

CITY OF MARINE CITY
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

CITY OF MARINE CITY

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CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2018

Using this Annual Report

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

The City as a Whole

The City's combined net position decreased 25.6% from a year ago from \$12.36 million to \$9.2 million. This is due to the implementation of GASB 75 and the recognition of the net OPEB liability and related deferrals. See Note 16 included in the notes to the financial statements for more information about this change in accounting principle. As we look at the governmental activities separately from the business-type activities, we can see the governmental activities experienced a decrease of \$2.4 million during the year, which represents a 34.15% decrease from the prior year. This decrease was the result of a change in accounting principle which required recognition of the net OPEB liabilities and related deferrals in the governmental funds entity-wide statements. The business-type activities experienced a \$745,000 decrease in net position, primarily as a result of the recognition of the enterprise fund's portion of the net OPEB liability and related deferrals. 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	
	2018	2017	2018	2017	2018	2017
Current Assets *	\$ 2,915	\$ 2,661	\$ 1,575	\$ 1,555	\$ 4,489	\$ 4,195
Noncurrent Assets	7,566	7,935	5,926	5,784	13,492	13,719
Deferred Outflows of Resources	349	458	129	215	478	673
Total Assets and Deferred Outflows	10,830	11,054	7,630	7,554	18,459	18,587
Long-Term Debt Outstanding	5,407	3,678	2,637	1,874	8,044	5,552
Other Liabilities *	157	205	349	372	505	556
Deferred Inflows of Resources	599	84	116	35	715	119
Total Liabilities and Deferred Inflows	6,163	3,967	3,102	2,281	9,264	6,227
Net Position						
Invested in Capital Assets - Net of Debt	7,566	7,935	4,173	4,153	11,739	12,088
Restricted	1,299	1,128	790	589	2,089	1,717
Unrestricted	(4,198)	(1,976)	(435)	531	(4,633)	(1,445)
Total Net Position	\$ 4,667	\$ 7,087	\$ 4,528	\$ 5,273	\$ 9,195	\$ 12,360

* Internal balances eliminated in total column.

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Management's Discussion and Analysis For the Year Ended June 30, 2018

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$2.2 million for the governmental activities. This was primarily a result of the implementation of GASB 75 which required recognition of the net OPEB liability and related deferred inflows and outflows. See Note 16 for more information about the change in accounting principle. This decrease represents a 112.4% decrease from the prior year. The current level of unrestricted net position for our governmental activities stands at approximately (\$4.2 million). This is within the targeted range set during the last budget process.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services	\$ 647	\$ 635	\$ 1,950	\$ 2,021	\$ 2,597	\$ 2,656
Operating Grants and Contributions	464	627	-	-	464	627
Capital Grants and Contributions	7	8	48	311	55	319
General Revenues						
Taxes	1,432	1,498	-	-	1,432	1,498
State-Shared Revenues	453	441	-	-	453	441
Other	46	55	18	9	64	64
Total Revenues	<u>3,049</u>	<u>3,264</u>	<u>2,016</u>	<u>2,341</u>	<u>5,065</u>	<u>5,605</u>
Program Expenses						
Legislative	16	11	-	-	16	11
General Government	423	549	-	-	423	549
Public Safety	980	1,013	-	-	980	1,013
Highways and Streets	436	474	-	-	436	474
Public Works	625	673	-	-	625	673
Recreation and Cultural	153	145	-	-	153	145
Other	265	707	-	-	265	707
Unallocated pension and OPEB expense	232	68	-	-	232	68
Cemetery operations	13	28	-	-	13	28
Water and Sewer	-	-	1,984	1,847	1,984	1,847
Total Expenses	<u>3,143</u>	<u>3,668</u>	<u>1,984</u>	<u>1,847</u>	<u>5,127</u>	<u>5,515</u>
Decrease in prior year net position due to GASB 75 implementation per Note 16 to the financial statements	<u>2,326</u>	<u>-</u>	<u>777</u>	<u>-</u>	<u>3,103</u>	<u>-</u>
Change in Net Position	<u>\$ (2,420)</u>	<u>\$ (404)</u>	<u>\$ (745)</u>	<u>\$ 494</u>	<u>\$ (3,165)</u>	<u>\$ 90</u>

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2018

The City's net position continues to remain healthy. Total net position decreased by \$3.2 million. This was primarily due to the recognition of the net OPEB liability and related deferrals with the implementation of GASB 75. The additional decreases are related to completion of grant funded projects during the fiscal year.

Governmental Activities

The City's total governmental revenues decreased by \$215,000, primarily due to decreases in grants and property taxes. Expenses of the governmental activities decreased by \$525,000 over those of the previous year. This was primarily due to completion of an ongoing community and economic development project within the City during the current fiscal year.

Business-Type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water and sewer treatments to all City residents. We experienced a decrease during the year primarily as a result of the completion of a grant project during the fiscal year.

The City's Funds

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

The General Fund pays for most of the governmental services. The most significant are police, fire, and inspections, which incurred expenditures of \$923,000. These services are supported by general tax revenues of the City and State Revenue Sharing which represent approximately 75% of total revenues for the fund. In addition, the General Fund expended approximately \$603,000 on Public Works. These two areas represent approximately 60% of the General Fund's total expenditures.

The other major funds of the City are the Major and Local Street Funds. These funds account for the majority of the maintenance, preservation, and replacement of the City's streets, bridges, and sidewalks. These funds are funded through distributions from the Michigan Department of Transportation for use on major and local streets within the City.

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 5% during the year. The various departments overall stayed within the budget, resulting in total expenditures approximately \$780,000 below the budget. The General Fund's fund balance increased by \$197,000 from a year ago.

Capital Asset and Debt Administration

As of June 30, 2018, there was \$13.4 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.

CITY OF MARINE CITY

Management's Discussion and Analysis For the Year Ended June 30, 2018

At the end of the fiscal year, the City had bonds outstanding in the Water and Sewer Fund totaling \$1.3 million with scheduled repayments occurring through fiscal year 2026. Additionally, the City has a capital lease of \$361,000 outstanding as of June 30, 2018. See Note 8 to the financial statements for more information about the City's long term liabilities.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2019, 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.

As the City prepares for the next fiscal year, property tax revenue is expected to remain at similar levels to 2018 due to the current economic state of affairs and recent personal property tax reform. Stagnant growth in property tax revenues, coupled with rising health care and pension costs, aging infrastructure, and state and federal budget issues have presented some problems in balancing the budget.

The City is currently utilizing 303 S. Water Street for their administrative offices and is actively seeking a solution for a permanent location. In addition, the building at 300 Broadway has been leased to two separate entities for their use.

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 completed and the City needs to evaluate the results and plan for the needed infrastructure improvements to the system. 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, 2019.

Due to the State of Michigan's budget problems and political agendas, the City of Marine City is concerned about State Revenue Sharing distributions. In addition, the City's fringe benefit costs have increased. The City's pension contribution rate for the fiscal year 2019 has been increased from the amount required in 2018. The City is also responsible to set aside funds for retiree's health care. The City funds this plan on a pay-as-you-go basis. However, the State of Michigan is requiring municipalities who are under-funded, as defined by the applicable statute, to submit corrective action plans to achieve funded status.

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

November 26, 2018

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, 2018, 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, 2018, 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 2018 the City of Marine City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and *GASBS No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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

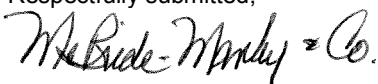
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marine City's basic financial statements. The combining and individual nonmajor fund financial statements and additional supplemental schedules, as listed in the table of contents, 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 supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, 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 solely 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 the effectiveness of 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, 2018

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 2,695,828	\$ 1,082,868	\$ 3,778,696	\$ 837,168
Restricted cash	304	14,266	14,570	--
Accounts and assessments receivable	24,842	473,295	498,137	--
Taxes receivable	19,735	--	19,735	--
Due from other units of government	172,494	4,500	176,994	--
Other assets	1,027	--	1,027	--
<i>Internal Balances*</i>	827	--	--	--
Total Current Assets	2,915,057	1,574,929	4,489,159	837,168
<i>Noncurrent Assets</i>				
Capital assets, net of accumulated depreciation	7,566,248	5,850,073	13,416,321	--
Cash restricted for payment of bond	--	76,225	76,225	--
Lease receivable	17	--	17	--
Total Assets	10,481,322	7,501,227	17,981,722	837,168
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	349,555	129,297	478,852	--
Total Deferred Outflows of Resources	349,555	129,297	478,852	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	64,257	28,082	92,339	--
Due to agency funds	268	--	268	--
Accrued wages and vacation pay	82,658	4,666	87,324	--
Accrued interest payable	--	13,484	13,484	445
Current portion of debt	--	302,288	302,288	35,000
Due to other units and taxpayers	10,000	--	10,000	--
<i>Internal Balances*</i>	--	827	--	--
Total Current Liabilities	157,183	349,347	505,703	35,445
<i>Noncurrent Liabilities</i>				
Accrued sick pay	94,183	--	94,183	--
Long-term obligations, net of current portion	280,000	1,374,541	1,654,541	--
Net pension liability	1,559,940	649,607	2,209,547	--
Net OPEB liability	3,472,987	612,880	4,085,867	--
Total Liabilities	5,564,293	2,986,375	8,549,841	35,445
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	599,248	115,712	714,960	--
Total Deferred Inflows of Resources	599,248	115,712	714,960	--
NET POSITION				
Investment in capital assets, net of related debt	7,566,248	4,173,244	11,739,492	--
<i>Restricted for:</i>				
Drug enforcement	13,898	--	13,898	--
Perpetual care	137,164	--	137,164	--
Highways and streets - Act 51	958,367	--	958,367	--
Cemetery	52,263	--	52,263	--
Asset replacement	--	14,266	14,266	--
Insurance escrow	8,129	--	8,129	--
Water monitoring system	--	108,415	108,415	--
Highways and streets	68,797	--	68,797	--
Salvage	1,664	--	1,664	--
Parks and recreation	51,234	--	51,234	--
Police	1,934	--	1,934	--
Beach	5,801	--	5,801	--
Infrastructure improvements	--	667,013	667,013	--
General government	137	--	137	--
<i>Unrestricted</i>	(4,198,300)	(434,501)	(4,632,801)	801,723
Total Net Position	\$ 4,667,336	\$ 4,528,437	\$ 9,195,773	\$ 801,723

* Amounts have been eliminated in total column

CITY OF MARINE CITY
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$ 15,515	\$ --	\$ --	\$ --
General government	423,418	194,524	--	--
Public safety	979,899	68,388	9,605	4,895
Public works	625,467	288,821	--	--
Community and economic development	137,727	1,600	--	--
Recreation and cultural	153,020	27,806	21,635	1,800
Highways and streets	435,758	--	432,518	--
Other	88,245	14,249	--	--
Unallocated pension and OPEB expense	231,593	--	--	--
Cemetery operations	13,345	26,465	--	--
Water and sewer charges - Intergovernmental	14,000	--	--	--
Equipment rent - Intergovernmental	25,439	25,439	--	--
Total Governmental Activities	3,143,426	647,292	463,758	6,695
Business-type Activities:				
Water and Sewer Disposal	1,983,699	1,950,324	--	47,666
Total Business-type Activities	1,983,699	1,950,324	--	47,666
Total Primary Government	\$ 5,127,125	\$ 2,597,616	\$ 463,758	\$ 54,361
Component Units				
T.I.F.A. #1	\$ 23,630	\$ --	\$ --	\$ --
T.I.F.A. #2	27,825	--	--	--
T.I.F.A. #3	74,368	--	--	--
Total Component Units	\$ 125,823	\$ --	\$ --	\$ --

General Purpose Revenues and Transfers:
Revenues

Tax collections
Interest revenue
Gain on sale of assets
Distributions from State of Michigan
Other

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Period - Restated

Net Position at End of Period

Net (Expense) Revenue			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (15,515)	\$ --	\$ (15,515)	\$ --
(228,894)	--	(228,894)	--
(897,011)	--	(897,011)	--
(336,646)	--	(336,646)	--
(136,127)	--	(136,127)	--
(101,779)	--	(101,779)	--
(3,240)	--	(3,240)	--
(73,996)	--	(73,996)	--
(231,593)	--	(231,593)	--
13,120	--	13,120	--
(14,000)	--	(14,000)	--
--	--	--	--
(2,025,681)	--	(2,025,681)	--
--	14,291	14,291	--
--	14,291	14,291	--
\$ (2,025,681)	\$ 14,291	\$ (2,011,390)	--
--	--	--	(23,630)
--	--	--	(27,825)
--	--	--	(74,368)
--	--	--	(125,823)
1,432,377	--	1,432,377	169,934
3,218	1,652	4,870	1,015
--	10,500	10,500	--
453,183	--	453,183	--
42,468	5,775	48,243	--
1,931,246	17,927	1,949,173	170,949
(94,435)	32,218	(62,217)	45,126
4,761,771	4,496,219	9,257,990	756,597
\$ 4,667,336	\$ 4,528,437	\$ 9,195,773	\$ 801,723

CITY OF MARINE CITY
**Balance Sheet
Governmental Funds
June 30, 2018**

		Special Revenue	
	General	Local Street	Major Street
ASSETS			
Cash and cash equivalents	\$ 1,588,299	\$ 316,400	\$ 586,958
Restricted cash	204	--	--
Accounts and assessments receivable	24,842	--	--
Taxes receivable	19,735	--	--
Due from other units of government	103,169	18,967	50,358
Other assets	1,027	--	--
Due from other funds	2,269	20,573	1,570
Total Assets	1,739,545	355,940	638,886
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,739,545	\$ 355,940	\$ 638,886
LIABILITIES			
Accounts payable	\$ 48,884	\$ 3,284	\$ 11,655
Due to agency funds	268	--	--
Accrued wages and vacation pay	26,811	1,114	745
Due to other units and taxpayers	10,000	--	--
Due to other funds	3,924	809	18,852
Total Liabilities	89,887	5,207	31,252
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	45,299	--	--
Total Liabilities and Deferred Inflows of Resources	135,186	5,207	31,252
FUND BALANCE			
Restricted	137,696	350,733	607,634
Committed	44,854	--	--
Unassigned	1,421,809	--	--
Total Fund Balance	1,604,359	350,733	607,634
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,739,545	\$ 355,940	\$ 638,886

Other Governmental Funds	Total Governmental Funds
\$ 204,171	\$ 2,695,828
100	304
--	24,842
--	19,735
--	172,494
--	1,027
--	24,412
204,271	2,938,642
--	--
\$ 204,271	\$ 2,938,642
\$ 434	\$ 64,257
--	268
512	29,182
--	10,000
--	23,585
946	127,292
--	45,299
946	172,591
203,325	1,299,388
--	44,854
--	1,421,809
203,325	2,766,051
\$ 204,271	\$ 2,938,642

CITY OF MARINE CITY**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Total Fund Balance - Governmental Funds	\$	2,766,051
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		(147,659)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities		45,299
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		7,566,248
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported on the governmental fund statements		(280,000)
Components of the net OPEB 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		(3,962,920)
Long-term receivables are not due in the current period and are not reported on the governmental fund statements		17
Components of the net pension liability reflected on the Statement of Net Position are not due and payable in the current period and are omitted from the governmental fund statements		(1,319,700)
Total Net Position-Governmental Funds	\$	4,667,336

CITY OF MARINE CITY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue		
	General	Local Street	Major Street
Revenues			
Tax collections	\$ 1,528,226	\$ --	\$ --
Distributions from State of Michigan	453,183	140,163	292,355
Licenses, permits, fines, and fees	148,998	--	--
Recreation	42,738	--	--
Grant proceeds and reimbursements	11,224	--	--
Telecommunications	14,249	--	--
Zoning and site plan fees	3,650	--	--
Refuse	287,821	--	--
Intergovernmental	98,114	--	--
Other	47,051	--	--
User fees and other charges	27,296	--	--
Interest revenue	20,058	486	944
Total Revenues	2,682,608	140,649	293,299
Expenditures			
<i>Current:</i>			
Legislative	14,847	--	--
General government	375,625	--	--
Public safety	922,600	--	--
Public works	603,466	--	--
Community and economic development	137,727	--	--
Recreation and cultural	113,499	--	--
Highways and streets	--	84,420	62,557
Other	88,245	--	--
Unallocated pension and OPEB expense	257,865	--	--
Cemetery operations	--	--	--
<i>Capital Outlay:</i>			
Public safety	48,387	--	--
Recreation and cultural	12,383	--	--
Highways and streets	--	34,040	34,040
<i>Intergovernmental:</i>			
Water and sewer charges	14,000	--	--
Equipment rent	--	17,894	7,545
Total Expenditures	2,588,644	136,354	104,142
Excess of Revenues Over (Under) Expenditures	93,964	4,295	189,157
Other Financing Sources (Uses)			
Proceeds from debt issuance	113,000	--	--
Transfers from other funds	--	78,148	3,848
Transfers to other funds	(9,620)	--	(72,376)
Net Other Financing Sources (Uses)	103,380	78,148	(68,528)
Net Change in Fund Balance	197,344	82,443	120,629
<i>Fund Balance at Beginning of Period</i>	<i>1,407,015</i>	<i>268,290</i>	<i>487,005</i>
Fund Balance at End of Period	\$ 1,604,359	\$ 350,733	\$ 607,634

See accompanying notes.

Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,528,226
--	885,701
375	149,373
--	42,738
--	11,224
--	14,249
--	3,650
--	287,821
--	98,114
--	47,051
26,465	53,761
136	21,624
<u>26,976</u>	<u>3,143,532</u>
--	14,847
--	375,625
--	922,600
--	603,466
--	137,727
--	113,499
--	146,977
--	88,245
--	257,865
26,654	26,654
--	48,387
--	12,383
--	68,080
--	14,000
--	25,439
<u>26,654</u>	<u>2,855,794</u>
<u>322</u>	<u>287,738</u>
--	113,000
--	81,996
--	(81,996)
--	113,000
<u>322</u>	<u>400,738</u>
203,003	2,365,313
<u>\$ 203,325</u>	<u>\$ 2,766,051</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, 2018**

Total Net Change in Fund Balances - Governmental Funds	\$ 400,738
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	(15,277)
Receivables not available to pay current liabilities are deferred on the governmental fund statements but are recognized as revenue on the Statement of Activities	(94,540)
Components of the net OPEB 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	442,141
Governmental funds report capital outlays as expenditures, but these costs are capitalized and depreciated over their estimated useful lives on the Statement of Activities	(368,868)
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	(345,628)
Proceeds of long-term debt are recognized as other financial sources for the governmental funds but increases liability on the Statement of Net Position	(113,000)
Changes in Net Position-Governmental Funds	\$ (94,435)

CITY OF MARINE CITY
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,082,868
Restricted cash	14,266
Accounts and assessments receivable	473,295
Due from other units of government	4,500
Total Current Assets	1,574,929
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	5,850,073
Cash restricted for payment of bond	76,225
Total Assets	7,501,227
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	129,297
Total Deferred Outflows of Resources	129,297
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	28,082
Accrued wages and vacation pay	4,666
Accrued interest payable	13,484
Current portion of debt	302,288
Due to other funds	827
Total Current Liabilities	349,347
<i>Noncurrent Liabilities</i>	
Long-term obligations, net of current portion	1,374,541
Net pension liability	649,607
Net OPEB liability	612,880
Total Liabilities	2,986,375
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	115,712
Total Deferred Inflows of Resources	115,712
NET POSITION	
Investment in capital assets, net of related debt	4,173,244
<i>Restricted for:</i>	
Asset replacement	14,266
Water monitoring system	108,415
Infrastructure improvements	667,013
<i>Unrestricted</i>	(434,501)
Total Net Position	\$ 4,528,437

CITY OF MARINE CITY**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2018**

Business-type Activities - Enterprise Funds
--

Water and Sewer Disposal

Operating Revenues

Interest and penalties earned

\$ 334

Other

5,775

Metered sales

1,447,673

Sewage treatment contract

121,946

Hydrant rental and city usage

14,000

Water taps and meter sales

4,634

Total Operating Revenues

1,594,362

Operating Expenses

Water

931,833

Sewer

1,012,724

Total Operating Expenses

1,944,557

Operating Income (Loss)

(350,195)

Non-Operating Revenues (Expenses)

Interest revenue

1,652

Gain on sale of assets

10,500

Debt service

125,574

Ready to serve fees

236,163

Interest expense and agent fees

(39,142)

Net Non-Operating Revenues (Expenses)

334,747

Income Before Contributions and Transfers

(15,448)

Capital grants and contributions

47,666

Change In Net Position

32,218

Net Position at Beginning of Period - Restated

4,496,219

Net Position at End of Period

\$ 4,528,437

CITY OF MARINE CITY**Statement of Cash Flows****Proprietary Funds****For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds
	Water and Sewer Disposal
Cash Flows From Operating Activities:	
Receipts from customers	\$ 1,656,284
Receipts from interfund services	14,000
Payments to suppliers	(1,230,752)
Payments to employees	(178,671)
Other receipts (payments)	10,409
Net Cash Provided By (Used In) Operating Activities	271,270
Cash Flows From Capital and Related Financing Activities:	
Capital grants and contributions	47,666
Acquisition of capital assets	(298,134)
Principal paid on bonds	(240,000)
Interest and agent fees paid on revenue bonds	(37,169)
Debt service charges	125,574
Capital improvement fees	236,163
Net Cash Provided By (Used In) Capital and Related Financing Activities	(165,900)
Cash Flows From Investing Activities:	
Interest on investments	1,652
Net Cash Provided By (Used In) Investing Activities	1,652
Net Increase (Decrease) In Cash and Cash Equivalents	107,022
Cash and Cash Equivalents at July 1, 2017	1,066,337
Cash and Cash Equivalents at June 30, 2018	\$ 1,173,359
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Operating loss	\$ (350,195)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	529,052
Change in assets and liabilities:	
Accounts receivable	15,469
Due from other governments	57,135
Other assets	13,727
Deferred outflow of resources	86,068
Accounts payable	(65,055)
Due to other funds	(20,131)
Accrued wages and compensated absences	(2,073)
Net pension liability	90,858
Net OPEB liability	(164,484)
Deferred inflow of resources	80,899
Net Cash Provided By (Used In) Operating Activities	\$ 271,270

Noncash Capital and Financing Activities

During the year, the City traded in an old truck for a new vacuum truck. The old truck was fully depreciated with a trade in value of \$10,500. The remaining cost of the truck was acquired with a capital lease of \$361,829 for a total cost basis of \$372,329. See Note 8 for details on the capital lease obligation.

CITY OF MARINE CITY

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Pension and Benefit Trust		Agency	
	Retiree Health Trust	Pension Fund	Tax Collection Fund	Special Assessment Trust
ASSETS				
Cash and cash equivalents	\$ --	\$ --	\$ 1,263	\$ 16,275
Cash and money market funds at fair value	26,447	347,362	--	--
Investments - mutual funds at fair value	159,650	4,631,304	--	--
Accounts and assessments receivable	--	--	--	2,132
Taxes receivable	--	--	134,867	--
Due from other funds	--	--	268	--
Total Assets	186,097	4,978,666	136,398	18,407
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--
LIABILITIES				
Accrued interest payable	--	--	--	301
Current portion of debt	--	--	--	6,000
Due to other units and taxpayers	--	--	95,259	--
Due to other funds	--	--	41,139	106
Long-term obligations, net of current portion	--	--	--	12,000
Total Liabilities	--	--	136,398	18,407
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--
NET POSITION				
Restricted for pensions	--	4,978,666	--	--
Restricted for postemployment benefits other than pensions	186,097	--	--	--
Total Net Position	\$ 186,097	\$ 4,978,666	\$ --	\$ --

CITY OF MARINE CITY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	<u>Retiree Health Trust</u>	<u>Pension Fund</u>
Additions		
Employer contributions	\$ 265,096	\$ 209,928
Employee contributions	--	14,284
Investment income:		
Net increase (decrease) in fair value	\$ 546	\$ (46,647)
Interest, dividends, & realized gains	9,575	255,630
Less: Investment expenses	--	(37,223)
Investment income	<u>10,121</u>	<u>171,760</u>
Total Additions	<u>275,217</u>	<u>395,972</u>
Deductions		
Benefits	254,036	458,395
Administrative expenses	8,063	1,600
Total Deductions	<u>262,099</u>	<u>459,995</u>
Net Increase in Net Position	<u>13,118</u>	<u>(64,023)</u>
<i>Net Position at Beginning of Period</i>	<u>172,979</u>	<u>5,042,689</u>
Net Position at End of Period	<u><u>\$ 186,097</u></u>	<u><u>\$ 4,978,666</u></u>

CITY OF MARINE CITY
Combining Statement of Net Position
Component Units
June 30, 2018

	<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	\$ 14,122	\$ 231,432	\$ 591,614	\$ 837,168
Total Assets	<u>14,122</u>	<u>231,432</u>	<u>591,614</u>	<u>837,168</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accrued interest payable	445	--	--	445
Current portion of debt	35,000	--	--	35,000
Total Liabilities	<u>35,445</u>	<u>--</u>	<u>--</u>	<u>35,445</u>
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION				
<i>Unrestricted</i>	(21,323)	231,432	591,614	801,723
Total Net Position	<u>\$ (21,323)</u>	<u>\$ 231,432</u>	<u>\$ 591,614</u>	<u>\$ 801,723</u>

CITY OF MARINE CITY
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2018

	T.I.F.A. #1	T.I.F.A. #2	T.I.F.A. #3	Total Component Units
Expenses				
General government	\$ 2,645	\$ 13,250	\$ 25,368	\$ 41,263
Community and economic development	7,500	1,500	--	9,000
Debt service interest	2,885	--	--	2,885
Administrative expenses - Intergovernmental	10,600	13,075	49,000	72,675
Total Expenses	23,630	27,825	74,368	125,823
Program Revenues				
Charges for services	--	--	--	--
Operating grants and contributions	--	--	--	--
Capital grants and contributions	--	--	--	--
Total Program Revenues	--	--	--	--
Net Program Revenues (Expenses)	(23,630)	(27,825)	(74,368)	(125,823)
General Revenue				
Tax collections	53,976	28,706	87,252	169,934
Interest revenue	397	173	445	1,015
Total General Revenues	54,373	28,879	87,697	170,949
Change in Net Position	30,743	1,054	13,329	45,126
<i>Net Position at Beginning of Period</i>	<i>(52,066)</i>	<i>230,378</i>	<i>578,285</i>	<i>756,597</i>
Net Position at End of Period	\$ (21,323)	\$ 231,432	\$ 591,614	\$ 801,723

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, 2018**

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Tax collections	\$ 1,498,150	\$ 1,522,815	\$ 1,528,226	\$ 5,411
Distributions from State of Michigan	432,000	432,000	453,183	21,183
Licenses, permits, fines, and fees	270,800	270,800	148,998	(121,802)
Recreation	37,150	52,170	42,738	(9,432)
Grant proceeds and reimbursements	446,470	446,470	11,224	(435,246)
Telecommunications	14,485	14,485	14,249	(236)
Zoning and site plan fees	3,200	3,200	3,650	450
Refuse	298,375	298,375	287,821	(10,554)
Intergovernmental	23,000	23,000	98,114	75,114
Other	51,775	53,575	47,051	(6,524)
User fees and other charges	26,250	26,250	27,296	1,046
Interest	17,410	20,010	20,058	48
Total Revenues	3,119,065	3,163,150	2,682,608	(480,542)
Other Financing Sources				
Gain on sale of fixed assets	4,000	4,000	--	(4,000)
Proceeds from debt issuance	--	113,000	113,000	--
Total Revenues and Other Financing Sources	3,123,065	3,280,150	2,795,608	(484,542)
Expenditures				
Legislative	13,185	17,235	14,847	2,388
General government	423,370	423,630	379,625	44,005
Public safety	1,063,500	1,066,165	970,987	95,178
Public works	671,480	673,880	603,466	70,414
Community and economic development	437,900	570,025	137,727	432,298
Recreation and cultural	162,065	175,815	125,882	49,933
Other	420,865	420,865	356,110	64,755
Total Expenditures	3,192,365	3,347,615	2,588,644	758,971
Other Financing Uses				
Transfers to other funds	30,980	30,980	9,620	21,360
Total Expenditures and Other Financing Uses	3,223,345	3,378,595	2,598,264	780,331
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(100,280)	(98,445)	197,344	295,789
Net Change in Fund Balance	(100,280)	(98,445)	197,344	295,789
<i>Fund Balance at Beginning of Period</i>	<i>1,407,015</i>	<i>1,407,015</i>	<i>1,407,015</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,306,735	\$ 1,308,570	\$ 1,604,359	\$ 295,789

See accompanying notes.

CITY OF MARINE CITY

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

Major Street

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 221,000	\$ 291,000	\$ 292,355	\$ 1,355
Other	5,500	5,500	--	(5,500)
Interest	200	200	944	744
Total Revenues	<u>226,700</u>	<u>296,700</u>	<u>293,299</u>	<u>(3,401)</u>
Other Financing Sources				
Transfers from other funds	<u>5,000</u>	<u>5,000</u>	<u>3,848</u>	<u>(1,152)</u>
Total Revenues and Other Financing Sources	<u>231,700</u>	<u>301,700</u>	<u>297,147</u>	<u>(4,553)</u>
Expenditures				
Highways and streets	<u>139,590</u>	<u>139,590</u>	<u>104,142</u>	<u>35,448</u>
Total Expenditures	<u>139,590</u>	<u>139,590</u>	<u>104,142</u>	<u>35,448</u>
Other Financing Uses				
Transfers to other funds	<u>53,750</u>	<u>71,750</u>	<u>72,376</u>	<u>(626)</u>
Total Expenditures and Other Financing Uses	<u>193,340</u>	<u>211,340</u>	<u>176,518</u>	<u>34,822</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>38,360</u>	<u>90,360</u>	<u>120,629</u>	<u>30,269</u>
Net Change in Fund Balance	<u>38,360</u>	<u>90,360</u>	<u>120,629</u>	<u>30,269</u>
<i>Fund Balance at Beginning of Period</i>	<u>487,005</u>	<u>487,005</u>	<u>487,005</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 525,365</u>	<u>\$ 577,365</u>	<u>\$ 607,634</u>	<u>\$ 30,269</u>

CITY OF MARINE CITY

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

Local Street

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Distributions from State of Michigan	\$ 83,000	\$ 137,260	\$ 140,163	\$ 2,903
Other	5,500	5,500	--	(5,500)
Interest	90	90	486	396
Total Revenues	88,590	142,850	140,649	(2,201)
Other Financing Sources				
Transfers from other funds	58,750	58,750	78,148	19,398
Total Revenues and Other Financing Sources	147,340	201,600	218,797	17,197
Expenditures				
Highways and streets	185,615	189,715	136,354	53,361
Total Expenditures	185,615	189,715	136,354	53,361
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	185,615	189,715	136,354	53,361
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(38,275)	11,885	82,443	70,558
Net Change in Fund Balance	(38,275)	11,885	82,443	70,558
<i>Fund Balance at Beginning of Period</i>	268,290	268,290	268,290	--
Fund Balance at End of Period	\$ 230,015	\$ 280,175	\$ 350,733	\$ 70,558

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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 2.2 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, \$13,075, 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.

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, 2018

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 2017 taxable valuation of the City totaled \$92.0 million (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 16.7846 mills for the local governmental operations, raising \$1.53 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, 2018

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, 2018

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.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Marine City Post-Retirement Health Care Benefits Plan (Retiree Health Trust) and additions to/deductions from the Retiree Health Trust have been determined on the same basis as they are reported by the Retiree Health Trust. 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, 2018

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	\$ 19,532	\$ --
State and Local Revenue	25,767	--
Total	<u>\$ 45,299</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 Notes 9 and 10 regarding amounts reported as deferred outflows of resources related to the net pension and net OPEB obligations.

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 Notes 9 and 10 regarding amounts reported as deferred inflows of resources related to the net pension and net OPEB obligations.

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, 2018

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	\$ 626
<u>T.I.F.A. #1</u>	
Community and economic development	1,500

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, 2017	\$ (22,187)
Permit revenues	34,554
Related expenditures	(83,742)
Cumulative surplus (shortfall)	<u>\$ (71,375)</u>

NOTE 3: CASH AND INVESTMENTS

DEPOSITS

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

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

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

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

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

The deposits and investments of the City are not limited beyond statutory authority and are in compliance as of June 30, 2018. 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	\$ 2,696,132
Total proprietary funds	1,173,359
Total fiduciary funds	17,538
Total component units	837,168
Less cash on hand	(1,144)
Total Deposits	<u>\$ 4,723,053</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	\$ 728,455	\$ 3,990,907	\$ 4,646,828	\$ 4,719,362
Savings and CD's	76,225	--	76,225	76,225
Cash on hand	--	1,144	1,144	--
Total Cash	<u>\$ 804,680</u>	<u>\$ 3,992,051</u>	<u>4,724,197</u>	<u>\$ 4,795,587</u>
<u>Investments - Nonrisk Categorized</u>				
Money market account			373,811	\$ 335,067
Mutual funds			4,790,956	4,790,956
Total Investments			<u>5,164,767</u>	<u>\$ 5,126,023</u>
Total Cash and Investments			<u>\$ 9,888,964</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, 2018, \$4.0 million of the government's bank balance of \$4.8 million was exposed to custodial credit risk because it was uninsured.

Custodial credit risk for investments is the risk, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have exposure to this type of risk.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

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	\$ 373,811
Raymond James Mutual Fund Portfolio	Variable	4,790,956
		<u>\$ 5,164,767</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
Total restricted cash reported as current on Statement of Net Position	<u>14,266</u>
Cash restricted for FMHA Bond reported as long-term on Statement of Net Position	76,225
	<u>\$ 90,491</u>

General Fund - Restricted Assets:

Cash restricted for police	<u>\$ 204</u>
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Drug Law Enforcement Fund - Restricted Assets:

Restricted cash for drug forfeitures	<u>\$ 100</u>
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CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 5: CAPITAL ASSETS

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance 06/30/17	Additions	Disposals	Balance 06/30/18
Legislative:				
Equipment	\$ 6,429	\$ --	\$ --	\$ 6,429
General Government:				
Equipment and vehicles	1,029,725	--	--	1,029,725
Buildings	1,384,538	--	--	1,384,538
Land	1,471,177	--	--	1,471,177
Public Safety:				
Equipment and vehicles	650,067	48,387	--	698,454
Buildings	685,358	--	--	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	634,590	1,257	--	635,847
Beach	27,095	11,126	--	38,221
Highways and Streets:				
Equipment	908,142	68,080	--	976,222
Roads and sidewalks	5,702,942	--	--	5,702,942
Cemetery:				
Equipment	39,292	--	--	39,292
Buildings	241,770	--	--	241,770
Total Capital Assets	14,234,891	128,850	--	14,363,741
Accumulated Depreciation	(6,299,775)	(497,718)	--	(6,797,493)
Total Carrying Value of Fixed Assets	\$ 7,935,116	\$ (368,868)	\$ --	\$ 7,566,248

The above amounts include land with a cost of \$1.7 million not subject to depreciation. The assets above include assets acquired through capital leases with a cost of \$122,410 and accumulated depreciation of \$122,410.

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 5: CAPITAL ASSETS (Continued)

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

General Government	\$ 45,134
Public Safety	51,784
Public Works	14,898
Recreation and Culture	39,521
Highways and Streets	343,868
Legislative	668
Cemetery	1,845
Total	<u>\$ 497,718</u>

The above expense includes amortization on assets acquired from capitalized leases.

Business-Type Activities Fixed Assets:

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

	Balance 06/30/17	Additions	Disposals	Balance 06/30/18
Water plant, lines, and equipment	\$ 6,861,556	\$ 64,005	\$ --	\$ 6,925,561
Sewer plant, lines, and equipment	14,733,089	242,683	161,672	14,814,100
Construction in process - sewer	259,911	--	8,557	251,354
Sewer capital leases	--	186,165	--	186,165
Water capital leases	--	186,165	--	186,165
Land	63,174	--	--	63,174
Total Capital Assets	<u>21,917,730</u>	<u>679,018</u>	<u>170,229</u>	<u>22,426,519</u>
Accumulated Depreciation	<u>(16,209,066)</u>	<u>(529,052)</u>	<u>(161,672)</u>	<u>(16,576,446)</u>
Total Carrying Value of Fixed Assets	<u>\$ 5,708,664</u>	<u>\$ 149,966</u>	<u>\$ 8,557</u>	<u>\$ 5,850,073</u>

The above amounts include land with a cost of \$63,174 not subject to depreciation. The assets above include assets acquired through capital leases with a cost basis of \$372,330 and accumulated depreciation of \$12,410. Depreciation for the water and sewer systems totaled \$188,189 and \$340,863, respectively, for the year ended June 30, 2018. Depreciation expense includes amortization on assets acquired from capitalized leases.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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>\$ 1,855</u>	Tax Fund	<u>\$ 1,855</u>
General Fund **	<u>\$ 39,284</u>	Tax Fund	<u>\$ 39,284</u>
General Fund	<u>\$ 827</u>	Water and Sewer Fund	<u>\$ 827</u>
Tax Fund	<u>\$ 268</u>	General Fund	<u>\$ 268</u>
Water and Sewer Fund (treated as cash)	<u>\$ 106</u>	Special Assessment Fund	<u>\$ 106</u>
Local Street	<u>\$ 2,354</u>		
Major Street	<u>1,570</u>		
	<u>\$ 3,924</u>	General Fund	<u>\$ 3,924</u>
Local Street	<u>\$ 18,219</u>	Major Street	<u>\$ 18,219</u>
		Local Street	<u>\$ 809</u>
		Major Street	<u>633</u>
General Fund	<u>\$ 1,442</u>		<u>\$ 1,442</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 \$1,855.

** 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 \$19,549.

Interfund and component unit transfers:

<u>Transfers In</u>		<u>Transfers Out</u>	
Local Street	<u>\$ 72,376</u>	Major Street	<u>\$ 72,376</u>
Major Street	<u>\$ 3,848</u>		
Local Street	<u>5,772</u>		
	<u>\$ 9,620</u>	General Fund	<u>\$ 9,620</u>

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

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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 \$6,030. See Note 8 for information regarding capital leases.

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. Additional funds were requested from MDEQ in the 2018 fiscal year for additional project costs. For the 2018 fiscal year, there were no tax captures on the property. Tax captures are anticipated to begin in the next 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.

In fiscal year 2018, the City financed the purchase of a vacuum truck with a capital lease in the amount of \$361,829 with the truck as collateral. As of June 30, 2018, there was \$361,829 outstanding on this lease and the book value of the collateral was \$359,920. See below for additional details on this obligation.

CHANGES IN INDEBTEDNESS BY FUND TYPE

	Payable at 06/30/17	Increase	Decrease	Payable at 06/30/18	Payable Within One Year
Total Business-Type Activities Indebtedness	\$ 1,555,000	\$ 361,829	\$ 240,000	\$ 1,676,829	\$ 302,288
Total Governmental Activities Indebtedness	167,000	113,000	--	280,000	--
Total Fiduciary Activities Indebtedness	24,000	--	6,000	18,000	6,000
Total Indebtedness	<u>\$ 1,746,000</u>	<u>\$ 474,829</u>	<u>\$ 246,000</u>	<u>\$ 1,974,829</u>	<u>\$ 308,288</u>

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF INDEBTEDNESS

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Direct Borrowings:				
MDEQ loan	1	1.50%	2031	\$ 280,000
Lease Purchase Agreement	1	3.862%	2024	361,829
Total Direct Borrowings				<u>\$ 641,829</u>
Special Assessment Bonds	1	5.00%	2021	<u>\$ 18,000</u>
Revenue Bonds:				
Water supply and sewer system	1	5.00%	2021	\$ 120,000
Drinking Water Revolving Funds	2	2.125-2.50%	2026	1,195,000
Total Revenue Bonds				<u>\$ 1,315,000</u>

CHANGES IN INDEBTEDNESS BY TYPE

	<u>Payable at 06/30/17</u>	<u>Increase</u>	<u>Decrease</u>	<u>Payable at 06/30/18</u>	<u>Payable Within One Year</u>
Direct Borrowings:					
MDEQ loan	\$ 167,000	\$ 113,000	\$ --	\$ 280,000	\$ --
Lease Purchase	--	361,829	--	361,829	62,288
Total General Obligation	<u>167,000</u>	<u>474,829</u>	<u>--</u>	<u>641,829</u>	<u>62,288</u>
Revenue Bonds:					
Water supply and sewage disposal	160,000	--	40,000	120,000	40,000
Drinking Water Revolving Fund	1,395,000	--	200,000	1,195,000	200,000
Special assessments	24,000	--	6,000	18,000	6,000
Total Revenue Bonds	<u>1,579,000</u>	<u>--</u>	<u>246,000</u>	<u>1,333,000</u>	<u>246,000</u>
Total Indebtedness	<u>\$1,746,000</u>	<u>\$ 474,829</u>	<u>\$ 246,000</u>	<u>\$ 1,974,829</u>	<u>\$ 308,288</u>

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

The City did not have any short-term debt obligations outstanding at the beginning or end of the period. As of June 30, 2018, the City does not have unused lines of credit or other obligations.

In addition to bonds and capital leases, the City has the following long term liabilities:

<u>Description</u>	<u>Balance at 07/01/2017</u>	<u>Balance at 06/30/2018</u>
Accrued sick pay	\$ 83,669	\$ 94,183
Other post employment benefits	See Note 16	See Note 10
Net pension liability	See Note 9	See Note 9

CITY OF MARINE CITY

**Notes to Financial Statements
For the Year Ended June 30, 2018**

NOTE 8: LONG-TERM DEBT (Continued)

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

Year Ending June 30	Governmental Activities		Business-Type Activities			
	Notes and Direct Borrowings		Direct Borrowings		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 62,288	\$ 4,735	\$ 240,000	\$ 31,556
2020	-	-	55,457	11,567	175,000	25,944
2021	27,391	-	57,598	9,425	175,000	20,175
2022	23,602	3,789	59,822	7,201	140,000	15,406
2023	23,956	3,435	62,132	4,891	140,000	12,431
2024 - 2028	125,281	11,674	64,532	2,492	445,000	19,019
2029 - 2033	79,770	2,403	-	-	-	-
	<u>\$ 280,000</u>	<u>\$ 21,301</u>	<u>\$ 361,829</u>	<u>\$ 40,311</u>	<u>\$ 1,315,000</u>	<u>\$ 124,531</u>

Year Ending June 30	Fiduciary Activities	
	Special Assessment Bonds	
	Principal	Interest
2019	\$ 6,000	\$ 750
2020	6,000	450
2021	6,000	150
	<u>\$ 18,000</u>	<u>\$ 1,350</u>

Total interest expense for the City for the year was \$38,219.

COMPONENT UNIT INDEBTEDNESS

As of June 30, 2018, T.I.F.A. #1 had a total of \$35,000 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, 2018, the T.I.F.A. #1 fund had the following amounts outstanding:

	Payable at 06/30/17	Increase	Decrease	Payable at 06/30/18	Payable Within One Year
Bonds Payable	\$ 65,000	\$ --	\$ 30,000	\$ 35,000	\$ 35,000
Total Indebtedness	<u>\$ 65,000</u>	<u>\$ --</u>	<u>\$ 30,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

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

Year	Component Unit Bonds		
	Principal	Interest	Total
2019	<u>\$ 35,000</u>	<u>\$ 910</u>	<u>\$ 35,910</u>

CITY OF MARINE CITY

Notes to Financial Statements

For the Year Ended June 30, 2018

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. Copies of the actuarial valuations are available on the Treasurer section of the City's website.

Plan administration: Management of the Marine City Retirement System vests with a pension board consisting of seven 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, 2018, was approximately \$286,000 with total payroll for the year totaling approximately \$1.1 million. Membership in the Retirement System as of June 30, 2018 (latest actuarial report available), is comprised of the following:

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

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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	8.5%
Hartford Balanced Income Fund	9.5%
Goldman Sachs Income Builder Fund	8.9%
T Rowe Price Technology Fund	9.5%
Vanguard Wellesley Income Fund	12.8%
Principal Global Diversified Income Fund	16.3%
Principal Small Mid Cap Div Income Fund	8.7%
Lord Abbett Short Duration Income Fund	5.8%

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

Rate of return: For the year ended, June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.3%. 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, 2018, the City's contribution rate was approximately 74% of annual covered payroll.

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

FUND BALANCE ALLOCATION

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

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

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

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

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

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

Fund Balance Reserved for Employee Contribution	\$ 221,631
Fund Balance Reserved for Employer Contribution	3,313,087
Fund Balance Reserved for Annuity	1,443,948
Balance at June 30, 2018	<u>\$ 4,978,666</u>

ANNUAL PENSION COST AND NET PENSION OBLIGATION

Net pension liability: The components of the net pension liability of the City at June 30, 2018, were as follows:

Total pension liability	\$ 7,188,213
Plan fiduciary net position	(4,978,666)
City's net pension liability	<u>\$ 2,209,547</u>

Plan fiduciary net position as a percentage of the total pension liability: 69.26%

Actuarial assumptions and methods: The total pension liability was determined based on the annual actuarial valuation as of June 30, 2018. The following actuarial assumptions were applied to compute the total pension liability:

Actuarial cost method	Entry Age Cost Method % of pay
Inflation	2.00%
Salary increases	2.00% (includes inflation)
Investment rate of return, including inflation, net of investment expense	7.25%
Cost of living assumption adjustments	None

Mortality rates were based on the RP-2014 Combined Mortality with generational improvements projected beginning in 2006 with Scale MP-2017.

Long-term expected rate of return on plan assets: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	99.0 %	7.00 %
Cash	1.0	0.00
Total	<u>100.0 %</u>	

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 or 1% higher than the current rate:

	1% Decrease Rate <u>6.25%</u>	Computed Rate <u>7.25%</u>	1% Increase Rate <u>8.25%</u>
City's net pension liability	\$ 2,972,233	\$ 2,209,547	\$ 1,561,569

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 6,949,032	\$ 5,042,689	\$ 1,906,343
Changes for the year:			
Service cost	38,798	--	38,798
Interest on the net pension liability	490,001	--	490,001
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(38,499)	--	(38,499)
Changes of assumptions or other inputs	207,276	--	207,276
Contributions - employer	--	209,928	(209,928)
Contributions - employee	--	14,284	(14,284)
Net investment income	--	171,760	(171,760)
Benefit payments, including refunds of employee contributions	(458,395)	(458,395)	--
Administrative expense	--	(1,600)	1,600
Other changes	--	--	--
Net Changes	239,181	(64,023)	303,204
Balances at June 30, 2018	\$ 7,188,213	\$ 4,978,666	\$ 2,209,547

Payable to the Pension Plan: At June 30, 2018, 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, 2018, the City recognized total pension expense of \$506,187. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF MARINE CITY
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9: EMPLOYEE RETIREMENT SYSTEM (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ --
Changes of assumptions or other inputs	--	--
Net difference between projected and actual earnings on pension plan investments	399,094	58,810
Contributions made after the measurement date	--	--
Total	<u>\$ 399,094</u>	<u>\$ 58,810</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
2019	\$ 199,735	\$ 19,604
2020	140,673	19,603
2021	29,343	19,603
2022	29,343	--
2023	--	--
Thereafter	--	--
Total	<u>\$ 399,094</u>	<u>\$ 58,810</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, 2018 (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	-
Active plan members	<u>5</u>
	<u>24</u>

The plan is closed to new entrants.

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.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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

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 \$265,096 and benefits paid totaled \$254,036.

OPEB FUND FINANCIAL STATEMENTS

The plan does not issue a stand-alone financial report for this fund. Copies of the actuarial valuations are available on the Treasurer section of the City's website.

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 OPEB 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.

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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	7.0%
Blackrock Health Sciences Opportunities	8.7%
Columbia Capital Alloc	10.2%
First Eagle Global Fund	16.5%
T. Rowe Price Global Technology Fund	7.7%
Principal Global Diversified Income Fund	23.0%
Principal Small Mid Cap Div Income Fund	12.8%
Vanguard Wellesley Income Fund	5.8%

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

NET OPEB LIABILITY OF THE CITY

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the City at June 30, 2018, were as follows:

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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

Total OPEB liability	\$ 4,271,964
Plan fiduciary net position	(186,097)
City's net OPEB liability	<u>\$ 4,085,867</u>

Plan fiduciary net position as a percentage of total OPEB liability	4.4%
---	------

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal Level % of Salary Method
Inflation	2.50% per year
Salary increases	2.00% per year
Investment rate of return	7.65% (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 4.5% thereafter for Medical/Rx and 5.0% for the year of valuation, graded down 0.5% increments over the next 5 years to 2.5% thereafter for Dental/Vision.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 for healthy retirees. For disabled retirees, mortality rates were based on the RPH-2017 Disabled Mortality Table fully generational using Scale MP-2017.

Long-term expected rate of return on plan assets: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>L/T Expected Rate of Return</u>
U.S. All Cap Equity	35.00%	7.22%
Non-U.S. Developed Large Cap Equity		
Unhedged	15.00	8.81
U.S. Aggregate Fixed Income	50.00	3.60
Total	<u>100.00%</u>	<u>5.65%</u>

Discount rate: The discount rate used to measure the total OPEB liability was 6.90%. The projection of cash flows used to determine the discount rate assumed City contributions will be made at rates equal to the pay-go costs with no additional pre-funding. 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 or 1% higher than the current discount rate:

	1% Decrease Rate	Discount Rate	1% Increase Rate
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
City's net OPEB liability	\$ 4,622,365	\$ 4,085,867	\$ 3,640,749

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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

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 or 1% higher than the current discount rate:

	1% Decrease Rate 8.00-3.50%	Healthcare Cost Trend Rate 9.00-4.50%	1% Increase Rate 10.00-5.50%
City's net OPEB liability	\$ 3,632,027	\$ 4,085,867	\$ 4,626,991

CHANGES IN THE NET OPEB LIABILITY

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017 (see Note 16)	\$ 5,355,404	\$ 172,979	\$ 5,182,425
Changes for the year:			
Service cost	18,400	--	18,400
Interest	319,964	--	319,964
Changes in benefit terms	--	--	--
Differences between expected and actual experience	(1,312,300)	--	(1,312,300)
Changes of assumptions or other inputs	151,350	--	151,350
Contributions - employer	--	265,096	(265,096)
Contributions - employee	--	--	--
Net investment income	--	10,121	(10,121)
Benefit payments, including refunds of employee contributions	(254,036)	(254,036)	--
Administrative expense	--	(8,063)	8,063
Other changes	(6,818)	--	(6,818)
Net Changes	(1,083,440)	13,118	(1,096,558)
Balances at June 30, 2018	\$ 4,271,964	\$ 186,097	\$ 4,085,867

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OTHER POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2018, the City recognized total OPEB expense of \$(254,503). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 656,150
Changes of assumptions or other inputs	75,675	--
Net difference between projected and actual earnings on pension plan investments	4,083	--
Contributions made after the measurement date	--	--
Total	\$ 79,758	\$ 656,150

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

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

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
2019	\$ 76,696	\$ 656,150
2020	1,021	--
2021	1,021	--
2022	1,020	--
2023	--	--
Thereafter	--	--
Total	<u>\$ 79,758</u>	<u>\$ 656,150</u>

Payable to the OPEB Plan: At June 30, 2018, the City had no amounts due to the OPEB plan.

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	\$ --	\$ 3,598	\$ --	\$ --
Parks and recreation - County	--	51,234	--	--
Beach	--	5,801	--	--
Fire insurance program	--	8,129	--	--
Streets and highways - County	--	68,797	--	--
Capital projects	--	--	44,854	--
General government	--	137	--	--
Drug Law Enforcement Fund				
Drug forfeitures	--	13,898	--	--
Local Street				
Highways and streets - Act 51	--	350,733	--	--
Major Street				
Highways and streets - Act 51	--	607,634	--	--
Woodlawn Cemetery				
Cemetery	--	52,263	--	--
Cemetery Perpetual Care				
Perpetual care	--	137,164	--	--
Total Governmental Funds	<u>\$ --</u>	<u>\$ 1,299,388</u>	<u>\$ 44,854</u>	<u>\$ --</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 approximately 15 employees. The City Commission approves the matching contribution rate each year. Employee deferrals amounted to \$54,637 and employer contributions amounted to \$51,355 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.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

NOTE 12: DEFERRED COMPENSATION PLAN (Continued)

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

NOTE 13: CONTINGENCIES AND RISKS

RISK FINANCING

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

NOTE 14: JOINT VENTURE/RELATED PARTY TRANSACTIONS

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

During the fiscal year, the City paid \$195,177 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, 2018, 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, 2018, the City's real and personal property taxes were reduced approximately \$6,600 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.

CITY OF MARINE CITY

Notes to Financial Statements For the Year Ended June 30, 2018

NOTE 15: TAX ABATEMENT PROGRAMS (Continued)

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.

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, 2018, there were no tax captures on the property. Construction is now completed on the property and it is anticipated captures will begin in the 2019 fiscal year.

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the City adopted Governmental Accounting Standards Board (GASB) *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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. See Note 10 for additional information regarding how the net OPEB liability, related expense, and deferred inflows and outflows are recognized. This statement also required the City to report the net OPEB liability on the entity-wide and proprietary fund financial statements and requires restatement of the prior year net position for the beginning net OPEB obligation. As a result of the change in accounting principle, the beginning net position of the City has been decreased for the following adjustments:

	Governmental Funds	Proprietary Fund	Total
Net OPEB liability at 6/30/2017 per actuary	\$ (4,405,061)	\$ (777,364)	\$ (5,182,425)
OPEB Obligation previously recognized for unpaid actuarially required contributions under prior accounting guidance	2,079,644	--	2,079,644
Decrease in net position for 6/30/2017	(2,325,417)	(777,364)	(3,102,781)
Net position at 6/30/2017	7,087,188	5,273,583	12,360,771
Restated Net position at 6/30/2017	<u>\$ 4,761,771</u>	<u>\$ 4,496,219</u>	<u>\$ 9,257,990</u>

The City also adopted *GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year. The new standard improves financial reporting by creating more consistency between governments on what is reported as long term debt. These disclosures have been included in Note 8. This standard does not change the City's net assets of the current or prior period financial statements.

NOTE 17: UPCOMING REPORTING CHANGE

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. Based on current leases, the City does not anticipate this standard will have a material change in financial reporting.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARINE CITY
Pension Trust Fund
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2018
(Per actuarial report dated June 30, 2018)

	2018	2017	2016
Total pension liability			
Service cost	\$ 38,798	\$ 36,772	\$ 40,993
Interest	490,001	495,822	508,700
Changes of benefit terms	--	--	--
Differences between expected and actual experience	(38,499)	(174,896)	(242,523)
Changes of assumptions	207,276	--	--
Benefit payments, including refunds of member contributions	(458,395)	(458,395)	(506,981)
Net change in total pension liability	239,181	(100,697)	(199,811)
<i>Total pension liability - beginning</i>	<i>6,949,032</i>	<i>7,049,729</i>	<i>7,249,540</i>
Total pension liability - ending (a)	\$ 7,188,213	\$ 6,949,032	\$ 7,049,729
Plan fiduciary net position			
Contributions - employer	\$ 209,928	\$ 211,847	\$ 158,748
Contributions - member	14,284	14,194	15,249
Net investment income	171,760	440,552	(180,052)
Benefit payments, including refunds of member contributions	(458,395)	(458,395)	(506,981)
Administrative expense	(1,600)	(12,597)	(1,645)
Other	--	--	--
Net change in plan fiduciary net position	(64,023)	195,601	(514,681)
<i>Plan fiduciary net position - beginning</i>	<i>5,042,689</i>	<i>4,847,088</i>	<i>5,361,769</i>
Plan fiduciary net position - ending (b)	\$ 4,978,666	\$ 5,042,689	\$ 4,847,088
City of Marine City's net pension liability - ending (a)-(b)	\$ 2,209,547	\$ 1,906,343	\$ 2,202,641
Plan fiduciary net position as a percentage of the total pension liability	69.26%	72.57%	68.76%
Covered employee payroll	\$ 285,980	\$ 304,657	\$ 335,085
City of Marine City's net pension liability as a percentage of covered employee payroll	772.62%	625.73%	657.34%

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, 2018, for the plan year ending June 30, 2018.

2015	2014
\$ 49,202	\$ 63,069
481,650	491,659
--	--
605,816	123,250
--	--
(1,011,947)	(606,249)
124,721	71,729
7,124,819	7,053,090
\$ 7,249,540	\$ 7,124,819

\$ 164,043	\$ 190,302
16,265	22,046
115,716	809,302
(1,011,947)	(606,249)
(14,899)	(7,806)
--	--
(730,822)	407,595
6,092,591	5,684,996
\$ 5,361,769	\$ 6,092,591
\$ 1,887,771	\$ 1,032,228

73.96%	85.51%
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\$ 379,897	\$ 479,446
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496.92%	215.30%
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CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Pension Contributions****June 30, 2018****(Per actuarial report dated June 30, 2018)**

	2018	2017	2016	2015
Actuarially determined contribution	\$ 209,066	\$ 189,645	\$ 158,748	\$ 164,043
Contributions in relation to the actuarially determined contribution	209,928	211,847	158,748	164,043
Contribution excess (deficiency)	\$ 862	\$ 22,202	\$ --	\$ --
Covered-employee payroll	\$ 285,980	\$ 304,657	\$ 335,085	\$ 318,492
Contributions as a percentage of covered-employee payroll	73.41%	69.54%	47.38%	51.51%

Notes to Schedule:Valuation date:

Current valuation methods

Actuarially determined contribution rates are calculated as of June 30, one year 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.

Prior to fiscal year June 30, 2018

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 Cost Method % of Pay

Amortization method:

Level dollar, Closed

Remaining amortization period:

14 years as of the June 30, 2018, regular actuarial valuation

Asset valuation method:

4 years smoothing of asset gains and losses

Inflation:

2.00%

Salary increases:

2.00%

Investment rate of return:

7.25% net of expenses

Retirement age:

Not provided by actuary

Mortality:

Based on the RP-2014 Combined Mortality with generational improvements projected beginning in 2006 with Scale MP-2017

2014	2013	2012	2011	2010	2009
\$ 190,302	\$ 168,317	\$ 157,716	\$ 149,956	\$ 136,676	\$ 171,139
190,302	171,849	110,871	97,480	95,469	138,971
\$ --	\$ 3,532	\$ (46,845)	\$ (52,476)	\$ (41,207)	\$ (32,168)
\$ 379,897	\$ 479,446	\$ 647,948	\$ 824,677	\$ 930,742	\$ 1,181,481
50.09%	35.84%	17.11%	11.82%	10.26%	11.76%

CITY OF MARINE CITY**Pension Trust Fund****Required Supplementary Information****Schedule of Investment Returns (Pension)****June 30, 2018**

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	4.30 %	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
Retiree Health Trust
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2018
(Per actuarial report dated June 30, 2018)

	2018	2017
Total OPEB liability		
Service cost	\$ 18,400	\$ 61,170
Interest	319,964	422,821
Changes of benefit terms	--	--
Differences between expected and actual experience	(1,312,300)	(716,603)
Changes of assumptions	151,350	(974,163)
Benefit payments	(254,036)	(260,734)
Other	(6,818)	--
Net change in total OPEB liability	(1,083,440)	(1,467,509)
<i>Total OPEB liability - beginning</i>	<i>5,355,404</i>	<i>15,876,701</i>
Adjustment to beginning OPEB liability - see below	--	(9,053,788)
Total OPEB liability - ending (a)	\$ 4,271,964	\$ 5,355,404
Plan fiduciary net position		
Contributions - employer	\$ 265,096	\$ 256,929
Contributions - member	--	--
Net investment income	10,121	16,311
Benefit payments, including refunds of member contributions	(254,036)	(260,734)
Administrative expense	(8,063)	(6,407)
Other	--	--
Net change in plan fiduciary net position	13,118	6,099
<i>Plan fiduciary net position - beginning</i>	<i>172,979</i>	<i>166,880</i>
Plan fiduciary net position - ending (b)	\$ 186,097	\$ 172,979
City of Marine City's net OPEB liability - ending (a)-(b)	\$ 4,085,867	\$ 5,182,425
Plan fiduciary net position as a percentage of the total OPEB liability	4.36%	3.23%
Covered employee payroll	\$ 259,705	\$ 335,629
City of Marine City's net OPEB liability as a percentage of covered employee payroll	1,573.3%	1,544.09%

Notes to Schedule:

Presentation: GASB Statement No. 74 & 75 *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, 2018. 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, 2018.

The actuary valuation as reported for June 30, 2017, was based on an actuarial valuation performed June 30, 2015, and rolled forward to June 30, 2017, according to actuarial standards. During fiscal year 2018, the City contracted with a new actuary firm who performed a valuation for the plan year June 30, 2017 and June 30, 2018, for GASB 74 & 75 reporting. As a result of the new valuation, the assumptions were updated to reflect current market trends which resulted in a decrease in the beginning OPEB liability of approximately \$9 million. This adjustment does not impact current or prior period financial statements of the City of Marine City.

CITY OF MARINE CITY**Retiree Health Trust****Required Supplementary Information****Schedule of OPEB Contributions****June 30, 2018****(Per actuarial report dated June 30, 2018)**

	2018	2017	2016	2015
Actuarially determined contribution	\$ 329,021	\$ 569,428	\$ 547,526	\$ 551,877
Contributions in relation to the actuarially determined contribution	265,096	256,929	233,279	206,250
Contribution excess (deficiency)	<u>\$ (63,925)</u>	<u>\$ (312,499)</u>	<u>\$ (314,247)</u>	<u>\$ (345,627)</u>
Covered-employee payroll	\$ 259,705	\$ 335,629	\$ 283,719	\$ 300,535
Contributions as a percentage of covered-employee payroll	102.08%	76.55%	82.22%	68.63%

Notes to Schedule:Valuation date:

Current valuation methods

Actuarially determined contribution rates are calculated as of June 30, one year 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.

Prior to fiscal year June 30, 2018

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 salary
Amortization period:	30 years
Asset valuation method:	Market
Inflation:	2.5% per year
Healthcare cost trend rates:	9.0% for the year of valuation, graded down 0.5% increments over the next 10 years to 4.5% then 4.5% thereafter
Salary increases:	2.00% per year
Investment rate of return:	7.65% net of expenses
Retirement age:	Not provided by actuary
Mortality:	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 for healthy retirees RPH-2017 Disabled Mortality Table fully generational using Scale MP-2017 for disabled retirees

2014	2013	2012	2011	2010	2009
\$ 531,930	\$ 512,704	\$ 389,665	\$ 375,581	\$ 362,006	\$ 314,178
215,788	204,619	165,967	221,447	178,639	130,075
<u>\$ (316,142)</u>	<u>\$ (308,085)</u>	<u>\$ (223,698)</u>	<u>\$ (154,134)</u>	<u>\$ (183,367)</u>	<u>\$ (184,103)</u>
\$ 500,641	\$ 649,558	\$ 644,253	\$ 794,463	\$ 829,413	\$ **
43.10%	31.50%	25.76%	27.87%	21.54%	N/A

CITY OF MARINE CITY
Retiree Health Trust
Required Supplementary Information
Schedule of Investment Returns (OPEB)
June 30, 2018

	2018	2017
Annual money-weighted rate of return, net of investment expense	5.70 %	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, 2018

	Special Revenue		Permanent	
	Woodlawn Cemetery	Drug Enforcement Law Fund	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 53,209	\$ 13,798	\$ 137,164	\$ 204,171
Restricted cash	--	100	--	100
Total Assets	53,209	13,898	137,164	204,271
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 53,209	\$ 13,898	\$ 137,164	\$ 204,271
LIABILITIES				
Accounts payable	\$ 434	\$ --	\$ --	\$ 434
Accrued wages and vacation pay	512	--	--	512
Total Liabilities	946	--	--	946
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	946	--	--	946
FUND BALANCE				
Restricted	52,263	13,898	137,164	203,325
Total Fund Balance	52,263	13,898	137,164	203,325
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 53,209	\$ 13,898	\$ 137,164	\$ 204,271

CITY OF MARINE CITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenue		Permanent	Total Nonmajor Governmental Funds
	Woodlawn Cemetery	Drug Enforcement Law Fund	Cemetery Perpetual Care	
Revenues				
Licenses, permits, fines, and fees	\$ --	\$ 375	\$ --	\$ 375
User fees and other charges	26,465	--	--	26,465
Interest revenue	38	--	98	136
Total Revenues	26,503	375	98	26,976
Expenditures				
<i>Current:</i>				
Cemetery operations	26,581	--	73	26,654
Total Expenditures	26,581	--	73	26,654
Excess of Revenues Over (Under) Expenditures	(78)	375	25	322
Net Change in Fund Balance	(78)	375	25	322
<i>Fund Balance at Beginning of Period</i>	<i>52,341</i>	<i>13,523</i>	<i>137,139</i>	<i>203,003</i>
Fund Balance at End of Period	\$ 52,263	\$ 13,898	\$ 137,164	\$ 203,325

CITY OF MARINE CITY
General Fund Combining Balance Sheet
All Funds Treated as General
June 30, 2018

	Capital Improvement	General Fund	Total General Funds
ASSETS			
Cash and cash equivalents	\$ 44,854	\$ 1,543,445	\$ 1,588,299
Restricted cash	--	204	204
Accounts and assessments receivable	--	24,842	24,842
Taxes receivable	--	19,735	19,735
Due from other units of government	--	103,169	103,169
Other assets	--	1,027	1,027
Due from other funds	--	2,269	2,269
Total Assets	44,854	1,694,691	1,739,545
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 44,854	\$ 1,694,691	\$ 1,739,545
LIABILITIES			
Accounts payable	\$ --	\$ 48,884	\$ 48,884
Due to agency funds	--	268	268
Accrued wages and vacation pay	--	26,811	26,811
Due to other units and taxpayers	--	10,000	10,000
Due to other funds	--	3,924	3,924
Total Liabilities	--	89,887	89,887
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	45,299	45,299
Total Liabilities and Deferred Inflows of Resources	--	135,186	135,186
FUND BALANCE			
Restricted	--	137,696	137,696
Committed	44,854	--	44,854
Unassigned	--	1,421,809	1,421,809
Total Fund Balance	44,854	1,559,505	1,604,359
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 44,854	\$ 1,694,691	\$ 1,739,545

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, 2018

	Capital Improvement	General Fund	Total General Funds
Revenues			
Tax collections	\$ --	\$ 1,528,226	\$ 1,528,226
Distributions from State of Michigan	--	453,183	453,183
Licenses, permits, fines, and fees	--	148,998	148,998
Recreation	--	42,738	42,738
Grant proceeds and reimbursements	--	11,224	11,224
Telecommunications	--	14,249	14,249
Zoning and site plan fees	--	3,650	3,650
Refuse	--	287,821	287,821
Intergovernmental	--	98,114	98,114
Other	--	47,051	47,051
User fees and other charges	--	27,296	27,296
Interest revenue	32	20,026	20,058
Total Revenues	32	2,682,576	2,682,608
Expenditures			
<i>Current:</i>			
Legislative	--	14,847	14,847
General government	24	375,601	375,625
Public safety	--	922,600	922,600
Public works	--	603,466	603,466
Community and economic development	--	137,727	137,727
Recreation and cultural	--	113,499	113,499
Other	--	88,245	88,245
Unallocated pension and OPEB expense	--	257,865	257,865
<i>Capital Outlay:</i>			
Public safety	--	48,387	48,387
Recreation and cultural	--	12,383	12,383
<i>Intergovernmental:</i>			
Water and sewer charges	--	14,000	14,000
Total Expenditures	24	2,588,620	2,588,644
Excess of Revenues Over (Under) Expenditures	8	93,956	93,964
Other Financing Sources (Uses)			
Proceeds from debt issuance	--	113,000	113,000
Transfers to other funds	--	(9,620)	(9,620)
Net Other Financing Sources (Uses)	--	103,380	103,380
Net Change in Fund Balance	8	197,336	197,344
<i>Fund Balance at Beginning of Period</i>	<i>44,846</i>	<i>1,362,169</i>	<i>1,407,015</i>
Fund Balance at End of Period	\$ 44,854	\$ 1,559,505	\$ 1,604,359

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, 2018**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 1,498,150	\$ 1,522,815	\$ 1,528,226	\$ 5,411
Distributions from State of Michigan	432,000	432,000	453,183	21,183
Licenses, permits, fines, and fees	270,800	270,800	148,998	(121,802)
Recreation	37,150	52,170	42,738	(9,432)
Grant proceeds and reimbursements	446,470	446,470	11,224	(435,246)
Telecommunications	14,485	14,485	14,249	(236)
Zoning and site plan fees	3,200	3,200	3,650	450
Refuse	298,375	298,375	287,821	(10,554)
Intergovernmental	23,000	23,000	98,114	75,114
Other	51,775	53,575	47,051	(6,524)
User fees and other charges	26,250	26,250	27,296	1,046
Interest	17,400	20,000	20,026	26
Total Revenues	3,119,055	3,163,140	2,682,576	(480,564)
Other Financing Sources				
Gain on sale of fixed assets	4,000	4,000	--	(4,000)
Proceeds from debt issuance	--	113,000	113,000	--
Total Revenues and Other Financing Sources	3,123,055	3,280,140	2,795,576	(484,564)
Expenditures				
Legislative	13,185	17,235	14,847	2,388
General government	423,325	423,585	379,601	43,984
Public safety	1,063,500	1,066,165	970,987	95,178
Public works	671,480	673,880	603,466	70,414
Community and economic development	437,900	570,025	137,727	432,298
Recreation and cultural	162,065	175,815	125,882	49,933
Other	420,865	420,865	356,110	64,755
Total Expenditures	3,192,320	3,347,570	2,588,620	758,950
Other Financing Uses				
Transfers to other funds	30,980	30,980	9,620	21,360
Total Expenditures and Other Financing Uses	3,223,300	3,378,550	2,598,240	780,310
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(100,245)	(98,410)	197,336	295,746
Net Change in Fund Balance	(100,245)	(98,410)	197,336	295,746
<i>Fund Balance at Beginning of Period</i>	<i>1,362,169</i>	<i>1,362,169</i>	<i>1,362,169</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,261,924	\$ 1,263,759	\$ 1,559,505	\$ 295,746

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, 2018**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 10	\$ 10	\$ 32	\$ 22
Total Revenues	10	10	32	22
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	10	10	32	22
Expenditures				
General government	45	45	24	21
Total Expenditures	45	45	24	21
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	45	45	24	21
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(35)	(35)	8	43
Net Change in Fund Balance	(35)	(35)	8	43
<i>Fund Balance at Beginning of Period</i>	44,846	44,846	44,846	--
Fund Balance at End of Period	\$ 44,811	\$ 44,811	\$ 44,854	\$ 43

CITY OF MARINE CITY

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

Woodlawn Cemetery

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
User fees and other charges	\$ 15,500	\$ 15,500	\$ 26,465	\$ 10,965
Interest	15	15	38	23
Total Revenues	<u>15,515</u>	<u>15,515</u>	<u>26,503</u>	<u>10,988</u>
Other Financing Sources				
Transfers from other funds	20,890	20,890	--	(20,890)
Total Revenues and Other Financing Sources	<u>36,405</u>	<u>36,405</u>	<u>26,503</u>	<u>(9,902)</u>
Expenditures				
Cemetery operations	36,405	36,405	26,581	9,824
Total Expenditures	<u>36,405</u>	<u>36,405</u>	<u>26,581</u>	<u>9,824</u>
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	<u>36,405</u>	<u>36,405</u>	<u>26,581</u>	<u>9,824</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>--</u>	<u>(78)</u>	<u>(78)</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(78)</u>	<u>(78)</u>
<i>Fund Balance at Beginning of Period</i>	<u>52,341</u>	<u>52,341</u>	<u>52,341</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 52,341</u>	<u>\$ 52,341</u>	<u>\$ 52,263</u>	<u>\$ (78)</u>

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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Interest	\$ 35	\$ 35	\$ 98	\$ 63
Total Revenues	35	35	98	63
Other Financing Sources				
Transfers from other funds	90	90	--	(90)
Total Revenues and Other Financing Sources	125	125	98	(27)
Expenditures				
Cemetery operations	125	125	73	52
Total Expenditures	125	125	73	52
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	125	125	73	52
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	--	25	25
Net Change in Fund Balance	--	--	25	25
<i>Fund Balance at Beginning of Period</i>	137,139	137,139	137,139	--
Fund Balance at End of Period	\$ 137,139	\$ 137,139	\$ 137,164	\$ 25

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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Licenses, permits, fines, and fees	\$ 1,000	\$ 1,000	\$ 375	\$ (625)
Total Revenues	1,000	1,000	375	(625)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	1,000	1,000	375	(625)
Expenditures				
Public safety	13,000	13,000	--	13,000
Total Expenditures	13,000	13,000	--	13,000
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	13,000	13,000	--	13,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(12,000)	(12,000)	375	12,375
Net Change in Fund Balance	(12,000)	(12,000)	375	12,375
<i>Fund Balance at Beginning of Period</i>	13,523	13,523	13,523	--
Fund Balance at End of Period	\$ 1,523	\$ 1,523	\$ 13,898	\$ 12,375

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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 55,500	\$ 55,500	\$ 53,976	\$ (1,524)
Interest	10	10	16	6
Total Revenues	55,510	55,510	53,992	(1,518)
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	55,510	55,510	53,992	(1,518)
Expenditures				
General government	19,355	19,355	13,245	6,110
Community and economic development	6,000	6,000	7,500	(1,500)
Debt service principal	30,000	30,000	30,000	--
Debt service interest	2,885	2,885	2,885	--
Total Expenditures	58,240	58,240	53,630	4,610
Other Financing Uses	--	--	--	--
Total Expenditures and Other Financing Uses	58,240	58,240	53,630	4,610
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(2,730)	(2,730)	362	3,092
Net Change in Fund Balance	(2,730)	(2,730)	362	3,092
<i>Fund Balance at Beginning of Period</i>	13,760	13,760	13,760	--
Fund Balance at End of Period	\$ 11,030	\$ 11,030	\$ 14,122	\$ 3,092

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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 28,100	\$ 28,100	\$ 28,706	\$ 606
Interest	70	70	173	103
Total Revenues	28,170	28,170	28,879	709
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	28,170	28,170	28,879	709
Expenditures				
General government	37,025	37,025	26,325	10,700
Community and economic development	3,500	3,500	1,500	2,000
Total Expenditures	40,525	40,525	27,825	12,700
Other Financing Uses				
Transfers to primary government	81,750	81,750	--	81,750
Total Expenditures and Other Financing Uses	122,275	122,275	27,825	94,450
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(94,105)	(94,105)	1,054	95,159
Net Change in Fund Balance	(94,105)	(94,105)	1,054	95,159
<i>Fund Balance at Beginning of Period</i>	<i>230,378</i>	<i>230,378</i>	<i>230,378</i>	<i>--</i>
Fund Balance at End of Period	\$ 136,273	\$ 136,273	\$ 231,432	\$ 95,159

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, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Tax collections	\$ 82,000	\$ 82,000	\$ 87,252	\$ 5,252
Interest	175	175	445	270
Total Revenues	82,175	82,175	87,697	5,522
Other Financing Sources	--	--	--	--
Total Revenues and Other Financing Sources	82,175	82,175	87,697	5,522
Expenditures				
General government	93,875	93,875	74,368	19,507
Total Expenditures	93,875	93,875	74,368	19,507
Other Financing Uses				
Transfers to primary government	81,750	81,750	--	81,750
Total Expenditures and Other Financing Uses	175,625	175,625	74,368	101,257
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(93,450)	(93,450)	13,329	106,779
Net Change in Fund Balance	(93,450)	(93,450)	13,329	106,779
<i>Fund Balance at Beginning of Period</i>	<i>578,285</i>	<i>578,285</i>	<i>578,285</i>	<i>--</i>
Fund Balance at End of Period	\$ 484,835	\$ 484,835	\$ 591,614	\$ 106,779

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2018

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%	2019	\$ 40,000	\$ 5,900	\$ 45,900
Principal due July 1			2020	40,000	4,800	44,800
Interest due July 1 and January 1			2021	40,000	1,900	41,900
Total Revenue Bonds				\$ 120,000	\$ 12,600	\$ 132,600

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%	2019	\$ 70,000	\$ 1,750	\$ 71,750
Principal due April 1						
Interest due October 1 and April 1						
Total Issue Outstanding				70,000	\$ 1,750	\$ 71,750

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%	2019	\$ 130,000	\$ 23,906	\$ 153,906
Principal due April 1			2020	135,000	21,144	156,144
Interest due October 1 and April 1			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				1,125,000	\$ 110,181	\$ 1,235,181

**Total Water and Sewer Fund
Bonded Indebtedness**

1,315,000

CITY OF MARINE CITY
Schedule of Indebtedness
June 30, 2018

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%	2019	\$ 6,000	\$ 750	\$ 6,750
Principal due September 1			2020	6,000	450	6,450
Interest due September 1 and March 1			2021	6,000	150	6,150
Total Special Assessment Bonded Indebtedness				18,000	\$ 1,350	\$ 19,350

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
3-22-16	\$ 167,000	1.50%	2021	\$ 27,391	\$ -	\$ 27,391
Additional Proceeds 10/2017	113,000		2022	23,602	3,789	27,391
			2023	23,956	3,435	27,391
Principal and Interest due March 22			2024	24,316	3,075	27,391
			2025	24,680	2,711	27,391
			2026	25,051	2,340	27,391
			2027	25,426	1,965	27,391
			2028	25,808	1,583	27,391
			2029	26,195	1,196	27,391
			2030	26,588	803	27,391
			2031	26,987	404	27,391
Total Debt Service Indebtedness				280,000	\$ 21,301	\$ 301,301

Water & Sewer Lease Purchase:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ended June 30	Principal	Interest	Total
3-15-18	\$ 361,829	3.862%	2019	\$ 62,288	\$ 4,735	\$ 67,023
			2020	55,457	11,567	67,024
Principal and interest due July 15			2021	57,598	9,425	67,023
			2022	59,822	7,201	67,023
			2023	62,132	4,891	67,023
			2024	64,532	2,492	67,024
Total Capital Lease Indebtedness				361,829	\$ 40,311	\$ 402,140

TOTAL INDEBTEDNESS **\$ 1,974,829**

General Government - Operating Leases:

Payable To	Collateral	Monthly Payment	Payments Remaining	Total Payments
Wells Fargo	Xerox Copier	\$ 174	month-to-month	\$ 2,088
Neopost	Postage Machine	282	month-to-month	3,384
Premier	Police Station Copier	62	month-to-month beginning October 2017	558
Total lease expense				\$ 6,030

CITY OF MARINE CITY
Component Units
Schedule of Indebtedness
June 30, 2018

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	5.20 %	2019	\$ 35,000	\$ 910	\$ 35,910
Principal and interest due October 1						
<i>Total Component Unit Indebtedness</i>				\$ 35,000	\$ 910	\$ 35,910