

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

CITY OF MARINE CITY

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CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2016

Using this Annual Report

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

The City as a Whole

The City's combined net position decreased by 2.3% from a year ago from \$12.56 million to \$12.27 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of \$176,000 during the year, a 2.3% decrease. This was primarily the result of an increase in pension and OPEB liabilities and related expenses in the governmental funds. The business-type activities experienced a \$117,000 decrease in net position, primarily as a result of depreciation and recognition of a portion of the net pension liability in the Water and Sewer Fund. In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current Assets *	\$ 2,209	\$ 1,895	\$ 1,152	\$ 639	\$ 3,330	\$ 2,529
Noncurrent Assets	8,378	8,630	6,039	6,539	14,417	15,169
Deferred Outflows of Resources	604	602	213	119	817	721
Total Assets and Deferred Outflows	11,191	11,127	7,404	7,297	18,564	18,419
Long-Term Debt Outstanding	3,416	3,165	2,201	2,102	5,617	5,267
Other Liabilities *	213	295	395	299	577	589
Deferred Inflows of Resources	71	--	29	--	100	--
Total Liabilities and Deferred Inflows	3,700	3,460	2,625	2,401	6,294	5,856
Net Position						
Invested in Capital Assets - Net of Debt	8,378	8,630	4,174	4,450	12,552	13,080
Restricted	882	706	356	86	1,238	792
Unrestricted	(1,769)	(1,669)	249	360	(1,520)	(1,309)
Total Net Position	\$ 7,491	\$ 7,667	\$ 4,779	\$ 4,896	\$ 12,270	\$ 12,563

* 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 \$100,000 for the governmental activities. This was primarily a result of increases in pension and OPEB liabilities. This represents a 6% decrease. The current level of unrestricted net position for our governmental activities stands at (\$1.8 million). This is within the targeted range set during the last budget process.

CITY OF MARINE CITY**Management's Discussion and Analysis
For the Year Ended June 30, 2016**

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	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services	\$ 611	\$ 621	\$ 1,948	\$ 1,667	\$ 2,559	\$ 2,288
Operating Grants and Contributions	501	424	31	63	532	487
Capital Grants and Contributions	13	13	-	-	13	13
General Revenues						
Taxes	1,506	1,464	-	-	1,506	1,464
State-Shared Revenues	422	422	-	-	422	422
Other	181	71	5	5	186	76
Total Revenues	<u>3,234</u>	<u>3,015</u>	<u>1,984</u>	<u>1,735</u>	<u>5,218</u>	<u>4,750</u>
Program Expenses						
Legislative	11	12	-	-	11	12
General Government	531	601	-	-	531	601
Public Safety	1,013	1,167	-	-	1,013	1,167
Highways and Streets	468	443	-	-	468	443
Public Works	662	690	-	-	662	690
Recreation and Cultural	136	121	-	-	136	121
Other	407	313	-	-	407	313
Unallocated pension expense	154	462	-	-	154	462
Cemetery operations	28	23	-	-	28	23
Water and Sewer	-	-	2,101	1,855	2,101	1,855
Total Expenses	<u>3,410</u>	<u>3,832</u>	<u>2,101</u>	<u>1,855</u>	<u>5,511</u>	<u>5,687</u>
Change in Net Position	\$ <u>(176)</u>	\$ <u>(817)</u>	\$ <u>(117)</u>	\$ <u>(120)</u>	\$ <u>(293)</u>	\$ <u>(937)</u>

The City's net position continues to remain healthy. Total net position decreased by \$293,000. This was primarily because of the recognition of the components of the pension and OPEB liabilities on the entity-wide statements. See Notes 9 and 10 for the details regarding these liabilities.

Governmental Activities

The City's total governmental revenues increased by \$219,000, primarily due to increases in grants, property taxes, and TIFA administrative fees. Expenses of the governmental activities decreased by \$422,000 over those of the previous year. This was primarily due to decreased expenses in the public safety and pension expenses after implementation of new accounting standards for pensions in the prior fiscal year.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2016

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatments to all City residents. We experienced a slight loss for the year consistent with the prior year. This loss is primarily due to the recognition of a portion of the pension liability and related deferred inflows and outflows.

The City's Funds

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

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenditures of \$896,000. These services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$589,000 on Public Works. These two areas represent approximately 60% 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 decreased by approximately 5% during the year. The various departments overall stayed within the budget, resulting in total expenditures approximately \$300,000 below the budget. The General Fund's fund balance increased by \$206,000 from a year ago.

Capital Asset and Debt Administration

As of June 30, 2016, the City's total assets were valued at \$14.4 million which is comprised of a broad range of capital assets including buildings, police equipment, water and sewer lines, and 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, 2017, kept tax levels the same as the previous year. Because of the impact of state law on property tax assessments, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits the growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

In addition, as the City prepares for the next fiscal year, the property tax revenue is expected to remain at similar levels to 2016 due to the current economic state of affairs and recent personal property tax reform. These issues, coupled with rising health care and pension costs and aging infrastructure, have presented some problems in balancing the budget.

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

Water/Sewer usage rates have been increased by the rate of inflation plus amounts to offset expenditures that exceeded the revenue for Wastewater operations for the year ending June 30, 2017.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2016

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 2017 has been reduced from the amount required in 2016. 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 accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Treasurer's office.



INDEPENDENT AUDITOR'S REPORT

December 9, 2016

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, 2016, 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, 2016, 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 44-48 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

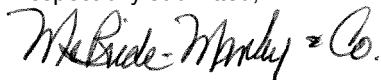
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City's basic financial statements. The combining and individual nonmajor fund financial statements and additional supplemental schedules as listed in the table of contents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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the City of Marine City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marine City's internal control over financial reporting and compliance.

Respectfully submitted,



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

CITY OF MARINE CITY
Statement of Net Position
June 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,759,936	\$ 256,911	\$ 2,016,847	\$ 894,000
Restricted cash	100,833	356,307	457,140	--
Accounts and assessments receivable	20,441	503,298	523,739	--
Taxes receivable	114,255	13,722	127,977	--
Due from other units of government	180,787	21,560	202,347	--
Other assets	1,038	115	1,153	--
<i>Internal Balances*</i>	31,497	--	--	--
Total Current Assets	2,208,787	1,151,913	3,329,203	894,000
<i>Noncurrent Assets</i>				
Capital assets, net of accumulated depreciation	8,378,183	5,964,440	14,342,623	--
Cash restricted for payment of bond	--	74,923	74,923	--
Lease receivable	19	--	19	--
Total Assets	10,586,989	7,191,276	17,746,768	894,000
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	603,914	213,572	817,486	--
Total Deferred Outflows of Resources	603,914	213,572	817,486	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	131,084	111,465	242,549	5,326
Due to agency funds	68	--	68	--
Accrued wages and vacation pay	61,944	3,722	65,666	--
Accrued interest payable	--	13,606	13,606	1,184
Current portion of debt	--	235,000	235,000	30,000
Due to other units and taxpayers	10,090	--	10,090	--
Pension contribution payable	8,888	--	8,888	--
Due to fiduciary funds	1,112	196	1,308	--
<i>Internal Balances*</i>	--	31,497	--	--
Total Current Liabilities	213,186	395,486	577,175	36,510
<i>Noncurrent Liabilities</i>				
Accrued sick pay	76,246	--	76,246	--
Long-term obligations, net of current portion	--	1,555,000	1,555,000	65,000
Other postemployment benefit obligation	1,782,290	--	1,782,290	--
Net pension liability	1,557,047	645,594	2,202,641	--
Total Liabilities	3,628,769	2,596,080	6,193,352	101,510
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	70,593	29,270	99,863	--
Total Deferred Inflows of Resources	70,593	29,270	99,863	--
NET POSITION				
Investment in capital assets, net of related debt	8,378,183	4,174,440	12,552,623	--
<i>Restricted for:</i>				
Drug enforcement	12,723	--	12,723	--
Perpetual care	137,147	--	137,147	--
Highways and streets - Act 51	580,477	--	580,477	--
Cemetery	51,568	--	51,568	--
Asset replacement	--	14,266	14,266	--
Insurance escrow	8,129	--	8,129	--
Water monitoring system	--	93,710	93,710	--
Highways and streets	35,785	--	35,785	--
Salvage	25,034	--	25,034	--
Parks and recreation	26,711	--	26,711	--
Police	860	--	860	--
Beach	4,010	--	4,010	--
Infrastructure improvements	--	248,331	248,331	--
<i>Unrestricted</i>	(1,769,086)	248,751	(1,520,335)	792,490
Total Net Position	\$ 7,491,541	\$ 4,779,498	\$ 12,271,039	\$ 792,490

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 11,340	\$ --	\$ --	\$ --
General government	531,121	189,212	--	--
Public safety	1,012,917	48,532	21,863	7,454
Public works	662,139	286,727	--	--
Community and economic development	3,277	1,715	--	--
Recreation and cultural	136,462	17,793	26,048	5,353
Highways and streets	467,644	--	344,554	--
Other	362,790	31,385	108,485	--
Unallocated pension expense	154,273	--	--	--
Cemetery operations	27,703	13,839	--	--
Water and sewer charges - Intergovernmental	18,000	--	--	--
Equipment rent - Intergovernmental	22,294	22,294	--	--
Total Governmental Activities	3,409,960	611,497	500,950	12,807
Business-type Activities:				
Water and Sewer Disposal	2,101,111	1,948,174	30,605	--
Total Business-type Activities	2,101,111	1,948,174	30,605	--
Total Primary Government	\$ 5,511,071	\$ 2,559,671	\$ 531,555	\$ 12,807
Component Units				
T.I.F.A. #1	\$ 27,805	\$ --	\$ --	\$ --
T.I.F.A. #2	88,807	--	--	--
T.I.F.A. #3	173,499	--	--	--
Total Component Units	\$ 290,111	\$ --	\$ --	\$ --

General Purpose Revenues and Transfers:
Revenues

Tax collections
Interest revenue
Distributions from State of Michigan
Other
Transfers from component units
Gain on sale of fixed assets

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	
\$ (11,340)	\$ --	\$ (11,340)	\$	--
(341,909)	--	(341,909)		--
(935,068)	--	(935,068)		--
(375,412)	--	(375,412)		--
(1,562)	--	(1,562)		--
(87,268)	--	(87,268)		--
(123,090)	--	(123,090)		--
(222,920)	--	(222,920)		--
(154,273)	--	(154,273)		--
(13,864)	--	(13,864)		--
(18,000)	--	(18,000)		--
--	--	--		--
(2,284,706)	--	(2,284,706)		--
--	(122,332)	(122,332)		--
--	(122,332)	(122,332)		--
\$ (2,284,706)	\$ (122,332)	\$ (2,407,038)		--
--	--	--		(27,805)
--	--	--		(88,807)
--	--	--		(173,499)
--	--	--		(290,111)
1,506,298	--	1,506,298		163,548
514	394	908		212
422,063	--	422,063		--
55,565	5,367	60,932		--
117,696	--	117,696		--
7,762	--	7,762		--
2,109,898	5,761	2,115,659		163,760
(174,808)	(116,571)	(291,379)		(126,351)
7,666,349	4,896,069	12,562,418		918,841
\$ 7,491,541	\$ 4,779,498	\$ 12,271,039	\$	792,490

CITY OF MARINE CITY
**Balance Sheet
Governmental Funds
June 30, 2016**

		Special Revenue	
	General	Local Street	Major Street
ASSETS			
Cash and cash equivalents	\$ 1,017,216	\$ 152,431	\$ 387,361
Restricted cash	100,733	--	--
Accounts and assessments receivable	20,441	--	--
Taxes receivable	114,255	--	--
Due from other units of government	117,737	24,124	38,926
Other assets	1,038	--	--
Due from other funds	46,060	52,526	--
Total Assets	1,417,480	229,081	426,287
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,417,480	\$ 229,081	\$ 426,287
LIABILITIES			
Accounts payable	\$ 123,785	\$ 3,430	\$ 3,160
Due to agency funds	68	--	--
Accrued wages and vacation pay	19,955	528	357
Due to other units and taxpayers	10,090	--	--
Due to fiduciary funds	785	196	131
Due to other funds	--	9,824	57,265
Total Liabilities	154,683	13,978	60,913
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	144,744	--	--
Total Liabilities and Deferred Inflows of Resources	299,427	13,978	60,913
FUND BALANCE			
Restricted	100,529	215,103	365,374
Committed	44,870	--	--
Assigned	98	--	--
Unassigned	972,556	--	--
Total Fund Balance	1,118,053	215,103	365,374
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,417,480	\$ 229,081	\$ 426,287

Other Governmental Funds	Total Governmental Funds
\$ 202,928	\$ 1,759,936
100	100,833
--	20,441
--	114,255
--	180,787
--	1,038
--	98,586
<u>203,028</u>	<u>2,275,876</u>
--	--
\$ 203,028	\$ 2,275,876
\$ 709	\$ 131,084
--	68
492	21,332
--	10,090
--	1,112
--	67,089
<u>1,201</u>	<u>230,775</u>
--	144,744
<u>1,201</u>	<u>375,519</u>
201,438	882,444
389	45,259
--	98
--	972,556
<u>201,827</u>	<u>1,900,357</u>
\$ 203,028	\$ 2,275,876

CITY OF MARINE CITY**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Total Fund Balance - Governmental Funds	\$	1,900,357
Compensated absences expensed as paid in the governmental fund statements are expensed as incurred in the entity-wide statements and are reflected as liabilities on the Statement of Net Position		(116,858)
Receivables not available to pay current liabilities are deferred in the governmental funds but are recognized as revenue in the Statement of Activities		144,744
Capital assets used in governmental activities included on the Statement of Net Position are not financial resources and are not reported in the governmental fund statements		8,378,183
The current cost of other postemployment benefits not due and payable in the current year is not reported in the governmental fund statements		(1,782,290)
The current cost of pension benefits due and payable in the current year is not reported in the governmental fund statements		(8,888)
Long-term receivables are not due in the current period and are not reported in the governmental fund statements		19
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(1,023,726)
Total Net Position-Governmental Funds	\$	7,491,541

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue		
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,505,657	\$ --	\$ --
Distributions from State of Michigan	422,063	130,075	220,561
Licenses, permits, fines, and fees	138,511	--	--
Recreation	35,424	--	--
Grant proceeds and reimbursements	123,382	--	--
Telecommunications	14,485	--	--
Zoning and site plan fees	4,328	--	--
Refuse	284,319	--	--
Intergovernmental	95,569	--	--
Other	64,701	--	--
User fees and other charges	25,692	--	--
Interest revenue	17,454	58	130
Total Revenues	2,731,585	130,133	220,691
Expenditures			
<i>Current</i>			
Legislative	10,671	--	--
General government	374,931	--	--
Public safety	893,626	--	--
Public works	548,201	--	--
Community and economic development	3,277	--	--
Recreation and cultural	98,678	--	--
Highways and streets	--	77,892	49,360
Other	362,790	--	--
Unallocated pension expense	142,980	--	--
Cemetery operations	--	--	--
<i>Capital Outlay</i>			
General government	2,771	--	--
Public safety	2,500	--	--
Public works	40,508	--	--
Recreation and cultural	12,878	--	--
Highways and streets	--	26,132	26,132
<i>Intergovernmental</i>			
Water and sewer charges	18,000	--	--
Equipment rent	--	14,249	8,045
Total Expenditures	2,511,811	118,273	83,537
Excess of Revenues Over (Under) Expenditures	219,774	11,860	137,154
Other Financing Sources (Uses)			
Gain on sale of fixed assets	7,762	--	--
Transfers from other funds	--	56,952	3,306
Transfers to other funds	(21,732)	--	(52,526)
Net Other Financing Sources (Uses)	(13,970)	56,952	(49,220)
Net Change in Fund Balance	205,804	68,812	87,934
<i>Fund Balance at Beginning of Period</i>	<i>912,249</i>	<i>146,291</i>	<i>277,440</i>
Fund Balance at End of Period	\$ 1,118,053	\$ 215,103	\$ 365,374

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,505,657
--	772,699
1,620	140,131
--	35,424
--	123,382
--	14,485
--	4,328
--	284,319
--	95,569
--	64,701
13,839	39,531
41	17,683
<u>15,500</u>	<u>3,097,909</u>
--	10,671
--	374,931
--	893,626
--	548,201
--	3,277
--	98,678
--	127,252
--	362,790
--	142,980
29,507	29,507
--	2,771
1,458	3,958
--	40,508
2,965	15,843
--	52,264
--	18,000
--	22,294
<u>33,930</u>	<u>2,747,551</u>
(18,430)	350,358
--	7,762
14,026	74,284
(26)	(74,284)
<u>14,000</u>	<u>7,762</u>
(4,430)	358,120
<u>206,257</u>	<u>1,542,237</u>
\$ 201,827	\$ 1,900,357

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, 2016**

Total Net Change in Fund Balances - Governmental Funds	\$	358,120
Compensated absences expensed as paid in the governmental fund statements are expensed as incurred in the entity-wide statements and are reflected as liabilities on the Statement of Net Position		(4,728)
Receivables not available to pay current liabilities are deferred in the governmental funds but are recognized as revenue in the Statement of Activities		(956)
The current cost of other postemployment benefits not due and payable in the current year is not reported in the governmental fund statements		(287,597)
The current cost of pension benefits due and payable in the current year is not reported in the governmental fund statements		36,232
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives in the Statement of Activities		(251,612)
Receipt of long-term receivables are revenue in the governmental funds but reduces receivable in Statement of Net Position		(1)
Additional amounts due to related party on fire contract not recognized in the governmental fund statements		25,082
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(49,348)
Changes in Net Position-Governmental Funds	\$	(174,808)

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 256,911
Restricted cash	356,307
Accounts and assessments receivable	503,298
Taxes receivable	13,722
Due from other units of government	21,560
Other assets	115
Total Current Assets	1,151,913
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	5,964,440
Cash restricted for payment of bond	74,923
Total Assets	7,191,276
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	213,572
Total Deferred Outflows of Resources	213,572
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	111,465
Accrued wages and vacation pay	3,722
Accrued interest payable	13,606
Current portion of debt	235,000
Due to fiduciary funds	196
Due to other funds	31,497
Total Current Liabilities	395,486
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	1,555,000
Net pension liability	645,594
Total Liabilities	2,596,080
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	29,270
Total Deferred Inflows of Resources	29,270
NET POSITION	
Investment in capital assets, net of related debt	4,174,440
<i>Restricted for:</i>	
Asset replacement	14,266
Water monitoring system	93,710
Infrastructure improvements	248,331
<i>Unrestricted</i>	248,751
Total Net Position	\$ 4,779,498

CITY OF MARINE CITY**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2016****Business-type
Activities - Enterprise
Funds****Water and Sewer
Disposal****Operating Revenues**

Grant proceeds and reimbursements

\$ 30,605

Interest and penalties earned

80

Other

5,367

Metered sales

1,435,139

Sewage treatment contract

100,652

Hydrant rental and city usage

18,000

Water taps and meter sales

3,948

Total Operating Revenues

1,593,791

Operating Expenses

Water

1,004,105

Sewer

1,048,278

Total Operating Expenses

2,052,383

Operating Income (Loss)

(458,592)

Non-Operating Revenues (Expenses)

Interest revenue

394

Debt service

140,991

Ready to serve fees

249,364

Interest expense and agent fees

(48,728)

Net Non-Operating Revenues (Expenses)

342,021

Change In Net Position

(116,571)

Net Position at Beginning of Period

4,896,069

Net Position at End of Period**\$ 4,779,498**

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
<i>Cash Flows From Operating Activities:</i>	
Receipts from customers	\$ 1,476,604
Receipts from interfund services	18,000
Payments to suppliers	(965,221)
Payments to employees	(169,639)
Other receipts (payments)	5,447
<i>Net Cash Provided By (Used In) Operating Activities</i>	365,191
<i>Cash Flows From Capital and Related Financing Activities:</i>	
Acquisition of capital assets	(61,571)
Principal paid on bonds	(225,000)
Interest and agent fees paid on revenue bonds	(49,732)
Debt service charges	140,991
Capital improvement fees	249,364
<i>Net Cash Provided By (Used In) Capital and Related Financing Activities</i>	54,052
<i>Cash Flows From Investing Activities:</i>	
Interest on investments	394
<i>Net Cash Provided By (Used In) Investing Activities</i>	394
<i>Net Increase (Decrease) In Cash and Cash Equivalents</i>	419,637
Cash and Cash Equivalents at July 1, 2015	268,504
<i>Cash and Cash Equivalents at June 30, 2016</i>	\$ 688,141
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i>	
Operating loss	\$ (458,592)
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i>	
Depreciation	562,063
<i>Change in assets and liabilities:</i>	
Accounts receivable	(90,880)
Due from other governments	(2,923)
Taxes receivable	63
Other assets	(115)
Deferred outflow of resources	(94,537)
Accounts payable	65,224
Due to other funds	26,794
Due to fiduciary funds	196
Accrued wages and compensated absences	(5,106)
Net pension liability	333,734
Deferred inflow of resources	29,270
<i>Net Cash Provided By (Used In) Operating Activities</i>	\$ 365,191

CITY OF MARINE CITY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 3,107	\$ 27,090
Cash and money market funds at fair value	20,453	603,259	--	--
Investments - mutual funds at fair value	145,120	4,234,941	--	--
Accounts and assessments receivable	--	--	--	3,520
Taxes receivable	--	--	1,320,969	--
Contributions receivable	--	8,888	--	--
Due from other funds	1,308	--	68	--
Total Assets	166,881	4,847,088	1,324,144	30,610
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accrued interest payable	--	--	--	501
Current portion of debt	--	--	--	6,000
Due to other units and taxpayers	--	--	1,068,189	--
Due to other funds	--	--	255,955	109
Long-term obligations, net of current portion	--	--	--	24,000
Total Liabilities	--	--	1,324,144	30,610
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Restricted for pensions	--	4,847,088	--	--
Restricted for OPEB	166,881	--	--	--
Total Net Position	\$ 166,881	\$ 4,847,088	\$ --	\$ --

CITY OF MARINE CITY**Statement of Changes in Fiduciary Net Position****Fiduciary Funds****For the Year Ended June 30, 2016**

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	\$ 233,279	\$ 158,748
Employee contributions	--	15,249
Investment income (loss)	(1,325)	(147,174)
Investment expenses	--	(32,878)
Total Additions	231,954	(6,055)
Deductions		
Benefits	243,183	506,981
Administrative expenses	1,564	1,645
Total Deductions	244,747	508,626
Change in Net Position	(12,793)	(514,681)
<i>Net Position at Beginning of Period</i>	179,674	5,361,769
Net Position at End of Period	\$ 166,881	\$ 4,847,088

CITY OF MARINE CITY
Combining Statement of Net Position
Component Units
June 30, 2016

	<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	\$ 24,066	\$ 260,933	\$ 609,001	\$ 894,000
Total Current Assets	<u>24,066</u>	<u>260,933</u>	<u>609,001</u>	<u>894,000</u>
<i>Noncurrent Assets</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>24,066</u>	<u>260,933</u>	<u>609,001</u>	<u>894,000</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>				
Accounts payable	1,130	2,098	2,098	5,326
Accrued interest payable	1,184	--	--	1,184
Current portion of debt	30,000	--	--	30,000
Total Current Liabilities	<u>32,314</u>	<u>2,098</u>	<u>2,098</u>	<u>36,510</u>
<i>Noncurrent Liabilities</i>				
Long-term obligations, net of current portion	65,000	--	--	65,000
Total Liabilities	<u>97,314</u>	<u>2,098</u>	<u>2,098</u>	<u>101,510</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>(73,248)</u>	<u>258,835</u>	<u>606,903</u>	<u>792,490</u>
Total Net Position	<u>\$ (73,248)</u>	<u>\$ 258,835</u>	<u>\$ 606,903</u>	<u>\$ 792,490</u>

CITY OF MARINE CITY
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2016

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	\$ 9,591	\$ 28,570	\$ 55,295	\$ 93,456
Debt service interest	5,684	--	--	5,684
Administrative expenses - Intergovernmental	10,600	15,250	47,425	73,275
Transfers to primary government	1,930	44,987	70,779	117,696
Total Expenses	27,805	88,807	173,499	290,111
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	--	--	--	--
Net Program Revenues (Expenses)	(27,805)	(88,807)	(173,499)	(290,111)
General Revenue				
Tax collections	53,844	29,399	80,305	163,548
Interest revenue	6	61	145	212
Total General Revenues	53,850	29,460	80,450	163,760
Change in Net Position	26,045	(59,347)	(93,049)	(126,351)
<i>Net Position at Beginning of Period</i>	<i>(99,293)</i>	<i>318,182</i>	<i>699,952</i>	<i>918,841</i>
Net Position at End of Period	\$ (73,248)	\$ 258,835	\$ 606,903	\$ 792,490

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, 2016**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,721,069	\$ 1,499,645	\$ 1,505,657	\$ 6,012
Distributions from State of Michigan	438,650	438,650	422,063	(16,587)
Licenses, permits, fines, and fees	259,700	211,525	138,511	(73,014)
Recreation	39,680	39,680	35,424	(4,256)
Grant proceeds and reimbursements	10,750	127,235	123,382	(3,853)
Telecommunications	12,050	12,050	14,485	2,435
Zoning and site plan fees	1,000	1,000	4,328	3,328
Refuse	300,000	300,000	284,319	(15,681)
Intergovernmental	40,000	40,000	95,569	55,569
Other	46,550	60,255	64,701	4,446
User fees and other charges	25,000	25,000	25,692	692
Interest	24,205	24,205	17,454	(6,751)
Total Revenues	2,918,654	2,779,245	2,731,585	(47,660)
Other Financing Sources				
Gain on sale of fixed assets	8,500	6,000	7,762	1,762
Total Revenues and Other Financing Sources	2,927,154	2,785,245	2,739,347	(45,898)
Expenditures				
Legislative	13,010	13,010	10,671	2,339
General government	462,715	452,190	385,702	66,488
Public safety	1,184,165	932,030	896,126	35,904
Public works	721,690	721,690	588,709	132,981
Community and economic development	1,650	4,400	3,277	1,123
Recreation and cultural	157,390	144,390	111,556	32,834
Other	413,280	538,065	515,770	22,295
Total Expenditures	2,953,900	2,805,775	2,511,811	293,964
Other Financing Uses				
Transfers to other funds	26,370	26,370	21,732	4,638
Total Expenditures and Other Financing Uses	2,980,270	2,832,145	2,533,543	298,602
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(53,116)	(46,900)	205,804	252,704
Net Change in Fund Balance	(53,116)	(46,900)	205,804	252,704
<i>Fund Balance at Beginning of Period</i>	<i>912,249</i>	<i>912,249</i>	<i>912,249</i>	<i>--</i>
Fund Balance at End of Period	\$ 859,133	\$ 865,349	\$ 1,118,053	\$ 252,704

CITY OF MARINE CITY

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

Major Street

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 201,000	\$ 201,000	\$ 220,561	\$ 19,561
Interest	35	35	130	95
Total Revenues	201,035	201,035	220,691	19,656
Other Financing Sources				
Transfers from other funds	3,350	3,350	3,306	(44)
Total Revenues and Other Financing Sources	204,385	204,385	223,997	19,612
Expenditures				
Highways and streets	130,400	130,400	83,537	46,863
Total Expenditures	130,400	130,400	83,537	46,863
Other Financing Uses				
Transfers to other funds	48,750	48,750	52,526	(3,776)
Total Expenditures and Other Financing Uses	179,150	179,150	136,063	43,087
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	25,235	25,235	87,934	62,699
Net Change in Fund Balance	25,235	25,235	87,934	62,699
<i>Fund Balance at Beginning of Period</i>	277,440	277,440	277,440	--
Fund Balance at End of Period	\$ 302,675	\$ 302,675	\$ 365,374	\$ 62,699

CITY OF MARINE CITY

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

Local Street

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 81,045	\$ 81,045	\$ 130,075	\$ 49,030
Interest	25	25	58	33
Total Revenues	81,070	81,070	130,133	49,063
Other Financing Sources				
Transfers from other funds	53,750	53,750	56,952	3,202
Total Revenues and Other Financing Sources	134,820	134,820	187,085	52,265
Expenditures				
Highways and streets	176,165	180,865	118,273	62,592
Total Expenditures	176,165	180,865	118,273	62,592
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	176,165	180,865	118,273	62,592
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(41,345)	(46,045)	68,812	114,857
Net Change in Fund Balance	(41,345)	(46,045)	68,812	114,857
<i>Fund Balance at Beginning of Period</i>	146,291	146,291	146,291	--
Fund Balance at End of Period	\$ 104,946	\$ 100,246	\$ 215,103	\$ 114,857

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY AND ITS OPERATIONS

The City of Marine City, located in St. Clair County, Michigan, was established in 1887 and is a public corporation created under the constitution and statutes of the State of Michigan which covers an area of four square miles. The City operates under a Commission-Manager form of government which includes an elected Mayor and Board of six commissioners. Services are provided as authorized by charter including public safety (police, fire, and inspections), highways and streets, recreation, sanitation, and general administration to approximately 4,500 residents.

REPORTING ENTITY

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

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

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

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

All of the component units were established to prevent urban deterioration and encourage economic development and activity, as well as to encourage neighborhood revitalization and historic preservation. The component units do not issue separate financial statements. During the fiscal year, the City charged administrative expenses to T.I.F.A. #1, T.I.F.A. #2, and T.I.F.A. #3 in the amount of \$10,600, \$15,250, and \$47,425, respectively.

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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 2016 taxable valuation of the City totaled \$91.4 million (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.8707 mills for the local governmental operations, raising \$1.51 million for operating. These amounts are recognized in the General Fund as taxes receivable or as tax collections. The delinquent real property taxes of the City are purchased by St. Clair County. The City also receives property taxes from St. Clair County for roads and recreation.

The City 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.

The City 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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the City 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.

AGENCY FUNDS - These funds are used to account for assets held by the City as an agent for individuals, organizations, other governments or other funds.

SPECIAL REVENUE FUNDS - These funds are used to account for specific governmental activities requiring separate accounting because of legal or regulatory provisions or administrative action.

PERMANENT FUNDS - These funds are used to account for and report resources that are restricted to the extent only earnings, and not principal, may be used for purposes that support the City's programs.

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

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

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

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

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

DEPOSITS AND INVESTMENTS

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

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds." All delinquent trade and property tax receivables are shown net of allowance for uncollectible amounts, totaling \$114,256 in the General Fund and \$13,722 in the Water and Sewer Fund.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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 the asset's life are not capitalized.

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

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

<u>Asset Type</u>	<u>Life</u>
Office equipment	3-15 years
Buildings and additions	15-60 years
Roads and sidewalks	20 years
Machinery and equipment	5-10 years
Water and sewer system	20-40 years
Water and sewer plant and equipment	20 years

CAPITALIZED ASSETS

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

COMPENSATED ABSENCES

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

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

PENSION

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Marine City Retirement System (Pension Fund) and additions to/deductions from the Pension Fund have been determined on the same basis as they are reported by the Pension Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

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

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

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	\$ 114,256	\$ --
State and Local Revenue	30,488	--
Total	<u>\$ 144,744</u>	<u>\$ --</u>

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any amounts that qualify to be reported as deferred outflows of resources on a modified-accrual basis. See Note 9 regarding amounts reported as deferred outflows of resources related to the net pension obligation.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which qualifies under a modified-accrual basis of accounting, for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: delinquent property taxes, state revenue sharing, special assessments, and contract revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. See Note 9 regarding amounts reported as deferred inflows of resources related to the net pension obligation.

FUND EQUITY

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

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

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

Major Street Fund	
Transfers to other funds	\$ 3,776

CONSTRUCTION CODE FEES

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

Cumulative shortfall at June 30, 2015	\$ (19,939)
Permit revenues	31,313
Related expenditures	(31,791)
Cumulative surplus (shortfall)	<u>\$ (20,417)</u>

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

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

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

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 held 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, 2016. Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents" and "Restricted cash."

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

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

Total governmental funds	\$ 1,860,769
Total proprietary funds	688,141
Total fiduciary funds	30,197
Total component units	894,000
Less cash on hand	(863)
Total Deposits	<u>\$ 3,472,244</u>

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

<u>Deposits</u>	<u>Insured (FDIC)</u>	<u>Uninsured and Uncollateralized</u>	<u>Carrying Amount</u>	<u>Bank Balance/ Market Value</u>
Demand deposits	\$ 990,366	\$ 2,459,439	\$ 3,397,321	\$ 3,449,805
Savings and CD's	74,923	--	74,923	74,923
Cash on hand	--	863	863	--
Total Cash	<u>\$ 1,065,289</u>	<u>\$ 2,460,302</u>	<u>3,473,107</u>	<u>\$ 3,524,728</u>
<u>Investments - Nonrisk Categorized</u>				
Mutual funds			4,380,061	\$ 4,380,061
Money market account			623,712	584,986
Total Investments			<u>5,003,773</u>	<u>\$ 4,965,047</u>
Total Cash and Investments			<u>\$ 8,476,880</u>	

INTEREST RATE RISK

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

CREDIT RISK

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

CONCENTRATION OF CREDIT RISK

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

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk, 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, 2016, \$2,460,302 of the government's bank balance of \$3,524,728 was exposed to custodial credit risk because it was uninsured.

Custodial credit risk for investments is the risk, 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, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

PENSION AND RETIREE HEALTH CARE TRUST

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

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

The City of Marine City's Pension and Retiree Health Care Trust deposits and investments are in accordance with statutory authority. The City's investment policy for these funds does not limit investment choices beyond the statute.

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

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Raymond James Money Market	Variable	\$ 623,712
Raymond James Mutual Fund Portfolio	Variable	4,380,061
		<u>\$ 5,003,773</u>

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

NOTE 4: RESTRICTED ASSETS AND INVESTMENTS

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

Water and Sewer Fund - Restricted Assets:

Per Bond Ordinance 48, as amended by 48A and 57 - cash restricted to pay for asset replacement	\$ 5,000
Per City's designation - cash restricted for sewer construction	9,266
Restricted for water monitoring system	93,710
Restricted for capital improvement	248,331
Total restricted cash reported as current on Statement of Net Position	<u>356,307</u>
Cash restricted for FMHA Bond reported as long term on Statement of Net Position	74,923
	<u>\$ 431,230</u>

General Fund - Restricted Assets:

Cash restricted for police	\$ 26,098
Restricted for insurance escrow	8,129
Restricted for streets	35,785
Restricted for parks and beach	30,721
	<u>\$ 100,733</u>

Drug Law Enforcement Fund - Restricted Assets:

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/15	Additions	Disposals	Balance 06/30/16
Legislative: Equipment	\$ 6,429	\$ --	\$ --	\$ 6,429
General Government:				
Equipment and vehicles	1,298,738	25,989	287,924	1,036,803
Buildings	1,290,060	94,478	--	1,384,538
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	624,530	16,700	--	641,230
Buildings	679,310	--	--	679,310
Capitalized leases	66,040	--	20,844	45,196
Public Works:				
Equipment and vehicles	319,260	27,587	2,750	344,097
Buildings	242,719	12,921	--	255,640
Capitalized leases	77,214	--	--	77,214
Recreation and Culture:				
Land	258,116	--	--	258,116
Equipment	463,975	12,878	3,350	473,503
Buildings	631,032	2,965	--	633,997
Highways and Streets:				
Equipment	855,878	52,264	--	908,142
Roads and sidewalks	5,694,530	--	--	5,694,530
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	14,260,070	245,782	314,868	14,190,984
Accumulated Depreciation	(5,630,275)	(497,394)	314,868	(5,812,801)
Total Carrying Value of Fixed Assets	<u>\$ 8,629,795</u>	<u>\$ (251,612)</u>	<u>\$ --</u>	<u>\$ 8,378,183</u>

The above amounts include land with a cost of \$1,729,293 not subject to depreciation. The assets above include assets acquired through capital leases with a cost of \$122,410 and accumulated depreciation of \$108,852.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 5: CAPITAL ASSETS (Continued)

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

General Government	\$ 42,496
Public Safety	67,092
Public Works	12,588
Recreation and Culture	37,784
Highways and Streets	334,258
Legislative	669
Cemetery	2,507
Total	<u>\$ 497,394</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 06/30/15	Additions	Disposals	Balance 06/30/16
Water plant, lines, and equipment	\$ 6,785,241	\$ 48,090	\$ --	\$ 6,833,331
Sewer plant, lines, and equipment	14,706,910	13,481	--	14,720,391
Land	63,174	--	--	63,174
Total Capital Assets	<u>21,555,325</u>	<u>61,571</u>	<u>--</u>	<u>21,616,896</u>
Accumulated Depreciation	<u>(15,090,393)</u>	<u>(562,063)</u>	<u>--</u>	<u>(15,652,456)</u>
Total Carrying Value of Fixed Assets	<u>\$ 6,464,932</u>	<u>\$ (500,492)</u>	<u>\$ --</u>	<u>\$ 5,964,440</u>

The above amounts include land with a cost of \$63,174 not subject to depreciation. Depreciation for the water and sewer systems totaled \$188,289 and \$373,774, respectively, for the year ended June 30, 2016.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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

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

<u>Fund/Component Unit</u>	<u>Receivable</u>	<u>Fund/Component Unit</u>	<u>Payable</u>
Water and Sewer Fund *	<u>\$ 27,444</u>	Tax Fund	<u>\$ 27,444</u>
General Fund **	<u>\$ 228,511</u>	Tax Fund	<u>\$ 228,511</u>
		Major Street	\$ 4,739
		Local Street	9,824
		Water and Sewer Fund	<u>31,497</u>
General Fund	<u>\$ 46,060</u>		<u>\$ 46,060</u>
Tax Fund	<u>\$ 68</u>	General Fund	<u>\$ 68</u>
Water and Sewer Fund (treated as cash)	<u>\$ 109</u>	Special Assessment Fund	<u>\$ 109</u>
Local Street	<u>\$ 52,526</u>	Major Street	<u>\$ 52,526</u>
		Local Street	\$ 196
		Major Street	131
		General Fund	785
		Water and Sewer Fund	<u>196</u>
Retiree Health Care	<u>\$ 1,308</u>		<u>\$ 1,308</u>

*Taxes receivable in the Water and Sewer Fund from the Tax Fund is shown on the Statement of Net Position net of allowance for doubtful accounts of \$13,722.

**Taxes receivable in the General Fund from the Tax Fund is shown on the Statement of Net Position and Balance Sheet net of allowance for doubtful accounts of \$114,256.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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

Interfund and component unit transfers:

<u>Transfers In</u>		<u>Transfers Out</u>	
		General Fund	\$ 14,000
		Cemetery Trust	26
Cemetery Fund	<u>\$ 14,026</u>		<u>\$ 14,026</u>
		Major Street	\$ 52,526
		General Fund	4,426
Local Street	<u>\$ 56,952</u>		<u>\$ 56,952</u>
Major Street	<u>\$ 3,306</u>	General Fund	<u>\$ 3,306</u>
		T.I.F.A. #3	\$ 70,779
		T.I.F.A. #2	44,987
		T.I.F.A. #1	1,930
General Fund *	<u>\$ 117,696</u>		<u>\$ 117,696</u>

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

*Transfer relates to full accrual items not included on the governmental fund statements.

NOTE 7: LEASE OBLIGATIONS

The City has entered into leases for copying and postage equipment. These leases are month-to-month and are being treated as operating leases. Lease expense for the period amounted to \$8,515.

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 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, 2016

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/15	Increase	Decrease	Payable at 06/30/16	Payable Within One Year
Total Business-Type					
Activities Indebtedness	\$ 2,326,860	\$ 333,734	\$ 225,000	\$ 2,435,594	\$ 235,000
Total Governmental					
Activities Indebtedness	3,164,391	295,138	43,946	3,415,583	--
Total Fiduciary Activities					
Indebtedness	36,000	--	6,000	30,000	6,000
Total Indebtedness	<u>\$ 5,527,251</u>	<u>\$ 628,872</u>	<u>\$ 274,946</u>	<u>\$ 5,881,177</u>	<u>\$ 241,000</u>

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/15	Increase	Decrease	Payable at 06/30/16	Payable Within One Year
General Obligation:					
Accrued sick pay	\$ 68,705	\$ 7,541	\$ --	\$ 76,246	\$ --
Other postemployment benefits	1,494,693	287,597	--	1,782,290	--
Net pension obligation - governmental funds	1,575,911	--	18,864	1,557,047	--
Net pension obligation - proprietary funds	311,860	333,734	--	645,594	--
Amounts due on fire contract	25,082	--	25,082	--	--
Total General Obligation	<u>3,476,251</u>	<u>628,872</u>	<u>43,946</u>	<u>4,061,177</u>	<u>--</u>
Revenue Bonds:					
Water supply and sewage disposal	235,000	--	35,000	200,000	40,000
Drinking Water Revolving Fund	1,780,000	--	190,000	1,590,000	195,000
Special assessments	36,000	--	6,000	30,000	6,000
Total Revenue Bonds	<u>2,051,000</u>	<u>--</u>	<u>231,000</u>	<u>1,820,000</u>	<u>241,000</u>
Total Indebtedness	<u>\$ 5,527,251</u>	<u>\$ 628,872</u>	<u>\$ 274,946</u>	<u>\$ 5,881,177</u>	<u>\$ 241,000</u>

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

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF INDEBTEDNESS

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
General Obligations:				
Accrued sick pay	N/A	N/A	N/A	\$ 76,246
Other postemployment benefits	N/A	N/A	N/A	1,782,290
Net pension obligation	N/A	N/A	N/A	2,202,641
Total General Obligations				<u>\$ 4,061,177</u>
Special Assessment Bonds	1	5.00%	2021	<u>\$ 30,000</u>
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 200,000
Drinking Water Revolving Funds	2	2.125-2.50%	2026	1,590,000
Total Revenue Bonds				<u>\$ 1,790,000</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Business-Type Activities (Enterprise Funds):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 235,000	\$ 35,550	\$ 270,550
2018	240,000	29,144	269,144
2019	240,000	22,631	262,631
2020	175,000	16,119	191,119
2021	175,000	11,250	186,250
2022-2026	725,000	13,218	738,218
Total	<u>\$ 1,790,000</u>	<u>\$ 127,912</u>	<u>\$ 1,917,912</u>

Fiduciary Activities (Special Assessment Fund):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 30,000</u>	<u>\$ 3,751</u>	<u>\$ 33,751</u>

Total interest expense for the City for the year was \$48,728.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 8: LONG-TERM DEBT (Continued)

COMPONENT UNIT INDEBTEDNESS

At the end of the period, T.I.F.A. #1 had a total of \$95,000 of Tax Increment Bonds, Series 2001 outstanding. The payments on behalf of T.I.F.A. #1 are to be repaid from the future collection of property tax revenues. The future collection of property tax revenues is dependent upon several factors including development and sale of real estate, increases in property valuation, and general economic conditions. The City has pledged its full faith and credit in the event the Component Unit Debt Retirement Fund does not pay the principal and interest payments as they come due.

As of June 30, 2016, the T.I.F.A. #1 fund had the following amounts outstanding:

	Payable at 06/30/15	Increase	Decrease	Payable at 06/30/16	Payable Within One Year
Total Component Unit Indebtedness	\$ 125,000	\$ --	\$ 30,000	\$ 95,000	\$ 30,000
Total Indebtedness	<u>\$ 125,000</u>	<u>\$ --</u>	<u>\$ 30,000</u>	<u>\$ 95,000</u>	<u>\$ 30,000</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

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

Year	Principal	Interest	Total
2017	\$ 30,000	\$ 4,100	\$ 34,100
2018	30,000	2,585	32,585
2019	35,000	910	35,910
Total	<u>\$ 95,000</u>	<u>\$ 7,595</u>	<u>\$ 102,595</u>

NOTE 9: EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

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

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

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

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

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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

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

The plan is closed to new entrants.

Plan membership: Substantially all of the City's employees participated in the City of Marine City Retirement System. The payroll for employees covered by the Retirement System for the year ended June 30, 2016, was approximately \$318,000 with total payroll for the year totaling approximately \$1.0 million. Membership in the Retirement System as of June 30, 2015 (latest actuarial report available), is comprised of the following:

<u>Group</u>	<u>Employees</u>
Inactive members - Retirees and beneficiaries currently receiving benefits	24
- Retirees eligible for benefits but not receiving benefits	4
Active employees - fully vested	6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

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

Investments are reported at fair value.

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

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

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

<u>Investments</u>	<u>% of Plan Assets</u>
Blackrock Health Sciences Opportunities	10.20%
Goldman Sachs Rising Dividend Growth Fund	9.30%
Goldman Sachs Income Builder Fund	16.00%
Goldman Sachs Strategic Income Fund	15.20%
Principal Mid Cap Fund	7.00%
Principal Global Diversified Income Fund	17.50%
Thornburg Investment Income Building Fund	10.60%

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Rate of return: For the year ended, June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.86)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

FUNDING POLICY AND OTHER MATTERS

The contribution requirements of plan members and the City are established and may be amended by the City Commission. Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate as provided by state law. The actuarially determined rate is the estimated amount necessary to finance the costs and benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the City's contribution rate was approximately 51% of annual covered payroll.

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

FUND BALANCE ALLOCATION

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

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

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

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

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

Fund Balance Reserved for Employee Contribution	\$ 1,441,734
Fund Balance Reserved for Employer Contribution	3,287,306
Fund Balance Reserved for Annuity	118,048
Balance at June 30, 2016	<u>\$ 4,847,088</u>

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Net pension liability: The components of the net pension liability of the City at June 30, 2016, were as follows:

Total pension liability	\$ 7,049,729
Plan fiduciary net position	4,847,088
City's net pension liability	<u>\$ 2,202,641</u>

Plan fiduciary net position as a percentage of the total pension liability: 68.76%

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 7,249,540	\$ 5,361,769	\$ 1,887,771
Changes for the year:			
Service cost	40,993	--	40,993
Interest on the net pension liability	508,700	--	508,700
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(242,523)	--	(242,523)
Changes of assumptions or other inputs	--	--	--
Contributions - employer	--	158,748	(158,748)
Contributions - employee	--	15,249	(15,249)
Net investment income	--	(180,052)	180,052
Benefit payments, including refunds of employee contributions	(506,981)	(506,981)	--
Administrative expense	--	(1,645)	1,645
Other changes	--	--	--
Net Changes	(199,811)	(514,681)	314,870
Balances at June 30, 2016	\$ 7,049,729	\$ 4,847,088	\$ 2,202,641

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016. The following actuarial assumptions were applied to compute the total pension liability:

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

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

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

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

	1% Decrease Rate 6.25%	Computed GASB 67 Rate 7.25%	1% Increase Rate 8.25%
City's net pension liability	\$ 2,962,080	\$ 2,202,641	\$ 1,533,804

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Payable to the Pension Plan: At June 30, 2016, the City reported a payable of \$8,888 for the outstanding amount of unpaid actuarially required contributions to the pension plan for contributions required for the year ended June 30, 2016. This amount is recognized only on the entity-wide statements since the nature of the liability does not meet the recognition criteria for inclusion in the fund level statements.

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

For the year ended June 30, 2016, the City recognized total pension expense of \$550,523. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 99,863
Changes of assumptions or other inputs	--	--
Net difference between projected and actual earnings on pension plan investments	622,506	--
Contributions made after the measurement date	194,980	--
Total	<u>\$ 817,486</u>	<u>\$ 99,863</u>

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

Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 365,372	\$ 99,863
2018	170,392	--
2019	170,392	--
2020	111,330	--
2021	--	--
Thereafter	--	--
Total	<u>\$ 817,486</u>	<u>\$ 99,863</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

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

DESCRIPTION OF BENEFITS AND AUTHORITY

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

OPEB FUND FINANCIAL STATEMENTS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Retiree Health Care Fund uses the accrual method of accounting. Contributions from the City and City's employees are recognized as revenue in the period which employees provide services to the City. Investment income is recognized as earned by the pension plan. Benefits and refunds are recognized when due to members.

Investments are stated at fair market value.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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

FUNDING POLICY AND OTHER MATTERS

The City's obligations for these benefits are established by labor contracts. Currently, under these contracts, the City is responsible for 100% of these benefits. Contributions for the current year were \$233,279, and benefits paid totaled \$243,183. 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 5 active employees covered by the plan and 4 inactive vested employees and 19 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	\$ 547,526	(Represents approximately 50% of covered payroll)
Interest on net OPEB obligation	59,788	
Adjustment to Annual Required Contribution	(86,438)	
Annual OPEB Cost	520,876	
Contributions made	(233,279)	
Increase in net OPEB obligation	287,597	
Net OPEB obligation - beginning of year	1,494,693	
Net OPEB obligation - end of year	<u>\$ 1,782,290</u>	

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Annual OPEB costs	\$ 547,526	\$ 551,877	\$ 531,930
Percentage contributed	43%	37%	41%
Net OPEB obligation	\$ 1,782,290	\$ 1,494,693	\$ 1,169,926

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

FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Assets are valued at market value. The most recent actuarial valuation was completed June 30, 2015. The actuarial value of plan assets was \$179,674 with an actuarially accrued liability of \$9,171,950. The unfunded actuarial accrued liability was \$8,992,276 or 2.0% funded. The annual covered payroll was \$300,535 with an unfunded actuarial accrued liability ratio to the annual covered payroll of 2,992.09%.

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

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

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date	June 30, 2015
Actuarial Cost Method	Individual Entry-Age, Normal
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%, grading to 4.00% in 0.5% increments over 10 years then 3.75% thereafter

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

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Fund:				
General				
Police equipment	\$ --	\$ 25,894	\$ --	\$ --
Park signs	--	--	--	98
Parks and recreation - County	--	26,711	--	--
Beach	--	4,010	--	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	35,785	--	--
Capital projects	--	--	44,870	--
Drug Law Enforcement Fund				
Drug forfeitures	--	12,723	--	--
Local Street				
Highways and streets - Act 51	--	215,103	--	--
Major Street				
Highways and streets - Act 51	--	365,374	--	--
Woodlawn Cemetery				
Cemetery	--	51,568	--	--
Library Fund				
Library	--	--	389	--
Cemetery Perpetual Care				
Perpetual care	--	137,147	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 882,444</u>	<u>\$ 45,259</u>	<u>\$ 98</u>

NOTE 12: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code of 1986, as amended. 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 employees who do not to participate in the City's pension plan. Currently, the City is matching contributions for 10 employees. The City Commission approves the matching contribution rate each year. Employee deferrals amounted to \$42,058 and employer contributions amounted to \$37,779 for the period.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 12: DEFERRED COMPENSATION PLAN (Continued)

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. The City has relinquished all fiduciary accountability for the assets to the plan trustee. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

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

NOTE 13: CONTINGENCIES AND RISKS

RISK FINANCING

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

NOTE 14: JOINT VENTURE/RELATED PARTY TRANSACTIONS

The City of Marine City entered into an agreement with the Township of Cottrellville, the Township of East China, and China Township for an area fire authority to provide fire and emergency services to the residents of the City and Townships. The Marine City Area 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 \$227,235 to the Marine City Area Fire Authority for its portion of fire and emergency services. The City also transferred personal property and the related debt to the Marine City Area Fire Authority upon formation of the Authority subject to an annual lease of \$1 through June 30, 2035. There was \$19 outstanding on this lease at the end of the current period.

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

NOTE 15: UPCOMING REPORTING CHANGE

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

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

In 2015, the GASB issued *Statement No. 77, Tax Abatement Disclosures*. This statement requires the City to provide note disclosures describing the tax abatement programs which were granted and the dollar amount of lost revenues as a result of the abatements. The provisions of this statement are effective for the 2016-2017 fiscal year.

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

SUPPLEMENTAL INFORMATION

CITY OF MARINE CITY
Pension Trust Fund
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2016
(Per actuarial report dated June 30, 2015 updated to June 30, 2016)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 40,993	\$ 49,202	\$ 63,069
Interest	508,700	481,650	491,659
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(242,523)	605,816	123,250
Changes of assumptions	--	--	--
Benefit payments, including refunds of member contributions	(506,981)	(1,011,947)	(606,249)
Net change in total pension liability	(199,811)	124,721	71,729
<i>Total Pension Liability - Beginning</i>	<i>7,249,540</i>	<i>7,124,819</i>	<i>7,053,090</i>
Total Pension Liability - Ending (a)	\$ 7,049,729	\$ 7,249,540	\$ 7,124,819
Plan Fiduciary Net Position			
Contributions - employer	\$ 158,748	\$ 164,043	\$ 190,302
Contributions - member	15,249	16,265	22,046
Net investment income	(180,052)	115,716	809,302
Benefit payments, including refunds of member contributions	(506,981)	(1,011,947)	(606,249)
Administrative expense	(1,645)	(14,899)	(7,806)
Other	--	--	--
Net change in plan fiduciary net position	(514,681)	(730,822)	407,595
<i>Plan fiduciary net position - beginning</i>	<i>5,361,769</i>	<i>6,092,591</i>	<i>5,684,996</i>
Plan Fiduciary Net Position - Ending (b)	\$ 4,847,088	\$ 5,361,769	\$ 6,092,591
City of Marine City's Net Pension Liability - Ending (a)-(b)	\$ 2,202,641	\$ 1,887,771	\$ 1,032,228
Plan fiduciary net position as a percentage of the total pension liability	68.76%	73.96%	85.51%
Covered employee payroll	\$ 335,085	\$ 379,897	\$ 479,446
City of Marine City's net pension liability as a percentage of covered employee payroll	657.34%	496.92%	215.30%

Notes to Schedule:

Presentation: GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Changes in Net Pension Liability and Related Ratios. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years which data is available, beginning with June 30, 2014.

Latest actuarial report for the pension plan was dated June 30, 2015. The computations and assumptions have been updated by the actuary to reflect any significant changes in methods or assumptions in accordance with applicable standards for June 30, 2016.

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Contributions****June 30, 2016****(Per actuarial report dated June 30, 2015 updated to June 30, 2016)**

	2016	2015	2014	2013
Actuarially determined contribution	\$ 158,748	\$ 164,043	\$ 190,302	\$ 168,317
Contributions in relation to the actuarially determined contribution	158,748	164,043	190,302	171,849
Contribution excess (deficiency)	\$ --	\$ --	\$ --	\$ 3,532
Covered-employee payroll	\$ 335,085	\$ 318,492	\$ 379,897	\$ 479,446
Contributions as a percentage of covered-employee payroll	47.38%	51.51%	50.09%	35.84%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Entry Age

Amortization method:

Level dollar, Closed

Remaining amortization period:

17 years as of the June 30, 2015 regular actuarial valuation

Asset valuation method:

4 years smoothed market

Inflation:

3.75%

Salary increases:

7.74% - 3.75%, including inflation

Investment rate of return:

7.25%, net of pension plan investment expense, including inflation

Retirement age:

Not provided by Actuary

Mortality:

Based on the RP 2000 Mortality with projected improvements through 2010

2012	2011	2010	2009	2008	2007
\$ 157,716	\$ 149,956	\$ 136,676	\$ 171,139	\$ 177,626	\$ 187,759
110,871	97,480	95,469	138,971	155,056	172,895
<u>\$ (46,845)</u>	<u>\$ (52,476)</u>	<u>\$ (41,207)</u>	<u>\$ (32,168)</u>	<u>\$ (22,570)</u>	<u>\$ (14,864)</u>
\$ 647,948	\$ 824,677	\$ 930,742	\$ 1,181,481	\$ 1,293,609	\$ 1,492,983
17.11%	11.82%	10.26%	11.76%	11.99%	11.58%

CITY OF MARINE CITY
Pension Trust Fund
Required Supplementary Information
Schedule of Investment Returns
June 30, 2016

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	(2.86) %	2.75 %	15.69 %

Notes to Schedule:

Presentation: GASB Statement No. 67 *Financial Reporting for Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Investment Returns. This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show those years which data is available, beginning with June 30, 2014.

CITY OF MARINE CITY

Required Supplementary Information

Retiree Health Trust - Schedule of Funding Progress and Employer Contributions

June 30, 2016

(Per latest actuarial report dated June 30, 2015)

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
06/30/13	**	**	**	**	**	**
06/30/14	**	**	**	**	**	**
06/30/15	180	9,172	8,992	2.0	301	2,987.4

**Actuarial information is unavailable for these years

Market value

Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2015
Actuarial Cost Method	Individual Entry-Age, Normal
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%, grading to 4.00% in 0.5% increments over 10 years then 3.75% thereafter

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

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

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning July 1	Actuarial Valuation Date June 30	Annual Required Contribution (ARC)	Percent Contributed
2013	2012	\$ 512,704	37 %
2014	2012	531,930	41
2015	2012	551,877	37
2016	2015	547,526	43

CITY OF MARINE CITY

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
ASSETS			
Cash and cash equivalents	\$ 52,769	\$ 389	\$ 12,623
Restricted cash	--	--	100
Total Assets	52,769	389	12,723
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 52,769	\$ 389	\$ 12,723
LIABILITIES			
Accounts payable	\$ 709	\$ --	\$ --
Accrued wages and vacation pay	492	--	--
Total Liabilities	1,201	--	--
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Liabilities and Deferred Inflows of Resources	1,201	--	--
FUND BALANCE			
Restricted	51,568	--	12,723
Committed	--	389	--
Total Fund Balance	51,568	389	12,723
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 52,769	\$ 389	\$ 12,723

<u>Permanent</u>			
<u>Cemetery</u>		<u>Total Nonmajor</u>	
<u>Perpetual Care</u>		<u>Governmental</u>	
<u>Funds</u>			
\$	137,147	\$	202,928
	--		100
	<u>137,147</u>		<u>203,028</u>
	--		--
\$	<u>137,147</u>	\$	<u>203,028</u>
\$	--	\$	709
	--		492
	<u>--</u>		<u>1,201</u>
	--		--
	<u>--</u>		<u>1,201</u>
	137,147		201,438
	--		389
	<u>137,147</u>		<u>201,827</u>
\$	<u>137,147</u>	\$	<u>203,028</u>

CITY OF MARINE CITY

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
Revenues			
Licenses, permits, fines, and fees	\$ --	\$ --	\$ 1,620
User fees and other charges	13,839	--	--
Interest revenue	10	1	--
Total Revenues	13,849	1	1,620
Expenditures			
<i>Current</i>			
Cemetery operations	29,507	--	--
<i>Capital Outlay</i>			
Public safety	--	--	1,458
Recreation and cultural	--	2,965	--
Total Expenditures	29,507	2,965	1,458
Excess of Revenues Over (Under) Expenditures	(15,658)	(2,964)	162
Other Financing Sources (Uses)			
Transfers from other funds	14,026	--	--
Transfers to other funds	--	--	--
Net Other Financing Sources (Uses)	14,026	--	--
Net Change in Fund Balance	(1,632)	(2,964)	162
<i>Fund Balance at Beginning of Period</i>	<i>53,200</i>	<i>3,353</i>	<i>12,561</i>
Fund Balance at End of Period	\$ 51,568	\$ 389	\$ 12,723

<u>Permanent</u>		
<u>Cemetery</u>	<u>Total Nonmajor</u>	
<u>Perpetual Care</u>	<u>Governmental</u>	
<u>Funds</u>		
\$ --	\$ 1,620	
--	13,839	
30	41	
<u>30</u>	<u>15,500</u>	
--	29,507	
--	1,458	
--	2,965	
<u>--</u>	<u>33,930</u>	
30	(18,430)	
--	14,026	
(26)	(26)	
<u>(26)</u>	<u>14,000</u>	
4	(4,430)	
137,143	206,257	
<u>\$ 137,147</u>	<u>\$ 201,827</u>	

CITY OF MARINE CITY
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2016

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 44,870	\$ 972,346	\$ 1,017,216
Restricted cash	--	100,733	100,733
Accounts and assessments receivable	--	20,441	20,441
Taxes receivable	--	114,255	114,255
Due from other units of government	--	117,737	117,737
Other assets	--	1,038	1,038
Due from other funds	--	46,060	46,060
Total Assets	44,870	1,372,610	1,417,480
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 44,870	\$ 1,372,610	\$ 1,417,480
LIABILITIES			
Accounts payable	\$ --	\$ 123,785	\$ 123,785
Due to agency funds	--	68	68
Accrued wages and vacation pay	--	19,955	19,955
Due to other units and taxpayers	--	10,090	10,090
Due to fiduciary funds	--	785	785
Total Liabilities	--	154,683	154,683
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	144,744	144,744
Total Liabilities and Deferred Inflows of Resources	--	299,427	299,427
FUND BALANCE			
Restricted	--	100,529	100,529
Committed	44,870	--	44,870
Assigned	--	98	98
Unassigned	--	972,556	972,556
Total Fund Balance	44,870	1,073,183	1,118,053
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 44,870	\$ 1,372,610	\$ 1,417,480

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, 2016

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	\$ --	\$ 1,505,657	\$ 1,505,657
Distributions from State of Michigan	--	422,063	422,063
Licenses, permits, fines, and fees	--	138,511	138,511
Recreation	--	35,424	35,424
Grant proceeds and reimbursements	--	123,382	123,382
Telecommunications	--	14,485	14,485
Zoning and site plan fees	--	4,328	4,328
Refuse	--	284,319	284,319
Intergovernmental	--	95,569	95,569
Other	--	64,701	64,701
User fees and other charges	--	25,692	25,692
Interest revenue	10	17,444	17,454
Total Revenues	10	2,731,575	2,731,585
Expenditures			
<i>Current</i>			
Legislative	--	10,671	10,671
General government	--	374,931	374,931
Public safety	--	893,626	893,626
Public works	--	548,201	548,201
Community and economic development	--	3,277	3,277
Recreation and cultural	--	98,678	98,678
Other	--	362,790	362,790
Unallocated pension expense	--	142,980	142,980
<i>Capital Outlay</i>			
General government	--	2,771	2,771
Public safety	--	2,500	2,500
Public works	--	40,508	40,508
Recreation and cultural	--	12,878	12,878
<i>Intergovernmental</i>			
Water and sewer charges	--	18,000	18,000
Total Expenditures	--	2,511,811	2,511,811
Excess of Revenues Over (Under) Expenditures	10	219,764	219,774
Other Financing Sources (Uses)			
Gain on sale of fixed assets	--	7,762	7,762
Transfers to other funds	--	(21,732)	(21,732)
Net Other Financing Sources (Uses)	--	(13,970)	(13,970)
Net Change in Fund Balance	10	205,794	205,804
<i>Fund Balance at Beginning of Period</i>	<i>44,860</i>	<i>867,389</i>	<i>912,249</i>
Fund Balance at End of Period	\$ 44,870	\$ 1,073,183	\$ 1,118,053

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (a consolidated component of the General Fund)
For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,721,069	\$ 1,499,645	\$ 1,505,657	\$ 6,012
Distributions from State of Michigan	438,650	438,650	422,063	(16,587)
Licenses, permits, fines, and fees	259,700	211,525	138,511	(73,014)
Recreation	39,680	39,680	35,424	(4,256)
Grant proceeds and reimbursements	10,750	127,235	123,382	(3,853)
Telecommunications	12,050	12,050	14,485	2,435
Zoning and site plan fees	1,000	1,000	4,328	3,328
Refuse	300,000	300,000	284,319	(15,681)
Intergovernmental	40,000	40,000	95,569	55,569
Other	46,550	60,255	64,701	4,446
User fees and other charges	25,000	25,000	25,692	692
Interest	24,200	24,200	17,444	(6,756)
Total Revenues	2,918,649	2,779,240	2,731,575	(47,665)
Other Financing Sources				
Gain on sale of fixed assets	8,500	6,000	7,762	1,762
Total Revenues and Other Financing Sources	2,927,149	2,785,240	2,739,337	(45,903)
Expenditures				
Legislative	13,010	13,010	10,671	2,339
General government	462,715	452,190	385,702	66,488
Public safety	1,184,165	932,030	896,126	35,904
Public works	721,690	721,690	588,709	132,981
Community and economic development	1,650	4,400	3,277	1,123
Recreation and cultural	157,390	144,390	111,556	32,834
Other	413,280	538,065	515,770	22,295
Total Expenditures	2,953,900	2,805,775	2,511,811	293,964
Other Financing Uses				
Transfers to other funds	26,370	26,370	21,732	4,638
Total Expenditures and Other Financing Uses	2,980,270	2,832,145	2,533,543	298,602
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(53,121)	(46,905)	205,794	252,699
Net Change in Fund Balance	(53,121)	(46,905)	205,794	252,699
<i>Fund Balance at Beginning of Period</i>	<i>867,389</i>	<i>867,389</i>	<i>867,389</i>	<i>--</i>
Fund Balance at End of Period	\$ 814,268	\$ 820,484	\$ 1,073,183	\$ 252,699

CITY OF MARINE CITY

**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Capital Improvement (a consolidated component of the General Fund)
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 5	\$ 5	\$ 10	\$ 5
Total Revenues	5	5	10	5
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	5	5	10	5
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5	5	10	5
Net Change in Fund Balance	5	5	10	5
<i>Fund Balance at Beginning of Period</i>	44,860	44,860	44,860	--
Fund Balance at End of Period	\$ 44,865	\$ 44,865	\$ 44,870	\$ 5

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Woodlawn Cemetery
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
User fees and other charges	\$ 17,100	\$ 17,100	\$ 13,839	\$ (3,261)
Interest	10	10	10	--
Total Revenues	17,110	17,110	13,849	(3,261)
Other Financing Sources				
Transfers from other funds	18,040	18,040	14,026	(4,014)
Total Revenues and Other Financing Sources	35,150	35,150	27,875	(7,275)
Expenditures				
Cemetery operations	35,150	35,150	29,507	5,643
Total Expenditures	35,150	35,150	29,507	5,643
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	35,150	35,150	29,507	5,643
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	(1,632)	(1,632)
Net Change in Fund Balance	--	--	(1,632)	(1,632)
<i>Fund Balance at Beginning of Period</i>	53,200	53,200	53,200	--
Fund Balance at End of Period	\$ 53,200	\$ 53,200	\$ 51,568	\$ (1,632)

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Cemetery Perpetual Care
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 20	\$ 30	\$ 30	\$ --
Total Revenues	20	30	30	--
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	20	30	30	--
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers to other funds	20	30	26	4
Total Expenditures and Other Financing Uses	20	30	26	4
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	4	4
Net Change in Fund Balance	--	--	4	4
<i>Fund Balance at Beginning of Period</i>	137,143	137,143	137,143	--
Fund Balance at End of Period	\$ 137,143	\$ 137,143	\$ 137,147	\$ 4

CITY OF MARINE CITY

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

Library Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 5	\$ 5	\$ 1	\$ (4)
Total Revenues	5	5	1	(4)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	5	5	1	(4)
Expenditures				
Recreation and cultural	--	3,355	2,965	390
Total Expenditures	--	3,355	2,965	390
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	3,355	2,965	390
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	5	(3,350)	(2,964)	386
Net Change in Fund Balance	5	(3,350)	(2,964)	386
Fund Balance at Beginning of Period	3,353	3,353	3,353	--
Fund Balance at End of Period	\$ 3,358	\$ 3	\$ 389	\$ 386

CITY OF MARINE CITY

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

Drug Enforcement Law Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Licenses, permits, fines, and fees	\$ 2,000	\$ 2,000	\$ 1,620	\$ (380)
Total Revenues	2,000	2,000	1,620	(380)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	2,000	2,000	1,620	(380)
Expenditures				
Public safety	10,100	1,560	1,458	102
Total Expenditures	10,100	1,560	1,458	102
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	10,100	1,560	1,458	102
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(8,100)	440	162	(278)
Net Change in Fund Balance	(8,100)	440	162	(278)
<i>Fund Balance at Beginning of Period</i>	12,561	12,561	12,561	--
Fund Balance at End of Period	\$ 4,461	\$ 13,001	\$ 12,723	\$ (278)

CITY OF MARINE CITY

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

T.I.F.A. #1

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 53,225	\$ 53,225	\$ 53,844	\$ 619
Interest	10	10	6	(4)
Total Revenues	53,235	53,235	53,850	615
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	53,235	53,235	53,850	615
Expenditures				
General government	18,820	25,920	20,191	5,729
Debt service principal	30,000	30,000	30,000	--
Debt service interest	5,900	5,900	5,900	--
Total Expenditures	54,720	61,820	56,091	5,729
Other Financing Uses				
Transfers to primary government	--	1,930	1,930	--
Total Expenditures and Other Financing Uses	54,720	63,750	58,021	5,729
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,485)	(10,515)	(4,171)	6,344
Net Change in Fund Balance	(1,485)	(10,515)	(4,171)	6,344
<i>Fund Balance at Beginning of Period</i>	<i>27,107</i>	<i>27,107</i>	<i>27,107</i>	<i>--</i>
Fund Balance at End of Period	\$ 25,622	\$ 16,592	\$ 22,936	\$ 6,344

CITY OF MARINE CITY

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

T.I.F.A. #2

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 28,825	\$ 28,825	\$ 29,399	\$ 574
Interest	50	50	61	11
Total Revenues	28,875	28,875	29,460	585
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	28,875	28,875	29,460	585
Expenditures				
General government	36,650	56,850	43,820	13,030
Total Expenditures	36,650	56,850	43,820	13,030
Other Financing Uses				
Transfers to primary government	70,000	100,975	44,987	55,988
Total Expenditures and Other Financing Uses	106,650	157,825	88,807	69,018
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(77,775)	(128,950)	(59,347)	69,603
Net Change in Fund Balance	(77,775)	(128,950)	(59,347)	69,603
<i>Fund Balance at Beginning of Period</i>	318,182	318,182	318,182	--
Fund Balance at End of Period	\$ 240,407	\$ 189,232	\$ 258,835	\$ 69,603

CITY OF MARINE CITY

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

T.I.F.A. #3

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 77,160	\$ 77,160	\$ 80,305	\$ 3,145
Interest	120	120	145	25
Total Revenues	77,280	77,280	80,450	3,170
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	77,280	77,280	80,450	3,170
Expenditures				
General government	77,825	116,900	102,720	14,180
Total Expenditures	77,825	116,900	102,720	14,180
Other Financing Uses				
Transfers to primary government	105,000	116,950	70,779	46,171
Total Expenditures and Other Financing Uses	182,825	233,850	173,499	60,351
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(105,545)	(156,570)	(93,049)	63,521
Net Change in Fund Balance	(105,545)	(156,570)	(93,049)	63,521
<i>Fund Balance at Beginning of Period</i>	699,952	699,952	699,952	--
Fund Balance at End of Period	\$ 594,407	\$ 543,382	\$ 606,903	\$ 63,521

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2016

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%	2017	\$ 40,000	\$ 9,000	\$ 49,000
Principal due July 1			2018	40,000	7,000	47,000
Interest due July 1 and January 1			2019	40,000	5,000	45,000
			2020	40,000	3,000	43,000
			2021	40,000	1,000	41,000
Total Revenue Bonds				\$ 200,000	\$ 25,000	\$ 225,000

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%	2017	\$ 70,000	\$ 5,250	\$ 75,250
Principal due April 1			2018	70,000	3,500	73,500
Interest due October 1 and April 1			2019	70,000	1,750	71,750
Total Issue Outstanding				210,000	\$ 10,500	\$ 220,500

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%	2017	\$ 125,000	\$ 21,300	\$ 146,300
Principal due April 1			2018	130,000	18,644	148,644
Interest due October 1 and April 1			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				1,380,000	\$ 92,412	\$ 1,472,412
Total Water and Sewer Fund Bonded Indebtedness				1,790,000		

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2016

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%	2017	\$ 6,000	\$ 1,350	\$ 7,350
Principal due September 1			2018	6,000	1,050	7,050
Interest due September 1 and March 1			2019	6,000	751	6,751
			2020	6,000	450	6,450
			2021	6,000	150	6,150
Total Special Assessment Bonded Indebtedness				30,000	\$ 3,751	\$ 33,751
TOTAL INDEBTEDNESS				\$ 1,820,000		

General Government - Operating Leases:

Wells Fargo Lease:

<u>Collateral</u>	Monthly <u>Payment</u>	Payments <u>Remaining</u>	Total <u>Payments</u>
Xerox Copier	\$ 279	month-to-month	\$ 3,346

Neopost Lease:

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

Standard Office Supply Lease:

<u>Collateral</u>	Monthly <u>Payment</u>	Payments <u>Remaining</u>	Total <u>Payments</u>
Copy Machine (Police)	\$ 94	month-to-month	\$ 1,785

CITY OF MARINE CITY
Component Units
Schedule of Indebtedness
June 30, 2016

Tax Increment Bonds, Series 2001:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
5-1-01	\$ 425,000	5.00 %	2017	\$ 30,000	\$ 4,100	\$ 34,100
Principal due October 1		5.10	2018	30,000	2,585	32,585
Interest due October 1 and April 1		5.20	2019	35,000	910	35,910
Total Component Unit Indebtedness				\$ 95,000	\$ 7,595	\$ 102,595