY

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

T.I.F.A. #2

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 81,475	\$ 81,475	\$ 70,071	\$ (11,404)
Interest	625	625	323	(302)
Total Revenues	82,100	82,100	70,394	(11,706)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	82,100	82,100	70,394	(11,706)
Expenditures				
General government	77,800	77,800	38,560	39,240
Total Expenditures	77,800	77,800	38,560	39,240
Other Financing Uses				
Transfers to primary government	235,000	235,000	91,303	143,697
Total Expenditures and Other Financing Uses	312,800	312,800	129,863	182,937
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(230,700)	(230,700)	(59,469)	171,231
Net Change in Fund Balance	(230,700)	(230,700)	(59,469)	171,231
<i>Fund Balance at Beginning of Period</i>	417,801	417,801	417,801	--
Fund Balance at End of Period	\$ 187,101	\$ 187,101	\$ 358,332	\$ 171,231

CITY OF MARINE CITY

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

T.I.F.A. #3

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 238,950	\$ 238,950	\$ 191,617	\$ (47,333)
Interest	1,200	1,200	695	(505)
Total Revenues	240,150	240,150	192,312	(47,838)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	240,150	240,150	192,312	(47,838)
Expenditures				
General government	126,600	126,600	71,629	54,971
Total Expenditures	126,600	126,600	71,629	54,971
Other Financing Uses				
Transfers to primary government	585,000	585,000	224,146	360,854
Total Expenditures and Other Financing Uses	711,600	711,600	295,775	415,825
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(471,450)	(471,450)	(103,463)	367,987
Net Change in Fund Balance	(471,450)	(471,450)	(103,463)	367,987
<i>Fund Balance at Beginning of Period</i>	865,229	865,229	865,229	--
Fund Balance at End of Period	\$ 393,779	\$ 393,779	\$ 761,766	\$ 367,987

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2013

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%	2014	\$ -	\$ 14,375	\$ 14,375
Principal due July 1			2015	35,000	12,625	47,625
Interest due July 1			2016	35,000	10,875	45,875
and January 1			2017	40,000	9,000	49,000
			2018	40,000	7,000	47,000
			2019	40,000	5,000	45,000
			2020	40,000	3,000	43,000
			2021	40,000	1,000	41,000
Total Revenue Bonds				270,000	\$ 62,875	\$ 332,875

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%	2014	\$ 65,000	\$ 10,125	\$ 75,125
Principal due April 1			2015	65,000	8,500	73,500
Interest due October 1			2016	65,000	6,875	71,875
and April 1			2017	70,000	5,250	75,250
			2018	70,000	3,500	73,500
			2019	70,000	1,750	71,750
Total Issue Outstanding				405,000	\$ 36,000	\$ 441,000

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%	2014	\$ 115,000	\$ 28,950	\$ 143,950
Principal due April 1			2015	120,000	26,506	146,506
Interest due October 1			2016	125,000	23,956	148,956
and April 1			2017	125,000	21,300	146,300
			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				1,740,000	\$ 171,824	\$ 1,911,824
Total Water and Sewer Fund Bonded Indebtedness				2,415,000		

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2013

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%	2014	\$ 5,000	\$ 2,175	\$ 7,175
Principal due September 1			2015	5,000	1,925	6,925
Interest due September 1			2016	6,000	1,650	7,650
and March 1			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	6,000	150	6,150
Total Special Assessment Bonded Indebtedness				46,000	\$ 9,501	\$ 55,501

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2013

Police Capital Lease:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
7-23-12	\$ 45,196	6.34%	2014	\$ 14,149	\$ 1,851	\$ 16,000
			2015	15,047	953	16,000
Total Amount Outstanding				29,196	\$ 2,804	\$ 32,000

***Total Governmental Funds
Indebtedness***

29,196

Xerox Leases:

<u>Collateral</u>	Monthly <u>Payment</u>	Payments <u>Remaining</u>	Total <u>Payments</u>
Xerox Copier	\$ 222	month-to-month	\$ -

Neopost Leases:

<u>Collateral</u>	Monthly <u>Payment</u>	Payments <u>Remaining</u>	Total <u>Payments</u>
Postage Machine	\$ 349	month-to-month	\$ -

TOTAL INDEBTEDNESS

\$ 2,490,196

CITY OF MARINE CITY
Component Units
Schedule of Indebtedness
June 30, 2013

Tax Increment Bonds, Series 2001:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
5-1-01	\$ 425,000	4.80	2014	\$ 25,000	\$ 8,420	\$ 33,420
Principal due October 1		4.90	2015	30,000	7,085	37,085
Interest due October 1		5.00	2016	30,000	5,600	35,600
and April 1		5.00	2017	30,000	4,100	34,100
		5.10	2018	30,000	2,585	32,585
		5.20	2019	35,000	910	35,910
Total Component Unit Indebtedness				\$ 180,000	\$ 28,700	\$ 208,700