

CITY OF MCBAIN, MICHIGAN

APRIL 30, 2014



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF MCBAIN, MICHIGAN

APRIL 30, 2014

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July 24, 2014

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of McBain
Missaukee County
McBain, Michigan

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 City of McBain, Missaukee County, McBain, Michigan as of and for the year ended April 30, 2014, 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 City of McBain, Missaukee County, McBain, Michigan as of April 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through xii and page 26 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 McBain, Michigan's basic financial statements. The individual fund financial statements and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and nonmajor fund financial statements 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 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 July 24, 2014, on our consideration of City of McBain's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McBain's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

Management's Discussion and Analysis

As management of the City of McBain ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets of the City of McBain exceeded its liabilities at the close of the most recent fiscal year by \$3,232,756 (*net position*). Of this amount, \$675,401 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of McBain's governmental funds reported combined fund balances of \$425,792 a decrease of \$22,341 in comparison with the prior year. Approximately 66% of this amount (\$280,007) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$328,358.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City of McBain's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the City's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, planning, culture and recreation, economic development, and capital outlay. The business-type activities of the City include water and sewer utility services.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

The government-wide financial statements include not only the City of McBain itself (known as the *primary government*), but also a legally separate Downtown Development Authority and the Tax Increment Finance Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McBain, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, Local Street Fund, Fire Fund, and Capital Outlay Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The City of McBain adopts an annual appropriated budget for all major funds. A budgetary comparison has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Proprietary Funds The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activity.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer activity, both of which are considered to be major funds of the City of McBain.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of McBain maintains one fiduciary fund. The Agency Fund reports resources held by the City in a custodial capacity for other governments.

The fiduciary fund financial statements can be found on page 10 of this report.

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 13-25 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of McBain, assets exceeded liabilities by \$3,232,756, at the close of the most recent fiscal year.

City of McBain

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 459,226	\$ 462,106	\$ 351,783	\$ 344,527	\$ 811,009	\$ 806,633
Capital Assets	1,447,665	1,551,267	1,012,256	1,075,734	2,459,921	2,627,001
Total Assets	1,906,891	2,013,373	1,364,039	1,420,261	3,270,930	3,433,634
Current and Other Liabilities	32,679	12,596	5,495	11,713	38,174	24,309
Net Position:						
Net Investment						
in Capital Assets	1,447,665	1,551,267	1,012,256	1,075,734	2,459,921	2,627,001
Restricted	97,434	99,925	0	0	97,434	99,925
Unrestricted	329,113	349,585	346,288	332,814	675,401	682,399
Total Net Position	\$ 1,874,212	\$ 2,000,777	\$ 1,358,544	\$ 1,408,548	\$ 3,232,756	\$ 3,409,325

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

By far, the largest portion of the City's net position (76%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$675,401 is unrestricted may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

However, the City of McBain's overall net position decreased by \$176,569 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for the governmental activities and business-type activities.

City of McBain
Change in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 251,199	\$ 237,898	\$ 102,566	\$ 118,734	\$ 353,765	\$ 356,632
Operating Grants and Contributions	113,795	108,036	0	0	113,795	108,036
Capital Grants and Contributions	0	0	1,541	1,582	1,541	1,582
General Revenues						
Property Taxes and Assessments	123,439	123,105	0	0	123,439	123,105
State and Federal Grant	53,158	51,276	0	0	53,158	51,276
Investment Earnings	281	342	329	338	610	680
Other	1,952	15,308	4,526	25,003	6,478	40,311
Total Revenues	543,824	535,965	108,962	145,657	652,786	681,622

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

*City of McBain
Change in Net Position*

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Expenses</u>						
General Government	224,750	212,950	0	0	224,750	212,950
Public Safety	114,120	83,577	0	0	114,120	83,577
Public Works	185,758	162,117	0	0	185,758	162,117
Planning	9,860	9,500	0	0	9,860	9,500
Culture and Recreation	28,289	24,486	0	0	28,289	24,486
Economic Development/Assistance	275	575	0	0	275	575
Capital Outlay	17,398	28,838	0	0	17,398	28,838
Water and Sewer	0	0	158,966	155,139	158,966	155,139
Other Functions	89,939	90,295	0	0	89,939	90,295
Total Expenses	670,389	612,338	158,966	155,139	829,355	767,477
Increase (Decrease) in Net Position	(126,565)	(76,373)	(50,004)	(9,482)	(176,569)	(85,855)
Beginning Net Position	2,000,777	2,077,150	1,408,548	1,418,030	3,409,325	3,495,180
Ending Net Position	<u>\$ 1,874,212</u>	<u>\$ 2,000,777</u>	<u>\$ 1,358,544</u>	<u>\$ 1,408,548</u>	<u>\$ 3,232,756</u>	<u>\$ 3,409,325</u>

Governmental Activities. The most significant portion of the revenue for all governmental activities of the City of McBain comes from Charges for Services. This figure includes refuse collection fees, charges to other funds and component units for use of City-owned equipment, and charges to other funds and component units for labor.

The City's governmental activities expenses are dominated by the General Government and Public Works expenses. The City spent \$224,750 in FY2014 on General Government. Public Works represented the next largest expense at \$185,758. Expenses in the Major Street Fund and Local Street Fund represent a large part of the Public Works expenditures.

Business-Type Activities. The business-type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers. These activities accounted for a decrease of \$50,004 in the City's net position.

Financial Analysis of the Governmental Funds

As noted earlier, the City of McBain uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the City of McBain's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At April 30, 2014, the City of McBain's governmental funds reported combined fund balances of \$425,792, a decrease of \$22,341 in comparison with the prior year. Approximately 66% of this amount (\$280,007) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$97,434), 4) committed for particular purposes, or 5) assigned for particular purposes (\$48,351).

General Fund – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$16,448, bringing the balance to \$280,007.

Major Street Fund – The fund balance of the Major Street Fund ended the year at \$94,850. This was an increase of \$13,760 from the previous year.

Local Street Fund – The fund balance of the Local Street fund is \$2,584, a decrease of \$16,251 from the previous year.

Fire Fund – The Fire Fund ended the year with a \$5,035 fund balance. This is a decrease of \$24,235 over last year.

Capital Outlay Equipment Fund – The fund balance of the Capital Outlay Equipment fund is \$27,442, a decrease of \$10,744 from the previous year.

Proprietary Funds The City's proprietary funds provide virtually the same information as the government-wide statements; however, more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$341,797 in net position. The net position of the fund decreased by \$20,240 in 2014. This fund has no long-term debt and remains in sound fiscal condition moving forward.

Sewer Fund – The Sewer Fund ended this fiscal year with \$1,016,747 in net position. The net position of the fund decreased by \$29,764 in 2014.

General Fund Budgetary Highlights

During the year, there was a \$5,250 decrease in appropriations between the original budget and final amended budget. Following is the reason for the decrease:

- \$1,705 increase in General Government expenditures.
- \$200 decrease in Public Safety expenditures.
- \$10,200 decrease in Public Works expenditures.
- \$20 increase in Planning and Zoning expenditures.
- \$3,500 increase in Culture and Recreation expenditures.
- \$75 decrease in Other Functions expenditures.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 429,350	\$ 416,770	\$ 430,054
Total Expenditures	\$ 409,440	\$ 404,190	\$ 369,106

The significant difference between the final budget and actual revenues was due to receiving more than anticipated charges for services revenue for industrial park maintenance. The significant difference between final budget and actual expenses was due to no fire safety expenses incurred in the General Fund.

Capital Assets and Debt Administration

Capital Assets The City's investment in capital assets for the governmental and business-type activities as of April 30, 2014, amounted to \$2,459,921 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

*City of McBain
Capital Assets as of April 30, 2014*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land and Land Improvements	\$ 823,076	\$ 88,703	\$ 911,779
Infrastructure	959,408	0	959,408
Buildings	304,065	157,255	461,320
Improvements Other Than Buildings	0	2,760,713	2,760,713
Machinery and Equipment	1,320,271	228,541	1,548,812
Total Assets	3,406,820	3,235,212	6,642,032
Less Accumulated Depreciation	1,959,155	2,222,956	4,182,111
Capital Assets, Net of Depreciation	\$ 1,447,665	\$ 1,012,256	\$ 2,459,921

Major capital asset events during the 2013-2014 fiscal year included the following:

- Construction of Storage Building at a cost of \$8,740.
- Sand Bucket at a cost of \$7,532.

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section.

CITY OF MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED APRIL 30, 2014

Economic Outlook for the City of McBain

In the 2013-2014 fiscal year the following were significant developments:

1. The new McBain Family Pharmacy opened in the completely remodeled and expanded former physicians' medical building.
2. A new physicians' medical group, Mercy Health Physician Partners moved into a completely renovated medical suite in the McBain Professional Building.
3. The Tastee Treat building was sold and was refurbished and opened as the Twisted Cow ice cream and restaurant.
4. Work has started in building a railroad spur and siding into the McBain Renewable Energy Park. Viking Energy will use railroad cars to receive used rail ties to burn its 18 megawatt power plant, making the process more efficient and stable in the City of McBain, and retain its 21 employees.
5. Bids have been taken by the McBain Downtown Development Authority (DDA) on almost doubling the size of its south downtown parking lot to serve expanding business in the south downtown area, including the new Mercy Health Physician Partners and Reedy's new restaurant.
6. The City of McBain purchased and installed a new aeration system at its sewage pond with the financial help from its Tax Increment Finance Authority (TIFA).
7. Both Biewer Sawmill and Hydrolake have expanded and hired 40 new people between them, and are shipping material via their community rail siding.

For the next fiscal year the following projects are under way:

1. Complete the railroad siding and spurs into the McBain Renewable Energy Park.
2. Continue to work with the Dairy Farmers of America (DFA) on the possibility of a dairy processing facility in McBain.
3. The City of McBain is in the process of selecting a site for a new water well to serve the expanding community.
4. The new McBain Economic Development Committee is working with a number of substantial manufacturers and processors of woody biomass material to make energy related products.
5. A community based railroad storage and unloading facility is being planned for the renewable energy park.
6. The City is working on renewing both of its economic development district plans for the DDA and TIFA districts.

CITY OF MCBAIN, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED APRIL 30, 2014

Contacting the City's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of McBain, 508 West Maple Street, McBain, Michigan 49657, or call us at (231) 825-2322.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF NET POSITION

APRIL 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
Cash	\$ 414,938	\$ 346,606	\$ 761,544	\$ 698,633
Receivables				
Taxes	755	0	755	2,402
Accounts	14,027	1,576	15,603	0
Mortgages and Notes	0	0	0	52,381
External Parties (Fiduciary Funds)	1,595	0	1,595	0
Internal Balances	(3,601)	3,601	0	0
Due from Other Governments	31,512	0	31,512	2,587
Total Current Assets	459,226	351,783	811,009	756,003
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	823,076	88,703	911,779	180,951
Buildings	304,065	157,255	461,320	230,000
Improvements Other Than Buildings	0	2,760,713	2,760,713	0
Machinery and Equipment	1,320,271	228,541	1,548,812	79,622
Infrastructure	959,408	0	959,408	79,451
	3,406,820	3,235,212	6,642,032	570,024
Less Accumulated Depreciation	1,959,155	2,222,956	4,182,111	53,887
Net Capital Assets	1,447,665	1,012,256	2,459,921	516,137
Total Assets	1,906,891	1,364,039	3,270,930	1,272,140
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	25,421	5,495	30,916	8,000
Salaries Payable	3,074	0	3,074	0
Payroll Liabilities	4,184	0	4,184	0
Due to Other Governments	0	0	0	7,262
Total Liabilities	32,679	5,495	38,174	15,262
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,447,665	1,012,256	2,459,921	516,137
Restricted for Street Improvements	97,434	0	97,434	0
Unrestricted	329,113	346,288	675,401	740,741
TOTAL NET POSITION	\$ 1,874,212	\$ 1,358,544	\$ 3,232,756	\$ 1,256,878

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION			COMPONENT UNITS
	EXPENSES	OPERATING		CAPITAL	PRIMARY GOVERNMENT		TOTALS	
		CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
<u>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 224,750	\$ 152,259	\$ 0	\$ 0	\$ (72,491)	\$ 0	\$ (72,491)	\$ 0
Public Safety	114,120	0	43,000	0	(71,120)	0	(71,120)	0
Public Works	185,758	98,920	70,795	0	(16,043)	0	(16,043)	0
Planning	9,860	0	0	0	(9,860)	0	(9,860)	0
Culture and Recreation	28,289	0	0	0	(28,289)	0	(28,289)	0
Economic Development and Assistance	275	20	0	0	(255)	0	(255)	0
Capital Outlay	17,398	0	0	0	(17,398)	0	(17,398)	0
Other Functions	89,939	0	0	0	(89,939)	0	(89,939)	0
Total Governmental Activities	670,389	251,199	113,795	0	(305,395)	0	(305,395)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water System	72,380	50,409	1,541	0	0	(20,430)	(20,430)	0
Sewer System	86,586	52,157	0	0	0	(34,429)	(34,429)	0
Total Business-Type Activities	158,966	102,566	1,541	0	0	(54,859)	(54,859)	0
TOTAL PRIMARY GOVERNMENT	\$ 829,355	\$ 353,765	\$ 115,336	\$ 0	(305,395)	(54,859)	(360,254)	0
<u>COMPONENT UNITS</u>								
Downtown Development Authority	\$ 83,633	\$ 0	\$ 0	\$ 0	0	0	0	(83,633)
Tax Increment Finance Authority	247,854	8,750	12,747	0	0	0	0	(226,357)
TOTAL COMPONENT UNITS	\$ 331,487	\$ 8,750	\$ 12,747	\$ 0	0	0	0	(309,990)
<u>GENERAL REVENUES</u>								
Property Taxes and Assessments					123,439	0	123,439	262,288
State Grants					53,158	0	53,158	0
Investment Earnings					281	329	610	4,095
Other					1,952	4,526	6,478	2,405
Total General Revenues					178,830	4,855	183,685	268,788
Change in Net Position					(126,565)	(50,004)	(176,569)	(41,202)
<u>NET POSITION</u> - Beginning of Year					2,000,777	1,408,548	3,409,325	1,298,080
<u>NET POSITION</u> - End of Year					\$ 1,874,212	\$ 1,358,544	\$ 3,232,756	\$ 1,256,878

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

BALANCE SHEET
APRIL 30, 2014

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE FUND	CAPITAL OUTLAY EQUIPMENT FUND	NON-MAJOR FUNDS	TOTALS
<u>ASSETS</u>							
Cash	\$ 250,220	\$ 88,979	\$ 7,651	\$ 17,598	\$ 34,616	\$ 15,874	\$ 414,938
Receivables							
Taxes	755	0	0	0	0	0	755
Accounts	14,027	0	0	0	0	0	14,027
Due from Other Funds	10,056	150	0	0	0	0	10,206
Due from Other Governments	20,760	7,663	2,589	0	500	0	31,512
TOTAL ASSETS	\$ 295,818	\$ 96,792	\$ 10,240	\$ 17,598	\$ 35,116	\$ 15,874	\$ 471,438
<u>LIABILITIES</u>							
Accounts Payable	\$ 4,197	\$ 1,942	\$ 148	\$ 11,460	\$ 7,674	\$ 0	\$ 25,421
Salaries Payable	3,074	0	0	0	0	0	3,074
Payroll Liabilities	4,184	0	0	0	0	0	4,184
Due to Other Funds	3,601	0	7,508	1,103	0	0	12,212
Total Liabilities	15,056	1,942	7,656	12,563	7,674	0	44,891
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Revenue - Property Taxes	755	0	0	0	0	0	755
<u>FUND BALANCE</u>							
Restricted for:							
Street Improvements	0	94,850	2,584	0	0	0	97,434
Assigned for:							
City Hall Equipment	0	0	0	0	27,442	0	27,442
Land Development	0	0	0	0	0	11,206	11,206
Cemetery Operations	0	0	0	0	0	4,668	4,668
Fire Protection	0	0	0	5,035	0	0	5,035
Unassigned	280,007	0	0	0	0	0	280,007
Total Fund Balance	280,007	94,850	2,584	5,035	27,442	15,874	425,792
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 295,818	\$ 96,792	\$ 10,240	\$ 17,598	\$ 35,116	\$ 15,874	\$ 471,438

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
APRIL 30, 2014

Total Fund Balances for Governmental Funds \$ 425,792

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Capital Assets	\$ 3,406,820	
Accumulated Depreciation	<u>(1,959,155)</u>	1,447,665

Receivables not expected to be collected within sixty days are treated
as unavailable revenue in the governmental funds.

Personal Property Taxes Receivable	<u>755</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,874,212</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED APRIL 30, 2014

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE FUND	CAPITAL OUTLAY EQUIPMENT FUND	NON-MAJOR FUNDS	TOTALS
<u>REVENUES</u>							
Taxes	\$ 124,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 124,061
Licenses and Permits	20	0	0	0	0	0	20
State Grants	56,180	47,728	20,045	0	0	0	123,953
Contributions from Local Units	0	0	0	43,000	0	0	43,000
Charges for Services	244,629	0	0	0	0	1,550	246,179
Interest and Rents	5,114	73	17	26	35	16	5,281
Other Revenue	50	0	0	502	0	1,400	1,952
Total Revenues	430,054	47,801	20,062	43,528	35	2,966	544,446
<u>EXPENDITURES</u>							
General Government	208,489	0	0	0	0	23,010	231,499
Public Safety	0	0	0	75,112	0	0	75,112
Public Works	49,322	34,041	40,313	0	0	0	123,676
Planning and Zoning	9,860	0	0	0	0	0	9,860
Culture and Recreation	11,496	0	0	0	0	0	11,496
Economic Development and Assistance	0	0	0	0	0	275	275
Capital Outlay	0	0	0	14,151	10,779	0	24,930
Other Functions	89,939	0	0	0	0	0	89,939
Total Expenditures	369,106	34,041	40,313	89,263	10,779	23,285	566,787
Excess (Deficiency) of Revenues Over Expenditures	60,948	13,760	(20,251)	(45,735)	(10,744)	(20,319)	(22,341)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	0	4,000	21,500	0	19,000	44,500
Transfers Out	(44,500)	0	0	0	0	0	(44,500)
Total Other Financing Sources (Uses)	(44,500)	0	4,000	21,500	0	19,000	0
Net Change in Fund Balance	16,448	13,760	(16,251)	(24,235)	(10,744)	(1,319)	(22,341)
<u>FUND BALANCE - Beginning of Year</u>	<u>263,559</u>	<u>81,090</u>	<u>18,835</u>	<u>29,270</u>	<u>38,186</u>	<u>17,193</u>	<u>448,133</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 280,007</u>	<u>\$ 94,850</u>	<u>\$ 2,584</u>	<u>\$ 5,035</u>	<u>\$ 27,442</u>	<u>\$ 15,874</u>	<u>\$ 425,792</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$ (22,341)

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(119,874)
Capital Outlay	16,272

Under the modified accrual basis of accounting, revenue is recognized when measurable and available. The entity-wide statements recognize revenue when earned.

PPT Receivable at the Beginning of the Year	(1,377)
PPT Receivable at the End of the Year	<u>755</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (126,565)

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
APRIL 30, 2014

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 195,200	\$ 151,406	\$ 346,606
Receivables			
Accounts	663	913	1,576
Due from Other Funds	6,932	319	7,251
	<hr/>	<hr/>	<hr/>
Total Current Assets	202,795	152,638	355,433
 <u>CAPITAL ASSETS</u>			
Land	0	88,703	88,703
Buildings	22,616	134,639	157,255
Improvements Other Than Buildings	945,480	1,815,233	2,760,713
Machinery and Equipment	37,818	190,723	228,541
	<hr/>	<hr/>	<hr/>
	1,005,914	2,229,298	3,235,212
Less Accumulated Depreciation	865,067	1,357,889	2,222,956
	<hr/>	<hr/>	<hr/>
Net Capital Assets	140,847	871,409	1,012,256
	<hr/>	<hr/>	<hr/>
Total Assets	343,642	1,024,047	1,367,689
 <u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	1,845	3,650	5,495
Due to Other Funds	0	3,650	3,650
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,845	7,300	9,145
 <u>NET POSITION</u>			
Net Investment in Capital Assets	140,847	871,409	1,012,256
Unrestricted	200,950	145,338	346,288
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 341,797	\$ 1,016,747	\$ 1,358,544
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2014

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 50,409	\$ 52,157	\$ 102,566
<u>OPERATING EXPENSES</u>			
Contractual Services	4,648	10,102	14,750
Office Supplies	153	0	153
Heat, Light and Power	13,436	9,618	23,054
Labor and Equipment Rental	6,512	6,723	13,235
Depreciation and Amortization	19,376	44,102	63,478
Repairs and Maintenance	28,255	15,832	44,087
Miscellaneous	0	209	209
Total Operating Expenses	72,380	86,586	158,966
Operating Income (Loss)	(21,971)	(34,429)	(56,400)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Revenue	190	139	329
Wellhead Protection Grant	1,541	0	1,541
Miscellaneous	0	4,526	4,526
Total Nonoperating Revenues (Expenses)	1,731	4,665	6,396
Change in Net Position	(20,240)	(29,764)	(50,004)
<u>TOTAL NET POSITION</u> - Beginning of Year	362,037	1,046,511	1,408,548
<u>TOTAL NET POSITION</u> - End of Year	\$ 341,797	\$ 1,016,747	\$ 1,358,544

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2014

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>MAJOR FUNDS</u>		<u>TOTALS</u>
	<u>WATER FUND</u>	<u>SEWER FUND</u>	
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 50,479	\$ 53,036	\$ 103,515
Cash Payments to Suppliers for Goods and Services	(61,186)	(43,827)	(105,013)
Net Cash Provided (Used) by Operating Activities	(10,707)	9,209	(1,498)
Cash Flows from Noncapital Financing Activities			
Miscellaneous	1,541	0	1,541
Cash Flows from Capital and Related Financing Activities			
Miscellaneous Revenue	0	4,526	4,526
Cash Flows from Investing Activities			
Interest Received	190	139	329
Net Increase (Decrease) in Cash and Cash Equivalents	(8,976)	13,874	4,898
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	204,176	137,532	341,708
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 195,200	\$ 151,406	\$ 346,606
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ (21,971)	\$ (34,429)	\$ (56,400)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	19,376	44,102	63,478
(Increase) Decrease in Current Assets			
Accounts Receivable	70	879	949
Due From Other Funds	(3,282)	0	(3,282)
Increase (Decrease) in Current Liabilities			
Accounts Payable	(4,875)	(1,343)	(6,218)
Due to Other Funds	(25)	0	(25)
Total Adjustments	11,264	43,638	54,902
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (10,707)	\$ 9,209	\$ (1,498)

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
APRIL 30, 2014

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,595
<u>LIABILITIES</u>	
Due to Other Funds	<u>1,595</u>
<u>NET POSITION</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

STATEMENT OF NET POSITION
APRIL 30, 2014

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 161,827	\$ 536,806	\$ 698,633
Receivables			
Taxes	698	1,704	2,402
Loans	42,371	10,010	52,381
Due from Other Governments	2,587	0	2,587
	<hr/>	<hr/>	<hr/>
Total Current Assets	207,483	548,520	756,003
<u>NONCURRENT ASSETS</u>			
<u>CAPITAL ASSETS</u>			
Land	109,288	71,663	180,951
Buildings	0	230,000	230,000
Machinery and Equipment	7,305	72,317	79,622
Infrastructure	26,545	52,906	79,451
	<hr/>	<hr/>	<hr/>
	143,138	426,886	570,024
Less Accumulated Depreciation	6,465	47,422	53,887
	<hr/>	<hr/>	<hr/>
Net Capital Assets	136,673	379,464	516,137
	<hr/>	<hr/>	<hr/>
Total Assets	344,156	927,984	1,272,140
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	3,000	5,000	8,000
Due to Other Governments	0	7,262	7,262
	<hr/>	<hr/>	<hr/>
Total Liabilities	3,000	12,262	15,262
<u>NET POSITION</u>			
Net Position			
Net Investment in Capital Assets	136,673	379,464	516,137
Unrestricted	204,483	536,258	740,741
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 341,156	\$ 915,722	\$ 1,256,878
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
<u>Downtown Development Authority</u>				
Economic Development and Assistance	\$ 83,633	\$ 0	\$ 0	\$ (83,633)
<u>Tax Increment Finance Authority</u>				
Economic Development and Assistance	247,854	8,750	12,747	(226,357)
TOTAL COMPONENT UNITS	\$ 331,487	\$ 8,750	\$ 12,747	(309,990)
<u>GENERAL REVENUES</u>				
Property Taxes				262,288
Investment Earnings				4,095
Other				2,405
Total General Revenues				268,788
Change in Net Position				(41,202)
<u>NET POSITION</u> - Beginning of Year				1,298,080
<u>NET POSITION</u> - End of Year				\$ 1,256,878

The accompanying notes are an integral part of the financial statements.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of McBain, Michigan, was incorporated under the laws of the State of Michigan and operates under an elected Mayor-Council form of government. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the governmental-wide financial statements to emphasize that it is legally separate from the government.

BLENDED COMPONENT UNITS

City of McBain Fire Department – The Fire Department of McBain, Michigan, an entity legally separate from the City, is governed by a board appointed by the City council. For financial reporting purposes, the Fire Department is reported as if it were part of the City's operations because its purpose is to provide fire protection to the citizens of the City and the townships of Riverside and Richland.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The members of the governing board of the Downtown Development Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Tax Increment Finance Authority (TIFA) – The members of the governing board of the Tax Increment Finance Authority are appointed by the McBain City council. The Authority's operational and capital budgets and bonded debt must be approved by the City council.

Financial statements of the individual component units are included as supplemental information in the annual financial report of the City of McBain, Michigan. The component units do not issue separate financial reports.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As discussed earlier, the government has two discretely presented component units. While neither the Downtown Development Authority nor the Tax Increment Finance Authority is considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City of McBain reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Fire Fund* is a blended component unit used to account for the financial activity of the City of McBain fire department.

The *Capital Outlay Equipment Fund* is used to account for capital outlay purchases.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

The City of McBain reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the City's wastewater collection and treatment System.

Additionally the City of McBain reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 60 days

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

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, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

- Prior to April 30, the City Clerk submits to the City Council a proposed operating budget for all governmental funds for the fiscal year commencing the following May 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to April 30, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Council on a major function basis.
- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year-end.
- Encumbrance accounting is not used by the City.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

2. Excess of Expenditures over Appropriations

	APPROPRIATIONS		EXPENDITURES
General Fund			
Public Works	\$ 48,150	\$	49,322
Planning and Zoning	9,520		9,860
Capital Outlay Equipment Fund	3,500		10,779
Fire Fund			
Public Safety	68,820		75,112
Cemetery Fund	20,777		23,010

These overages were funded by greater than anticipated revenue and available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

The government's cash is considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, certificates of deposit, and money market funds. The City does not have any investments other than interest bearing bank accounts.

2. Inventories and Prepaid Items

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. 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 \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such 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 date of donation.

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

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2014

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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 government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues with one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund Balance Flow Assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

8. *Use of Estimates*

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

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2014

2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. County and State Education taxes are levied and due July 1, and become delinquent after August 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. City property tax revenues are recognized when they become both measurable and available for use to finance City operations. Amounts which are not expected to be collected within sixty days are treated as unavailable revenues.

3. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Violations of Legal or Contractual Provisions*

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended April 30, 2014.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. *Deposits and Investments*

Investments are separately held by several of the City's funds. The City's deposits and investments are all on deposit with Chemical Bank West. Other than interest bearing bank accounts, the City has no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of April 30, 2014, \$274,423 of the City's bank balances of \$637,317 was exposed to custodial credit risk because it was uninsured and uncollateralized. The majority of the uninsured amount was in the Business-Type Activities. As of April 30, 2014, \$240,159 of the component units' bank balances of \$835,805 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the City's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the City's deposits.

Foreign currency risk. The City is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

CITY OF MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2014

B. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the primary government and component units, including the applicable allowances for uncollectible accounts: Receivables as of year end for the government's individual major funds and component units are as follows:

	General	Major Street	Local Street	Capital Outlay	Water	Sewer	Total Government	Component Units
Receivables								
Taxes and								
Assessments	\$ 755	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 755	\$ 2,402
Accounts	14,027	0	0	0	663	913	15,603	0
Mortgages and								
Notes	0	0	0	0	0	0	0	52,381
Due from Other								
Governments	20,760	7,663	2,589	500	0	0	31,512	2,587
Total Receivables	<u>\$35,542</u>	<u>\$ 7,663</u>	<u>\$ 2,589</u>	<u>\$ 500</u>	<u>\$ 663</u>	<u>\$ 913</u>	<u>\$ 47,870</u>	<u>\$ 57,370</u>

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

Capital assets activity for the year ended April 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 320,656	\$ 0	\$ 0	\$ 320,656
Capital assets, being depreciated				
Buildings	295,325	8,740	0	304,065
Land Improvements	502,420	0	0	502,420
Machinery and Equipment	1,312,739	7,532	0	1,320,271
Infrastructure	959,408	0	0	959,408
Total capital assets, being depreciated	<u>3,069,892</u>	<u>16,272</u>	<u>0</u>	<u>3,086,164</u>

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings	127,102	7,474	0	134,576
Land Improvements	309,996	20,786	0	330,782
Machinery and Equipment	850,447	50,571	0	901,018
Infrastructure	551,736	41,043	0	592,779
	<hr/>			
Total accumulated depreciation	1,839,281	119,874	0	1,959,155
	<hr/>			
Total capital assets, being depreciated, net	1,230,611	(103,602)	0	1,127,009
	<hr/>			
Governmental activities capital assets, net	\$ 1,551,267	\$ (103,602)	\$ 0	\$ 1,447,665
	<hr/> <hr/>			
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 88,703	\$ 0	\$ 0	\$ 88,703
	<hr/>			
Capital assets, being depreciated				
Buildings	157,255	0	0	157,255
Improvements Other Than Buildings	2,760,713	0	0	2,760,713
Machinery and Equipment	228,541	0	0	228,541
	<hr/>			
Total capital assets, being depreciated	3,146,509	0	0	3,146,509
	<hr/>			
Less accumulated depreciation for:				
Buildings	83,364	3,319	0	86,683
Improvements Other Than Buildings	1,917,565	56,479	0	1,974,044
Machinery and Equipment	158,549	3,680	0	162,229
	<hr/>			
Total accumulated depreciation	2,159,478	63,478	0	2,222,956
	<hr/>			
Total capital assets, being depreciated, net	987,031	(63,478)	0	923,553
	<hr/>			
Business-type activities capital assets, net	\$ 1,075,734	\$ (63,478)	\$ 0	\$ 1,012,256
	<hr/> <hr/>			

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

<u>Component Units</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 180,951	\$ 0	\$ 0	\$ 180,951
Capital assets, being depreciated				
Buildings	230,000	0	0	230,000
Machinery and Equipment	79,622	0	0	79,622
Infrastructure	62,309	17,142	0	79,451
Total capital assets, being depreciated	371,931	17,142	0	389,073
Less accumulated depreciation for:				
Buildings	19,167	5,750	0	24,917
Machinery and Equipment	5,186	7,963	0	13,149
Infrastructure	12,987	2,834	0	15,821
Total accumulated depreciation	37,340	16,547	0	53,887
Total capital assets, being depreciated, net	334,591	595	0	335,186
Component Unit capital assets, net	\$ 515,542	\$ 595	\$ 0	\$ 516,137

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 1,991
Public Safety	39,008
Public Works	62,082
Culture and Recreation	16,793
Total Governmental Activities	\$ 119,874
Business-Type Activities:	
Water Fund	\$ 19,376
Sewer Fund	44,102
Total Business-Type Activities	\$ 63,478

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

D. Interfund Receivables and Payables

The composition of interfund balances as of April 30, 2014, is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 10,056	\$ 3,601
Major Street Fund	150	0
Local Street Fund	0	7,508
Fire Fund	0	1,103
Water Fund	6,932	0
Sewer Fund	319	3,650
Tax Collection Fund	0	1,595
 TOTAL	 <u>\$ 17,457</u>	 <u>\$ 17,457</u>

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at April 30, 2014, are expected to be repaid within one year.

E. Interfund Transfers

The composition of interfund transfers for the year ended April 30, 2014, is as follows:

<u>Primary Government</u>	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 44,500
Local Street Fund	4,000	0
Fire Fund	21,500	0
Cemetery Fund	19,000	0
	<u>\$ 44,500</u>	<u>\$ 44,500</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF MCBAIN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2014

IV. OTHER INFORMATION

A. Mortgages and Notes Receivable

Mortgages and Notes Receivable as reported in the component units consist of the following:

Mortgages and notes made to private businesses to encourage development within the boundaries of the Downtown Development Authority and Tax Increment Finance Authority.

B. Retirement Benefits

The City funds retirement benefits by making direct contributions to a Money Purchase Plan. These accounts are the property of the employees and, therefore, are not treated as part of the City's reporting entity. The total pension cost for the year was \$8,851 and covered payroll was \$97,572.

C. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the City.

D. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which City carries commercial insurance.

CITY OF MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED APRIL 30, 2014

	<u>GENERAL FUND</u>			<u>MAJOR STREET FUND</u>			<u>LOCAL STREET FUND</u>			<u>FIRE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 129,000	\$ 133,500	\$ 124,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	50	20	20	0	0	0	0	0	0	0	0	0
State Grants	45,000	55,000	56,180	38,000	42,500	47,728	12,000	14,300	20,045	0	0	0
Contributions from Local Units	0	0	0	0	0	0	0	0	0	64,500	64,500	43,000
Charges for Services	158,000	158,000	244,629	0	0	0	0	0	0	0	0	0
Interest and Rents	85,300	65,150	5,114	100	75	73	15	15	17	30	30	26
Other Revenue	12,000	5,100	50	0	0	0	0	0	0	0	0	502
Total Revenues	429,350	416,770	430,054	38,100	42,575	47,801	12,015	14,315	20,062	64,530	64,530	43,528
<u>EXPENDITURES</u>												
General Government	214,040	215,745	208,489	0	0	0	0	0	0	0	0	0
Public Safety	22,000	21,800	0	0	0	0	0	0	0	50,245	68,820	75,112
Public Works	58,350	48,150	49,322	45,150	36,380	34,041	23,000	46,860	40,313	0	0	0
Planning and Zoning	9,500	9,520	9,860	0	0	0	0	0	0	0	0	0
Culture and Recreation	8,050	11,550	11,496	0	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0	0	14,285	14,435	14,151
Other Functions	97,500	97,425	89,939	0	0	0	0	0	0	0	0	0
Total Expenditures	409,440	404,190	369,106	45,150	36,380	34,041	23,000	46,860	40,313	64,530	83,255	89,263
Excess (Deficiency) of Revenues Over Expenditures	19,910	12,580	60,948	(7,050)	6,195	13,760	(10,985)	(32,545)	(20,251)	0	(18,725)	(45,735)
<u>OTHER FINANCING SOURCES (USES)</u>												
Transfers In	15,200	13,000	0	5,000	0	0	9,000	9,000	4,000	0	0	21,500
Transfers Out	(35,000)	(23,000)	(44,500)	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(19,800)	(10,000)	(44,500)	5,000	0	0	9,000	9,000	4,000	0	0	21,500
Net Change in Fund Balance	110	2,580	16,448	(2,050)	6,195	13,760	(1,985)	(23,545)	(16,251)	0	(18,725)	(24,235)
<u>FUND BALANCE</u> - Beginning of Year	263,559	263,559	263,559	71,059	71,059	81,090	23,646	23,646	18,835	30,000	11,275	29,270
<u>FUND BALANCE</u> - End of Year	\$ 263,669	\$ 266,139	\$ 280,007	\$ 69,009	\$ 77,254	\$ 94,850	\$ 21,661	\$ 101	\$ 2,584	\$ 30,000	\$ (7,450)	\$ 5,035

CITY OF MCBAIN, MICHIGAN
GENERAL FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 250,220	\$ 237,218
Receivables		
Taxes	755	1,377
Accounts	14,027	8,916
Due from Other Funds		
Local Street Fund	7,358	7,358
Fire Fund	1,103	856
Current Tax Collection Fund	1,595	1,595
Water Fund	0	25
Due from Other Governments	20,760	20,286
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 295,818</u>	<u>\$ 277,631</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,197	\$ 4,966
Salaries Payable	3,074	3,618
Payroll Liabilities	4,184	3,755
Due to Other Funds		
Sewer Fund	319	319
Water Fund	3,282	0
Due to Other Governments	0	37
	<hr/>	<hr/>
Total Liabilities	15,056	12,695
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable Revenue - Property Taxes	755	1,377
<u>FUND BALANCE</u>		
Unassigned	280,007	263,559
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 295,818</u>	<u>\$ 277,631</u>

CITY OF MCBAIN, MICHIGAN
GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Taxes	\$ 124,061	\$ 123,503
Licenses and Permits	20	160
State Grants	56,180	54,239
Charges for Services	244,629	225,908
Interest and Rents	5,114	10,148
Other Revenue	50	3,735
Total Revenues	430,054	417,693
<u>EXPENDITURES</u>		
General Government		
Mayor and City Council	13,231	12,120
Assessor	7,966	8,359
Elections	1,840	2,450
Professional Fees	5,085	5,085
Clerk	22,998	21,900
Board of Review	956	731
Treasurer	14,630	14,819
City Hall and Grounds	141,783	131,166
Public Works	49,322	46,013
Planning and Zoning	9,860	9,500
Culture and Recreation	11,496	7,693
Other Functions	89,939	90,295
Total Expenditures	369,106	350,131
Excess (Deficiency) of Revenues Over Expenditures	60,948	67,562
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out	(44,500)	(53,500)
Net Change in Fund Balance	16,448	14,062
<u>FUND BALANCE</u> - Beginning of Year	263,559	249,497
<u>FUND BALANCE</u> - End of Year	\$ 280,007	\$ 263,559

CITY OF MCBAIN, MICHIGAN
GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES
YEAR ENDED APRIL 30.

	2014	2013
<u>TAXES</u>		
Property Tax	\$ 113,589	\$ 112,806
Property Tax Administration Fee	10,472	10,697
Total Taxes	124,061	123,503
<u>LICENSES AND PERMITS</u>		
Nonbusiness Licenses and Permits	20	160
<u>STATE GRANTS</u>		
Sales Tax	53,158	51,276
Public Act 48	3,022	2,963
Total State Grants	56,180	54,239
<u>CHARGES FOR SERVICES</u>		
Refuse Collection	35,176	32,219
Summer Tax Collection Fee	983	980
Industrial Park Maintenance	129,886	130,676
Equipment Rental	34,860	30,328
Labor Rental	28,884	17,725
Other Charges for Services	14,840	13,980
Total Charges for Services	244,629	225,908
<u>INTEREST AND RENTS</u>		
Interest	114	143
Rents	5,000	10,005
Total Interest and Rents	5,114	10,148
<u>OTHER REVENUE</u>		
Refunds and Miscellaneous	50	3,735
TOTAL REVENUES	\$ 430,054	\$ 417,693

CITY OF MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>GENERAL GOVERNMENT</u>		
Mayor and City Council		
Salaries	\$ 8,341	\$ 7,287
Professional Services	4,890	4,733
Dues	0	100
	<u>13,231</u>	<u>12,120</u>
Assessor		
Contract Services	6,900	7,149
Supplies	1,066	1,210
	<u>7,966</u>	<u>8,359</u>
Elections		
Wages	834	1,973
Supplies	1,006	477
	<u>1,840</u>	<u>2,450</u>
Professional Fees		
Independent Audit	5,085	5,085
	<u>5,085</u>	<u>5,085</u>
City Clerk's Office		
Salaries and Wages	17,700	17,649
Office Supplies	2,666	2,150
Printing and Publication	1,907	959
Miscellaneous	725	1,142
	<u>22,998</u>	<u>21,900</u>
Board of Review		
Salaries and Wages	956	731
	<u>956</u>	<u>731</u>
Treasurer's Office		
Salaries and Wages	12,918	11,740
Office Supplies	1,712	3,079
	<u>14,630</u>	<u>14,819</u>
City Hall and Grounds		
Salaries and Wages	81,703	81,154
Supplies	4,605	2,716
Repairs and Maintenance	38,593	30,559
Utilities	14,140	14,562
Telephone	2,742	2,175
	<u>141,783</u>	<u>131,166</u>
Total General Government	<u>208,489</u>	<u>196,630</u>

CITY OF MCBAIN, MICHIGAN
GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES
YEAR ENDED APRIL 30,

	2014	2013
<u>PUBLIC WORKS</u>		
Department of Public Works		
Refuse Disposal	27,602	28,969
Street Lighting	21,575	16,754
Recycling	145	290
	49,322	46,013
<u>PLANNING</u>		
Planning and Zoning Commission		
Contracted Services	9,860	9,500
	9,860	9,500
<u>CULTURE AND RECREATION</u>		
Christmas Decorations	0	1,015
Parks and Downtown	1,009	915
Trees and Flowers	4,865	4,288
Engineering	5,622	1,475
	11,496	7,693
<u>OTHER FUNCTIONS</u>		
Miscellaneous	234	1,813
Employee Benefits		
Social Security	9,390	8,531
Retirement	9,758	9,962
Health and Life Insurance	38,689	38,398
Unemployment	1,314	2,413
Uniforms	2,721	2,517
Insurance and Bonds	27,833	26,661
	89,939	90,295
 TOTAL EXPENDITURES	 \$ 369,106	 \$ 350,131

CITY OF MCBAIN, MICHIGAN
MAJOR STREET FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 88,979	\$ 73,526
Due from Other Funds	150	150
Due from Other Governments	7,663	7,414
	<hr/>	<hr/>
TOTAL ASSETS	\$ 96,792	\$ 81,090
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,942	\$ 0
<u>FUND BALANCE</u>		
Restricted for Street Improvements	94,850	81,090
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 96,792	\$ 81,090
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
MAJOR STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
State Grants		
Act 51	\$ 47,728	\$ 46,426
Interest and Rents		
Interest	73	74
	<hr/>	<hr/>
Total Revenues	47,801	46,500
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Sidewalks	0	2,000
Legal and Professional	960	885
Repair and Maintenance	19,024	18,027
Snow Removal and Ice Control	11,212	7,223
Traffic Services	2,675	1,385
Miscellaneous	170	1,000
	<hr/>	<hr/>
Total Expenditures	34,041	30,520
	<hr/>	<hr/>
Excess (Deficiency) of		
Revenues Over Expenditures	13,760	15,980
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
General Fund	0	8,000
	<hr/>	<hr/>
Net Change in Fund Balance	13,760	23,980
<u>FUND BALANCE</u> - Beginning of Year	<hr/> 81,090	<hr/> 57,110
<u>FUND BALANCE</u> - End of Year	<hr/> \$ 94,850	<hr/> \$ 81,090
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
LOCAL STREET FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 7,651	\$ 23,844
Due from Other Governments	2,589	2,499
	<hr/>	
TOTAL ASSETS	\$ 10,240	\$ 26,343
	<hr/> <hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 148	\$ 0
Due to Other Funds	7,508	7,508
	<hr/>	
Total Liabilities	7,656	7,508
	<hr/>	
<u>FUND BALANCE</u>		
Restricted for Street Improvements	2,584	18,835
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 10,240	\$ 26,343
	<hr/> <hr/>	

CITY OF MCBAIN, MICHIGAN
LOCAL STREET FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
State Grants		
Act 51	\$ 16,107	\$ 15,647
Other Revenue	3,938	0
Interest and Rents		
Interest	17	27
	<hr/>	<hr/>
Total Revenues	20,062	15,674
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Works		
Legal and Professional	960	885
Repair and Maintenance	34,610	15,264
Snow Removal and Ice Control	4,743	4,571
Traffic Services	0	150
	<hr/>	<hr/>
Total Expenditures	40,313	20,870
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(20,251)	(5,196)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
General Fund	4,000	12,000
	<hr/>	<hr/>
Net Change in Fund Balance	(16,251)	6,804
<u>FUND BALANCE</u> - Beginning of Year	18,835	12,031
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 2,584	\$ 18,835
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
FIRE FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 17,598	\$ 30,346
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 11,460	\$ 220
Due to Other Funds	1,103	856
Total Liabilities	12,563	1,076
<u>FUND BALANCE</u>		
Assigned for Fire Protection	5,035	29,270
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,598	\$ 30,346

CITY OF MCBAIN, MICHIGAN
FIRE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Contributions from Local Units		
Yearly Assessment	\$ 43,000	\$ 43,000
Interest and Rents		
Interest	26	31
Other Revenues		
Contributions and Donations	0	9,200
Refunds, Reimbursements and Miscellaneous	502	1,823
	43,528	54,054
<u>EXPENDITURES</u>		
Public Safety		
Fire Protection		
Salaries	1,400	1,400
Board Meeting	400	60
Fire Runs and Meetings	11,000	6,794
Legal and Professional	725	700
Communications	1,799	1,616
Gas and Oil	2,642	1,901
Foam	0	1,073
Insurance	13,988	14,112
Supplies	313	281
Repairs and Maintenance	37,559	20,232
Education and Training	1,809	912
Health and Safety	193	385
Miscellaneous	3,284	535
Capital Outlay		
Equipment	14,151	22,640
	89,263	72,641

CITY OF MCBAIN, MICHIGAN
FIRE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
Excess (Deficiency) of Revenues Over Expenditures	(45,735)	(18,587)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In General Fund	<u>21,500</u>	<u>21,500</u>
Net Change in Fund Balance	(24,235)	2,913
<u>FUND BALANCE</u> - Beginning of Year	<u>29,270</u>	<u>26,357</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 5,035</u>	<u>\$ 29,270</u>

CITY OF MCBAIN, MICHIGAN
CAPITAL OUTLAY EQUIPMENT FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 34,616	\$ 37,686
Due from Other Governments	500	500
TOTAL ASSETS	<u>\$ 35,116</u>	<u>\$ 38,186</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 7,674	\$ 0
<u>FUND BALANCE</u>		
Assigned for City Hall Equipment	27,442	38,186
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 35,116</u>	<u>\$ 38,186</u>

CITY OF MCBAIN, MICHIGAN
CAPITAL OUTLAY EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 35	\$ 47
Other Revenue		
Miscellaneous	0	0
	35	47
<u>EXPENDITURES</u>		
Capital Outlay	10,779	6,198
Excess (Deficiency) of Revenues Over Expenditures	(10,744)	(6,151)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
General Fund	0	0
	(10,744)	(6,151)
Net Change in Fund Balance	(10,744)	(6,151)
<u>FUND BALANCE</u> - Beginning of Year	38,186	44,337
<u>FUND BALANCE</u> - End of Year	\$ 27,442	\$ 38,186

CITY OF MCBAIN, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF NET POSITION
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 195,200	\$ 204,176
Receivables		
Accounts	663	733
Due from Other Funds	6,932	3,650
	<hr/>	<hr/>
Total Current Assets	202,795	208,559
 <u>NONCURRENT ASSETS</u>		
<u>CAPITAL ASSETS</u>		
Buildings	22,616	22,616
Machinery and Equipment	37,818	37,818
Water Wells and Distribution System	945,480	945,480
	<hr/>	<hr/>
Total Capital Assets	1,005,914	1,005,914
Less Accumulated Depreciation	(865,067)	(845,691)
	<hr/>	<hr/>
Net Capital Assets	140,847	160,223
	<hr/>	<hr/>
Total Assets	343,642	368,782
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	1,845	6,720
Due to Other Funds	0	25
	<hr/>	<hr/>
Total Liabilities	1,845	6,745
 <u>NET POSITION</u>		
Net Investment in Capital Assets	140,847	160,223
Unrestricted	200,950	201,814
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 341,797	\$ 362,037
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30,

	2014	2013
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 50,409	\$ 66,830
<u>OPERATING EXPENSES</u>		
Lab Fees	2,558	3,562
Office Supplies	153	0
Legal and Professional	985	4,207
Engineering	1,105	931
Printing and Publishing	0	824
Public Utilities	13,436	11,570
Repairs and Maintenance	28,255	25,189
Labor and Equipment Rental	6,512	5,972
Depreciation	19,376	19,988
Total Operating Expenses	72,380	72,243
Operating Income (Loss)	(21,971)	(5,413)
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Interest Revenue	190	206
Wellhead Protection Grant	1,541	1,582
Total Nonoperating Revenues and (Expenses)	1,731	1,788
Net Income (Loss)	(20,240)	(3,625)
<u>TOTAL NET POSITION</u> - Beginning of Year	362,037	365,662
<u>TOTAL NET POSITION</u> - End of Year	\$ 341,797	\$ 362,037

CITY OF MCBAIN
WATER FUND

COMPARATIVE STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 50,479	\$ 67,347
Cash Payments to Suppliers for Goods and Services	(61,186)	(46,280)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	(10,707)	21,067
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities		
Wellhead Protection Grant	1,541	1,582
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Received	190	206
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,976)	22,855
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	204,176	181,321
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 195,200	\$ 204,176
	<hr/> <hr/>	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (21,971)	\$ (5,413)
	<hr/>	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	19,376	19,988
(Increase) Decrease in Current Assets		
Accounts Receivable	70	517
Due from Other Funds	(3,282)	0
Increase (Decrease) in Current Liabilities		
Accounts Payable	(4,875)	5,975
Due to Other Funds	(25)	0
	<hr/>	<hr/>
Total Adjustments	11,264	26,480
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (10,707)	\$ 21,067
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF NET POSITION
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 151,406	\$ 137,532
Receivables		
Accounts	913	1,792
Due from Other Funds	319	319
	<hr/>	<hr/>
Total Current Assets	152,638	139,643
 <u>CAPITAL ASSETS</u>		
Land	88,703	88,703
Land Improvements	1,815,233	1,815,233
Buildings	134,639	134,639
Machinery and Equipment	190,723	190,723
	<hr/>	<hr/>
Total Capital Assets	2,229,298	2,229,298
Less Accumulated Depreciation	(1,357,889)	(1,313,787)
	<hr/>	<hr/>
Net Capital Assets	871,409	915,511
	<hr/>	<hr/>
Total Assets	1,024,047	1,055,154
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	3,650	4,993
Due to Other Funds	3,650	3,650
	<hr/>	<hr/>
Total Liabilities	7,300	8,643
 <u>NET POSITION</u>		
Net Investment in Capital Assets	871,409	915,511
Unrestricted	145,338	131,000
	<hr/>	<hr/>
TOTAL NET POSITION	\$ 1,016,747	\$ 1,046,511
	<hr/> <hr/>	<hr/> <hr/>

CITY OF MCBAIN, MICHIGAN
SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 52,157	\$ 51,904
<u>OPERATING EXPENSES</u>		
Legal and Professional	985	985
Lab Fees	3,550	6,638
Engineering	1,917	3,493
Public Utilities	9,618	10,836
Repairs and Maintenance	15,832	9,866
Labor and Equipment Rental	6,723	2,895
Permits	3,650	3,650
Miscellaneous	209	500
Depreciation	44,102	44,033
Total Operating Expenses	86,586	82,896
Operating Income (Loss)	(34,429)	(30,992)
<u>NONOPERATING REVENUES AND (EXPENSES)</u>		
Sale of Hay	4,526	4,526
Interest Revenue	139	132
Miscellaneous	0	20,477
Total Nonoperating Revenues and (Expenses)	4,665	25,135
Net Income (Loss)	(29,764)	(5,857)
<u>TOTAL NET POSITION</u> - Beginning of Year	1,046,511	1,052,368
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 1,016,747</u>	<u>\$ 1,046,511</u>

CITY OF MCBAIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 53,036	\$ 51,753
Cash Payments to Suppliers for Goods and Services	(43,827)	(33,870)
Net Cash Provided (Used) by Operating Activities	<u>9,209</u>	<u>17,883</u>
Cash Flows from Noncapital Financing Activities		
Miscellaneous	<u>0</u>	<u>20,477</u>
Cash Flows from Capital and Related Financing Activities		
Miscellaneous	0	(20,727)
Sale of Hay	4,526	4,526
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>4,526</u>	<u>(16,201)</u>
Cash Flows from Investing Activities		
Interest Received	<u>139</u>	<u>132</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,874	22,291
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>137,532</u>	<u>115,241</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 151,406</u>	<u>\$ 137,532</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (34,429)</u>	<u>\$ (30,992)</u>
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities		
Depreciation and Amortization	44,102	44,033
(Increase) Decrease in Current Assets		
Accounts Receivable	879	(151)
Increase (Decrease) in Current Liabilities		
Accounts Payable	<u>(1,343)</u>	<u>4,993</u>
Total Adjustments	<u>43,638</u>	<u>48,875</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 9,209</u>	<u>\$ 17,883</u>

CITY OF MCBAIN, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
APRIL 30, 2014

	<u>CEMETERY</u> <u>FUND</u>	<u>LAND</u> <u>DEVELOPMENT</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 4,668	\$ 11,206	\$ 15,874
Due from Other Governments	0	0	0
TOTAL ASSETS	<u>\$ 4,668</u>	<u>\$ 11,206</u>	<u>\$ 15,874</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Assigned for:			
Land Development	0	11,206	11,206
Cemetery Operations	4,668	0	4,668
Total Fund Balance	<u>4,668</u>	<u>11,206</u>	<u>15,874</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,668</u>	<u>\$ 11,206</u>	<u>\$ 15,874</u>

CITY OF MCBAIN, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED APRIL 30, 2014

	CEMETERY FUND	LAND DEVELOPMENT FUND	TOTALS
<u>REVENUES</u>			
Charges for Services	\$ 1,550	\$ 0	\$ 1,550
Interest and Rents	7	9	16
Other Revenue	1,400	0	1,400
Total Revenues	<u>2,957</u>	<u>9</u>	<u>2,966</u>
<u>EXPENDITURES</u>			
General Government	23,010	0	23,010
Economic Development and Assistance	0	275	275
Capital Outlay	0	0	0
Total Expenditures	<u>23,010</u>	<u>275</u>	<u>23,285</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,053)	(266)	(20,319)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	<u>19,000</u>	<u>0</u>	<u>19,000</u>
Net Change in Fund Balance	(1,053)	(266)	(1,319)
<u>FUND BALANCE</u> - Beginning of Year	<u>5,721</u>	<u>11,472</u>	<u>17,193</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 4,668</u>	<u>\$ 11,206</u>	<u>\$ 15,874</u>

CITY OF MCBAIN, MICHIGAN
CEMETERY FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 4,668	\$ 5,721
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Assigned for Cemetery Operations	4,668	5,721
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,668</u>	<u>\$ 5,721</u>

CITY OF MCBAIN, MICHIGAN
CEMETERY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Charges for Services		
Grave Openings	\$ 1,550	\$ 1,825
Interest and Rents		
Interest	7	7
Other Revenues		
Sale of Cemetery Lots	1,400	550
	2,957	2,382
 <u>EXPENDITURES</u>		
General Government		
Utilities	282	255
Legal and Professional	500	475
Repairs and Maintenance	12,861	13,030
Capital Outlay	8,840	0
Miscellaneous	527	660
	23,010	14,420
Excess (Deficiency) of		
Revenues Over Expenditures	(20,053)	(12,038)
 <u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
General Fund	19,000	12,000
	(1,053)	(38)
<u>FUND BALANCE</u> - Beginning of Year	5,721	5,759
<u>FUND BALANCE</u> - End of Year	\$ 4,668	\$ 5,721

CITY OF MCBAIN, MICHIGAN
LAND DEVELOPMENT FUND

COMPARATIVE BALANCE SHEET
APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 11,206	\$ 11,472
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Assigned for Land Development	11,206	11,472
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 11,206	\$ 11,472
	<hr/>	<hr/>

CITY OF MCBAIN, MICHIGAN
LAND DEVELOPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 9	\$ 13
 <u>EXPENDITURES</u>		
Economic Development		
Legal and Professional	<u>275</u>	<u>575</u>
Excess (Deficiency) of Revenues Over Expenditures	(266)	(562)
 <u>FUND BALANCE</u> - Beginning of Year	 <u>11,472</u>	 <u>12,034</u>
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 11,206</u>	 <u>\$ 11,472</u>

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

COMBINING BALANCE SHEET
APRIL 30, 2014

WITH COMPARATIVE TOTALS FOR APRIL 30, 2013

	DOWNTOWN DEVELOPMENT AUTHORITY	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2014	2013
<u>ASSETS</u>				
Cash	\$ 161,827	\$ 536,806	\$ 698,633	\$ 727,070
Receivables				
Property Taxes	698	1,704	2,402	3,699
Mortgage and Notes	42,371	10,010	52,381	65,967
Due from Other Governments	2,587	0	2,587	6,603
TOTAL ASSETS	\$ 207,483	\$ 548,520	\$ 756,003	\$ 803,339
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,000	\$ 5,000	\$ 8,000	\$ 13,539
Due to Other Governments	0	7,262	7,262	7,262
Total Liabilities	3,000	12,262	15,262	20,801
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Loans	42,371	10,010	52,381	65,967
Unavailable Revenue - Property Taxes	698	1,704	2,402	3,699
Total Deferred Inflows of Resources	43,069	11,714	54,783	69,666
<u>FUND BALANCE</u>				
Assigned	161,414	524,544	685,958	712,872
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 207,483	\$ 548,520	\$ 756,003	\$ 803,339

CITY OF MCBAIN, MICHIGAN
COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED APRIL 30, 2014
WITH COMPARATIVE TOTALS FOR YEAR ENDED APRIL 30, 2013

	DOWNTOWN DEVELOPMENT AUTHORITY CONSTRUCTION FUND	TAX INCREMENT FINANCE AUTHORITY	TOTALS	
			2014	2013
<u>REVENUES</u>				
Taxes	\$ 51,905	\$ 211,680	\$ 263,585	\$ 277,818
Federal Grants	0	12,747	12,747	0
Interest and Rents	2,500	10,345	12,845	10,782
Other Revenue	6,691	9,240	15,931	18,390
Total Revenues	61,096	244,012	305,108	306,990
<u>EXPENDITURES</u>				
Economic Development	90,697	241,325	332,022	313,200
Capital Outlay	0	0	0	72,317
Aid to Local Governments	0	0	0	44,000
Total Expenditures	90,697	241,325	332,022	429,517
Excess (Deficiency) of Revenues Over Expenditures	(29,601)	2,687	(26,914)	(122,527)
<u>FUND BALANCE</u> - Beginning of Year	191,015	521,857	712,872	835,399
<u>FUND BALANCE</u> - End of Year	\$ 161,414	\$ 524,544	\$ 685,958	\$ 712,872

CITY OF MCBAIN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY

COMPARATIVE BALANCE SHEET
APRIL 30,

	2014	2013
<u>ASSETS</u>		
Cash	\$ 161,827	\$ 191,428
Receivables		
Property Taxes	698	1,433
Loans Receivable	42,371	46,717
Due from Other Governments	2,587	2,587
	\$ 207,483	\$ 242,165
 <u>LIABILITIES</u>		
Accounts Payable	\$ 3,000	\$ 3,000
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable Revenue - Loans	42,371	46,717
Unavailable Revenue - Property Taxes	698	1,433
	43,069	48,150
 <u>FUND BALANCE</u>		
Assigned for DDA	161,414	191,015
	\$ 207,483	\$ 242,165
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		

CITY OF MCBAIN, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Taxes		
Property Taxes	\$ 51,905	\$ 50,531
Interest and Rents		
Interest Income	2,500	2,692
Other Revenue		
Loan Principal Collections	4,286	9,150
Miscellaneous	2,405	0
	61,096	62,373
 <u>EXPENDITURES</u>		
Economic Development		
Secretary/Treasurer	3,000	3,500
Insurance	2,557	1,667
Legal and Professional	2,354	2,045
Maintenance	60,838	7,578
Contracted Administrative Services	6,840	6,840
Public Improvements	11,774	7,305
Property Taxes	0	1,193
Business Development	1,334	596
Miscellaneous	2,000	2,000
Aid to Local Governments	0	0
	90,697	32,724
Excess (Deficiency) of Revenues Over Expenditures	(29,601)	29,649
<u>FUND BALANCE</u> - Beginning of Year	191,015	161,366
<u>FUND BALANCE</u> - End of Year	\$ 161,414	\$ 191,015

CITY OF MCBAIN, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY

COMPARATIVE BALANCE SHEET
APRIL 30,

	2014	2013
<u>ASSETS</u>		
Cash	\$ 536,806	\$ 535,642
Receivables		
Property Taxes	1,704	2,266
Loans Receivable	10,010	19,250
Due from Other Governments	0	4,016
	\$ 548,520	\$ 561,174
 <u>LIABILITIES</u>		
Accounts Payable	\$ 5,000	\$ 10,539
Due to Other Governments	7,262	7,262
	12,262	17,801
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable Revenue - Loans	10,010	19,250
Unavailable Revenue - Property Taxes	1,704	2,266
	11,714	21,516
 <u>FUND BALANCE</u>		
Assigned for TIFA	524,544	521,857
	\$ 548,520	\$ 561,174
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		

CITY OF MCBAIN, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED APRIL 30,

	2014	2013
<u>REVENUES</u>		
Taxes		
Property Taxes	\$ 211,680	\$ 227,287
Federal Grants		
Food Hub Grant	12,747	0
Interest and Rents		
Rent	8,750	6,000
Interest	1,595	2,090
Other Revenue		
Revolving Loan Payments	9,240	9,240
Total Revenues	244,012	244,617
<u>EXPENDITURES</u>		
Economic Development		
Salaries and Wages	5,000	5,000
Contracted Administrative Services	61,560	61,610
Legal and Professional	3,956	4,140
Insurance	3,624	4,914
Taxes	5,080	5,152
Business Development	1,295	1,786
Security Cameras	9,240	9,240
Industrial Park Maintenance	106,563	121,516
Maintenance	13,676	44,610
Public Improvements	18,526	22,449
Grant Expenses	12,747	0
Miscellaneous	58	59
Capital Outlay	0	72,317
Aid to Local Governments	0	44,000
Total Expenditures	241,325	396,793
Excess (Deficiency) of Revenues Over Expenditures	2,687	(152,176)
<u>FUND BALANCE</u> - Beginning of Year	521,857	674,033
<u>FUND BALANCE</u> - End of Year	\$ 524,544	\$ 521,857



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July 24, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the City Council
City of McBain
McBain, Michigan

We have audited the 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 City of McBain for the year ended April 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of McBain are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-14. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of McBain's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of City of McBain for the year ended April 30, 2014, we noted the following items which we feel deserve comment:

Due To and Due From Balances Between Funds

Some of the funds have balances owed to other funds at the end of the fiscal year. These interfund balances should be paid annually.

Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Financial Statements of Individual Funds, which accompanying the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of City of McBain and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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July 24, 2014

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of McBain
McBain, Michigan

We have audited, in accordance with the 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, the 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 City of McBain, Missaukee County, McBain, Michigan as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise City of McBain, Missaukee County, McBain, Michigan's basic financial statements and have issued our report thereon dated July 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of McBain's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of McBain's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McBain's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses.

1) *Lack of Segregation of Duties*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

2) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McBain's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of McBain in a separate letter dated July 24, 2014.

City of McBain's Response to Findings

City of McBain's response to the findings identified in our audit is described above. The City of McBain's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.