

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

CITY OF MARINE CITY

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CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2017

Using this Annual Report

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

The City as a Whole

The City's combined net position increased by 0.73% from a year ago from \$12.27 million to \$12.36 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 \$404,000 during the year, a 5.40% decrease. This was primarily the result of an increase in OPEB liabilities and related expenses in the governmental funds. The business-type activities experienced a \$494,000 increase in net position, primarily as a result of increased grant revenues and a decrease in the pension liability. 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	
	2017	2016	2017	2016	2017	2016
Current Assets *	\$ 2,661	\$ 2,209	\$ 1,555	\$ 1,152	\$ 4,195	\$ 3,330
Noncurrent Assets	7,935	8,378	5,784	6,039	13,719	14,417
Deferred Outflows of Resources	458	604	215	213	673	817
Total Assets and Deferred Outflows	11,054	11,191	7,554	7,404	18,587	18,564
Long-Term Debt Outstanding	3,678	3,416	1,874	2,201	5,552	5,617
Other Liabilities *	205	213	372	395	556	577
Deferred Inflows of Resources	84	71	35	29	119	100
Total Liabilities and Deferred Inflows	3,967	3,700	2,281	2,625	6,227	6,294
Net Position						
Invested in Capital Assets - Net of Debt	7,935	8,378	4,153	4,174	12,088	12,552
Restricted	1,128	882	589	356	1,717	1,238
Unrestricted	(1,976)	(1,769)	531	249	(1,445)	(1,520)
Total Net Position	\$ 7,087	\$ 7,491	\$ 5,273	\$ 4,779	\$ 12,360	\$ 12,270

* 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 \$207,000 for the governmental activities. This was primarily a result of increased OPEB liabilities. This represents an 11.70% decrease. The current level of unrestricted net position for our governmental activities stands at approximately (\$2.0 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, 2017**

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	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 635	\$ 611	\$ 2,021	\$ 1,948	\$ 2,656	\$ 2,559
Operating Grants and Contributions	627	501	-	31	627	532
Capital Grants and Contributions	8	13	311	-	319	13
General Revenues						
Taxes	1,498	1,506	-	-	1,498	1,506
State-Shared Revenues	441	422	-	-	441	422
Other	55	181	9	5	64	186
Total Revenues	<u>3,264</u>	<u>3,234</u>	<u>2,341</u>	<u>1,984</u>	<u>5,605</u>	<u>5,218</u>
Program Expenses						
Legislative	11	11	-	-	11	11
General Government	549	531	-	-	549	531
Public Safety	1,013	1,013	-	-	1,013	1,013
Highways and Streets	474	468	-	-	474	468
Public Works	673	662	-	-	673	662
Recreation and Cultural	145	136	-	-	145	136
Other	707	407	-	-	707	407
Unallocated pension expense	68	154	-	-	68	154
Cemetery operations	28	28	-	-	28	28
Water and Sewer	-	-	1,847	2,101	1,847	2,101
Total Expenses	<u>3,668</u>	<u>3,410</u>	<u>1,847</u>	<u>2,101</u>	<u>5,515</u>	<u>5,511</u>
Change in Net Position	<u>\$ (404)</u>	<u>\$ (176)</u>	<u>\$ 494</u>	<u>\$ (117)</u>	<u>\$ 90</u>	<u>\$ (293)</u>

The City's net position continues to remain healthy. Total net position increased by \$90,000. This was primarily because of the increases in user charges and decreased expenses in the Water and Sewer Fund.

Governmental Activities

The City's total governmental revenues increased by \$30,000, primarily due to increases in grants. Expenses of the governmental activities increased by \$258,000 over those of the previous year. This was primarily due to increases in expenses related to a community and economic development project within the City during the current fiscal year.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2017

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 an increase during the year primarily as a result of increased fees and grants.

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 \$874,000. These services are supported by general tax revenues of the City and State Revenue Sharing. In addition, the General Fund expended approximately \$551,000 on Public Works. These two areas represent approximately 50% of the General Fund's total expenditures.

General Fund Budgetary Highlights

Over the course of the year, we amended the budget to take into account events occurring during the year. The total budgeted expenditures for the General Fund were increased by approximately 2% during the year. The various departments overall stayed within the budget, resulting in total expenditures approximately \$315,000 below the budget. The General Fund's fund balance increased by \$289,000 from a year ago.

Capital Asset and Debt Administration

As of June 30, 2017, there was \$13.6 million invested in a broad range of capital assets, including buildings, police equipment, and water and sewer lines. In addition, the City has invested significantly in streets. Streets constructed prior to July 1, 2003, are not reported on the City's financial statements.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2018, kept tax levels at the same level as in the previous year. Because of the impact of state law on property tax assessments, the City needs to continue to watch its budget very closely. The state-wide tax reform act limits the growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

In addition, as the City prepares for the next fiscal year, the property tax revenue is expected to remain at similar levels to 2017 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.

The City is also required to make improvements to the water and sewer system as part of a grant from the Michigan Department of Environmental Quality. The project to evaluate the age and deterioration of the system has been substantially completed and the City needs to evaluate the results and plan for the needed infrastructure improvements to the system.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2017

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

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, 2018.

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 2018 has been reduced from the amount required in 2017. 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 15, 2017

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the Consolidated General Fund, Major Street Fund, and Local Street Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 16 to the financial statements, in 2017 the City of Marine City adopted new accounting guidance, GASBS No. 77, *Tax Abatement Disclosures* and GASBS No. 74, *Financial Reporting for Postretirement Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to these matters.

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 47-55 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 supplemental 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 15, 2017, 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, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,160,883	\$ 401,786	\$ 2,562,669	\$ 842,411
Restricted cash	169,968	589,135	759,103	--
Accounts and assessments receivable	29,323	488,764	518,087	--
Taxes receivable	115,380	13,722	129,102	--
Due from other units of government	163,534	61,635	225,169	--
Other assets	895	--	895	--
Internal Balances*	20,958	--	--	--
Total Current Assets	2,660,941	1,555,042	4,195,025	842,411
Noncurrent Assets				
Capital assets, net of accumulated depreciation	7,935,116	5,708,664	13,643,780	--
Cash restricted for payment of bond	--	75,416	75,416	--
Lease receivable	18	--	18	--
Total Assets	10,596,075	7,339,122	17,914,239	842,411
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	457,484	215,365	672,849	--
Total Deferred Outflows of Resources	457,484	215,365	672,849	--
LIABILITIES				
Current Liabilities				
Accounts payable	119,950	93,137	213,087	19,986
Due to agency funds	87	--	87	--
Accrued wages and vacation pay	74,037	6,739	80,776	--
Accrued interest payable	--	11,511	11,511	826
Current portion of debt	--	240,000	240,000	30,000
Due to other units and taxpayers	10,428	--	10,428	--
Internal Balances*	--	20,958	--	--
Total Current Liabilities	204,502	372,345	555,889	50,812
Noncurrent Liabilities				
Accrued sick pay	83,669	--	83,669	--
Long-term obligations, net of current portion	167,000	1,315,000	1,482,000	35,000
Other postemployment benefit obligation	2,079,644	--	2,079,644	--
Net pension liability	1,347,594	558,749	1,906,343	--
Total Liabilities	3,882,409	2,246,094	6,107,545	85,812
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	83,962	34,813	118,775	--
Total Deferred Inflows of Resources	83,962	34,813	118,775	--
NET POSITION				
Investment in capital assets, net of related debt	7,935,116	4,153,664	12,088,780	--
Restricted for:				
Drug enforcement	13,523	--	13,523	--
Perpetual care	137,139	--	137,139	--
Highways and streets - Act 51	755,296	--	755,296	--
Cemetery	52,341	--	52,341	--
Asset replacement	--	14,266	14,266	--
Insurance escrow	8,129	--	8,129	--
Water monitoring system	--	108,501	108,501	--
Highways and streets	55,383	--	55,383	--
Salvage	27,104	--	27,104	--
Parks and recreation	43,742	--	43,742	--
Police	2,124	--	2,124	--
Beach	18,651	--	18,651	--
Infrastructure improvements	--	466,368	466,368	--
Economic development	14,325	--	14,325	--
General government	207	--	207	--
Unrestricted	(1,975,892)	530,781	(1,445,111)	756,599
Total Net Position	\$ 7,087,188	\$ 5,273,580	\$ 12,360,768	\$ 756,599

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 11,351	\$ --	\$ --	\$ --
General government	548,770	192,720	--	--
Public safety	1,013,062	82,354	6,992	922
Public works	673,316	265,536	--	--
Community and economic development	406,186	1,996	224,888	--
Recreation and cultural	145,296	24,578	54,907	6,594
Highways and streets	473,989	--	340,173	--
Other	259,870	14,142	--	--
Unallocated pension expense	68,094	--	--	--
Cemetery operations	28,049	28,260	--	--
Water and sewer charges - Intergovernmental	14,000	--	--	--
Equipment rent - Intergovernmental	25,192	25,192	--	--
Total Governmental Activities	3,667,175	634,778	626,960	7,516
Business-type Activities:				
Water and Sewer Disposal	1,847,056	2,020,738	--	311,386
Total Business-type Activities	1,847,056	2,020,738	--	311,386
Total Primary Government	\$ 5,514,231	\$ 2,655,516	\$ 626,960	\$ 318,902
Component Units				
T.I.F.A. #1	\$ 36,343	\$ --	\$ --	\$ --
T.I.F.A. #2	56,624	--	--	--
T.I.F.A. #3	111,681	--	--	--
Total Component Units	\$ 204,648	\$ --	\$ --	\$ --

General Purpose Revenues and Transfers:

Revenues

Tax collections

Interest revenue

Distributions from State of Michigan

Other

Transfers from component units

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
\$ (11,351)	\$ --	\$ (11,351)	\$ --
(356,050)	--	(356,050)	--
(922,794)	--	(922,794)	--
(407,780)	--	(407,780)	--
(179,302)	--	(179,302)	--
(59,217)	--	(59,217)	--
(133,816)	--	(133,816)	--
(245,728)	--	(245,728)	--
(68,094)	--	(68,094)	--
211	--	211	--
(14,000)	--	(14,000)	--
--	--	--	--
(2,397,921)	--	(2,397,921)	--
--	485,068	485,068	--
--	485,068	485,068	--
\$ (2,397,921)	\$ 485,068	\$ (1,912,853)	--
--	--	--	(36,343)
--	--	--	(56,624)
--	--	--	(111,681)
--	--	--	(204,648)
1,497,716	--	1,497,716	168,440
984	784	1,768	317
440,700	--	440,700	--
40,799	8,230	49,029	--
13,367	--	13,367	--
1,993,566	9,014	2,002,580	168,757
(404,355)	494,082	89,727	(35,891)
7,491,543	4,779,498	12,271,041	792,490
\$ 7,087,188	\$ 5,273,580	\$ 12,360,768	\$ 756,599

CITY OF MARINE CITY
**Balance Sheet
Governmental Funds
June 30, 2017**

		Special Revenue	
	General	Local Street	Major Street
ASSETS			
Cash and cash equivalents	\$ 1,257,608	\$ 241,400	\$ 456,146
Restricted cash	169,868	--	--
Accounts and assessments receivable	29,323	--	--
Taxes receivable	115,380	--	--
Due from other units of government	96,840	17,902	48,792
Other assets	895	--	--
Due from other funds	20,958	13,613	--
Total Assets	1,690,872	272,915	504,938
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,690,872	\$ 272,915	\$ 504,938
LIABILITIES			
Accounts payable	\$ 107,383	\$ 4,399	\$ 5,984
Due to agency funds	87	--	--
Accrued wages and vacation pay	24,192	225	265
Due to other units and taxpayers	10,428	--	--
Due to other funds	1,929	--	11,684
Total Liabilities	144,019	4,624	17,933
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	139,839	--	--
Total Liabilities and Deferred Inflows of Resources	283,858	4,624	17,933
FUND BALANCE			
Restricted	169,665	268,291	487,005
Committed	44,847	--	--
Assigned	98	--	--
Unassigned	1,192,404	--	--
Total Fund Balance	1,407,014	268,291	487,005
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,690,872	\$ 272,915	\$ 504,938

Other Governmental Funds	Total Governmental Funds
\$ 205,729	\$ 2,160,883
100	169,968
--	29,323
--	115,380
--	163,534
--	895
--	34,571
<u>205,829</u>	<u>2,674,554</u>
--	--
<u>\$ 205,829</u>	<u>\$ 2,674,554</u>
\$ 2,184	\$ 119,950
--	87
642	25,324
--	10,428
--	13,613
<u>2,826</u>	<u>169,402</u>
--	139,839
<u>2,826</u>	<u>309,241</u>
203,003	1,127,964
--	44,847
--	98
--	1,192,404
<u>203,003</u>	<u>2,365,313</u>
<u>\$ 205,829</u>	<u>\$ 2,674,554</u>

CITY OF MARINE CITY**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Total Fund Balance - Governmental Funds	\$	2,365,313
Compensated absences expensed as paid on the governmental fund statements are expensed as incurred on the entity-wide statements and are reflected as liabilities on the Statement of Net Position		(132,382)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities		139,839
Capital assets used in governmental activities included on the Statement of Net Position are not financial resources and are not reported on the governmental fund statements		7,935,116
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported on the governmental fund statements		(167,000)
The current cost of other postemployment benefits not due and payable in the current year is not reported on the governmental fund statements		(2,079,644)
Long-term receivables are not due in the current period and are not reported on the governmental fund statements		18
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		(974,072)
Total Net Position-Governmental Funds	\$	7,087,188

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017**

		Special Revenue	
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,496,591	\$ --	\$ --
Distributions from State of Michigan	440,700	92,548	247,625
Licenses, permits, fines, and fees	160,366	--	--
Recreation	42,765	--	--
Grant proceeds and reimbursements	248,350	--	--
Telecommunications	14,142	--	--
Zoning and site plan fees	3,207	--	--
Refuse	264,386	--	--
Intergovernmental	98,042	--	--
Other	71,607	--	--
User fees and other charges	26,463	--	--
Interest revenue	18,090	110	239
Total Revenues	2,884,709	92,658	247,864
Expenditures			
<i>Current</i>			
Legislative	10,683	--	--
General government	383,889	--	--
Public safety	865,320	--	--
Public works	550,809	--	--
Community and economic development	406,186	--	--
Recreation and cultural	105,971	--	--
Highways and streets	--	83,696	58,720
Other	259,870	--	--
Unallocated pension expense	117,000	--	--
Cemetery operations	--	--	--
<i>Capital Outlay</i>			
General government	9,500	--	--
Public safety	8,837	--	--
Recreation and cultural	27,688	--	--
Highways and streets	--	1,093	--
<i>Intergovernmental</i>			
Water and sewer charges	14,000	--	--
Equipment rent	--	18,080	7,112
Total Expenditures	2,759,753	102,869	65,832
Excess of Revenues Over (Under) Expenditures	124,956	(10,211)	182,032
Other Financing Sources (Uses)			
Proceeds from debt issuance	167,000	--	--
Transfers from other funds	--	63,399	--
Transfers to other funds	(2,997)	--	(60,402)
Net Other Financing Sources (Uses)	164,003	63,399	(60,402)
Net Change in Fund Balance	288,959	53,188	121,630
<i>Fund Balance at Beginning of Period</i>	<i>1,118,055</i>	<i>215,103</i>	<i>365,375</i>
Fund Balance at End of Period	\$ 1,407,014	\$ 268,291	\$ 487,005

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,496,591
--	780,873
800	161,166
--	42,765
--	248,350
--	14,142
--	3,207
--	264,386
--	98,042
--	71,607
28,260	54,723
68	18,507
<u>29,128</u>	<u>3,254,359</u>
--	10,683
--	383,889
--	865,320
--	550,809
--	406,186
389	106,360
--	142,416
--	259,870
--	117,000
27,562	27,562
--	9,500
--	8,837
--	27,688
--	1,093
--	14,000
--	25,192
<u>27,951</u>	<u>2,956,405</u>
<u>1,177</u>	<u>297,954</u>
--	167,000
65	63,464
(65)	(63,464)
--	167,000
<u>1,177</u>	<u>464,954</u>
<u>201,826</u>	<u>1,900,359</u>
<u>\$ 203,003</u>	<u>\$ 2,365,313</u>

See accompanying notes.

CITY OF MARINE CITY

**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$ 464,954
Compensated absences expensed as paid on the governmental fund statements are expensed as incurred on the entity-wide statements and are reflected as liabilities on the Statement of Net Position	(15,524)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities	(4,905)
The current cost of other postemployment benefits not due and payable in the current year is not reported on the governmental fund statements	(297,354)
The current cost of pension benefits due and payable in the current year is not reported on the governmental fund statements	8,888
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives on the Statement of Activities	(443,067)
Receipt of long-term receivables are revenue for the governmental funds but reduces receivable on the Statement of Net Position	(1)
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	49,654
Proceeds of long-term debt are recognized as other financial sources for the governmental funds but increases liability on the Statement of Net Position	(167,000)
Changes in Net Position-Governmental Funds	\$ (404,355)

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 401,786
Restricted cash	589,135
Accounts and assessments receivable	488,764
Taxes receivable	13,722
Due from other units of government	61,635
Total Current Assets	1,555,042
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	5,708,664
Cash restricted for payment of bond	75,416
Total Assets	7,339,122
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	215,365
Total Deferred Outflows of Resources	215,365
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	93,137
Accrued wages and vacation pay	6,739
Accrued interest payable	11,511
Current portion of debt	240,000
Due to other funds	20,958
Total Current Liabilities	372,345
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	1,315,000
Net pension liability	558,749
Total Liabilities	2,246,094
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	34,813
Total Deferred Inflows of Resources	34,813
NET POSITION	
Investment in capital assets, net of related debt	4,153,664
<i>Restricted for:</i>	
Asset replacement	14,266
Water monitoring system	108,501
Infrastructure improvements	466,368
<i>Unrestricted</i>	530,781
Total Net Position	\$ 5,273,580

CITY OF MARINE CITY**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2017**

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Operating Revenues	
Interest and penalties earned	\$ 71
Other	8,230
Metered sales	1,471,358
Sewage treatment contract	156,935
Hydrant rental and city usage	14,000
Water taps and meter sales	165
Total Operating Revenues	1,650,759
Operating Expenses	
Water	847,525
Sewer	958,051
Total Operating Expenses	1,805,576
Operating Income (Loss)	(154,817)
Non-Operating Revenues (Expenses)	
Interest revenue	784
Debt service	141,895
Ready to serve fees	236,314
Interest expense and agent fees	(41,480)
Net Non-Operating Revenues (Expenses)	337,513
Income Before Contributions and Transfers	182,696
Capital grants and contributions	311,386
Change In Net Position	494,082
<i>Net Position at Beginning of Period</i>	<i>4,779,498</i>
Net Position at End of Period	\$ 5,273,580

CITY OF MARINE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,602,816
Receipts from interfund services	14,000
Payments to suppliers	(1,181,951)
Payments to employees	(174,386)
Other receipts (payments)	8,395
Net Cash Provided By (Used In) Operating Activities	268,874
Cash Flows From Capital and Related Financing Activities:	
Capital grants and contributions	311,386
Acquisition of capital assets	(302,480)
Principal paid on bonds	(235,000)
Interest and agent fees paid on revenue bonds	(43,577)
Debt service charges	141,895
Capital improvement fees	236,314
Net Cash Provided By (Used In) Capital and Related Financing Activities	108,538
Cash Flows From Investing Activities:	
Interest on investments	784
Net Cash Provided By (Used In) Investing Activities	784
Net Increase (Decrease) In Cash and Cash Equivalents	378,196
Cash and Cash Equivalents at July 1, 2016	688,141
Cash and Cash Equivalents at June 30, 2017	\$ 1,066,337
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	\$ (154,817)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	558,265
Change in assets and liabilities:	
Accounts receivable	14,534
Due from other governments	(40,075)
Other assets	115
Deferred outflow of resources	(1,793)
Accounts payable	(18,328)
Due to other funds	(10,539)
Due to fiduciary funds	(196)
Accrued wages and compensated absences	3,017
Net pension liability	(86,852)
Deferred inflow of resources	5,543
Net Cash Provided By (Used In) Operating Activities	\$ 268,874

CITY OF MARINE CITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 977	\$ 21,489
Cash and money market funds at fair value	23,150	565,238	--	--
Investments - mutual funds at fair value	149,830	4,477,451	--	--
Accounts and assessments receivable	--	--	--	3,004
Taxes receivable	--	--	1,403,619	--
Due from other funds	--	--	87	--
Total Assets	172,980	5,042,689	1,404,683	24,493
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accrued interest payable	--	--	--	401
Current portion of debt	--	--	--	6,000
Due to other units and taxpayers	--	--	1,146,478	--
Due to other funds	--	--	258,205	92
Long-term obligations, net of current portion	--	--	--	18,000
Total Liabilities	--	--	1,404,683	24,493
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Restricted for pensions	--	5,042,689	--	--
Restricted for postemployment benefits other than pensions	172,980	--	--	--
Total Net Position	\$ 172,980	\$ 5,042,689	\$ --	\$ --

CITY OF MARINE CITY

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2017

	Retiree Health Trust	Pension Fund
Additions		
Employer contributions	\$ 256,929	\$ 211,847
Employee contributions	--	14,194
Investment income:		
Net increase (decrease) in fair value	\$ 10,606	\$ 278,085
Interest, dividends, & realized gains	5,705	196,973
Less: Investment expenses	--	(34,506)
Investment income	16,311	440,552
Total Additions	273,240	666,593
Deductions		
Benefits	260,734	458,395
Administrative expenses	6,407	12,597
Total Deductions	267,141	470,992
Net Increase in Net Position	6,099	195,601
<i>Net Position at Beginning of Period</i>	166,881	4,847,088
Net Position at End of Period	\$ 172,980	\$ 5,042,689

CITY OF MARINE CITY
Combining Statement of Net Position
Component Units
June 30, 2017

	<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	\$ 15,760	\$ 239,372	\$ 587,279	\$ 842,411
Total Current Assets	<u>15,760</u>	<u>239,372</u>	<u>587,279</u>	<u>842,411</u>
<i>Noncurrent Assets</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>15,760</u>	<u>239,372</u>	<u>587,279</u>	<u>842,411</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	2,000	8,993	8,993	19,986
Accrued interest payable	826	--	--	826
Current portion of debt	30,000	--	--	30,000
Total Current Liabilities	<u>32,826</u>	<u>8,993</u>	<u>8,993</u>	<u>50,812</u>
<i>Noncurrent Liabilities</i>				
Long-term obligations, net of current portion	35,000	--	--	35,000
Total Liabilities	<u>67,826</u>	<u>8,993</u>	<u>8,993</u>	<u>85,812</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>(52,066)</u>	<u>230,379</u>	<u>578,286</u>	<u>756,599</u>
Total Net Position	<u>\$ (52,066)</u>	<u>\$ 230,379</u>	<u>\$ 578,286</u>	<u>\$ 756,599</u>

CITY OF MARINE CITY
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2017

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	\$ 4,301	\$ 37,172	\$ 53,249	\$ 94,722
Community and economic development	16,000	3,667	--	19,667
Debt service interest	4,042	--	--	4,042
Administrative expenses - Intergovernmental	10,600	13,250	49,000	72,850
Transfers to primary government	1,400	2,535	9,432	13,367
Total Expenses	36,343	56,624	111,681	204,648
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	--	--	--	--
Net Program Revenues (Expenses)	(36,343)	(56,624)	(111,681)	(204,648)
General Revenue				
Tax collections	57,516	28,077	82,847	168,440
Interest revenue	9	91	217	317
Total General Revenues	57,525	28,168	83,064	168,757
Change in Net Position	21,182	(28,456)	(28,617)	(35,891)
<i>Net Position at Beginning of Period</i>	<i>(73,248)</i>	<i>258,835</i>	<i>606,903</i>	<i>792,490</i>
Net Position at End of Period	\$ (52,066)	\$ 230,379	\$ 578,286	\$ 756,599

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, 2017**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,477,800	\$ 1,477,800	\$ 1,496,591	\$ 18,791
Distributions from State of Michigan	435,655	435,655	440,700	5,045
Licenses, permits, fines, and fees	211,740	233,440	160,366	(73,074)
Recreation	39,290	39,290	42,765	3,475
Grant proceeds and reimbursements	267,475	277,475	248,350	(29,125)
Telecommunications	10,735	10,735	14,142	3,407
Zoning and site plan fees	1,400	1,400	3,207	1,807
Refuse	280,000	280,000	264,386	(15,614)
Intergovernmental	25,000	25,000	98,042	73,042
Other	59,850	80,975	71,607	(9,368)
User fees and other charges	23,500	23,500	26,463	2,963
Interest	16,710	16,710	18,090	1,380
Total Revenues	2,849,155	2,901,980	2,884,709	(17,271)
Other Financing Sources				
Gain on sale of fixed assets	6,000	6,000	--	(6,000)
Proceeds from debt issuance	167,000	167,000	167,000	--
Total Revenues and Other Financing Sources	3,022,155	3,074,980	3,051,709	(23,271)
Expenditures				
Legislative	13,060	13,060	10,683	2,377
General government	433,180	433,635	397,389	36,246
Public safety	902,340	912,505	874,157	38,348
Public works	685,700	694,700	550,809	143,891
Community and economic development	425,875	425,875	406,186	19,689
Recreation and cultural	138,565	156,720	133,659	23,061
Other	399,960	413,435	386,870	26,565
Total Expenditures	2,998,680	3,049,930	2,759,753	290,177
Other Financing Uses				
Transfers to other funds	27,170	27,170	2,997	24,173
Total Expenditures and Other Financing Uses	3,025,850	3,077,100	2,762,750	314,350
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,695)	(2,120)	288,959	291,079
Net Change in Fund Balance	(3,695)	(2,120)	288,959	291,079
<i>Fund Balance at Beginning of Period</i>	<i>1,118,055</i>	<i>1,118,055</i>	<i>1,118,055</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,114,360	\$ 1,115,935	\$ 1,407,014	\$ 291,079

CITY OF MARINE CITY

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

Major Street

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 206,000	\$ 206,000	\$ 247,625	\$ 41,625
Interest	45	45	239	194
Total Revenues	206,045	206,045	247,864	41,819
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	206,045	206,045	247,864	41,819
Expenditures				
Highways and streets	113,710	113,710	65,832	47,878
Total Expenditures	113,710	113,710	65,832	47,878
Other Financing Uses				
Transfers to other funds	50,000	50,000	60,402	(10,402)
Total Expenditures and Other Financing Uses	163,710	163,710	126,234	37,476
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	42,335	42,335	121,630	79,295
Net Change in Fund Balance	42,335	42,335	121,630	79,295
<i>Fund Balance at Beginning of Period</i>	365,375	365,375	365,375	--
Fund Balance at End of Period	\$ 407,710	\$ 407,710	\$ 487,005	\$ 79,295

CITY OF MARINE CITY

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

Local Street

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 86,895	\$ 86,895	\$ 92,548	\$ 5,653
Interest	35	35	110	75
Total Revenues	<u>86,930</u>	<u>86,930</u>	<u>92,658</u>	<u>5,728</u>
Other Financing Sources				
Transfers from other funds	<u>55,000</u>	<u>55,000</u>	<u>63,399</u>	<u>8,399</u>
Total Revenues and Other Financing Sources	<u>141,930</u>	<u>141,930</u>	<u>156,057</u>	<u>14,127</u>
Expenditures				
Highways and streets	<u>148,740</u>	<u>153,590</u>	<u>102,869</u>	<u>50,721</u>
Total Expenditures	<u>148,740</u>	<u>153,590</u>	<u>102,869</u>	<u>50,721</u>
Other Financing Uses	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures and Other Financing Uses	<u>148,740</u>	<u>153,590</u>	<u>102,869</u>	<u>50,721</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(6,810)</u>	<u>(11,660)</u>	<u>53,188</u>	<u>64,848</u>
Net Change in Fund Balance	<u>(6,810)</u>	<u>(11,660)</u>	<u>53,188</u>	<u>64,848</u>
<i>Fund Balance at Beginning of Period</i>	<u>215,103</u>	<u>215,103</u>	<u>215,103</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 208,293</u>	<u>\$ 203,443</u>	<u>\$ 268,291</u>	<u>\$ 64,848</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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, \$13,250, and \$49,000, 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 a component unit of the City of Marine City. See Note 14 for additional details.

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, 2017

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 \$1.45 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, 2017

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 retiree 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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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, 2017

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	\$ 115,381	\$ --
State and Local Revenue	24,458	--
Total	<u>\$ 139,839</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, 2017

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:

<u>Major Street Fund</u>	
Transfers to other funds	\$ 10,402
<u>T.I.F.A. #1</u>	
Community and economic development	10,000
<u>T.I.F.A. #2</u>	
General government	262
Community and economic development	167
<u>Cemetery Perpetual Care</u>	
Cemetery operations	11

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, 2016	\$ (20,416)
Permit revenues	42,375
Related expenditures	(44,146)
Cumulative surplus (shortfall)	<u>\$ (22,187)</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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

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 Retiree Health Trust.

The deposits and investments of the City are not limited beyond statutory authority and are in compliance as of June 30, 2017. Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents" and "Restricted cash."

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

Total governmental funds	\$ 2,330,851
Total proprietary funds	1,066,337
Total fiduciary funds	22,466
Total component units	842,411
Less cash on hand	(853)
Total Deposits	<u>\$ 4,261,212</u>

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

	Insured (FDIC)	Uninsured and Uncollateralized	Carrying Amount	Bank Balance/ Market Value
<u>Deposits</u>				
Demand deposits	\$ 982,663	\$ 3,242,557	\$ 4,185,796	\$ 4,225,220
Savings and CD's	75,416	--	75,416	75,416
Cash on hand	--	853	853	--
Total Cash	<u>\$ 1,058,079</u>	<u>\$ 3,243,410</u>	<u>4,262,065</u>	<u>\$ 4,300,636</u>
<u>Investments - Nonrisk Categorized</u>				
Mutual funds			4,627,281	\$ 4,627,281
Money market account			588,388	550,187
Total Investments			<u>5,215,669</u>	<u>\$ 5,177,468</u>
Total Cash and Investments			<u>\$ 9,477,734</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 and 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, 2017, \$3,243,410 of the government's bank balance of \$4,300,636 was exposed to custodial credit risk because it was uninsured.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

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.

PENSION AND RETIREE HEALTH 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 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 Trust investments are carried at market value as follows:

<u>Investment</u>	<u>Interest Rate</u>	<u>Amount</u>
Raymond James Money Market	Variable	\$ 588,388
Raymond James Mutual Fund Portfolio	Variable	4,627,281
		<u>\$ 5,215,669</u>

All of the investments are held in the name of the City's Pension and Retiree Health 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	108,501
Restricted for capital improvement	466,368
Total restricted cash reported as current on Statement of Net Position	589,135
Cash restricted for FMHA Bond reported as long-term on Statement of Net Position	75,416
	<u>\$ 664,551</u>

General Fund - Restricted Assets:

Cash restricted for police	\$ 29,431
Restricted for insurance escrow	8,129
Restricted for streets per St. Clair County	55,383
Restricted for parks and beach	62,393
Restricted for community and economic development per MDEQ loan	14,325
Restricted for general government activities per donor	207
	<u>\$ 169,868</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 4: RESTRICTED ASSETS AND INVESTMENTS (Continued)

Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	<u>\$ 100</u>
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NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/17</u>
Legislative:				
Equipment	\$ 6,429	\$ --	\$ --	\$ 6,429
General Government:				
Equipment and vehicles	1,036,803	9,500	(16,578)	1,029,725
Buildings	1,384,538	--	--	1,384,538
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	641,230	8,837	--	650,067
Buildings	679,310	6,048	--	685,358
Capitalized leases	45,196	--	--	45,196
Public Works:				
Equipment and vehicles	344,097	--	--	344,097
Buildings	255,640	--	--	255,640
Capitalized leases	77,214	--	--	77,214
Recreation and Culture:				
Land	258,116	--	--	258,116
Equipment	473,503	--	--	473,503
Buildings	633,997	593	--	634,590
Beach	--	27,095	--	27,095
Highways and Streets:				
Equipment	908,142	--	--	908,142
Roads and sidewalks	5,694,530	8,412	--	5,702,942
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	<u>14,190,984</u>	<u>60,485</u>	<u>(16,578)</u>	<u>14,234,891</u>
Accumulated Depreciation	<u>(5,812,801)</u>	<u>(503,552)</u>	<u>16,578</u>	<u>(6,299,775)</u>
Total Carrying Value of Fixed Assets	<u>\$ 8,378,183</u>	<u>\$ (443,067)</u>	<u>\$ --</u>	<u>\$ 7,935,116</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 \$117,890.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 5: CAPITAL ASSETS (Continued)

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

General Government	\$ 45,483
Public Safety	61,868
Public Works	14,901
Recreation and Culture	38,936
Highways and Streets	339,726
Legislative	668
Cemetery	1,970
Total	<u>\$ 503,552</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 06/30/16	Additions	Disposals	Balance 06/30/17
Water plant, lines, and equipment	\$ 6,833,331	\$ 29,048	\$ (823)	\$ 6,861,556
Sewer plant, lines, and equipment	14,720,391	13,521	(823)	14,733,089
Construction in process - sewer	--	259,911	--	259,911
Land	63,174	--	--	63,174
Total Capital Assets	21,616,896	302,480	(1,646)	21,917,730
Accumulated Depreciation	(15,652,456)	(558,256)	1,646	(16,209,066)
Total Carrying Value of Fixed Assets	<u>\$ 5,964,440</u>	<u>\$ (255,776)</u>	<u>\$ --</u>	<u>\$ 5,708,664</u>

The above amounts include land with a cost of \$63,174 not subject to depreciation. Depreciation for the water and sewer systems totaled \$183,073 and \$375,183, respectively, for the year ended June 30, 2017.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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>\$ 230,761</u>	Tax Fund	<u>\$ 230,761</u>
General Fund	<u>\$ 20,958</u>	Water and Sewer Fund	<u>\$ 20,958</u>
Tax Fund	<u>\$ 87</u>	General Fund	<u>\$ 87</u>
Water and Sewer Fund (treated as cash)	<u>\$ 92</u>	Special Assessment Fund	<u>\$ 92</u>
		General Fund	1,929
		Major Street	<u>11,684</u>
Local Street	<u>\$ 13,613</u>		<u>\$ 13,613</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 \$115,381.

Interfund and component unit transfers:

<u>Transfers In</u>		<u>Transfers Out</u>	
Cemetery Trust	<u>\$ 65</u>	Cemetery Fund	<u>\$ 65</u>
		Major Street	60,402
		General Fund	<u>2,997</u>
Local Street	<u>\$ 63,399</u>		<u>\$ 63,399</u>
		T.I.F.A. #3	\$ 9,432
		T.I.F.A. #2	2,535
		T.I.F.A. #1	<u>1,400</u>
General Fund *	<u>\$ 13,367</u>		<u>\$ 13,367</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.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 7: LEASE OBLIGATIONS

The City has entered into equipment leases for copying and postage machines. These leases are month-to-month and are being treated as operating leases in the governmental and entity-wide fund financial statements. Lease expense for the period amounted to \$6,730.

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.

The City received a loan during the 2017 fiscal year from the Michigan Department of Environmental Quality (MDEQ) for the environmental clean up costs of a Brownfield site located within the City. This loan is to be repaid with future property tax captures on the related property. For the 2017 fiscal year, there were no tax captures on the property. Tax captures are anticipated to begin in the 2017/2018 fiscal year as the project progresses and nears completion. Under the terms of the agreement, if the loan goes into default, the State of Michigan has the right to withhold state revenue sharing to reimburse the outstanding amounts on the loan. Loan repayments are to begin no later than five years after the execution date with no penalty for early repayment. No interest will be charged on the principal outstanding if repaid within the first five years. The City has also entered into an agreement with the property owners to indemnify the City if the project fails or the revenues are not sufficient to repay the loan when due.

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/16	Increase	Decrease	Payable at 06/30/17	Payable Within One Year
Total Business-Type					
Activities Indebtedness	\$ 2,435,594	\$ --	\$ 321,845	\$ 2,113,749	\$ 240,000
Total Governmental					
Activities Indebtedness	3,415,583	471,777	209,453	3,677,907	--
Total Fiduciary Activities					
Indebtedness	30,000	--	6,000	24,000	6,000
Total Indebtedness	<u>\$ 5,881,177</u>	<u>\$ 471,777</u>	<u>\$ 537,298</u>	<u>\$ 5,815,656</u>	<u>\$ 246,000</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 8: LONG-TERM DEBT (Continued)

CHANGES IN INDEBTEDNESS BY TYPE

	Payable at 06/30/16	Increase	Decrease	Payable at 06/30/17	Payable Within One Year
General Obligation:					
Accrued sick pay	\$ 76,246	\$ 7,423	\$ --	\$ 83,669	\$ --
Other postemployment benefits	1,782,290	297,354	--	2,079,644	--
Net pension obligation - governmental funds	1,557,047	--	209,453	1,347,594	--
Net pension obligation - proprietary funds	645,594	--	86,845	558,749	--
MDEQ loan	--	167,000	--	167,000	--
Total General Obligation	4,061,177	471,777	296,298	4,236,656	--
Revenue Bonds:					
Water supply and sewage disposal	200,000	--	40,000	160,000	40,000
Drinking Water Revolving Fund	1,590,000	--	195,000	1,395,000	200,000
Special assessments	30,000	--	6,000	24,000	6,000
Total Revenue Bonds	1,820,000	--	241,000	1,579,000	246,000
Total Indebtedness	\$ 5,881,177	\$ 471,777	\$ 537,298	\$ 5,815,656	\$ 246,000

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.

SUMMARY OF INDEBTEDNESS

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Obligations:				
Accrued sick pay	N/A	N/A	N/A	\$ 83,669
Other postemployment benefits	N/A	N/A	N/A	2,079,644
Net pension obligation	N/A	N/A	N/A	1,906,343
MDEQ loan	1	1.50%	2031	167,000
Total General Obligations				<u>\$ 4,236,656</u>
Special Assessment Bonds	1	5.00%	2021	<u>\$ 24,000</u>
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 160,000
Drinking Water Revolving Funds	2	2.125-2.50%	2026	1,395,000
Total Revenue Bonds				<u>\$ 1,555,000</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Governmental-Type Activities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ --	\$ --	\$ --
2019	--	--	--
2020	--	--	--
2021	16,337	--	16,337
2022	14,077	2,260	16,337
2023-2027	73,617	8,068	81,685
2028-2032	62,969	2,379	65,348
Total	<u>\$ 167,000</u>	<u>\$ 12,707</u>	<u>\$ 179,707</u>

Business-Type Activities (Enterprise Funds):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 240,000	\$ 37,169	\$ 277,169
2019	240,000	31,556	271,556
2020	175,000	25,944	200,944
2021	175,000	20,175	195,175
2022	140,000	15,406	155,406
2023-2027	585,000	31,450	616,450
Total	<u>\$ 1,555,000</u>	<u>\$ 161,700</u>	<u>\$ 1,716,700</u>

Fiduciary Activities (Special Assessment Fund):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,000	\$ 1,050	\$ 7,050
2019	6,000	750	6,750
2020	6,000	450	6,450
2021	6,000	150	6,150
Total	<u>\$ 24,000</u>	<u>\$ 2,400</u>	<u>\$ 26,400</u>

Total interest expense for the City for the year was \$41,480.

COMPONENT UNIT INDEBTEDNESS

At the end of the period, T.I.F.A. #1 had a total of \$65,000 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, 2017, the T.I.F.A. #1 fund had the following amounts outstanding:

	<u>Payable at 06/30/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at 06/30/17</u>	<u>Payable Within One Year</u>
Total Component Unit					
Indebtedness	\$ 95,000	\$ --	\$ 30,000	\$ 65,000	\$ 30,000
Total Indebtedness	<u>\$ 95,000</u>	<u>\$ --</u>	<u>\$ 30,000</u>	<u>\$ 65,000</u>	<u>\$ 30,000</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,000	\$ 2,585	\$ 32,585
2019	35,000	910	35,910
Total	<u>\$ 65,000</u>	<u>\$ 3,495</u>	<u>\$ 68,495</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.

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, 2017, was approximately \$285,000 with total payroll for the year totaling approximately \$1.0 million. Membership in the Retirement System as of June 30, 2016 (latest actuarial report available), is comprised of the following:

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

<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	5

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	11.3%
Federated Strategic Value Dividend Fund	6.4%
Hartford Balanced Income Fund	7.1%
T. Rowe Price Global Technology Fund	6.0%
Principal Small Mid Cap Div Income Fund	8.3%
Goldman Sachs Income Builder Fund	8.6%
Goldman Sachs Strategic Income Fund	15.4%
Vanguard Wellesley Income Fund	10.7%
Principal Global Diversified Income Fund	18.4%

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

Rate of return: For the year ended, June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.1%. 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, 2017, the City's contribution rate was approximately 70% of annual covered payroll.

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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	\$ 199,097
Fund Balance Reserved for Employer Contribution	3,457,457
Fund Balance Reserved for Annuity	<u>1,386,135</u>
Balance at June 30, 2017	<u>\$ 5,042,689</u>

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Net pension liability: The components of the net pension liability of the City at June 30, 2017, were as follows:

Total pension liability	\$ 6,949,032
Plan fiduciary net position	<u>(5,042,689)</u>
City's net pension liability	<u>\$ 1,906,343</u>

Plan fiduciary net position as a percentage of the total pension liability: 72.57%

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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, 2016	\$ 7,049,729	\$ 4,847,088	\$ 2,202,641
Changes for the year:			
Service cost	36,772	--	36,772
Interest on the net pension liability	495,822	--	495,822
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(174,896)	--	(174,896)
Changes of assumptions or other inputs	--	--	--
Contributions - employer	--	211,847	(211,847)
Contributions - employee	--	14,194	(14,194)
Net investment income	--	440,552	(440,552)
Benefit payments, including refunds of employee contributions	(458,395)	(458,395)	--
Administrative expense	--	(12,597)	12,597
Other changes	--	--	--
Net Changes	(100,697)	195,601	(296,298)
Balances at June 30, 2017	\$ 6,949,032	\$ 5,042,689	\$ 1,906,343

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. 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	\$ 2,627,035	\$ 1,906,343	\$ 1,288,039

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Payable to the Pension Plan: At June 30, 2017, the City had no amounts due to the pension plan.

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

For the year ended June 30, 2017, the City recognized total pension expense of \$87,986. At June 30, 2017, 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	\$ --	\$ 40,361
Changes of assumptions or other inputs	--	--
Net difference between projected and actual earnings on pension plan investments	452,114	78,414
Contributions made after the measurement date	220,735	--
Total	<u>\$ 672,849</u>	<u>\$ 118,775</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
2018	\$ 391,127	\$ 59,965
2019	170,392	19,604
2020	111,330	19,603
2021	--	19,603
2022	--	--
Thereafter	--	--
Total	<u>\$ 672,849</u>	<u>\$ 118,775</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION

The City of Marine City Post-Retirement Health Care Benefits Plan and Trust is a single-employer defined benefit plan administered by the City of Marine City. The plan is to provide health care benefits including hospitalization, medical, optical, dental, and life insurance pursuant to insurance plans administered by commercial insurance carriers designated by the City and/or a self-funded health insurance plan. Benefits are provided to members, and family members, of the Marine City Retirement System.

Plan administration: Management of the Marine City Post-Retirement Health Care Benefits Plan and Trust is vested in the Board of Trustees, which consists of the same trustees appointed/elected to the retirement system Board of Trustees. See Note 9 for explanations of the composition of the retirement system board.

Plan membership: At June 30, 2015 (latest actuarial valuation available), membership in the Post-Retirement Health Care Benefits Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Inactive plan members entitled to but not yet receiving benefit payments	4
Active plan members	5
	<u>28</u>

The plan is closed to new entrants.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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

Benefits provided: The plan provides postretirement hospitalization, medical, prescription, vision, and dental insurance to all employees (and their dependents) who were full-time employees on or before December 31, 2007, and who were eligible for the medical plan and the retirement system. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. Chapter 33 of the City of Marine City's Charter grants the authority to establish and amend benefit terms to the City Commission through ordinance (with recommendation from the Board of Trustees) and collective bargaining negotiations.

Contributions: Chapter 33 of the City of Marine City's Charter grants the authority to establish and amend the contribution requirements of the City and plan members to the City Commission. Contributions to the plan are on a pay-as-you-go basis. The City Charter requires the City to pay the trust amounts sufficient to fund current insurance contracts and administrative expenses. Additional contributions are made at the discretion of the City Commission. Plan members are not required to contribute to the plan. Contributions for the current year were \$256,929 and benefits paid totaled \$260,734.

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 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.

Investment policy: The Board of Trustees 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>
Money-market cash account	5.6%
Blackrock Health Sciences Opportunities	8.4%
First Eagle Global Fund	17.0%
Goldman Sachs Rising Dividend Growth Fund	5.7%
T. Rowe Price Global Technology Fund	6.7%
Principal Global Diversified Income Fund	24.3%
Principal Small Mid Cap Div Income Fund	12.7%
Vanguard Wellesley Income Fund	6.0%

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

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 10.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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

NET OPEB LIABILITY OF THE CITY

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 14,409,192
Plan fiduciary net position	(172,980)
City's net OPEB liability	<u>\$ 14,236,212</u>

Plan fiduciary net position as a percentage of total OPEB liability	1.20%
---	-------

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2015, using the actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

Inflation	3.25%
Salary increases	N/A
Investment rate of return	4.0% (net of expenses)
Healthcare cost trend rates	9.0% for the year of valuation, graded down 0.5% increments over the next 10 years to 4.0% then 3.75% thereafter

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table Projected to 2010.

Discount rate: The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, all OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.13%) or 1% higher (4.13%) than the current discount rate:

	1% Decrease Rate <u>2.13%</u>	Discount Rate <u>3.13%</u>	1% Increase Rate <u>4.13%</u>
City's net OPEB liability	\$ 16,538,028	\$ 14,236,212	\$ 12,375,292

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate: The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a healthcare trend cost rate that is 1% lower (5.00-4.00%) or 1% higher (7.00-6.00%) than the current discount rate:

	1% Decrease Rate <u>5.00-4.00%</u>	Healthcare Cost Trend Rate <u>6.00-5.00%</u>	1% Increase Rate <u>7.00-6.00%</u>
City's net OPEB liability	\$ 12,440,182	\$ 14,236,212	\$ 16,416,096

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost (expense) recognized on the entity-wide financial statements is calculated based on the annual 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	\$ 569,428 (represents approximately 50% of covered payroll)
Interest on net OPEB obligation	71,292
Adjustment to Annual Required Contribution	(86,437)
Annual OPEB Cost	<u>554,283</u>
Contributions made	<u>(256,929)</u>
Increase in net OPEB obligation	297,354
Net OPEB obligation - beginning of year	1,782,290
Net OPEB obligation - end of year	<u>\$ 2,079,644</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>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>
Annual OPEB costs	\$ 569,428	\$ 547,526	\$ 551,877
Percentage contributed	45%	43%	37%
Net OPEB obligation	\$ 2,079,644	\$ 1,782,290	\$ 1,494,693

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 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.

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 expense)
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

CITY OF MARINE CITY

Notes to Financial Statements

For the Year Ended June 30, 2017

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

The City has implemented GASB standards "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension" prospectively (zero net OPEB obligation at transition). The City has not elected to early implement GASB Statement No. 75. See Note 17 for additional information.

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	\$ --	\$ 29,228	\$ --	\$ --
Park signs	--	--	--	98
Parks and recreation - County	--	43,742	--	--
Beach	--	18,651	--	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	55,383	--	--
Capital projects	--	--	44,847	--
Community and economic development - per MDEQ	--	14,325	--	--
General government	--	207	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	13,523	--	--
Local Street				
Highways and streets - Act 51	--	268,291	--	--
Major Street				
Highways and streets - Act 51	--	487,005	--	--
Woodlawn Cemetery				
Cemetery	--	52,341	--	--
Cemetery Perpetual Care				
Perpetual care	--	137,139	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 1,127,964</u>	<u>\$ 44,847</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 \$46,535 and employer contributions amounted to \$42,805 for the period.

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2017

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 \$204,582 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 \$18 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: TAX ABATEMENT PROGRAMS

Tax abatements are a reduction in tax revenues between one or more governments and an individual or entity where the individual or entity promises to take a specific action after the agreement, contributes to the economic development, or otherwise benefits the government or citizens of the government. As of June 30, 2017, the City of Marine City had the following tax abatements:

INDUSTRIAL FACILITIES EXEMPTION

The City has entered into property tax abatement agreements with local businesses under the Plan Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended June 30, 2017, the City's real and personal property taxes were reduced by \$36,276 under this program.

BROWNFIELD REDEVELOPMENT AUTHORITY

The Brownfield Redevelopment Financing Act, 1996 PA 381, as amended, is an Act to authorize Brownfield Redevelopment Authorities (BRAs) to facilitate the implementation of Brownfield Plans and associated Work Plans that promote the revitalization, redevelopment, and reuse of contaminated, blighted, functionally obsolete, or historic resources. Act 381 authorizes and permits the use of school and local tax increment financing to help reduce the burden of Brownfield related costs when redeveloping affected properties. To be eligible, the property must be included in a Brownfield Plan and qualify as either facility/site, functionally obsolete, blighted, historic resource, transit oriented property/development or targeted redevelopment area.

Cleanup and redevelopment of a Brownfield property will increase the taxable value of the property and, therefore, will increase the property taxes generated from the property. The increased tax revenues that rise above the base taxable value after redevelopment are known as tax increment revenue. Tax increment revenues that are eligible for capture are all ad valorem, personal property and specific taxes including taxes levied for school operating purposes with approval from the DEQ. These captured revenues are used to reimburse the expenses for eligible environmental response and non-environmental activities. Taxing jurisdictions continue to receive their base year tax revenue until the Brownfield Plan ends, at which time, all tax increment revenues revert to the taxing jurisdictions.

CITY OF MARINE CITY

Notes to Financial Statements

For the Year Ended June 30, 2017

NOTE 15: TAX ABATEMENT PROGRAMS (Continued)

For eligible property included in a Brownfield Plan, the beginning date of capture of tax increment revenues shall be identified to begin up to five years from the Brownfield Plan approval date, after which, the 30 year limit for capture begins.

The City has established a Brownfield Redevelopment District for a four parcel piece of property for redevelopment. Under the agreement, the developer is to incur environmental cleanup costs and develop the site to create fifteen jobs within the City.

For June 30, 2017, there were no tax captures on the property. It is anticipated captures will begin in the 2018 fiscal year.

NOTE 16: CHANGE IN ACCOUNTING METHOD

During the fiscal year, the City adopted Governmental Accounting Standards Board (GASB) *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The new guidance requires increased disclosures about the retiree health care plan and are included in Note 10 to the financial statements. This standard also required new presentation of the Retiree Health Trust fiduciary fund statements and additional required supplementary schedules, as identified in the table of contents. The City has not elected to early implement the corresponding *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The required changes in presentation within the Retiree Health Trust did not change the current or prior period net position of the fund.

The City also adopted *GASB Statement No. 77, Tax Abatement Disclosures* during the fiscal year. The new standard improves financial reporting by giving users of financial statements information about the nature and magnitude of tax abatements. This information allows users to better understand how tax abatements affect the City's future ability to raise resources, meet its financial obligations and the impact those abatements have on the City's financial position and economic condition. These disclosures have been included in Note 15. This standard does not change the City's net assets of the current or prior period financial statements.

NOTE 17: UPCOMING REPORTING CHANGE

The GASB has issued *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* in June 2015. 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 2017, the GASB issued *Statement No. 87, Leases*. This statement requires a lessee to recognize a lease liability and a right-to-use asset for leases previously classified as operating leases. The statement was issued to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases by governments. It also establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset and enhances the relevance and consistency of information about governments' leasing activities. The provisions of this statement are effective for financial statements for the 2020-2021 fiscal year.

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

REQUIRED 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, 2017
(Per actuarial report dated June 30, 2016 updated to June 30, 2017)

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 36,772	\$ 40,993	\$ 49,202	\$ 63,069
Interest	495,822	508,700	481,650	491,659
Changes of benefit terms	--	--	--	--
Differences between expected and actual experience	(174,896)	(242,523)	605,816	123,250
Changes of assumptions	--	--	--	--
Benefit payments, including refunds of member contributions	(458,395)	(506,981)	(1,011,947)	(606,249)
Net change in total pension liability	(100,697)	(199,811)	124,721	71,729
<i>Total pension liability - beginning</i>	<i>7,049,729</i>	<i>7,249,540</i>	<i>7,124,819</i>	<i>7,053,090</i>
Total pension liability - ending (a)	\$ 6,949,032	\$ 7,049,729	\$ 7,249,540	\$ 7,124,819
Plan fiduciary net position				
Contributions - employer	\$ 211,847	\$ 158,748	\$ 164,043	\$ 190,302
Contributions - member	14,194	15,249	16,265	22,046
Net investment income	440,552	(180,052)	115,716	809,302
Benefit payments, including refunds of member contributions	(458,395)	(506,981)	(1,011,947)	(606,249)
Administrative expense	(12,597)	(1,645)	(14,899)	(7,806)
Other	--	--	--	--
Net change in plan fiduciary net position	195,601	(514,681)	(730,822)	407,595
<i>Plan fiduciary net position - beginning</i>	<i>4,847,088</i>	<i>5,361,769</i>	<i>6,092,591</i>	<i>5,684,996</i>
Plan fiduciary net position - ending (b)	\$ 5,042,689	\$ 4,847,088	\$ 5,361,769	\$ 6,092,591
City of Marine City's net pension liability - ending (a)-(b)	\$ 1,906,343	\$ 2,202,641	\$ 1,887,771	\$ 1,032,228
Plan fiduciary net position as a percentage of the total pension liability	72.57%	68.76%	73.96%	85.51%
Covered employee payroll	\$ 304,657	\$ 335,085	\$ 379,897	\$ 479,446
City of Marine City's net pension liability as a percentage of covered employee payroll	625.73%	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 the 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, 2016. 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, 2017.

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Pension Contributions****June 30, 2017****(Per actuarial report dated June 30, 2016 updated to June 30, 2017)**

	2017	2016	2015	2014
Actuarially determined contribution	\$ 189,645	\$ 158,748	\$ 164,043	\$ 190,302
Contributions in relation to the actuarially determined contribution	211,847	158,748	164,043	190,302
Contribution excess (deficiency)	\$ 22,202	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 304,657	\$ 335,085	\$ 318,492	\$ 379,897
Contributions as a percentage of covered-employee payroll	69.54%	47.38%	51.51%	50.09%

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:	16 years as of the June 30, 2016 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

2013	2012	2011	2010	2009	2008
\$ 168,317	\$ 157,716	\$ 149,956	\$ 136,676	\$ 171,139	\$ 177,626
171,849	110,871	97,480	95,469	138,971	155,056
<u>\$ 3,532</u>	<u>\$ (46,845)</u>	<u>\$ (52,476)</u>	<u>\$ (41,207)</u>	<u>\$ (32,168)</u>	<u>\$ (22,570)</u>
\$ 479,446	\$ 647,948	\$ 824,677	\$ 930,742	\$ 1,181,481	\$ 1,293,609
35.84%	17.11%	11.82%	10.26%	11.76%	11.99%

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Investment Returns (Pension)****June 30, 2017**

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	10.10 %	(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, 2017
(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	
2017	2015	569,428	45	

CITY OF MARINE CITY**Retiree Health Trust****Required Supplementary Information****Schedule of Changes in the Net OPEB Liability and Related Ratios****June 30, 2017****(Per actuarial report dated June 30, 2015 updated to June 30, 2017)**

	2017
Total OPEB liability	
Service cost	\$ 61,170
Interest	422,821
Changes of benefit terms	--
Differences between expected and actual experience	(716,603)
Changes of assumptions	(974,163)
Benefit payments	(260,734)
Net change in total OPEB liability	(1,467,509)
<i>Total OPEB liability - beginning</i>	<i>15,876,701</i>
Total OPEB liability - ending (a)	\$ 14,409,192
Plan fiduciary net position	
Contributions - employer	\$ 256,929
Contributions - member	--
Net investment income	16,311
Benefit payments, including refunds of member contributions	(260,734)
Administrative expense	(6,407)
Other	--
Net change in plan fiduciary net position	6,099
<i>Plan fiduciary net position - beginning</i>	<i>166,881</i>
Plan fiduciary net position - ending (b)	\$ 172,980
City of Marine City's net OPEB liability - ending (a)-(b)	\$ 14,236,212
Plan fiduciary net position as a percentage of the total OPEB liability	1.20%
Covered employee payroll	\$ 335,629
City of Marine City's net OPEB liability as a percentage of covered employee payroll	4,241.65%

Notes to Schedule:

Presentation: GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* requires presentation of 10 years of comparative information for the Schedule of Changes in the Net OPEB 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, 2017.

Latest actuarial report for the OPEB 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, 2017.

CITY OF MARINE CITY**Retiree Health Trust****Required Supplementary Information****Schedule of OPEB Contributions****June 30, 2017****(Per actuarial report dated June 30, 2015 updated to June 30, 2017)**

	2017	2016	2015	2014
Actuarially determined contribution	\$ 569,428	\$ 547,526	\$ 551,877	\$ 531,930
Contributions in relation to the actuarially determined contribution	256,929	233,279	206,250	215,788
Contribution excess (deficiency)	<u>\$ (312,499)</u>	<u>\$ (314,247)</u>	<u>\$ (345,627)</u>	<u>\$ (316,142)</u>
Covered-employee payroll	\$ 335,629	\$ 283,719	\$ 300,535	\$ 500,641
Contributions as a percentage of covered-employee payroll	76.55%	82.22%	68.63%	43.10%

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.

** Information not available

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level percentage of payroll, open
Amortization period:	30 years
Asset valuation method:	Market
Inflation:	3.25%
Healthcare cost trend rates:	9.0% for the year of valuation, graded down 0.5% increments over the next 10 years to 4.0% then 3.75% thereafter
Salary increases:	N/A
Investment rate of return:	4.0%, net of plan investment expense
Retirement age:	Not provided by actuary
Mortality:	RP 2000 Combined Healthy Mortality projected to 2010

2013	2012	2011	2010	2009	2008
\$ 512,704	\$ 389,665	\$ 375,581	\$ 362,006	\$ 314,178	\$ 314,178
204,619	165,967	221,447	178,639	130,075	229,409
<u>\$ (308,085)</u>	<u>\$ (223,698)</u>	<u>\$ (154,134)</u>	<u>\$ (183,367)</u>	<u>\$ (184,103)</u>	<u>\$ (84,769)</u>
\$ 649,558	\$ 644,253	\$ 794,463	\$ 829,413	\$ **	\$ **
31.50%	25.76%	27.87%	21.54%	N/A	N/A

CITY OF MARINE CITY
Retiree Health Trust
Required Supplementary Information
Schedule of Investment Returns (OPEB)
June 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	10.05 %

Notes to Schedule:

Presentation: GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than 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, 2017.

SUPPLEMENTAL SCHEDULES

CITY OF MARINE CITY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue		Permanent	
	Woodlawn Cemetery	Drug Enforcement Law Fund	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 55,167	\$ 13,423	\$ 137,139	\$ 205,729
Restricted cash	--	100	--	100
Total Assets	55,167	13,523	137,139	205,829
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 55,167	\$ 13,523	\$ 137,139	\$ 205,829
LIABILITIES				
Accounts payable	\$ 2,184	\$ --	\$ --	\$ 2,184
Accrued wages and vacation pay	642	--	--	642
Total Liabilities	2,826	--	--	2,826
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	2,826	--	--	2,826
FUND BALANCE				
Restricted	52,341	13,523	137,139	203,003
Unassigned	--	--	--	--
Total Fund Balance	52,341	13,523	137,139	203,003
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 55,167	\$ 13,523	\$ 137,139	\$ 205,829

CITY OF MARINE CITY

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2017**

	Special Revenue		
	Woodlawn Cemetery	Library Fund	Drug Enforcement Law Fund
Revenues			
Licenses, permits, fines, and fees	\$ --	\$ --	\$ 800
User fees and other charges	28,260	--	--
Interest revenue	20	--	--
Total Revenues	28,280	--	800
Expenditures			
<i>Current</i>			
Recreation and cultural	--	389	--
Cemetery operations	27,441	--	--
Total Expenditures	27,441	389	--
Excess of Revenues Over (Under) Expenditures	839	(389)	800
Other Financing Sources (Uses)			
Transfers from other funds	--	--	--
Transfers to other funds	(65)	--	--
Net Other Financing Sources (Uses)	(65)	--	--
Net Change in Fund Balance	774	(389)	800
<i>Fund Balance at Beginning of Period</i>	<i>51,567</i>	<i>389</i>	<i>12,723</i>
Fund Balance at End of Period	\$ 52,341	\$ --	\$ 13,523

<u>Permanent</u>	
<u>Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
\$ --	\$ 800
--	28,260
48	68
<u>48</u>	<u>29,128</u>
--	389
121	27,562
<u>121</u>	<u>27,951</u>
(73)	1,177
65	65
--	(65)
<u>65</u>	<u>--</u>
(8)	1,177
137,147	201,826
<u>\$ 137,139</u>	<u>\$ 203,003</u>

CITY OF MARINE CITY
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2017

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 44,847	\$ 1,212,761	\$ 1,257,608
Restricted cash	--	169,868	169,868
Accounts and assessments receivable	--	29,323	29,323
Taxes receivable	--	115,380	115,380
Due from other units of government	--	96,840	96,840
Other assets	--	895	895
Due from other funds	--	20,958	20,958
Total Assets	44,847	1,646,025	1,690,872
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 44,847	\$ 1,646,025	\$ 1,690,872
LIABILITIES			
Accounts payable	\$ --	\$ 107,383	\$ 107,383
Due to agency funds	--	87	87
Accrued wages and vacation pay	--	24,192	24,192
Due to other units and taxpayers	--	10,428	10,428
Due to other funds	--	1,929	1,929
Total Liabilities	--	144,019	144,019
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	139,839	139,839
Total Liabilities and Deferred Inflows of Resources	--	283,858	283,858
FUND BALANCE			
Restricted	--	169,665	169,665
Committed	44,847	--	44,847
Assigned	--	98	98
Unassigned	--	1,192,404	1,192,404
Total Fund Balance	44,847	1,362,167	1,407,014
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 44,847	\$ 1,646,025	\$ 1,690,872

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, 2017

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	\$ --	\$ 1,496,591	\$ 1,496,591
Distributions from State of Michigan	--	440,700	440,700
Licenses, permits, fines, and fees	--	160,366	160,366
Recreation	--	42,765	42,765
Grant proceeds and reimbursements	--	248,350	248,350
Telecommunications	--	14,142	14,142
Zoning and site plan fees	--	3,207	3,207
Refuse	--	264,386	264,386
Intergovernmental	--	98,042	98,042
Other	--	71,607	71,607
User fees and other charges	--	26,463	26,463
Interest revenue	16	18,074	18,090
Total Revenues	<u>16</u>	<u>2,884,693</u>	<u>2,884,709</u>
Expenditures			
<i>Current</i>			
Legislative	--	10,683	10,683
General government	39	383,850	383,889
Public safety	--	865,320	865,320
Public works	--	550,809	550,809
Community and economic development	--	406,186	406,186
Recreation and cultural	--	105,971	105,971
Other	--	259,870	259,870
Unallocated pension expense	--	117,000	117,000
<i>Capital Outlay</i>			
General government	--	9,500	9,500
Public safety	--	8,837	8,837
Recreation and cultural	--	27,688	27,688
<i>Intergovernmental</i>			
Water and sewer charges	--	14,000	14,000
Total Expenditures	<u>39</u>	<u>2,759,714</u>	<u>2,759,753</u>
Excess of Revenues Over (Under) Expenditures	<u>(23)</u>	<u>124,979</u>	<u>124,956</u>
Other Financing Sources (Uses)			
Proceeds from debt issuance	--	167,000	167,000
Transfers to other funds	--	(2,997)	(2,997)
Net Other Financing Sources (Uses)	<u>--</u>	<u>164,003</u>	<u>164,003</u>
Net Change in Fund Balance	<u>(23)</u>	<u>288,982</u>	<u>288,959</u>
<i>Fund Balance at Beginning of Period</i>	44,870	1,073,185	1,118,055
Fund Balance at End of Period	<u>\$ 44,847</u>	<u>\$ 1,362,167</u>	<u>\$ 1,407,014</u>

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (a consolidated component of the General Fund)
For the Year Ended June 30, 2017**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,477,800	\$ 1,477,800	\$ 1,496,591	\$ 18,791
Distributions from State of Michigan	435,655	435,655	440,700	5,045
Licenses, permits, fines, and fees	211,740	233,440	160,366	(73,074)
Recreation	39,290	39,290	42,765	3,475
Grant proceeds and reimbursements	267,475	277,475	248,350	(29,125)
Telecommunications	10,735	10,735	14,142	3,407
Zoning and site plan fees	1,400	1,400	3,207	1,807
Refuse	280,000	280,000	264,386	(15,614)
Intergovernmental	25,000	25,000	98,042	73,042
Other	59,850	80,975	71,607	(9,368)
User fees and other charges	23,500	23,500	26,463	2,963
Interest	16,700	16,700	18,074	1,374
Total Revenues	2,849,145	2,901,970	2,884,693	(17,277)
Other Financing Sources				
Gain on sale of fixed assets	6,000	6,000	--	(6,000)
Proceeds from debt issuance	167,000	167,000	167,000	--
Total Revenues and Other Financing Sources	3,022,145	3,074,970	3,051,693	(23,277)
Expenditures				
Legislative	13,060	13,060	10,683	2,377
General government	433,180	433,590	397,350	36,240
Public safety	902,340	912,505	874,157	38,348
Public works	685,700	694,700	550,809	143,891
Community and economic development	425,875	425,875	406,186	19,689
Recreation and cultural	138,565	156,720	133,659	23,061
Other	399,960	413,435	386,870	26,565
Total Expenditures	2,998,680	3,049,885	2,759,714	290,171
Other Financing Uses				
Transfers to other funds	27,170	27,170	2,997	24,173
Total Expenditures and Other Financing Uses	3,025,850	3,077,055	2,762,711	314,344
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(3,705)	(2,085)	288,982	291,067
Net Change in Fund Balance	(3,705)	(2,085)	288,982	291,067
<i>Fund Balance at Beginning of Period</i>	<i>1,073,185</i>	<i>1,073,185</i>	<i>1,073,185</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,069,480	\$ 1,071,100	\$ 1,362,167	\$ 291,067

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, 2017**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 10	\$ 10	\$ 16	\$ 6
Total Revenues	10	10	16	6
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	10	10	16	6
Expenditures				
General government	--	45	39	6
Total Expenditures	--	45	39	6
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	45	39	6
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	10	(35)	(23)	12
Net Change in Fund Balance	10	(35)	(23)	12
Fund Balance at Beginning of Period	44,870	44,870	44,870	--
Fund Balance at End of Period	\$ 44,880	\$ 44,835	\$ 44,847	\$ 12

CITY OF MARINE CITY

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Woodlawn Cemetery
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
User fees and other charges	\$ 14,300	\$ 14,365	\$ 28,260	\$ 13,895
Interest	10	10	20	10
Total Revenues	14,310	14,375	28,280	13,905
Other Financing Sources				
Transfers from other funds	22,170	22,170	--	(22,170)
Total Revenues and Other Financing Sources	36,480	36,545	28,280	(8,265)
Expenditures				
Cemetery operations	36,480	36,480	27,441	9,039
Total Expenditures	36,480	36,480	27,441	9,039
Other Financing Uses				
Transfers to other funds	--	65	65	--
Total Expenditures and Other Financing Uses	36,480	36,545	27,506	9,039
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	774	774
Net Change in Fund Balance	--	--	774	774
<i>Fund Balance at Beginning of Period</i>	51,567	51,567	51,567	--
Fund Balance at End of Period	\$ 51,567	\$ 51,567	\$ 52,341	\$ 774

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, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 20	\$ 45	\$ 48	\$ 3
Total Revenues	20	45	48	3
Other Financing Sources				
Transfers from other funds	--	65	65	--
Total Revenues and Other Financing Sources	20	110	113	3
Expenditures				
Cemetery operations	--	110	121	(11)
Total Expenditures	--	110	121	(11)
Other Financing Uses				
Transfers to other funds	20	--	--	--
Total Expenditures and Other Financing Uses	20	110	121	(11)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	(8)	(8)
Net Change in Fund Balance	--	--	(8)	(8)
<i>Fund Balance at Beginning of Period</i>	137,147	137,147	137,147	--
Fund Balance at End of Period	\$ 137,147	\$ 137,147	\$ 137,139	\$ (8)

CITY OF MARINE CITY

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

Library Fund

For the Year Ended June 30, 2017

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues	\$ --	\$ --	\$ --	\$ --
Other Financing Sources	--	--	--	--
<i>Total Revenues and Other Financing Sources</i>	--	--	--	--
Expenditures				
Recreation and cultural	--	389	389	--
<i>Total Expenditures</i>	--	389	389	--
Other Financing Uses	--	--	--	--
<i>Total Expenditures and Other Financing Uses</i>	--	389	389	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	(389)	(389)	--
<i>Net Change in Fund Balance</i>	--	(389)	(389)	--
<i>Fund Balance at Beginning of Period</i>	389	389	389	--
<i>Fund Balance at End of Period</i>	\$ 389	\$ --	\$ --	\$ --

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, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Licenses, permits, fines, and fees	\$ 2,000	\$ 2,000	\$ 800	\$ (1,200)
Total Revenues	2,000	2,000	800	(1,200)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	2,000	2,000	800	(1,200)
Expenditures	--	--	--	--
Total Expenditures	--	--	--	--
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	--	--	--	--
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	2,000	2,000	800	(1,200)
Net Change in Fund Balance	2,000	2,000	800	(1,200)
Fund Balance at Beginning of Period	12,723	12,723	12,723	--
Fund Balance at End of Period	\$ 14,723	\$ 14,723	\$ 13,523	\$ (1,200)

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, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 53,275	\$ 53,275	\$ 57,516	\$ 4,241
Interest	10	10	9	(1)
Total Revenues	53,285	53,285	57,525	4,240
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	53,285	53,285	57,525	4,240
Expenditures				
General government	19,320	19,320	14,901	4,419
Community and economic development	6,000	6,000	16,000	(10,000)
Debt service principal	30,000	30,000	30,000	--
Debt service interest	4,400	4,400	4,400	--
Total Expenditures	59,720	59,720	65,301	(5,581)
Other Financing Uses				
Transfers to primary government	10,000	10,000	1,400	8,600
Total Expenditures and Other Financing Uses	69,720	69,720	66,701	3,019
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(16,435)	(16,435)	(9,176)	7,259
Net Change in Fund Balance	(16,435)	(16,435)	(9,176)	7,259
<i>Fund Balance at Beginning of Period</i>	<i>22,936</i>	<i>22,936</i>	<i>22,936</i>	<i>--</i>
Fund Balance at End of Period	\$ 6,501	\$ 6,501	\$ 13,760	\$ 7,259

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, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 28,475	\$ 28,475	\$ 28,077	\$ (398)
Interest	50	50	91	41
Total Revenues	28,525	28,525	28,168	(357)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	28,525	28,525	28,168	(357)
Expenditures				
General government	50,160	50,160	50,422	(262)
Community and economic development	3,500	3,500	3,667	(167)
Total Expenditures	53,660	53,660	54,089	(429)
Other Financing Uses				
Transfers to primary government	36,035	36,035	2,535	33,500
Total Expenditures and Other Financing Uses	89,695	89,695	56,624	33,071
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(61,170)	(61,170)	(28,456)	32,714
Net Change in Fund Balance	(61,170)	(61,170)	(28,456)	32,714
<i>Fund Balance at Beginning of Period</i>	258,835	258,835	258,835	--
Fund Balance at End of Period	\$ 197,665	\$ 197,665	\$ 230,379	\$ 32,714

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, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 79,825	\$ 79,825	\$ 82,847	\$ 3,022
Interest	100	100	217	117
Total Revenues	79,925	79,925	83,064	3,139
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	79,925	79,925	83,064	3,139
Expenditures				
General government	120,300	120,300	102,249	18,051
Total Expenditures	120,300	120,300	102,249	18,051
Other Financing Uses				
Transfers to primary government	80,065	80,065	9,432	70,633
Total Expenditures and Other Financing Uses	200,365	200,365	111,681	88,684
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(120,440)	(120,440)	(28,617)	91,823
Net Change in Fund Balance	(120,440)	(120,440)	(28,617)	91,823
<i>Fund Balance at Beginning of Period</i>	606,903	606,903	606,903	--
Fund Balance at End of Period	\$ 486,463	\$ 486,463	\$ 578,286	\$ 91,823

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2017

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%	2018	\$ 40,000	\$ 7,000	\$ 47,000
Principal due July 1			2019	40,000	5,900	45,900
Interest due July 1 and January 1			2020	40,000	4,800	44,800
			2021	40,000	1,900	41,900
Total Revenue Bonds				\$ 160,000	\$ 19,600	\$ 179,600

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%	2018	\$ 70,000	\$ 3,500	\$ 73,500
Principal due April 1			2019	70,000	1,750	71,750
Interest due October 1 and April 1						
Total Issue Outstanding				140,000	\$ 5,250	\$ 145,250

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%	2018	\$ 130,000	\$ 26,669	\$ 156,669
Principal due April 1			2019	130,000	23,906	153,906
Interest due October 1 and April 1			2020	135,000	21,144	156,144
			2021	135,000	18,275	153,275
			2022	140,000	15,406	155,406
			2023	140,000	12,431	152,431
			2024	145,000	9,456	154,456
			2025	150,000	6,375	156,375
			2026	150,000	3,188	153,188
Total Issue Outstanding				1,255,000	\$ 136,850	\$ 1,391,850

**Total Water and Sewer Fund
Bonded Indebtedness**

1,555,000

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2017

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%	2018	\$ 6,000	\$ 1,050	\$ 7,050
Principal due September 1			2019	6,000	750	6,750
Interest due September 1 and March 1			2020	6,000	450	6,450
			2021	6,000	150	6,150
Total Special Assessment Bonded Indebtedness				24,000	\$ 2,400	\$ 26,400

General Obligation Michigan Department of Environmental Quality (MDEQ) Loan:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
03-22-16	\$ 167,000	1.50%	2021	\$ 16,337	\$ -	\$ 16,337
Principal and Interest due March 22			2022	14,077	2,260	16,337
			2023	14,288	2,049	16,337
			2024	14,503	1,834	16,337
			2025	14,720	1,617	16,337
			2026	14,941	1,396	16,337
			2027	15,165	1,172	16,337
			2028	15,393	944	16,337
			2029	15,623	714	16,337
			2030	15,858	479	16,337
			2031	16,095	242	16,337
Total Debt Service Indebtedness				167,000	\$ 12,707	\$ 179,707

TOTAL INDEBTEDNESS **\$ 1,746,000**

General Government - Operating Leases:

Payable To	Collateral	Monthly Payment	Payments Remaining	Total Payments
Wells Fargo	Xerox Copier	\$ 279	month-to-month	\$ 3,346
Neopost	Postage Machine	282	month-to-month	3,384
Total lease expense				\$ 6,730

CITY OF MARINE CITY
Component Units
Schedule of Indebtedness
June 30, 2017

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	5.10 %	2018	\$ 30,000	\$ 2,585	\$ 32,585
Principal due October 1		5.20	2019	35,000	910	35,910
Interest due October 1 and April 1						
<i>Total Component Unit Indebtedness</i>				<u>\$ 65,000</u>	<u>\$ 3,495</u>	<u>\$ 68,495</u>