

**CITY OF MUNISING, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council of the  
City of Munising, Michigan  
301 E. Superior Street  
Munising, Michigan 49862

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Munising, Michigan (the City), as of and for the year ended June 30, 2015, 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 did not audit the financial statements of Munising Housing Commission, which represent 42 percent, 69 percent, and 77 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Munising Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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.

### ***Change in Accounting Principle***

As described in Note Q to the financial statements, in 2015, the City adopted the following new accounting guidance: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB No. 68)*. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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, and other auditors 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's basic financial statements. The Other Supplementary Information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplemental Information as listed in the table of contents 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

City Council of the  
City of Munising, Michigan

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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors the Other Supplementary Information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 22, 2015

## City of Munising, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Munising, Michigan (the City) financial performance provides an overview of the City's financial activities for the year ended June 30, 2015. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

#### **FINANCIAL HIGHLIGHTS**

- Net position for the City as a whole increased by \$152,183 as a result of this year's operations. Net position of our business-type activities increased by \$233,309 or 3 percent, and net position of our governmental activities decreased by \$81,126 or 3 percent.
- During the year, the City had expenses for governmental activities that were \$2,471,660 and generated \$2,474,553 in general revenues and other program sources (excluding transfers).
- The City's business-type activities had expenses of \$2,291,806 and generated \$2,160,426 in revenues (excluding extraordinary items and transfers).
- The General Fund reported a net increase in fund balance of \$49,709.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (as presented in the table of contents) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins in the section titled as "The City as a Whole". One of the most important questions asked about the City's finances is; "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net position* and changes in it. You can think of the City's net position – the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources – as one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net position is an indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and marina activities are reported here.
- *Component units* – The City includes three separate legal entities in its report – the Downtown Development Authority, the Landfill Authority, and the Munising Housing Commission. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins in the section titled "The City's Funds". The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Pool Fund and Municipal Building Authority Fund.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position as listed in the table of contents. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

Table 1 provides a summary of the City's net position as of June 30, 2015 and 2014.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$1,566,989	\$1,382,851	\$2,610,653	\$2,043,488	\$4,177,642	\$3,426,339
Capital assets, net	6,371,905	7,775,680	21,573,616	18,996,952	27,945,521	26,772,632
<b>Total Assets</b>	<b>7,938,894</b>	<b>9,158,531</b>	<b>24,184,269</b>	<b>21,040,440</b>	<b>32,123,163</b>	<b>30,198,971</b>
Deferred outflows of resources	127,803	-	65,487	-	193,290	-
Current liabilities	520,929	94,665	15,945	55,302	536,874	149,967
Non-current liabilities	4,921,694	5,009,604	15,877,872	12,155,985	20,799,566	17,165,589
<b>Total Liabilities</b>	<b>5,442,623</b>	<b>5,104,269</b>	<b>15,893,817</b>	<b>12,211,287</b>	<b>21,336,440</b>	<b>17,315,556</b>
Deferred inflows of resources	-	-	-	-	-	-
<b>Net Position:</b>						
Net investment in capital assets	3,240,435	2,912,057	6,543,566	6,885,952	9,784,001	9,798,009
Restricted	546,487	1,067,692	1,146,862	860,393	1,693,349	1,928,085
Unrestricted	(1,162,848)	74,513	665,511	1,082,808	(497,337)	1,157,321
<b>Total Net Position</b>	<b>\$2,624,074</b>	<b>\$4,054,262</b>	<b>\$8,355,939</b>	<b>\$8,829,153</b>	<b>\$10,980,013</b>	<b>\$12,883,415</b>

Net position of the City's governmental activities stood at \$2,624,074. *Unrestricted* net position—the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$(1,162,848).

The \$(1,162,848) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The net position of our business-type activities stood at \$8,355,939. The City can generally only use these net position to finance continuing operations of the water and sewer and other enterprise operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal years 2015 and 2014.

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$504,192	\$454,727	\$2,156,007	\$2,173,986	\$2,660,199	\$2,628,713
Operating grants and contributions	664,494	532,169	-	-	664,494	532,169
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	1,021,751	1,021,760	-	-	1,021,751	1,021,760
Unrestricted	264,158	260,534	-	-	264,158	260,534
Investment earnings	2,060	1,835	4,419	3,572	6,479	5,407
Gain on sale of capital assets	-	-	-	-	-	-
Miscellaneous	17,898	21,707	-	-	17,898	21,707
Total Revenues	<u>2,474,553</u>	<u>2,292,732</u>	<u>2,160,426</u>	<u>2,177,558</u>	<u>4,634,979</u>	<u>4,470,290</u>
Program Expenses:						
Legislative	19,121	12,675	-	-	19,121	12,675
General government	614,955	596,248	-	-	614,955	596,248
Public safety	491,513	485,792	-	-	491,513	485,792
Public works	870,356	1,008,794	-	-	870,356	1,008,794
Parks and recreation	314,560	325,874	-	-	314,560	325,874
Debt service	161,155	164,114	-	-	161,155	164,114
Sewer	-	-	1,366,320	1,361,822	1,366,320	1,361,822
Water	-	-	800,749	845,077	800,749	845,077
Marina	-	-	124,737	99,770	124,737	99,770
Total Expenses	<u>2,471,660</u>	<u>2,593,497</u>	<u>2,291,806</u>	<u>2,306,669</u>	<u>4,763,466</u>	<u>4,900,166</u>
Excess (deficiency) before extraordinary items and transfers	2,893	(300,765)	(131,380)	(129,111)	(128,487)	(429,876)
Extraordinary items	-	-	157,635	-	157,635	-
Transfers	(84,019)	233,310	207,054	(113,310)	123,035	120,000
Increase (decrease) in net position	(81,126)	(67,455)	233,309	(242,421)	152,183	(309,876)
Net position, beginning, as restated	<u>2,705,200</u>	<u>4,121,717</u>	<u>8,122,630</u>	<u>9,071,574</u>	<u>10,827,830</u>	<u>13,193,291</u>
Net Position, Ending	<u>\$2,624,074</u>	<u>\$4,054,262</u>	<u>\$8,355,939</u>	<u>\$8,829,153</u>	<u>\$10,980,013</u>	<u>\$12,883,415</u>

The City's total revenues, extraordinary items, and transfers were \$4,915,649. The total cost of all programs and services was \$4,763,466, leaving an increase in net position of \$152,183. Our analysis below separately considers the operations of governmental and business-type activities:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Governmental Activities

The increase in net position is partially attributable to an increase in the total primary government revenues. A large portion of the increase in revenues was in parks and recreation due to increased usage of Tourist Park. Tourism in general was up this last fiscal year in the Munising area. In addition the City incurred some damage at its Anna River Dock, which resulted in an insurance claim and insurance reimbursement total \$157,635 in the financial statements. Expenditures decreased slightly from the previous year. The combination of all these factors caused the net position from governmental activities to increase by \$152,183.

Table 3 presents the cost of each of the four largest programs – General Government, Public Safety, Public Works, and Parks and Recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
General government	\$614,955	\$550,133
Public safety	491,513	483,156
Public works	870,356	218,583
Parks and recreation	314,560	(129,174)

### Business-Type Activities

Net Position decreased due to expenses in both the Water and Sewer Funds exceeding the charges for services in each of those funds. Expenditures are elevated due to the payments on the Rural Development Loans for the Water and Sewer Funds.

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet listed in the table of contents) reported a *combined* fund balance of \$943,333, a decrease of \$198,441 from the beginning of the year.

### General Fund Budgetary Highlights

During the budget formulation period preceding a budget year, the City Commission and Administration utilized a series of assumptions and historic trends to formulate a realistic budget. During the course of the Fiscal Year, the City revised the budget as actual revenues and expenditures were incurred. The Capital Projects Fund saw the most significant deviation from the anticipated budget as construction projects such as the Anna River Universal Access Site, Tourist Park Expansion project, and Lynn Street Tennis Court projects incurred. The City of Munising saw an impressive increase in revenues from the Tourist Park as a dramatic rise in tourism occurred throughout the area.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2015, the City had \$27,945,521 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 4**  
**Capital Assets at Year end**  
**(Net of Depreciation)**

	Governmental Activities	Business-Type Activities	Total Primary Government	
	2015	2015	2015	2014
Land	\$20,000	\$12,275	\$32,275	\$32,275
Construction in progress	431,432	1,897,008	2,328,440	2,150,093
Land Improvements	163,214	-	163,214	161,823
Buildings and improvements	3,903,991	-	3,903,991	3,391,415
Infrastructure	1,288,056	-	1,288,056	1,352,478
Equipment and furnishings	565,212	-	565,212	699,871
Sewer plant and equipment	-	12,492,372	12,492,372	12,116,318
Water plant and equipment	-	6,270,052	6,270,052	5,914,008
Marina and Harbor Master building	-	901,909	901,909	954,351
Total	<u>\$6,371,905</u>	<u>\$21,573,616</u>	<u>\$27,945,521</u>	<u>\$26,772,632</u>

Further details on capital assets can be found in the notes to the financial statements

### Debt

At year end, the City had \$17,671,520 in bonds and notes outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year end**

	Governmental Activities	Business- Type Activities	Total Primary Government	
	2015	2015	2015	2014
General obligation bonds	\$2,617,850	\$1,000,500	\$3,618,350	\$3,718,350
Revenue bonds	-	13,619,000	13,619,000	12,111,000
Notes and contracts payable	434,170	-	434,170	550,273
Total	<u>\$3,052,020</u>	<u>\$14,619,500</u>	<u>\$17,671,520</u>	<u>\$16,379,623</u>

New debt was incurred during the 2014-2015 fiscal year for Phase 3 Sewer/Water Improvement Project. Further details on long-term debt can be found in the notes to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Within the creation of the 2015-2016 fiscal year budget, the City's elected and appointed officials considered many important factors were applied during preparation of the budget. In a 326 to 3218 vote, the citizens of the City passed a Headlee override allowing the City to levy the City Charter authorized rate of 20.0000 mills on property within the City. The Headlee override combined with small increases in State revenue sharing provided a much needed boost to operating revenues. The City anticipates the increased tourism experienced in 2014-2015 to continue in 2015-2016, which is a reason for the Tourist Park Expansion project that was started in the 2014-2015 fiscal year.

Although the City is seeing positive growth, the City will continue to identify ways to operate more efficiently while using local money to leverage strategic external grant funds.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Munising, 301 E. Superior Street, Munising, Michigan, 49862.

City of Munising, Michigan

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			
	Governmental	Business-Type	Total	Component
	Activities	Activities		Units
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 573,260	\$ 980,896	\$ 1,554,156	\$ 363,856
Investments	-	-	-	159,238
Receivables, net	631,781	457,885	1,089,666	11,764
Primary government internal balances	-	-	-	-
Other current assets	160,252	14,697	174,949	2,860
Non-current Assets:				
Restricted assets	201,696	1,157,175	1,358,871	30,974
Long-term receivable	-	-	-	9,372
Advance to primary government	-	-	-	595,000
Capital Assets:				
Land and construction in progress	451,432	1,909,283	2,360,715	253,831
Other capital assets, net	5,920,473	19,664,333	25,584,806	930,334
<b>TOTAL ASSETS</b>	<b>7,938,894</b>	<b>24,184,269</b>	<b>32,123,163</b>	<b>2,357,229</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Change in pension investment projections	49,877	26,122	75,999	-
Employer contributions subsequent to measurement date	77,926	39,365	117,291	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>127,803</b>	<b>65,487</b>	<b>193,290</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	455,070	13,185	468,255	121,057
Accrued liabilities	55,568	2,760	58,328	15,997
Other current liabilities	10,291	-	10,291	30,226
Non-current Liabilities:				
Portion due or payable within one year:				
Bonds payable	111,850	278,150	390,000	-
Contracts and notes payable	61,044	-	61,044	-
Advance from component unit	9,300	20,700	30,000	-
Employee benefits	6,000	6,000	12,000	12,064
Portion due or payable after one year:				
Bonds payable	2,506,000	14,341,350	16,847,350	-
Contracts and notes payable	373,126	-	373,126	845,000
Advance from component unit	175,150	389,850	565,000	-
Employee benefits	139,236	35,308	174,544	25,388
Net pension liability	1,539,988	806,514	2,346,502	-
<b>TOTAL LIABILITIES</b>	<b>5,442,623</b>	<b>15,893,817</b>	<b>21,336,440</b>	<b>1,049,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	3,240,435	6,543,566	9,784,001	934,165
Restricted	546,487	1,146,862	1,693,349	250,044
Unrestricted	(1,162,848)	665,511	(497,337)	123,288
<b>TOTAL NET POSITION</b>	<b>\$ 2,624,074</b>	<b>\$ 8,355,939</b>	<b>\$ 10,980,013</b>	<b>\$ 1,307,497</b>

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

City of Munising, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 19,121	\$ -	\$ -	\$ -	\$ (19,121)	\$ -	\$ (19,121)	\$ -
General government	614,955	64,822	-	-	(550,133)	-	(550,133)	-
Public safety	491,513	120	8,237	-	(483,156)	-	(483,156)	-
Public works	870,356	44,816	606,957	-	(218,583)	-	(218,583)	-
Parks and recreation	314,560	394,434	49,300	-	129,174	-	129,174	-
Debt service	161,155	-	-	-	(161,155)	-	(161,155)	-
Total Governmental Activities	2,471,660	504,192	664,494	-	(1,302,974)	-	(1,302,974)	-
Business-Type Activities:								
Sewer	1,366,320	1,175,858	-	-	-	(190,462)	(190,462)	-
Water	800,749	868,929	-	-	-	68,180	68,180	-
Marina	124,737	111,220	-	-	-	(13,517)	(13,517)	-
Total Business-Type Activities	2,291,806	2,156,007	-	-	-	(135,799)	(135,799)	-
TOTAL PRIMARY GOVERNMENT	\$ 4,763,466	\$ 2,660,199	\$ 664,494	\$ -	(1,302,974)	(135,799)	(1,438,773)	-
Component Units:								
Downtown Development Authority	228,578	-	-	-	-	-	-	(228,578)
Landfill Authority	13,590	13,249	-	-	-	-	-	(341)
Housing Commission	689,980	282,132	209,419	35,373	-	-	-	(163,056)
TOTAL COMPONENT UNITS	\$ 932,148	\$ 295,381	\$ 209,419	\$ 35,373	-	-	-	(391,975)
General Revenues:								
Taxes:								
Property taxes					1,021,751	-	1,021,751	267,651
Unrestricted intergovernmental sources					264,158	-	264,158	-
Interest and investment earnings					2,060	4,419	6,479	1,892
Gain / (loss) on sale of assets					-	-	-	(790)
Miscellaneous					17,898	-	17,898	57,203
TOTAL GENERAL REVENUES					1,305,867	4,419	1,310,286	325,956
INCREASE (DECREASE) IN NET POSITION BEFORE EXTRAORDINARY ITEMS AND TRANSFERS					2,893	(131,380)	(128,487)	(66,019)
Extraordinary items:								
Proceeds from insurance - Anna River Dock					-	157,635	157,635	-
Transfers					(84,019)	207,054	123,035	(123,035)
CHANGE IN NET POSITION					(81,126)	233,309	152,183	(189,054)
Net position, beginning of year, as restated					2,705,200	8,122,630	10,827,830	1,496,551
NET POSITION, END OF YEAR					\$ 2,624,074	\$ 8,355,939	\$ 10,980,013	\$ 1,307,497

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

City of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 76,504	\$ 124,116	\$ 5,488	\$ 198,939	\$ 37,760	\$ 442,807
Cash and cash equivalents-restricted	101,322	-	-	100,374	-	201,696
Accounts receivable	180	-	-	363,000	-	363,180
Other receivables	9,260	-	-	-	-	9,260
Due from other governments	85,793	24,190	12,975	136,383	-	259,341
Due from other funds	-	-	-	-	-	-
Prepaid expenses	49,653	-	-	-	91,000	140,653
<b>TOTAL ASSETS</b>	<b>322,712</b>	<b>148,306</b>	<b>18,463</b>	<b>798,696</b>	<b>128,760</b>	<b>1,416,937</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 322,712</b>	<b>\$ 148,306</b>	<b>\$ 18,463</b>	<b>\$ 798,696</b>	<b>\$ 128,760</b>	<b>\$ 1,416,937</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 25,114	\$ -	\$ -	\$ 428,331	\$ -	\$ 453,445
Accrued liabilities	9,477	243	148	-	-	9,868
Accrued sick and vacation leave	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to others	10,291	-	-	-	-	10,291
<b>TOTAL LIABILITIES</b>	<b>44,882</b>	<b>243</b>	<b>148</b>	<b>428,331</b>	<b>-</b>	<b>473,604</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>						
Non-spendable	49,653	-	-	-	91,000	140,653
Restricted	101,322	148,063	18,315	100,374	37,760	405,834
Committed	-	-	-	-	-	-
Assigned	-	-	-	269,991	-	269,991
Unassigned	126,855	-	-	-	-	126,855
<b>TOTAL FUND BALANCE</b>	<b>277,830</b>	<b>148,063</b>	<b>18,315</b>	<b>370,365</b>	<b>128,760</b>	<b>943,333</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 322,712</b>	<b>\$ 148,306</b>	<b>\$ 18,463</b>	<b>\$ 798,696</b>	<b>\$ 128,760</b>	<b>\$ 1,416,937</b>

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



**City of Munising, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

June 30, 2015

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 943,333</b>
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*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 (includes capital assets of internal service funds).

Capital assets not being depreciated	\$ 431,432	
Capital assets being depreciated	5,875,571	
Accumulated depreciation	<u>(1,510,946)</u>	4,796,057

Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.

Net pension liability	1,438,489	
Deferred (outflows) of resources related to net pension liability	(46,590)	
Employer contributions subsequent to measurement date	(73,607)	
Deferred inflows of resources related to net pension liability	<u>-</u>	(1,318,292)

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, net of capital assets.

Net position	<u>1,098,036</u>	1,098,036
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	109,400	
Current portion of notes and contracts payable	6,517	
Current portion of long-term payable to DDA	7,200	
Current portion of early retirement incentive	6,000	
Long-term bonds payable	2,406,950	
Long-term contracts and notes payable	45,211	
Long-term payable to DDA	135,600	
Long-term early retirement incentive	-	
Compensated absences	132,951	
Accrued interest on bonds	<u>45,231</u>	<u>(2,895,060)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,624,074</u></b>
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The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**GOVERNMENTAL FUNDS**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2015

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Local Street Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>						
Property taxes	\$ 1,018,305	\$ -	\$ -	\$ -	\$ 3,445	\$ 1,021,750
Licenses and permits	36,186	-	-	-	-	36,186
Intergovernmental revenues	272,099	275,266	110,240	215,452	296	873,353
Charges for services	400,301	-	-	-	-	400,301
Fines and forfeits	120	-	-	-	-	120
Interest income	1,809	217	-	-	34	2,060
Other revenues	134,783	-	-	6,000	-	140,783
<b>TOTAL REVENUES</b>	<b>1,863,603</b>	<b>275,483</b>	<b>110,240</b>	<b>221,452</b>	<b>3,775</b>	<b>2,474,553</b>
<b>EXPENDITURES:</b>						
Current operations:						
Legislative	19,121	-	-	-	-	19,121
General government	531,442	-	-	43,040	-	574,482
Public safety	424,890	-	-	-	600	425,490
Public works	362,190	265,448	223,047	1,594,975	4,994	2,450,654
Parks and recreation	313,384	-	-	412,649	-	726,033
Debt service:						
Principal retirement	50,000	-	-	-	113,087	163,087
Interest and fiscal charges	7,475	-	-	-	156,004	163,479
<b>TOTAL EXPENDITURES</b>	<b>1,708,502</b>	<b>265,448</b>	<b>223,047</b>	<b>2,050,664</b>	<b>274,685</b>	<b>4,522,346</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>155,101</b>	<b>10,035</b>	<b>(112,807)</b>	<b>(1,829,212)</b>	<b>(270,910)</b>	<b>(2,047,793)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from borrowing	-	-	-	1,721,000	-	1,721,000
Transfers in	163,824	-	110,789	41,360	267,111	583,084
Transfers (out)	(269,216)	-	-	(185,516)	-	(454,732)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(105,392)</b>	<b>-</b>	<b>110,789</b>	<b>1,576,844</b>	<b>267,111</b>	<b>1,849,352</b>
<b>CHANGE IN FUND BALANCE</b>	<b>49,709</b>	<b>10,035</b>	<b>(2,018)</b>	<b>(252,368)</b>	<b>(3,799)</b>	<b>(198,441)</b>
Fund balance, beginning of year	228,121	138,028	20,333	622,733	132,559	1,141,774
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 277,830</b>	<b>\$ 148,063</b>	<b>\$ 18,315</b>	<b>\$ 370,365</b>	<b>\$ 128,760</b>	<b>\$ 943,333</b>

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

**City of Munising, Michigan**

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2015

**Net Change in Fund Balances - Total Governmental Funds** **\$ (198,441)**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 486,994	
Net book value of assets transferred to other funds	(1,525,961)	
Depreciation expense	<u>(364,808)</u>	(1,403,775)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	216,103
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Debt transferred to other funds	1,000,500
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Proceeds from the debt issues are an other financing source in the funds, but a debt issue increases to long-term liabilities in the statement of net position.	-
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	2,324
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DDA Advance transferred to other funds	452,200
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In the capital project fund - the activity of the water/sewer project are recorded as revenue - loan proceeds and capital outlay expenditures. However, part of this activity is transferred to the Sewer Fund and Water Fund and recorded as loan payable and capital assets. Therefore this revenue and expenditure are not reported in governmental statement of activities

Loan Proceeds	(1,721,000)	
Capital Outlay	<u>1,721,000</u>	-

Some expenses reported in the statement of activities, such as early retirement incentives are not reported as expenditures in governmental funds.	6,000
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Some expenses reported in the statement of activities, such as compensated absences are not reported as expenditures in governmental funds.	(5,255)
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Net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.	(58,145)
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Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net position	(154,556)	
Capital Outlays	(35,770)	
Depreciation expense	190,781	
Capital assets transferred from other funds	(142,715)	
Principal payments on long-term debt	(53,016)	
Long-Term Debt transferred from other funds	101,500	
Change in compensated absences	<u>1,139</u>	<u>(92,637)</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (81,126)</u></b>
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The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

June 30, 2015

	Business- Type Activities Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Marina Fund	Total	Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 577,163	\$ -	\$ 435,891	\$ 1,013,054	\$ 130,453
Accounts receivable	177,446	104,340	-	281,786	-
Due from other governmental units	-	104,349	71,750	176,099	-
Due from other funds	36,744	-	-	36,744	-
Prepaid expenses	9,694	4,357	646	14,697	19,599
Non-current Assets:					
Restricted Assets:					
Construction	2,126	5,941	-	8,067	-
Operations and maintenance	49,661	105,811	-	155,472	-
Bond and interest redemption	128,698	71,014	-	199,712	-
Bond reserves	322,500	147,820	-	470,320	-
Repair, replacement, and maintenance	230,269	93,335	-	323,604	-
Capital Assets:					
Land and construction in progress	1,090,000	799,151	20,132	1,909,283	20,000
Other capital assets, net	12,492,372	6,270,052	901,909	19,664,333	1,555,848
<b>TOTAL ASSETS</b>	<b>15,116,673</b>	<b>7,706,170</b>	<b>1,430,328</b>	<b>24,253,171</b>	<b>1,725,900</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Change in pension investment projections	14,364	11,758	-	26,122	3,287
Employer contributions subsequent to measurement date	21,394	17,971	-	39,365	4,319
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>35,758</b>	<b>29,729</b>	<b>-</b>	<b>65,487</b>	<b>7,606</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Cash overdrafts	-	32,158	-	32,158	-
Accounts payable	7,032	6,153	-	13,185	1,625
Accrued salaries	1,366	867	527	2,760	469
Due to other funds	-	36,744	-	36,744	-
Non-current Liabilities:					
Portion due or payable within one year:					
Bonds payable	156,350	121,800	-	278,150	2,450
Contracts and notes payable	-	-	-	-	54,527
Advance from other funds	12,300	8,400	-	20,700	2,100
Employee Benefits	3,000	3,000	-	6,000	-
Portion due or payable after one year:					
Bonds payable	9,610,150	4,731,200	-	14,341,350	99,050
Notes and contracts payable	-	-	-	-	327,915
Advance from other funds	231,650	158,200	-	389,850	39,550
Employee Benefits	21,079	14,229	-	35,308	6,285
Net pension liability	443,482	363,032	-	806,514	101,499
<b>TOTAL LIABILITIES</b>	<b>10,486,409</b>	<b>5,475,783</b>	<b>527</b>	<b>15,962,719</b>	<b>635,470</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	3,571,922	2,049,603	922,041	6,543,566	1,050,256
Restricted for:					
Debt service and reserves	498,613	324,645	-	823,258	-
Construction and maintenance	230,269	93,335	-	323,604	-
Unrestricted	365,218	(207,467)	507,760	665,511	47,780
<b>TOTAL NET POSITION</b>	<b>\$ 4,666,022</b>	<b>\$ 2,260,116</b>	<b>\$ 1,429,801</b>	<b>\$ 8,355,939</b>	<b>\$ 1,098,036</b>

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

**City of Munising, Michigan**

PROPRIETARY FUNDS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>OPERATING REVENUES:</b>					
Intergovernmental revenue	\$ -	\$ 104,349	\$ -	\$ 104,349	\$ -
Charges for services	1,139,118	758,298	109,820	2,007,236	-
Rents and royalties	-	-	-	-	543,917
Other operating revenue	36,740	6,282	1,400	44,422	11,055
<b>TOTAL OPERATING REVENUES</b>	<b>1,175,858</b>	<b>868,929</b>	<b>111,220</b>	<b>2,156,007</b>	<b>554,972</b>
<b>OPERATING EXPENSES:</b>					
Transmission and distribution	-	369,227	-	369,227	-
Sewer maintenance/treatment	507,068	-	-	507,068	-
Personnel services	-	-	-	-	103,369
Services and supplies	-	-	-	-	74,611
Administrative and general	58,476	54,016	71,376	183,868	80,645
Repairs and maintenance	-	-	919	919	32,415
Depreciation	459,849	214,817	52,442	727,108	190,781
<b>TOTAL OPERATING EXPENSES</b>	<b>1,025,393</b>	<b>638,060</b>	<b>124,737</b>	<b>1,788,190</b>	<b>481,821</b>
<b>OPERATING INCOME (LOSS)</b>	<b>150,465</b>	<b>230,869</b>	<b>(13,517)</b>	<b>367,817</b>	<b>73,151</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	2,758	951	710	4,419	342
Gain (loss) on sale of assets	-	-	-	-	-
Proceeds from insurance	-	-	157,635	157,635	-
Interest expense	(340,927)	(162,689)	-	(503,616)	(15,678)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(338,169)</b>	<b>(161,738)</b>	<b>158,345</b>	<b>(341,562)</b>	<b>(15,336)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(187,704)</b>	<b>69,131</b>	<b>144,828</b>	<b>26,255</b>	<b>57,815</b>
Transfers in	190,844	119,672	-	310,516	130,510
Transfers (out)	(68,814)	(34,648)	-	(103,462)	(342,881)
<b>CHANGE IN NET POSITION</b>	<b>(65,674)</b>	<b>154,155</b>	<b>144,828</b>	<b>233,309</b>	<b>(154,556)</b>
Net position, beginning of year, as restated	4,731,696	2,105,961	1,284,973	8,122,630	1,252,592
<b>NET POSITION, END OF YEAR</b>	<b>\$ 4,666,022</b>	<b>\$ 2,260,116</b>	<b>\$ 1,429,801</b>	<b>\$ 8,355,939</b>	<b>\$ 1,098,036</b>

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

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF CASH FLOWS

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from fees and charges for services	\$ 1,135,871	\$ 751,329	\$ 38,070	\$ 1,925,270	\$ 543,917
Other operating revenues	36,740	6,282	1,400	44,422	11,055
Cash payments to employees for services	(296,631)	(249,707)	(22,835)	(569,173)	(97,058)
Cash payments to suppliers for goods and services	(242,618)	(166,266)	(49,261)	(458,145)	(187,448)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>633,362</b>	<b>341,638</b>	<b>(32,626)</b>	<b>942,374</b>	<b>270,466</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
(Increase) decrease in due from other funds	(24,444)	8,400	-	(16,044)	-
Increase (decrease) in advance from other funds	231,650	158,200	-	389,850	41,650
Increase (decrease) in due to other funds	-	36,744	-	36,744	-
Payments from (to) other funds	122,030	85,024	-	207,054	(212,371)
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>329,236</b>	<b>288,368</b>	<b>-</b>	<b>617,604</b>	<b>(170,721)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(1,925,903)	(1,357,737)	(20,132)	(3,303,772)	(178,485)
Net book value of asset disposals	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-	-
Capital contributions	-	-	-	-	-
Net proceeds from insurance	-	-	157,635	157,635	-
Net proceeds from borrowings	1,684,500	1,037,000	-	2,721,500	101,500
Principal payments on revenue bonds and notes payable	(116,000)	(97,000)	-	(213,000)	(53,016)
Interest paid on revenue bonds and notes payable	(340,927)	(162,689)	-	(503,616)	(15,678)
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(698,330)</b>	<b>(580,426)</b>	<b>137,503</b>	<b>(1,141,253)</b>	<b>(145,679)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	2,758	951	710	4,419	342
(Increase) decrease in restricted assets - net	(102,505)	(40,297)	-	(142,802)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(99,747)</b>	<b>(39,346)</b>	<b>710</b>	<b>(138,383)</b>	<b>342</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>164,521</b>	<b>10,234</b>	<b>105,587</b>	<b>280,342</b>	<b>(45,592)</b>
Cash and cash equivalents, beginning of year	412,643	(42,391)	330,304	700,556	176,045
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 577,164</b>	<b>\$ (32,157)</b>	<b>\$ 435,891</b>	<b>\$ 980,898</b>	<b>\$ 130,453</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 150,465	\$ 230,869	\$ (13,517)	\$ 367,817	\$ 73,151
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	459,849	214,817	52,442	727,108	190,781
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(3,247)	(111,318)	(71,750)	(186,315)	-
(Increase) decrease in prepaid expenses	(146)	86	(37)	(97)	(581)
(Increase) decrease in deferred outflows	(15,432)	(13,090)	-	(28,522)	(2,954)
Increase (decrease) in accounts payable	(111)	2,785	-	2,674	804
Increase (decrease) in accrued salaries	237	(112)	236	361	194
Increase (decrease) in compensated absences	7,091	(10,768)	-	(3,677)	1,139
Increase (decrease) in net pension liability	34,656	28,369	-	63,025	7,932
<b>NET ADJUSTMENTS</b>	<b>482,897</b>	<b>110,769</b>	<b>(19,109)</b>	<b>574,557</b>	<b>197,315</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 633,362</b>	<b>\$ 341,638</b>	<b>\$ (32,626)</b>	<b>\$ 942,374</b>	<b>\$ 270,466</b>

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

**City of Munising, Michigan**

**FIDUCIARY FUNDS**

**STATEMENTS OF FIDUCIARY NET POSITION**

June 30, 2015

	<b>Private-Purpose Trust Fund</b>	
	<b>Substandard Housing</b>	<b>Agency Funds</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 31,838	\$ 18,919
Due from others	-	-
Due from other funds	-	-
<b>TOTAL ASSETS</b>	<b>31,838</b>	<b>\$ 18,919</b>
<b>LIABILITIES:</b>		
Due to others	-	\$ 18,919
Due to other funds	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>\$ 18,919</b>
<b>NET POSITION:</b>		
Held in trust for individuals, organizations, and other governments	31,838	
<b>TOTAL NET POSITION</b>	<b>\$ 31,838</b>	

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

**City of Munising, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Fiscal Year Ended June 30, 2015

	<b>Private-Purpose Trust Fund Substandard Housing</b>
<b>ADDITIONS:</b>	
Contributions:	
Gifts, bequests and endowments	<u>\$ -</u>
Total Contributions	<u>-</u>
Investment Income:	
Interest and dividends	<u>10</u>
Net Investment Income (Loss)	<u>10</u>
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<u>10</u>
<b>DEDUCTIONS:</b>	
Payments in accordance with trust agreements	<u>1,200</u>
<b>TOTAL DEDUCTIONS</b>	<u>1,200</u>
<b>CHANGE IN NET POSITION</b>	<u>(1,190)</u>
Net position, beginning of year	<u>33,028</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 31,838</u></u>

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



**City of Munising, Michigan**

COMPONENT UNITS

COMBINING STATEMENTS OF NET POSITION

June 30, 2015

	<b>Downtown Development Authority</b>	<b>Landfill Authority</b>	<b>Housing Commission</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 311,986	\$ 9,263	\$ 42,607	\$ 363,856
Investments	-	-	159,238	159,238
Receivables, net	10,904	-	860	11,764
Prepaid expenses	-	-	2,860	2,860
Non-current Assets:				
Cash and cash equivalents - restricted	3,724	1,094	26,156	30,974
Loan receivable	9,372	-	-	9,372
Advance from other funds	595,000	-	-	595,000
Capital Assets:				
Land and construction in progress	195,259	-	58,572	253,831
Other capital assets, net	235,216	-	695,118	930,334
<b>TOTAL ASSETS</b>	<b>1,361,461</b>	<b>10,357</b>	<b>985,411</b>	<b>2,357,229</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	119,667	-	1,390	121,057
Accrued liabilities	72	-	15,925	15,997
Due to other governments	-	-	3,382	3,382
Tenant security deposits	-	-	26,112	26,112
Unearned revenue	-	-	732	732
Non-current Liabilities:				
Portion due or payable within one year:				
Compensated absences	-	-	12,064	12,064
Portion due or payable after one year:				
Bond payable	845,000	-	-	845,000
Compensated absences	-	-	25,388	25,388
<b>TOTAL LIABILITIES</b>	<b>964,739</b>	<b>-</b>	<b>84,993</b>	<b>1,049,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	180,475	-	753,690	934,165
Restricted	250,000	-	44	250,044
Unrestricted	(33,753)	10,357	146,684	123,288
<b>TOTAL NET POSITION</b>	<b>\$ 396,722</b>	<b>\$ 10,357</b>	<b>\$ 900,418</b>	<b>\$ 1,307,497</b>

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

City of Munising, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Landfill Authority	Housing Commission	Total
Downtown Development Authority Operations	\$ 228,578	\$ -	\$ -	\$ -	\$ (228,578)	\$ -	\$ -	\$ (228,578)
Landfill Authority Operations	13,590	13,249	-	-	-	(341)	-	(341)
Housing Commission Operations	689,980	282,132	209,419	35,373	-	-	(163,056)	(163,056)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 932,148</b>	<b>\$ 295,381</b>	<b>\$ 209,419</b>	<b>\$ 35,373</b>	<b>(228,578)</b>	<b>(341)</b>	<b>(163,056)</b>	<b>(391,975)</b>
General Revenues:								
Property taxes					267,651	-	-	267,651
Interest and investment earnings					673	28	1,191	1,892
Gain / (loss) on sale of assets					-	-	(790)	(790)
Miscellaneous					9,821	-	47,382	57,203
Transfers					(123,035)	-	-	(123,035)
<b>TOTAL GENERAL REVENUES</b>					<b>155,110</b>	<b>28</b>	<b>47,783</b>	<b>202,921</b>
<b>CHANGE IN NET POSITION</b>					<b>(73,468)</b>	<b>(313)</b>	<b>(115,273)</b>	<b>(189,054)</b>
Net position, beginning of year, as restated					470,190	10,670	1,015,691	1,496,551
<b>NET POSITION, END OF YEAR</b>					<b>\$ 396,722</b>	<b>\$ 10,357</b>	<b>\$ 900,418</b>	<b>\$ 1,307,497</b>

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

CITY OF MUNISING, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Munising, Michigan (the City) conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

Description

The City was chartered in 1915 under Public Act 279 of 1909, as amended, as a home rule city and is located in Alger County, Michigan. The City operates under a Commission (five member) - Manager Form of government. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed in Note B are included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

**BASIS OF PRESENTATION**

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and marina services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* – The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Debt Service Funds* – Debt Service Funds are used to account for the payment of interest and principal on long-term debt obligations.
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- *Internal Service Funds* – Internal Service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Fiduciary Funds*

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

### *Major Funds*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City'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** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.
- The **Capital Projects Fund** accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.
- The **Marina Fund** accounts for the activities related to operation of the Marina.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds and private-purpose trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

### **FINANCIAL STATEMENT AMOUNTS**

#### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the second Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of the City Charter.
4. The City Commission adopts the budget by functional categories in the general fund and by total fund level for special revenue funds. Any transfers of appropriations between functions must be approved by the City Commission. All unencumbered and unexpended appropriations lapse at year end.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Inventory

Inventory costs are recorded as expenditures when incurred.

### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life – Years
Buildings and improvements	40 – 50
Land improvements	20 – 30
Plants, hydrants and tank	50 – 60
Water, sewer mains and meters	10 – 50
Equipment and Vehicles	5 – 15
Infrastructure	20 – 50

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to July 1, 2003.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Noncurrent portions of long-term interfund loans receivable are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

### Deferred Outflows 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category:

The government reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan.

The City's Pension Plan has a plan year of January 1 to December 31 while the City has a fiscal year of July 1 to June 30. Under GASB 71, the contributions made to the plan subsequent to the measurement date are reported as deferred outflows of resources.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount.

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

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

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 no items that qualify for reporting in this category.

### Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied not later than July 1 and are payable by August 20 without penalty.

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Munising because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

### Use of Estimates

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

### Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 22, 2015, the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

## **NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:**

### Discretely Presented Component Units

The component unit column in the Statement of Net Position includes the financial data for the Downtown Development Authority/TIF District, the Landfill Authority, and the Munising Housing Commission. They are reported in a separate column to emphasize that they are legally separate from the City. The purpose of the Downtown Development Authority/TIF entity is to foster development of the Downtown Business District. The purpose of the Landfill Authority is to control revenues and incur expenditures in connection with the Munising Landfill Closure. The purpose of the Munising Housing Commission is to provide low income housing programs to City residents.

The presentation of the financial statements of the Downtown Development Authority/TIF district and the Landfill Authority are complete, and there is no separately issued report for these entities.

**NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES (Continued):**

A complete financial statement for the Munising Housing Commission can be obtained directly from the Administrative Office at 200 City Park Drive OFC, Munising, Michigan, 49862.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Munising Public Schools are not included in the financial statements of the City.

**NOTE C – DEPOSITS AND INVESTMENTS:**

The composition of cash and equivalents reported on the statement of net position are as follows:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$1,554,156	\$363,856	\$50,757	\$1,968,769
Restricted assets	1,358,871	30,974	-	1,389,845
Subtotal	2,913,027	394,830	50,757	3,358,614
Investment	-	159,238	-	159,238
TOTAL	\$2,913,027	\$554,068	\$50,757	\$3,517,852

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amount of the City's deposits with financial institutions was \$3,358,614 and the bank balance was \$3,955,792. Of the bank balance, \$574,447 or approximately 15% was covered by federal depository insurance according to FDIC regulations.

A summary of deposits by type are:

Cash in demand accounts	\$113,258
Cash in savings and time deposits	3,404,258
Petty cash	336
TOTAL DEPOSITS	\$3,517,852

Investments

As of June 30, 2015, the City had the following investments.

	Investment in Maturities (In years)				More Than 10
	Fair Value	Less Than 1	1-5	6-10	
<b>COMPONENT UNIT:</b>					
Certificate of deposits	\$159,238	\$159,238	\$-	\$-	\$-
TOTAL INVESTMENTS	\$159,238	\$159,238	\$-	\$-	\$-

## NOTE C – DEPOSITS AND INVESTMENTS (Continued):

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The City has no investment policy that would further limit its investment choices.

## NOTE D – RESTRICTED ASSETS:

### General Fund

*Restricted Cash* – The account represents the unspent portion of the 1996 General Obligation Limited Tax Bonds, cash collected from property taxes for street construction, and other miscellaneous restrictions. The purpose of the bond issue is to fund the City's portion of the costs for closure and post closure care of the local landfill. The bond restricted balance as of June 30, 2015 is \$91,031.

The restricted balance for other Playground Project balance as of June 30, 2015 is \$10,291.

### Capital Projects Fund

*Restricted Cash* – The Energy Project construction restricted balance as of June 30, 2015 is \$73,417. The Cox Addition construction restricted balance as of June 30, 2015 is \$740 for sewer infrastructure and \$517 for water infrastructure. The City has one contingency account as of June 30, 2015: \$25,700 bike path reserve.

### Proprietary Funds

Certain resources set aside for the repayment of debt proceeds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

		June 30, 2015	
		Required Balance	Actual Balance
I.	Construction Accounts:		
	These accounts are used to receive loan/grant proceeds and pay construction costs.		
	(a) 2008 Sewer Bonds	\$-	\$2,126
	(b) 2008 Water Bonds	-	5,941

**NOTE D – RESTRICTED ASSETS (Continued):**

		June 30, 2015	
		Required Balance	Actual Balance
II.	Operations and Maintenance Accounts: These accounts are required to be funded per bond issues. The fund shall be used solely for the operation and maintenance of the System.		
	(a) Sewer Bond, sum sufficient to provide for payment of next month's expenses of administration & operation.	\$47,415	\$49,661
	(b) Water Bond, sum sufficient to provide for payment of next quarter's expenses of administration & operation.	105,811	105,811
III.	Bond Interest and Redemption Accounts: These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.		
	(a) 2008 Sewer Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	109,312	109,312
	(b) 2009 Sewer Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	3,037	3,037
	(c) 2014 Sewer Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	16,349	16,349
	(d) 1999 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	13,703	13,703
	(e) 2008 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	46,622	46,622
	(f) 2009 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	3,189	3,189
	(g) 2014 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year.	7,500	7,500
IV.	Bond Reserve Accounts: These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default.		
	(a) 2008 Sewer Bond, \$44,000 per year up to \$440,000	308,000	308,000
	(b) 2009 Sewer Bond, \$1,300 per year up to \$13,000	7,800	7,800
	(c) 2014 Sewer Bond, \$6,700 per year up to \$67,000	6,700	6,700
	(d) 2008 Water Bond, \$19,060 per year up to \$190,600	133,420	133,420
	(e) 2009 Water Bond, \$1,400 per year up to \$14,000	11,400	11,400
	(f) 2014 Water Bond, \$3,000 per year up to \$30,000	3,000	3,000

**NOTE D – RESTRICTED ASSETS (Continued):**

		June 30, 2015	
		Required Balance	Actual Balance
V.	Repair, Replacement and Maintenance Reserve Account: These accounts are required to be funded per bond. These funds are used for repairs, replacement, or improvements to the water system, and when necessary the amounts in the bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.		
	(a) 2008 Sewer Bond, \$24,000 per year	\$168,000	\$168,000
	(b) 2009 Sewer Bond, \$5,467 per year	32,802	32,802
	(c) 2014 Sewer Bond, \$29,467 per year	29,467	29,467
	(d) 2008 Water Bond, \$7,000 per year	49,000	49,000
	(e) 2009 Water Bond, \$5,333 per year	32,002	32,002
	(f) 2014 Water Bond, \$12,333 per year	12,333	12,333
	Sewer Subtotal	728,882	733,254
	Water Subtotal	417,980	423,921
	Total	<u>\$1,146,862</u>	<u>\$1,157,175</u>

**NOTE E – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:**

Receivables as of year-end for the government's individual major funds and aggregate non-major, internal service, and fiduciary funds, including applicable allowances for uncollectible accounts, are as follows:

Type	Governmental Activities	Business- Type Activities	Total Primary Government
Property Taxes – Current	\$-	\$-	\$-
Utilities receivable	-	249,488	249,488
Other	180	32,298	32,478
Due From Other Government Units	259,341	176,099	435,440
Loans Receivable	363,000	-	363,000
Delinquent Property Taxes	9,260	-	9,260
Federal Grants Receivable	-	-	-
Total	<u>\$631,781</u>	<u>\$457,885</u>	<u>\$1,089,666</u>

Receivable balances have been disaggregated by type and presented separately on the financial statements. Only receivables with allowances uncollectible accounts as of June 30, 2015, including applicable allowances for uncollectible accounts are presented as follows:

Gross utilities receivable	\$249,488
Less: allowance for uncollectible accounts	-
Net receivable	<u>\$249,488</u>

**NOTE F – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS IN/OUT:**

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance

**NOTE F – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS IN/OUT (Continued):**

sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS					Total Due To Other Funds
		General Fund	Sewer Fund	Water Fund	Tax Collection	Substandard Housing	
DUE TO OTHER FUNDS	General Fund	\$-	\$-	\$-	\$-	\$-	\$-
	Sewer Fund	-	-	-	-	-	-
	Water Fund	-	36,744	-	-	-	36,744
	Tax Collection	-	-	-	-	-	-
	Substandard Housing	-	-	-	-	-	-
	Total Due From Other Funds	\$-	\$36,744	\$-	\$-	\$-	\$36,744

All balances resulted from the time lag between the 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.

The interfund transfers for the year are as follows:

		TRANSFERS OUT TO OTHER FUNDS						
		General Fund	Capital Projects Fund	Sewer Fund	Water Fund	Internal Service Funds	Component Units	Total Transfers In
TRANSFERS IN FROM OTHER FUNDS	General Fund	\$-	\$-	\$15,000	\$15,000	\$110,789	\$23,035	\$163,824
	Major Street Fund	-	-	-	-	-	-	-
	Local Street Fund	110,789	-	-	-	-	-	110,789
	Capital Projects Fund	40,672	-	426	262	-	-	41,360
	Energy Debt Service Fund	16,616	-	28,388	19,386	4,848	-	69,238
	Construction Debt Service Fund	-	-	-	-	130,510	-	130,510
	Road Debt Service Fund	8,716	-	-	-	58,647	-	67,363
	Sewer Fund	-	120,844	-	-	-	70,000	190,844
	Water Fund	-	64,672	25,000	-	-	30,000	119,672
	Internal Service Funds	92,423	-	-	-	38,087	-	130,510
	Component Units	-	-	-	-	-	-	-
	Total							
	Transfers Out	\$269,216	\$185,516	\$68,814	\$34,648	\$342,881	\$123,035	\$1,024,110

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to 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.

## NOTE G – CAPITAL ASSETS:

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	Balance at 07/01/14	Additions	Disposals	Transfers	Balance at 6/30/15
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated:					
Land	\$20,000	\$-	\$-	\$-	\$20,000
Construction in progress	2,150,093	439,324	(489,309)	(1,668,676)	431,432
Subtotal	2,170,093	439,324	(489,309)	(1,668,676)	451,432
Capital assets being depreciated:					
Land improvements	219,148	11,900	-	-	231,048
Buildings and improvements	4,445,411	489,309	-	142,715	5,077,435
Infrastructure	1,773,983	-	-	-	1,773,983
Equipment and vehicles	2,669,509	35,770	(8,787)	-	2,696,492
Subtotal	9,108,051	536,979	(8,787)	142,715	9,778,958
Total Capital Assets	11,278,144	976,303	(498,096)	(1,525,961)	10,230,390
Less accumulated depreciation:					
Land improvements	(57,325)	(10,509)	-	-	(67,834)
Buildings and improvements	(1,053,996)	(119,448)	-	-	(1,173,444)
Infrastructure	(421,505)	(64,422)	-	-	(485,927)
Equipment and vehicles	(1,969,638)	(170,429)	8,787	-	(2,131,280)
Total Accumulated Depreciation	(3,502,464)	(364,808)	8,787	-	(3,858,485)
Capital Assets, net	\$7,775,680	\$611,495	\$(489,309)	\$(1,525,961)	\$6,371,905

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General governmental	\$41,026
Public safety	43,649
Public works	57,492
Parks & recreation	31,860
Internal service funds charged to above activities	190,781
Total Depreciation Expense	<u>\$364,808</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at 07/01/14	Additions	Disposals	Transfers	Balance at 6/30/15
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital assets not being depreciated:					
Land	\$12,275	\$-	\$-	\$-	\$12,275
Construction in progress	-	1,777,811	-	119,197	1,897,008
Subtotal	12,275	1,777,811	-	119,197	1,909,283
Capital assets being depreciated:					
Sewer plant and equipment	16,927,434	-	(16,615)	835,903	17,746,722
Water plant and equipment	9,088,478	-	(60,703)	570,861	9,598,636
Marina and Harbor Master building	1,630,815	-	(250,337)	-	1,380,478
Subtotal	27,646,727	-	(327,655)	1,406,764	28,725,836
Total Capital Assets	27,659,002	1,777,811	(327,655)	1,525,961	30,635,119

# **NOTE G – CAPITAL ASSETS (Continued):**

	Balance at 07/01/14	Additions	Disposals	Transfers	Balance at 6/30/15
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Less accumulated depreciation:					
Sewer plant and equipment	\$(4,811,116)	\$(459,849)	\$16,615	\$-	\$(5,254,350)
Water plant and equipment	(3,174,470)	(214,817)	60,703	-	(3,328,584)
Marina and Harbor Master building	(676,464)	(52,442)	250,337	-	(478,569)
Total Accumulated Depreciation	<u>(8,662,050)</u>	<u>(727,108)</u>	<u>327,655</u>	<u>-</u>	<u>(9,061,503)</u>
Capital Assets, net	<u>\$18,996,952</u>	<u>\$1,050,703</u>	<u>\$-</u>	<u>\$1,525,961</u>	<u>\$21,573,616</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

<b>Business-Type Activities:</b>		
Sewer system		\$459,849
Water system		214,817
Marina		52,442
Total Depreciation Expense		<u>\$727,108</u>

A summary of Component Unit's capital assets as of June 30, 2015 is as follows:

	DDA	Landfill Authority	Housing Commission	Total
<b>COMPONENT UNITS:</b>				
Capital assets not being depreciated:				
Land	\$81,050	\$-	\$58,572	\$139,622
Construction in progress	114,209	-	-	114,209
Subtotal	<u>195,259</u>	<u>-</u>	<u>58,572</u>	<u>253,831</u>
Capital assets being depreciated:				
Land improvements	31,955	-	-	31,955
Buildings and improvements	50,394	-	3,812,127	3,862,521
Leasehold improvements	-	-	404,947	404,947
Infrastructure	262,359	-	-	262,359
Equipment and vehicles	-	-	224,000	224,000
Subtotal	<u>344,708</u>	<u>-</u>	<u>4,441,074</u>	<u>4,785,782</u>
Total Capital Assets	<u>539,967</u>	<u>-</u>	<u>4,499,646</u>	<u>5,039,613</u>
Less accumulated depreciation:		-		
Land improvements	(5,810)	-	-	(5,810)
Buildings and improvements	(2,520)	-	(3,225,643)	(3,228,163)
Leasehold improvements	-	-	(339,049)	(339,049)
Infrastructure	(101,162)	-	-	(101,162)
Equipment and vehicles	-	-	(181,264)	(181,264)
Total Accumulated Depreciation	<u>(109,492)</u>	<u>-</u>	<u>(3,745,956)</u>	<u>(3,855,448)</u>
Capital Assets, net	<u>\$430,475</u>	<u>\$</u>	<u>\$753,690</u>	<u>\$1,184,165</u>

Depreciation expense for the component units was charged to the following functions:

<b>Component Units:</b>		
Downtown Development Authority		\$11,603
Landfill Authority		-
Housing Commission		94,653
Total Depreciation Expense		<u>\$106,256</u>



## **NOTE H – CONSTRUCTION IN PROGRESS:**

Energy Project – During 2013, the City began an energy project with Honeywell. The project is designed to make general energy conservation improvements to various facilities owned by the City, including City Hall, department of public works building, fire/police building, ice rink, tourist information center, sewerage treatment building and system, and streetlights. The total cost of the project is estimated to be \$2,100,000. To help finance the project the City issued the 2013 General Obligation Limited Tax bonds in the amount of \$1,450,000, which is accounted for in the Capital Projects Fund. In 2013 and 2014 the City's Downtown Development Authority (DDA) issued development bonds in the amount of \$315,000 and \$280,000 to finance the portion of the Energy Project which is within the development area of the DDA. The proceeds from the issues were then deposited into the City's Capital Projects Fund. Current year expenditures relating to the project were \$7,891. Total cost of the project amounted to \$2,038,788 and was put into service during the year. The assets and corresponding debt were allocated between the General Fund, Sewer Fund, Water Fund, Motor Pool Fund, and Municipal Building Fund upon completion.

Anna River Project – On September 10, 2014 due to inclement weather, the east portion of the T-dock was lost. An insurance claim was filed and as noted in the financial statements the City received \$157,635 related to the claim as recorded in the Marina Fund. Current year expenditures relating to the project were \$12,709 and are being accounted for in the Capital Projects Fund. Upon completion, the asset(s) will be transferred to the Marina Fund. The total costs incurred through June 30, 2015 amount to \$12,709.

Tourist Park Expansion Project – During 2015, the City began work to expand Tourist Park campground. It includes the renovation of existing campsites to full service site, expansion of new rustic campsites, access paths, upgrades to the existing dump station, septic field and lighting, parking improvements to meet ADA requirements, new toilet/shower building to fully provide the requirements of the expanded campsites and a new entrance sign. Current year expenditures relating to the project were \$418,723 and are being accounted for in the Capital Projects Fund. The total costs incurred through June 30, 2015 amount to \$418,723.

Phase 3 Sewer/Water Project – During 2015, the City began construction related to Phase 3 of its Sewer/Water Project. The project is being financed through the issue of 2014 Sewage Disposal System Junior Lien and 2014 Water Disposal System Junior Lien bonds issued by the US Department of Agriculture Rural Development. Draws on the bonds are made as work progresses and are accounted for in the Capital Projects Fund. The total amount of draws made during the year were \$1,090,000 for Sewer and \$631,000 for Water, which agrees to the total costs incurred related to the project through June 30, 2015. Although the draws and construction activity are being accounted for in the Capital Projects Fund the assets and corresponding debt are transferred to the Sewer and Water Funds.

H-58 Waterline Replacement Project – In fiscal year 2015, the City began a waterline replacement project along a section of County Road H-58. As of June 30, 2015 the total costs incurred were \$155,876.

Marina Expansion Project – During 2015, the City began to project of expanding the Marina in Munising Bay. This project is in conjunction with Picture Rocks Cruises, who will make donations to the City for a portion of the costs related to the expansion of the Marina. Cost related to the project are being accounted for in the Marina Fund. Current year expenditures related to the replacement of the dock were \$20,132 for preliminary engineering. The total costs incurred through June 30, 2015 amount to \$20,132.

## NOTE I – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2015:

Description	Balance July 1, 2014	Additions	Reductions	Transfers	Balance June 30, 2015	Due Within One Year
<b>PRIMARY GOVERNMENT:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
1996 General Obligation Limited Tax Bonds maturing serially to 2017 in annual amounts of \$25,000 to \$55,000 and bearing interest from 4.95% to 5.75%	\$155,000	\$-	\$(50,000)	\$-	\$105,000	\$50,000
State Infrastructure Bank Note Payable, payable in ten annual installments of \$58,615 and bearing interest of 3.00%	56,908	-	(56,908)	-	-	-
2005 General Obligation Limited Tax Bonds maturing serially to 2035 in annual variable amounts of \$15,000 to \$48,350 and bearing interest of 4.25%	678,350	-	(20,000)	-	658,350	21,000
2010 General Obligation Limited Tax Bonds maturing serially to 2040 in annual variable amounts and bearing interest from 4.000%. Net of \$99,000 prepaid principal.	1,435,000	-	(30,000)	-	1,405,000	30,000
2013 General Obligation Limited Tax Bonds maturing serially to 2030 in annual amounts and bearing interest from 2.500% to 3.500%	1,450,000	-	-	(1,000,500)	449,500	10,850
2009-2010 Street Sweeper loan payable bearing interest of 4.37	96,999	-	(6,999)	-	90,000	7,500
2009-2010 Snowplow loan payable bearing interest of 4.375%	147,999	-	(9,999)	-	138,000	10,000
Streetlight loan payable bearing interest of 4.25%	57,907	-	(6,179)	-	51,728	6,517
Grader loan payable bearing interest of 2.7625%	190,460	-	(36,018)	-	154,442	37,027
Subtotal	4,268,623	-	(216,103)	(1,000,500)	3,052,020	172,894
<b>Employee Benefits:</b>						
Compensated absences	133,981	7,274	(2,019)	-	139,236	-
Early retirement incentive	12,000	-	(6,000)	-	6,000	6,000
Subtotal	145,981	7,274	(8,019)	-	145,236	6,000
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$4,414,604</b>	<b>\$7,274</b>	<b>\$(224,122)</b>	<b>\$(1,000,500)</b>	<b>\$3,197,256</b>	<b>\$178,894</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
1999 Water Supply system Revenue Refunding Bonds maturing serially to 2019 in annual amounts of \$25,000 to \$50,000 and bearing interest of 4.81%	\$235,000	\$-	\$(45,000)	\$-	\$190,000	\$45,000
Sewage Disposal System Junior Lien Revenue Bond, Series 2008	7,923,000	-	(111,000)	-	7,812,000	115,000
Water Supply System Junior Lien Revenue Bond, Series 2008	3,380,000	-	(47,000)	-	3,333,000	49,000
Sewage Disposal System Junior Lien Revenue Bond, Series 2009	275,000	-	(5,000)	-	270,000	5,000
Water Supply System Junior Lien Revenue Bond, Series 2009	298,000	-	(5,000)	-	293,000	5,000
2013 General Obligation Limited Tax Bonds maturing serially to 2030 in annual amounts and bearing interest from 2.500% to 3.500%	-	-	-	1,000,500	1,000,500	24,150
Sewage Disposal System Junior Lien Revenue Bond, Series 2014 – Construction Draw Downs	-	1,090,000	-	-	1,090,000	22,000

## NOTE I – LONG-TERM DEBT (Continued):

Description	Balance July 1, 2014	Additions	Reductions	Transfers	Balance June 30, 2015	Due Within One Year
<b>PRIMARY GOVERNMENT:</b>						
<b>BUSINESS-TYPE ACTIVITIES (Continued):</b>						
Water Supply System Junior Lien Revenue Bond, Series 2014 – Construction Draw Downs	\$-	\$631,000	\$-	\$-	\$631,000	\$13,000
Subtotal	12,111,000	1,721,000	(213,000)	1,000,500	14,619,500	278,150
Employee Benefits:						
Compensated absences	32,985	10,091	(7,768)	-	35,308	-
Early retirement incentive	12,000	-	(6,000)	-	6,000	6,000
Subtotal	44,985	10,091	(13,768)	-	41,308	6,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$12,155,985</b>	<b>\$1,731,091</b>	<b>\$(226,768)</b>	<b>\$1,000,500</b>	<b>\$14,660,808</b>	<b>\$284,150</b>
<b>COMPONENT UNITS:</b>						
<b>Downtown Development Authority:</b>						
2013 Downtown Development Bonds maturing serially to 2029 in annual variable amounts and bearing interest 3.70%	\$315,000	\$-	\$-	\$-	\$315,000	\$15,000
2013 Downtown Development Bonds maturing serially to 2028 in annual variable amounts and bearing interest 4.40%	280,000	-	-	-	280,000	15,000
2015 Downtown Development Bonds maturing serially to 2023 in annual variable amounts and bearing interest 2.09%	-	250,000	-	-	250,000	-
Subtotal	595,000	250,000	-	-	845,000	30,000
<b>Landfill Authority:</b>						
None	-	-	-	-	-	-
<b>Housing Commission:</b>						
Compensated absences	34,083	3,369	-	-	37,452	12,064
<b>TOTAL COMPONENT UNITS</b>	<b>\$629,083</b>	<b>\$253,369</b>	<b>\$-</b>	<b>\$-</b>	<b>\$882,452</b>	<b>\$42,064</b>

### Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2015 (exclusive of compensated absences and early retirement incentives) for the City are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$172,894	\$118,329	\$278,150	\$566,527	\$30,000	\$27,301
2017	189,307	110,766	293,050	564,412	67,000	26,951
2018	140,211	105,489	310,500	553,013	70,000	24,850
2019	145,708	99,448	325,400	540,886	70,000	22,719
2020	115,348	94,179	287,850	528,350	76,000	20,467
2021-2025	639,802	399,635	1,679,950	2,473,610	307,000	68,814
2026-2030	683,400	274,471	2,158,600	2,126,516	225,000	20,733
2031-2035	550,350	152,572	1,990,000	1,737,045	-	-
2036-2040	415,000	51,200	2,403,000	1,322,396	-	-
2041-2045	-	-	2,907,000	819,078	-	-
2046-2050	-	-	1,986,000	184,639	-	-
2051-2055	-	-	-	-	-	-
<b>Totals</b>	<b>\$3,052,020</b>	<b>\$1,406,089</b>	<b>\$14,619,500</b>	<b>\$11,416,472</b>	<b>\$845,000</b>	<b>\$211,835</b>

**NOTE I – LONG-TERM DEBT (Continued):****Compensated Absences**

The City's employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the employee's years of service.

The following is a summary of employee benefits:

	Governmental Activities	Business-type Activities	Component Unit
Compensated Absences:			
Current portion	\$-	\$-	\$12,064
Long-term portion	139,236	35,308	25,388
Early retirement incentive:			
Current portion	6,000	6,000	-
Long-term portion	-	-	-
Total employee benefits	<u>\$145,236</u>	<u>\$41,308</u>	<u>\$37,452</u>

**NOTE J – LONG-TERM PAYABLE TO DDA:**

During fiscal year 2014, the DDA secured bonds in the amount of \$315,000 and \$280,000 to be used to finance a portion of the City's Energy Project that is within the DDA's development area. The City's Capital Project's fund recorded \$595,000 in funds from the DDA. Upon completion of the project in fiscal year 2015 the amount owed to the DDA was split among the applicable funds affected by the Energy Improvement Project. As applicable an advance from the DDA is shown as a long-term liability in the applicable funds. The amount applicable to the General Fund is a reconciling item for the Statement of Net Position. The amounts outstanding as of June 30, 2015 are as follows:

	2013 Bond (3.70%)	2013 Bond (4.40%)	Total	Due within one year
Governmental Activities:				
General Fund	\$75,600	\$67,200	\$142,800	\$7,200
Motor Pool	15,750	14,000	29,750	1,500
Municipal Building	6,300	5,600	11,900	600
Business-type Activities:				
Sewer Fund	129,150	114,800	243,950	12,300
Water Fund	88,200	78,400	166,600	8,400
Total	<u>\$315,000</u>	<u>\$280,000</u>	<u>\$595,000</u>	<u>\$30,000</u>

The advance to/from other funds will be reduced in conjunction with the DDA's principal payments on the debt, which begins in 2016. As of June 30, 2015 the amount recorded as an advance from to the DDA (the outstanding principal on the DDA's bonds) was \$595,000.

**NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:**

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

*Non-spendable* — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

## NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

*Restricted*— amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed*— amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

*Assigned*— amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the City Manager or the City Council may assign amounts for specific purposes.

*Unassigned*— all other spendable amounts.

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Major Street Fund	Local Street Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Non-spendable:						
Prepays	\$49,653	\$-	\$-	\$-	\$91,000	\$140,653
Restricted:						
Landfill Post Closure	91,031	-	-	-	-	91,031
Playground Project	10,291	-	-	-	-	10,291
Transportation Funds	-	148,063	18,315	-	-	166,378
Capital Projects	-	-	-	100,374	-	100,374
Police Training	-	-	-	-	2,571	2,571
Debt Service	-	-	-	-	20	20
Brownfield Redevelopment	-	-	-	-	127	127
Cemetery Trust	-	-	-	-	35,042	35,042
Subtotal	101,322	148,063	18,315	100,374	37,760	405,834
Committed	-	-	-	-	-	-
Assigned	-	-	-	269,991	-	269,991
Unassigned	126,855	-	-	-	-	126,855
Total fund balances	\$277,830	\$148,063	\$18,315	\$370,365	\$128,760	\$943,333

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the City Manager through amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

## NOTE L – CONTINGENT LIABILITIES:

### 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. The City currently

## **NOTE L – CONTINGENT LIABILITIES (Continued):**

participates with other municipalities in the Michigan Municipal Liability and Property Pool, a public entity risk pool operating as a common risk management and insurance program. The City pays an annual premium for its general liability and real and personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Landfill Closure**

Through 1991, the City, area municipalities and other entities operated a local landfill. The landfill is closed, and now it is undergoing the post closure process. Necessary costs are being paid by the users in proportion to the amount of tonnage disposed at the landfill. The City's portion was estimated at 26.25% of the total.

The costs of closure are approximated at \$2,423,994. Based on the distribution of 26.25%, the City would be responsible for \$631,140 of this amount. This amount includes engineering and design of the cap, construction of the cap and hydro geological study. The City issued \$650,000 in bonds during fiscal year 1996-1997 to finance its share of the costs. No further costs associated with the closure process are expected.

The post closure costs associated with contingency reserves and 30 years of monitoring and maintenance are estimated at \$836,000 with the City's portion being \$220,000. These costs are to be paid as incurred as part of the City's general operating budget. During the year the City paid \$3,567 for these post closure costs.

## **NOTE M – DEFINED BENEFIT PENSION PLAN:**

### **Summary of Significant Accounting Policies Pensions:**

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

### **General Information about the Pension Plan:**

#### **Plan Description**

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):****Benefits Provided**

	<b>2014 Valuation</b>
<b>Gnrl Other: Open Division</b>	
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.5% (Non-Compound)
COLA for Current Retirees:	2.5% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 12/2/1970)
<b>Police: Open Division</b>	
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 12/2/1970)
<b>Supervisors: Open Division</b>	
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0%
Act 88:	Yes (Adopted 12/2/1970)

**Employees covered by benefit terms**

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	6
Active employees	21
Total	<u>53</u>

## NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):

### Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

The contribution rates as a percentage of payroll as of December 31, 2014 valuation are as follows:

<u>Division:</u>	<u>Employer</u>	<u>Employee</u>
01-Gnrl Other	23.11%	0.00%
02-Police	25.31%	0.00%
10-Supervisor	77.54%	0.00%

There were no contribution requirements for closed divisions.

### Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

### Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 3%-4% Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively) Investment rate of return: 8.0%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

**Discount rate**

The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balances at 12/31/13	\$7,398,204	\$5,235,072	\$2,163,132
Changes for the Year:			
Service Costs	105,649	-	105,649
Interest on Total Pension Liability	597,655	-	597,655
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumption	-	-	-
Employer Contributions	-	204,180	(204,180)
Employee Contributions	-	-	-
Net investment Income	-	327,766	(327,766)
Benefit payments, including employee refunds	(413,462)	(413,462)	-
Administrative expense	-	(12,012)	12,012
Other changes	-	-	-
Net Changes	289,842	106,472	183,370
Balances as of 12/31/14	\$7,688,046	\$5,341,544	\$2,346,502

**Sensitivity of the Net Pension Liability to changes in the discount rate**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

**NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):**

	1% Decrease 7.25%	Current Discount Rate (8.25%)	1% Increase 9.25%
Net Pension Liability at 12/31/14	\$2,346,502	\$2,346,502	\$2,346,502
Change in Net Pension Liability (NPL)	872,137	-	(737,896)
Calculated NPL for your Notes	\$3,218,639	\$2,346,502	\$1,608,606

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the year ended June 30, 2015, the employer recognized pension expense of \$97,627. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences in experience	\$-	\$-
Differences in assumptions	-	-
(Excess) Deficit Investment Returns	75,999	-
Subtotal	75,999	-
Contributions subsequent to the measurement date*	117,291	-
Total	\$193,290	\$-

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2015.

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

<b>Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)</b>	
Plan Year Ended December 31,	Amount
2015	\$19,000
2016	19,000
2017	19,000
2018	18,999
Thereafter	-
	<u>\$75,999</u>

**Payable to Pension Plan:**

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

#### **NOTE N – DEFERRED COMPENSATION PLAN:**

The City of Munising offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The City's plans are administered by the International City Manager's Association (ICMA), and the Variable Annuity Life Insurance Company (VALIC). ICMA, as Plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA program.

#### **NOTE O – INSURANCE RECOVERIES:**

During the year the City received \$33,504 in insurance recoveries for the theft of a generator on March 1, 2014. The proceeds were receipted in "other revenues" in the General Fund. On September 10, 2014, due to inclement weather, the east portion of the T-dock was lost. The City received \$157,635 in insurance recoveries related to the loss, which were receipted in the Marina Fund.

#### **NOTE P – SINGLE AUDIT:**

The City expended federal awards were less than the single audit threshold of \$500,000. Therefore, the City is not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2015.

#### **NOTE Q – NEW GASB STANDARDS:**

##### Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)*. GASB No. 66 eliminates conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 66 does not have any impact on the City's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension

## **NOTE Q – NEW GASB STANDARDS (Continued):**

plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. It also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. This Statement is effective for periods beginning after June 15, 2014. The adoption of GASB No. 68 required the City to record a prior period adjustment for the City's net pension liability at the beginning of the year as detailed in Note S of the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68)*. This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. This Statement is effective at the same time GASB 68 is adopted. The adoption of GASB No. 71 required the City to record a prior period adjustment resulting from timing differences between the City's fiscal year and the actuarial valuation measurement date as detailed in Note S of the financial statements.

### Other Recently Issued Accounting Pronouncements

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB No. 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 69 does not have any impact on the City's financial statements.

## **NOTE R – UPCOMING STANDARDS:**

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City.

### GASB 72: Fair Value Measurement and Application

*Effective for fiscal years beginning after June 15, 2015 (City's fiscal year 2016)*

This standard addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## **NOTE R – UPCOMING STANDARDS (Continued):**

### **GASB 73: Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68** *Effective for fiscal years beginning after June 15, 2015 (City's fiscal year 2016)*

This standard establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

### **GASB 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans** *Effective for fiscal years beginning after June 15, 2016 (City's fiscal year 2017)*

This standard replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

### **GASB 75: Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**

*Effective for fiscal years beginning after June 15, 2017 (City's fiscal year 2018)*

This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount

## **NOTE R – UPCOMING STANDARDS (Continued):**

projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The particular accounting and financial reporting requirements and footnote disclosures are dependent upon the type of plan being used (defined benefit, defined contribution, or special funding situations) and whether the OPEB plans are administered through trusts meeting certain criteria.

### **GASB 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**

*Effective for fiscal years beginning after June 15, 2015 (City's fiscal year 2016)*

This standard supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

### **GASB 77: Tax Abatement Disclosures**

*Effective for fiscal years beginning after December 15, 2015 (City's fiscal year 2017)*

This standard requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Governments will be required to disclose information about tax abatement agreements including the taxes being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments being made by tax abatement recipients. Additionally the gross dollar amount of taxes abated during the period will have to be disclosed along with any other commitments made by a government, other than to abate taxes, as part of the tax abatement agreement.

**NOTE S – NET POSITION RESTATEMENT:**

The following net position restatement were made resulting from the adoption of GASB No. 68 and GASB No. 71. The adjustment records the beginning proportionate share of net pension liability and related deferred outflows of resources as listed below.

	Governmental Activities		Business-Type Activities	
	Total	Motor Pool	Sewer Fund	Water Fund
Net Position, beginning of year	\$4,054,262	\$1,275,848	\$5,120,196	\$2,423,984
Prior period adjustment:				
Net Pension Liability,				
beginning of year	(1,419,644)	(93,567)	(408,826)	(334,663)
Deferred outflows of resources				
related to pension, beginning				
of year	70,582	4,652	20,326	16,640
Net position, beginning of year,				
as restated	<u>\$2,705,200</u>	<u>\$1,186,933</u>	<u>\$4,731,696</u>	<u>\$2,105,961</u>

**NOTE T – BUDGETARY NONCOMPLIANCE:**

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

The approved budgets of the City for the General and Special revenue Funds were adopted on an activity and/or program level. During the year ended June 30, 2015 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

**General Fund:**

Legislative	\$1,118
Public Safety	4,507
Public Works	791

## **REQUIRED SUPPLEMENTAL INFORMATION**



**City of Munising, Michigan**

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

**DEFINED BENEFIT CONTRIBUTION PENSION PLAN**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

	Fiscal Year Ending June 30,				
	2015				
<b>Change in total pension liability</b>					
Service cost	\$ 105,649				
Interest	597,655				
Differences between expected and actual experience	-				
Benefit payments, including refunds of member contributions	(413,462)				
<b>Net change in total pension liability</b>	<u>289,842</u>				
<b>Total pension liability, beginning</b>	<u>7,398,204</u>				
<b>Total pension liability, ending (a)</b>	<u>7,688,046</u>				
<b>Change in plan fiduciary net position</b>					
Contributions - employer	204,180				
Contributions - employee	-				
Net investment income	327,766				
Benefit payments, including refunds of member contributions	(413,462)				
Administrative expense	(12,012)				
<b>Net change in plan fiduciary net position</b>	<u>106,472</u>				
<b>Plan fiduciary net position, beginning</b>	<u>5,235,072</u>				
<b>Plan fiduciary net position, ending (b)</b>	<u>5,341,544</u>				
<b>City's net pension liability, ending (a) - (b)</b>	<u><u>\$ 2,346,502</u></u>				
 Plan fiduciary net position as a percentage of the total pension liability	 69.48%				
 Covered-employee payroll	 \$ 920,295				
 City's net pension liability as a percentage of covered payroll	 254.97%				

**Notes to Schedule:**

*Benefit changes: There were no changes in benefit provisions affecting the 2014 valuation.*

*Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation.*

Above amounts are based on measurement date, which may not necessarily tie to the fiscal year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately ten years of data will be presented.

**City of Munising, Michigan**  
**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**DEFINED BENEFIT CONTRIBUTION**  
**SCHEDULE OF CONTRIBUTIONS**

	Plan Year Ending December 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 204,180	\$ 178,335	\$ 166,474	\$ 183,252	\$ 192,364	\$ 172,831	\$ 177,715	\$ 164,496	\$ 126,197	\$ 120,770
Contributions in relation to actuarially determined contribution	204,180	178,335	166,474	183,252	192,364	172,831	177,715	164,496	126,197	120,770
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee Payroll	\$ 920,295	\$ 784,978	\$ 877,462	\$ 836,949	\$ 930,838	\$ 966,597	\$ 954,253	\$ 958,895	\$ 899,498	\$ 898,519
Contributions as Percentage of Covered-employee Payroll	22.19%	22.72%	18.97%	21.90%	20.67%	17.88%	18.62%	17.15%	14.03%	13.44%

**Notes to Schedule of Contributions**

Valuation date December 31, 2012  
Notes Actuarially determined contribution rates are calculated as of December 31, that is eighteen months prior to the beginning of the fiscal year of with the contributions are reported.

Other information There were no benefit changes during the year.  
There were no changes in actuarial assumptions or methods during the year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Retirement age	8.00%
Investment rate of return	Varies depending on plan adoption
Mortality rates	50% Female/50% Male 1994 Group Annuity Mortality Table

**City of Munising, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES:</b>				
Property taxes	\$ 1,010,765	\$ 1,017,538	\$ 1,018,305	\$ 767
Licenses and permits	34,700	34,700	36,186	1,486
Intergovernmental revenues	268,900	289,790	272,099	(17,691)
Charges for services	327,850	327,850	400,301	72,451
Fines and forfeits	1,500	1,500	120	(1,380)
Interest and rents	1,750	1,750	1,809	59
Other revenues	114,450	119,586	134,783	15,197
<b>TOTAL REVENUES</b>	<b>1,759,915</b>	<b>1,792,714</b>	<b>1,863,603</b>	<b>70,889</b>
<b>EXPENDITURES:</b>				
Legislative	15,333	18,003	19,121	(1,118)
General government	539,816	544,446	531,442	13,004
Public safety	418,446	420,383	424,890	(4,507)
Public works	327,549	361,399	362,190	(791)
Parks and recreation	272,270	319,070	313,384	5,686
Debt service	59,925	59,925	57,475	2,450
<b>TOTAL EXPENDITURES</b>	<b>1,633,339</b>	<b>1,723,226</b>	<b>1,708,502</b>	<b>14,724</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>126,576</b>	<b>69,488</b>	<b>155,101</b>	<b>85,613</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	198,745	198,745	163,824	(34,921)
Transfers (out)	(332,121)	(313,442)	(269,216)	44,226
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(133,376)</b>	<b>(114,697)</b>	<b>(105,392)</b>	<b>9,305</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(6,800)</b>	<b>(45,209)</b>	<b>49,709</b>	<b>94,918</b>
Fund balance, beginning of year	228,121	228,121	228,121	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 221,321</b>	<b>\$ 182,912</b>	<b>\$ 277,830</b>	<b>\$ 94,918</b>

**City of Munising, Michigan**

**MAJOR SPECIAL REVENUE FUNDS**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2015

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget	Original	Final	GAAP	Final Budget
			Basis	Positive			Basis	Positive
				(Negative)				(Negative)
<b>REVENUES:</b>								
Intergovernmental revenue	\$ 271,000	\$ 278,040	\$ 275,266	\$ (2,774)	\$ 98,600	\$ 110,584	\$ 110,240	\$ (344)
Interest income	300	300	217	(83)	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>271,300</b>	<b>278,340</b>	<b>275,483</b>	<b>(2,857)</b>	<b>98,600</b>	<b>110,584</b>	<b>110,240</b>	<b>(344)</b>
<b>EXPENDITURES:</b>								
Public works	273,800	299,300	265,448	33,852	244,600	255,100	223,047	32,053
<b>TOTAL EXPENDITURES</b>	<b>273,800</b>	<b>299,300</b>	<b>265,448</b>	<b>33,852</b>	<b>244,600</b>	<b>255,100</b>	<b>223,047</b>	<b>32,053</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,500)</b>	<b>(20,960)</b>	<b>10,035</b>	<b>30,995</b>	<b>(146,000)</b>	<b>(144,516)</b>	<b>(112,807)</b>	<b>31,709</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers in	-	-	-	-	146,000	146,000	110,789	(35,211)
Transfers (out)	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,000</b>	<b>146,000</b>	<b>110,789</b>	<b>(35,211)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(2,500)</b>	<b>(20,960)</b>	<b>10,035</b>	<b>30,995</b>	<b>-</b>	<b>1,484</b>	<b>(2,018)</b>	<b>(3,502)</b>
Fund balance, beginning of year	138,028	138,028	138,028	-	20,333	20,333	20,333	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 135,528</b>	<b>\$ 117,068</b>	<b>\$ 148,063</b>	<b>\$ 30,995</b>	<b>\$ 20,333</b>	<b>\$ 21,817</b>	<b>\$ 18,315</b>	<b>\$ (3,502)</b>

**City of Munising, Michigan**

**CAPITAL PROJECTS FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 500,500	\$ 500,500	\$ 215,452	\$ (285,048)
Interest income	-	-	-	-
Other revenues	-	5,500	6,000	500
<b>TOTAL REVENUES</b>	<u>500,500</u>	<u>506,000</u>	<u>221,452</u>	<u>(284,548)</u>
<b>EXPENDITURES:</b>				
General government	344,300	355,657	43,040	312,617
Public safety	-	-	-	-
Public works	-	2,467,426	1,594,975	872,451
Parks and recreation	394,500	394,500	412,649	(18,149)
<b>TOTAL EXPENDITURES</b>	<u>738,800</u>	<u>3,217,583</u>	<u>2,050,664</u>	<u>1,166,919</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(238,300)</u>	<u>(2,711,583)</u>	<u>(1,829,212)</u>	<u>882,371</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	2,400,000	1,721,000	(679,000)
Transfers in	49,800	50,500	41,360	(9,140)
Transfers (out)	-	(185,570)	(185,516)	54
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>49,800</u>	<u>2,264,930</u>	<u>1,576,844</u>	<u>(688,086)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(188,500)</u>	<u>(446,653)</u>	<u>(252,368)</u>	<u>194,285</u>
Fund balance, beginning of year	<u>622,733</u>	<u>622,733</u>	<u>622,733</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 434,233</u>	<u>\$ 176,080</u>	<u>\$ 370,365</u>	<u>\$ 194,285</u>

## **City of Munising, Michigan**

### **MAJOR GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

#### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The MAJOR STREET FUND and LOCAL STREET FUND are major special revenue fund types.

MAJOR STREET FUND AND LOCAL STREET FUND: Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

#### **CAPITAL PROJECTS FUND**

The function of the Capital Projects Fund is to record revenues and expenditures for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The modified accrual basis of accounting is used in recording Capital Projects Fund transactions.

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property Taxes:			
Property taxes	\$ 984,173	\$ 982,354	\$ (1,819)
Penalties, interest and fees	33,200	35,661	2,461
Trailer taxes	165	290	125
Total Property Taxes	<u>1,017,538</u>	<u>1,018,305</u>	<u>767</u>
Licenses and Permits:			
Business licenses and franchises	33,200	34,886	1,686
Other licenses and permits	1,500	1,300	(200)
Total Licenses and Permits	<u>34,700</u>	<u>36,186</u>	<u>1,486</u>
Intergovernmental Revenue:			
Payments in lieu of taxes	30,990	18,108	(12,882)
State revenue sharing	187,500	184,192	(3,308)
Federal grants	9,400	7,941	(1,459)
Other intergovernmental revenue	61,900	61,858	(42)
Total Intergovernmental Revenue	<u>289,790</u>	<u>272,099</u>	<u>(17,691)</u>
Charges for Services:			
Industrial park leases	2,250	3,311	1,061
Tourist park fees	284,300	352,174	67,874
Solid waste disposal tags	41,300	44,816	3,516
Total Charges for Services	<u>327,850</u>	<u>400,301</u>	<u>72,451</u>
Fines and Forfeits:			
Fines and forfeits income	1,500	120	(1,380)
Total Fines and Forfeits	<u>1,500</u>	<u>120</u>	<u>(1,380)</u>
Interest and Rents:			
Interest income	1,750	1,809	59
Total Interest and Rents	<u>1,750</u>	<u>1,809</u>	<u>59</u>
Other Revenues:			
Cemetery lots	16,000	25,325	9,325
Private contributions	50,000	50,000	-
Local contributions	400	(700)	(1,100)
Other	53,186	60,158	6,972
Total Other Revenues	<u>119,586</u>	<u>134,783</u>	<u>15,197</u>
<b>TOTAL REVENUES</b>	<u>1,792,714</u>	<u>1,863,603</u>	<u>70,889</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Personnel services	\$ 2,975	\$ 2,986	\$ (11)
Supplies	370	370	-
Other services and charges	14,658	15,765	(1,107)
<b>TOTAL LEGISLATIVE</b>	<u>18,003</u>	<u>19,121</u>	<u>(1,118)</u>
<b>GENERAL GOVERNMENT:</b>			
Executive:			
Personnel services	84,345	83,207	1,138
Supplies	200	136	64
Other services and charges	16,843	16,066	777
Capital outlay	3,043	4,702	(1,659)
Total Executive	<u>104,431</u>	<u>104,111</u>	<u>320</u>
Elections:			
Personnel services	2,550	2,543	7
Supplies	1,350	1,017	333
Other services and charges	250	126	124
Total Elections	<u>4,150</u>	<u>3,686</u>	<u>464</u>
Legal and Accounting:			
Supplies	9,008	8,801	207
Other services and charges	33,125	32,993	132
Total Legal and Accounting	<u>42,133</u>	<u>41,794</u>	<u>339</u>
Assessor:			
Personnel services	12,920	13,073	(153)
Supplies	720	715	5
Other services and charges	8,030	7,680	350
Capital outlay	345	518	(173)
Total Assessor	<u>22,015</u>	<u>21,986</u>	<u>29</u>
Clerk:			
Personnel services	79,790	81,758	(1,968)
Supplies	5,100	3,584	1,516
Other services and charges	24,353	22,365	1,988
Capital outlay	3,736	4,185	(449)
Total Clerk	<u>112,979</u>	<u>111,892</u>	<u>1,087</u>



**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Board of Review:</b>			
Personnel services	\$ 580	\$ 580	\$ -
Supplies	-	-	-
Other services and charges	320	244	76
Capital outlay	-	-	-
Total Board of Review	900	824	76
<b>Treasurer:</b>			
Personnel services	76,765	71,673	5,092
Supplies	2,375	2,236	139
Other services and charges	13,588	13,122	466
Capital outlay	3,736	4,185	(449)
Total Treasurer	96,464	91,216	5,248
<b>Cemetery:</b>			
Personnel services	38,700	40,053	(1,353)
Supplies	2,150	1,719	431
Other services and charges	25,950	20,236	5,714
Capital outlay	500	-	500
Total Cemetery	67,300	62,008	5,292
<b>Other General Government:</b>			
Insurance	21,100	21,080	20
Other miscellaneous services and charges	72,974	72,845	129
Total Other General Government	94,074	93,925	149
<b>TOTAL GENERAL GOVERNMENT</b>	<b>544,446</b>	<b>531,442</b>	<b>13,004</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	308,350	309,654	(1,304)
Supplies	600	535	65
Other services and charges	37,323	35,654	1,669
Capital outlay	6,569	7,561	(992)
Total Police Department	352,842	353,404	(562)
<b>Fire Department:</b>			
Personnel services	41,925	45,325	(3,400)
Supplies	1,400	1,384	16
Other services and charges	22,073	21,974	99
Capital outlay	1,568	2,373	(805)
Total Fire Department	66,966	71,056	(4,090)

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Planning:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	575	430	145
Total Planning	575	430	145
<b>TOTAL PUBLIC SAFETY</b>	<b>420,383</b>	<b>424,890</b>	<b>(4,507)</b>
<b>PUBLIC WORKS:</b>			
Public Works Department:			
Personnel services	136,075	134,140	1,935
Supplies	3,800	3,551	249
Other services and charges	170,668	171,410	(742)
Capital outlay	1,606	1,572	34
Total Public Works Department	312,149	310,673	1,476
Sanitation and Refuse Collection:			
Personnel services	-	-	-
Other services and charges	49,250	51,517	(2,267)
Total Sanitation and Refuse Collection	49,250	51,517	(2,267)
<b>TOTAL PUBLIC WORKS</b>	<b>361,399</b>	<b>362,190</b>	<b>(791)</b>
<b>PARKS AND RECREATION:</b>			
Parks and Recreation Department:			
Personnel services	44,500	44,061	439
Supplies	500	427	73
Other services and charges	26,200	25,887	313
Capital outlay	-	-	-
Total Parks and Recreation Department	71,200	70,375	825
Tourist Park:			
Personnel services	46,200	42,772	3,428
Supplies	3,200	3,098	102
Other services and charges	118,320	117,228	1,092
Capital outlay	-	-	-
Total Tourist Park	167,720	163,098	4,622

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Ice Arena:			
Supplies	\$ 3,400	\$ 3,311	\$ 89
Other services and charges	76,750	76,600	150
Capital outlay	-	-	-
Total Ice Arena	<u>80,150</u>	<u>79,911</u>	<u>239</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>319,070</u>	<u>313,384</u>	<u>5,686</u>
<b>DEBT SERVICE:</b>			
Principal payments	50,000	50,000	-
Interest and fiscal charges	<u>9,925</u>	<u>7,475</u>	<u>2,450</u>
<b>TOTAL DEBT SERVICE</b>	<u>59,925</u>	<u>57,475</u>	<u>2,450</u>
<b>TOTAL EXPENDITURES</b>	<u>1,723,226</u>	<u>1,708,502</u>	<u>14,724</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>69,488</u>	<u>155,101</u>	<u>85,613</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	198,745	163,824	(34,921)
Transfers (out)	<u>(313,442)</u>	<u>(269,216)</u>	<u>44,226</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(114,697)</u>	<u>(105,392)</u>	<u>9,305</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(45,209)</u>	<u>49,709</u>	<u>94,918</u>
Fund balance, beginning of year	<u>228,121</u>	<u>228,121</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 182,912</u></u>	<u><u>\$ 277,830</u></u>	<u><u>\$ 94,918</u></u>

**City of Munising, Michigan**

**MAJOR STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 278,040	\$ 275,266	\$ (2,774)
Interest income	300	217	(83)
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>278,340</u>	<u>275,483</u>	<u>(2,857)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	4,200	4,205	(5)
Routine maintenance	33,600	22,762	10,838
Street/catch basin cleaning	11,400	4,910	6,490
Traffic services maintenance	6,600	4,163	2,437
Winter maintenance	137,900	135,094	2,806
General and administrative	1,450	1,429	21
Highway M-28	<u>104,150</u>	<u>92,885</u>	<u>11,265</u>
Total Public Works	<u>299,300</u>	<u>265,448</u>	<u>33,852</u>
<b>TOTAL EXPENDITURES</b>	<u>299,300</u>	<u>265,448</u>	<u>33,852</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(20,960)</u>	<u>10,035</u>	<u>30,995</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(20,960)</u>	<u>10,035</u>	<u>30,995</u>
Fund balance, beginning of year	<u>138,028</u>	<u>138,028</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 117,068</u></u>	<u><u>\$ 148,063</u></u>	<u><u>\$ 30,995</u></u>

**City of Munising, Michigan**

**LOCAL STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 110,584	\$ 110,240	\$ (344)
Interest income	-	-	-
Other revenues	-	-	-
<b>TOTAL REVENUES</b>	<u>110,584</u>	<u>110,240</u>	<u>(344)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Routine maintenance	37,850	11,571	26,279
Street/catch basin cleaning	11,500	8,334	3,166
Traffic services maintenance	3,050	221	2,829
Winter maintenance	201,440	201,671	(231)
General and administrative	1,260	1,250	10
<b>TOTAL EXPENDITURES</b>	<u>255,100</u>	<u>223,047</u>	<u>32,053</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(144,516)</u>	<u>(112,807)</u>	<u>31,709</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	146,000	110,789	(35,211)
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>146,000</u>	<u>110,789</u>	<u>(35,211)</u>
<b>CHANGE IN FUND BALANCE</b>	1,484	(2,018)	(3,502)
Fund balance, beginning of year	<u>20,333</u>	<u>20,333</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 21,817</u></u>	<u><u>\$ 18,315</u></u>	<u><u>\$ (3,502)</u></u>

**City of Munising, Michigan**

**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 500,500	\$ 215,452	\$ (285,048)
Interest income	-	-	-
Other	<u>5,500</u>	<u>6,000</u>	<u>500</u>
<b>TOTAL REVENUES</b>	<u>506,000</u>	<u>221,452</u>	<u>(284,548)</u>
<b>EXPENDITURES:</b>			
Capital Outlay:			
General government	355,657	43,040	312,617
Public safety	-	-	-
Public works	2,467,426	1,594,975	872,451
Parks and recreation	<u>394,500</u>	<u>412,649</u>	<u>(18,149)</u>
Total Capital Outlay	<u>3,217,583</u>	<u>2,050,664</u>	<u>1,166,919</u>
<b>TOTAL EXPENDITURES</b>	<u>3,217,583</u>	<u>2,050,664</u>	<u>1,166,919</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(2,711,583)</u>	<u>(1,829,212)</u>	<u>882,371</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from borrowing	2,400,000	1,721,000	(679,000)
Transfers in	50,500	41,360	(9,140)
Transfers (out)	<u>(185,570)</u>	<u>(185,516)</u>	<u>54</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,264,930</u>	<u>1,576,844</u>	<u>(688,086)</u>
<b>CHANGE IN FUND BALANCE</b>	(446,653)	(252,368)	194,285
Fund balance, beginning of year	<u>622,733</u>	<u>622,733</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 176,080</u></u>	<u><u>\$ 370,365</u></u>	<u><u>\$ 194,285</u></u>

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

## **City of Munising, Michigan**

### **NON-MAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The POLICE TRAINING FUND and BROWNFIELD REDEVELOPMENT AUTHORITY FUND are non-major special revenue fund types.

#### **DEBT SERVICE FUNDS**

The function of the Debt Service Funds is to account for the accumulation of resources and payment of general obligation principal and interest from the governmental resources. The modified accrual basis of accounting is used in recording the Debt Service Fund transactions.

ENERGY DEBT SERVICE FUND: This fund was established in 2014 to account for the annual payments on the 2013 Limited Tax General Obligation Bonds. These bonds, totaling \$1,450,000, were issued for the purpose of financing energy construction and improvements.

BUILDING CONSTRUCTION DEBT SERVICE FUND: This fund was established in 2005 to account for the annual payments on the retirement of the 2005 General Obligation Limited Tax Bonds. These bonds, totaling \$829,350, were issued for the purpose of financing the acquisition and renovation of a building, construction of a vehicle storage facility, salt storage structure and material storage area.

ROAD CONSTRUCTION DEBT SERVICE FUND: This fund was established in 2005 to account for the annual payments on the 2005 Michigan State Infrastructure Bank Loan. This loan, totaling \$500,000, was issued for the purpose of financing road construction and improvements.

#### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions.

CEMETERY FUND: This fund is used to account for monies received for care of cemetery lots. The principal amount must be maintained intact and invested. Interest earnings are used to offset the City's cost of cemetery maintenance.



**City of Munising, Michigan**

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue Funds	Debt Service Funds	Permanent Funds Cemetery Trust Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,698	\$ 20	\$ 35,042	\$ 37,760
Cash and cash equivalents-restricted	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	91,000	-	91,000
<b>TOTAL ASSETS</b>	<u>2,698</u>	<u>91,020</u>	<u>35,042</u>	<u>128,760</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 2,698</u>	<u>\$ 91,020</u>	<u>\$ 35,042</u>	<u>\$ 128,760</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>				
Non-spendable	-	91,000	-	91,000
Restricted	2,698	20	35,042	37,760
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>2,698</u>	<u>91,020</u>	<u>35,042</u>	<u>128,760</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 2,698</u>	<u>\$ 91,020</u>	<u>\$ 35,042</u>	<u>\$ 128,760</u>

**City of Munising, Michigan**

**NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Trust Fund	Total
<b>REVENUES:</b>				
Property taxes	\$ 3,445	\$ -	\$ -	\$ 3,445
Intergovernmental revenue	296	-	-	296
Interest income	7	-	27	34
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3,748</b>	<b>-</b>	<b>27</b>	<b>3,775</b>
<b>EXPENDITURES:</b>				
Current Operations:				
Public safety	600	-	-	600
Public works	4,994	-	-	4,994
Capital outlay	-	-	-	-
Debt Service:				
Principal retirement	-	113,087	-	113,087
Interest and fiscal charges	-	156,004	-	156,004
<b>TOTAL EXPENDITURES</b>	<b>5,594</b>	<b>269,091</b>	<b>-</b>	<b>274,685</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,846)</b>	<b>(269,091)</b>	<b>27</b>	<b>(270,910)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	-	-	-
Transfers in	-	267,111	-	267,111
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>267,111</b>	<b>-</b>	<b>267,111</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(1,846)</b>	<b>(1,980)</b>	<b>27</b>	<b>(3,799)</b>
Fund balance, beginning of year	4,544	93,000	35,015	132,559
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,698</b>	<b>\$ 91,020</b>	<b>\$ 35,042</b>	<b>\$ 128,760</b>

**City of Munising, Michigan**

**NON-MAJOR SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

June 30, 2015

	Police Training Fund	Brownfield Redevelopment Authority Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,571	\$ 127	\$ 2,698
Accounts receivable	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
<b>TOTAL ASSETS</b>	<u>2,571</u>	<u>127</u>	<u>2,698</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 2,571</u></u>	<u><u>\$ 127</u></u>	<u><u>\$ 2,698</u></u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>			
Non-spendable	-	-	-
Restricted	2,571	127	2,698
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>2,571</u>	<u>127</u>	<u>2,698</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u><u>\$ 2,571</u></u>	<u><u>\$ 127</u></u>	<u><u>\$ 2,698</u></u>

**City of Munising, Michigan**

**NON-MAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2015

	Police Training Fund	Brownfield Redevelopment Authority Fund	Total
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 3,445	\$ 3,445
Intergovernmental revenue	296	-	296
Interest income	-	7	7
Other revenues	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	296	3,452	3,748
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Current Operations:			
Public safety	600	-	600
Public works	-	4,994	4,994
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	600	4,994	5,594
	<hr/>	<hr/>	<hr/>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(304)	(1,542)	(1,846)
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
	<hr/>	<hr/>	<hr/>
<b>CHANGES IN FUND BALANCE</b>	(304)	(1,542)	(1,846)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	2,875	1,669	4,544
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, END OF YEAR</b>	\$ 2,571	\$ 127	\$ 2,698
	<hr/>	<hr/>	<hr/>

**City of Munising, Michigan**

**POLICE TRAINING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 900	\$ 296	\$ (604)
Other	-	-	-
<b>TOTAL REVENUES</b>	<u>900</u>	<u>296</u>	<u>(604)</u>
<b>EXPENDITURES:</b>			
Public Safety:			
Other services and charges	<u>1,000</u>	<u>600</u>	<u>400</u>
<b>TOTAL EXPENDITURES</b>	<u>1,000</u>	<u>600</u>	<u>400</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(100)	(304)	(204)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	(100)	(304)	(204)
Fund balance, beginning of year	<u>2,875</u>	<u>2,875</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 2,775</u></u>	<u><u>\$ 2,571</u></u>	<u><u>\$ (204)</u></u>

**City of Munising, Michigan**

**BROWNFIELD REDEVELOPMENT AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Property taxes	\$ 3,332	\$ 3,445	\$ 113
Intergovernmental revenue	-	-	-
Interest income	10	7	(3)
Other	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	<b>3,342</b>	<b>3,452</b>	<b>110</b>
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Public Works:			
Other services and charges	5,000	4,994	6
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>5,000</b>	<b>4,994</b>	<b>6</b>
	<hr/>	<hr/>	<hr/>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,658)</b>	<b>(1,542)</b>	<b>116</b>
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
	<hr/>	<hr/>	<hr/>
<b>CHANGE IN FUND BALANCE</b>	<b>(1,658)</b>	<b>(1,542)</b>	<b>116</b>
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	1,669	1,669	-
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 11</b>	<b>\$ 127</b>	<b>\$ 116</b>
	<hr/>	<hr/>	<hr/>

**City of Munising, Michigan**

**NON-MAJOR DEBT SERVICE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2015

	Energy Debt Service Fund	Building Construction Debt Service Fund	Road Construction Debt Service Fund	Total
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	-	50,000	63,087	113,087
Interest and other	69,238	82,510	4,256	156,004
<b>TOTAL EXPENDITURES</b>	69,238	132,510	67,343	269,091
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(69,238)	(132,510)	(67,343)	(269,091)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	69,238	130,510	67,363	267,111
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	69,238	130,510	67,363	267,111
<b>CHANGES IN FUND BALANCE</b>	-	(2,000)	20	(1,980)
Fund balance, beginning of year	-	93,000	-	93,000
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ 91,000	\$ 20	\$ 91,020

## **City of Munising, Michigan**

### **ENTERPRISE FUNDS**

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

The major Enterprise Funds of the City are the SEWER, WATER FUND and MARINA FUND. The nonmajor Enterprise Fund of the City is the MARINA FUND.

**SEWER FUND:** To account for the management of sewer related activities including billing, maintenance and construction.

**WATER FUND:** To account for the management of water related activities including billing, maintenance and construction.

**MARINA FUND:** To account for the activity at the City operated marina.



**City of Munising, Michigan**

**SEWER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	2015		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Charges for services:			
Sales to customers	\$ 1,058,940	\$ 1,136,138	\$ 77,198
Repairs, taps and permits	3,800	2,980	(820)
Other operating revenue	34,504	36,740	2,236
<b>TOTAL OPERATING REVENUES</b>	<b>1,097,244</b>	<b>1,175,858</b>	<b>78,614</b>
<b>OPERATING EXPENSES:</b>			
Sewer Collection:			
Personnel services	52,950	46,892	6,058
Supplies	-	-	-
Professional services	625	614	11
Other services and charges	8,950	7,137	1,813
Equipment rental	2,400	1,627	773
Total Sewer Collection	64,925	56,270	8,655
Sewer Treatment:			
Personnel services	252,800	254,209	(1,409)
Supplies	18,100	16,661	1,439
Professional services	47,360	37,134	10,226
Other services and charges	149,300	142,774	6,526
Equipment rental	1,000	20	980
Total Sewer Treatment	468,560	450,798	17,762
Administrative and General:			
Personnel services	20,300	22,082	(1,782)
Supplies	3,700	3,410	290
Professional services	11,696	11,658	38
Other services and charges	19,603	21,326	(1,723)
Total Administrative and General	55,299	58,476	(3,177)
Depreciation	440,700	459,849	(19,149)
<b>TOTAL OPERATING EXPENSES</b>	<b>1,029,484</b>	<b>1,025,393</b>	<b>4,091</b>
<b>OPERATING INCOME (LOSS)</b>	<b>67,760</b>	<b>150,465</b>	<b>82,705</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	2,000	2,758	758
Interest expense	(456,950)	(340,927)	116,023
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(454,950)</b>	<b>(338,169)</b>	<b>116,781</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(387,190)</b>	<b>(187,704)</b>	<b>199,486</b>
Transfers in	190,856	190,844	-
Transfers (out)	(75,313)	(68,814)	6,499
<b>CHANGE IN NET POSITION</b>	<b>(271,647)</b>	<b>(65,674)</b>	<b>205,985</b>
Net position, beginning of year, as restated	4,731,696	4,731,696	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 4,460,049</b>	<b>\$ 4,666,022</b>	<b>\$ 205,985</b>

**City of Munising, Michigan**

**WATER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	2015		Variance with Final Budget Positive (Negative)
	Final Budget	Actual GAAP Basis	
<b>OPERATING REVENUES:</b>			
Intergovernmental revenue	\$ 179,300	\$ 104,349	\$ (74,951)
Charges for Services:			
Sales to customers	757,100	745,838	(11,262)
Repairs, taps and permits	3,000	12,460	9,460
Water improvements	-	-	-
Other operating revenue	2,100	6,282	4,182
<b>TOTAL OPERATING REVENUES</b>	<b>941,500</b>	<b>868,929</b>	<b>(72,571)</b>
<b>OPERATING EXPENSES:</b>			
Transmission and Distribution:			
Personnel services	216,150	231,866	(15,716)
Supplies	9,150	8,839	311
Professional services	6,985	6,980	5
Other services and charges	334,954	95,783	239,171
Equipment rental	25,500	25,759	(259)
Total Transmission and Distribution	592,739	369,227	223,512
Administrative and General:			
Personnel services	20,325	22,240	(1,915)
Supplies	4,225	3,410	815
Professional services	10,657	10,575	82
Other services and charges	17,683	17,791	(108)
Total Administrative and General	52,890	54,016	(1,126)
Depreciation	210,000	214,817	(4,817)
<b>TOTAL OPERATING EXPENSES</b>	<b>855,629</b>	<b>638,060</b>	<b>217,569</b>
<b>OPERATING INCOME (LOSS)</b>	<b>85,871</b>	<b>230,869</b>	<b>144,998</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	710	951	241
Interest expense	(260,474)	(162,689)	97,785
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(259,764)</b>	<b>(161,738)</b>	<b>98,026</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(173,893)</b>	<b>69,131</b>	<b>243,024</b>
Transfers in	119,714	119,672	(42)
Transfers (out)	(38,673)	(34,648)	4,025
<b>CHANGE IN NET POSITION</b>	<b>(92,852)</b>	<b>154,155</b>	<b>247,007</b>
Net position, beginning of year, as restated	2,105,961	2,105,961	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 2,013,109</b>	<b>\$ 2,260,116</b>	<b>\$ 247,007</b>

**City of Munising, Michigan**

**MARINA FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	2015		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for Services:			
Dock fees	67,400	70,147	2,747
Boat ramp fees	10,000	8,683	(1,317)
Gas sales and other	37,000	30,990	(6,010)
Other operating revenue	2,000	1,400	(600)
<b>TOTAL OPERATING REVENUES</b>	<b>116,400</b>	<b>111,220</b>	<b>(5,180)</b>
<b>OPERATING EXPENSES:</b>			
Administrative and General:			
Personnel services	25,300	23,071	2,229
Supplies	32,300	29,136	3,164
Other services and charges	18,850	19,169	(319)
Total Administrative and General	76,450	71,376	5,074
Repairs and maintenance	1,000	919	81
Depreciation	52,000	52,442	(442)
<b>TOTAL OPERATING EXPENSES</b>	<b>129,450</b>	<b>124,737</b>	<b>4,713</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(13,050)</b>	<b>(13,517)</b>	<b>(467)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	700	710	10
Proceeds from insurance	-	157,635	157,635
<b>TOTAL NONOPERATING REVENUES</b>	<b>700</b>	<b>158,345</b>	<b>157,645</b>
<b>CHANGE IN NET POSITION</b>	<b>(12,350)</b>	<b>144,828</b>	<b>157,178</b>
Net position, beginning of year	1,284,973	1,284,973	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 1,272,623</b>	<b>\$ 1,429,801</b>	<b>\$ 157,178</b>

## **City of Munising, Michigan**

### **INTERNAL SERVICE FUNDS**

The function of Internal Service Funds is to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

**MOTOR POOL FUND:** To operate as a self-supporting fund, which will be responsible for the maintenance and purchasing of vehicles and equipment utilized in various departments of the City.

**MUNICIPAL BUILDING AUTHORITY FUND:** To accumulate the expenses and revenues associated with the operation of the Municipal Building.

**City of Munising, Michigan**

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

June 30, 2015

	Motor Pool Fund	Municipal Building Authority Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 94,766	\$ 35,687	\$ 130,453
Accounts receivable	-	-	-
Prepaid expenses	19,599	-	19,599
Non-current Assets:			
Capital Assets:			
Land and construction in progress	-	20,000	20,000
Other capital assets, net	1,468,444	87,404	1,555,848
<b>TOTAL ASSETS</b>	<b>1,582,809</b>	<b>143,091</b>	<b>1,725,900</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Change in pension investment projections	3,287	-	3,287
Employer contributions subsequent to measurement date	4,319	-	4,319
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,606</b>	<b>-</b>	<b>7,606</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Cash overdraft	-	-	-
Accounts payable	1,625	-	1,625
Accrued salaries	362	107	469
Long-term Liabilities:			
Portion due or payable within one year:			
Bonds payable	1,750	700	2,450
Contracts and notes payable	54,527	-	54,527
Advance from other funds	1,500	600	2,100
Employee benefits	-	-	-
Portion due or payable after one year:			
Bonds payable	70,750	28,300	99,050
Contracts and notes payable	327,915	-	327,915
Advance from other funds	28,250	11,300	39,550
Employee benefits	6,285	-	6,285
Net pension liability	101,499	-	101,499
<b>TOTAL LIABILITIES</b>	<b>594,463</b>	<b>41,007</b>	<b>635,470</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Net investment in capital assets	983,752	66,504	1,050,256
Unrestricted	12,200	35,580	47,780
<b>TOTAL NET POSITION</b>	<b>\$ 995,952</b>	<b>\$ 102,084</b>	<b>\$ 1,098,036</b>

**City of Munising, Michigan**

ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2015

	Motor Pool Fund	Municipal Building Authority Fund	Total
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 435,917	\$ 108,000	\$ 543,917
Other operating revenue	11,055	-	11,055
<b>TOTAL OPERATING REVENUES</b>	<u>446,972</u>	<u>108,000</u>	<u>554,972</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	89,084	14,285	103,369
Services and supplies	63,626	10,985	74,611
Administrative and general	40,681	39,964	80,645
Repairs and maintenance	29,927	2,488	32,415
Depreciation	188,275	2,506	190,781
<b>TOTAL OPERATING EXPENSES</b>	<u>411,593</u>	<u>70,228</u>	<u>481,821</u>
<b>OPERATING INCOME (LOSS)</b>	<u>35,379</u>	<u>37,772</u>	<u>73,151</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	304	38	342
Federal grants	-	-	-
Interest expense	(15,678)	-	(15,678)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(15,374)</u>	<u>38</u>	<u>(15,336)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	20,005	37,810	57,815
Transfers in	-	130,510	130,510
Transfers (out)	(210,986)	(131,895)	(342,881)
<b>CHANGE IN NET POSITION</b>	(190,981)	36,425	(154,556)
Net position, beginning of year, as restated	<u>1,186,933</u>	<u>65,659</u>	<u>1,252,592</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 995,952</u></u>	<u><u>\$ 102,084</u></u>	<u><u>\$ 1,098,036</u></u>

**City of Munising, Michigan**

**MOTOR POOL FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	2015		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 436,865	\$ 435,917	\$ (948)
Other operating revenue	2,500	11,055	8,555
<b>TOTAL OPERATING REVENUES</b>	<b>439,365</b>	<b>446,972</b>	<b>7,607</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	90,250	89,084	1,166
Services and supplies	112,697	63,626	49,071
Administrative and general	40,727	40,681	46
Repairs and maintenance	45,000	29,927	15,073
Depreciation	218,300	188,275	30,025
<b>TOTAL OPERATING EXPENSES</b>	<b>506,974</b>	<b>411,593</b>	<b>95,381</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(67,609)</b>	<b>35,379</b>	<b>102,988</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	400	304	(96)
Federal grants	9,000	-	(9,000)
Interest expense	(69,750)	(15,678)	54,072
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(60,350)</b>	<b>(15,374)</b>	<b>44,976</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(127,959)</b>	<b>20,005</b>	<b>147,964</b>
Transfers in	-	-	-
Transfers (out)	(248,895)	(210,986)	37,909
<b>CHANGE IN NET POSITION</b>	<b>(376,854)</b>	<b>(190,981)</b>	<b>185,873</b>
Net position, beginning of year, as restated	1,186,933	1,186,933	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 810,079</b>	<b>\$ 995,952</b>	<b>\$ 185,873</b>

**City of Munising, Michigan**

**MUNICIPAL BUILDING AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2015

	2015		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 108,000	\$ 108,000	\$ -
Other operating revenue	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>108,000</b>	<b>108,000</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	27,000	14,285	12,715
Services and supplies	15,729	10,985	4,744
Administrative and general	40,500	39,964	536
Repairs and maintenance	4,000	2,488	1,512
Depreciation expense	-	2,506	(2,506)
<b>TOTAL OPERATING EXPENSES</b>	<b>87,229</b>	<b>70,228</b>	<b>17,001</b>
<b>OPERATING INCOME (LOSS)</b>	<b>20,771</b>	<b>37,772</b>	<b>17,001</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	25	38	13
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>25</b>	<b>38</b>	<b>13</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>20,796</b>	<b>37,810</b>	<b>17,014</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	137,134	130,510	(6,624)
Transfers (out)	(139,329)	(131,895)	7,434
<b>CHANGE IN NET POSITION</b>	<b>18,601</b>	<b>36,425</b>	<b>17,824</b>
Net position, beginning of year	65,659	65,659	-
<b>NET POSITION, END OF YEAR</b>	<b>\$ 84,260</b>	<b>\$ 102,084</b>	<b>\$ 17,824</b>



## COMPLIANCE SECTION



**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 of the  
City of Munising, Michigan  
301 E. Superior Street  
Munising, Michigan 49862

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 Munising, Michigan (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2015. Our report includes a reference to other auditors who audited the financial statements of Munising Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did

identify certain deficiencies in internal control, described in the accompanying Report to Management Letter that we consider to be significant deficiencies reported as item 2015-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management Letter as item 2015-002.

### **City of Munising, Michigan's Response to Findings**

City of Munising, Michigan's response to the findings identified in our audit is described in the accompanying Report to Management Letter. The City'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 this 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.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 22, 2015

## COMMUNICATIONS SECTION



***City of Munising, Michigan***  
***Report to Management Letter***  
***For the Year Ended June 30, 2015***

To the City Council of the  
City of Munising, Michigan  
301 E. Superior Street  
Munising, Michigan 49862

In planning and performing our audit of 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 the City of Munising, Michigan (the City) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

**SIGNIFICANT DEFICIENCIES**

**2015-001 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES**  
**(REPEAT)**

**Condition/Criteria:** Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes

To the City Council of the  
City of Munising, Michigan

required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Cause of Condition:** The staff of the City did not have adequate staffing to prepare all the information included in the annual financial statements.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Devin Olson, City Manager
- Corrective Action Planned:
  - The City of Munising, Michigan is aware of this deficiency and believes that it is not cost beneficial in our situation to allocate the time needed to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
  - Not applicable

**INSTANCE OF NON-COMPLIANCE**

**2015-002 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA 621) (REPEAT)**

**Condition/Criteria:** The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

**Cause of Condition:** Failure to amend the budgets during the year based on the level of expenditures.

**Effect:** The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in the footnotes to the financial statements.

To the City Council of the  
City of Munising, Michigan

**Recommendation:** The City of Munising, Michigan should strictly control expenditures so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Julie Johnson, Treasurer
- Corrective Action Planned:
  - The City of Munising, Michigan plans on reviewing budget to actual numbers so that appropriate changes can be made to the City's final budget throughout the course of the year.
- Anticipated Completion Date:
  - June 30, 2016

The City's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 22, 2015



***City of Munising, Michigan***  
***Communication with Those Charged with Governance***  
***For the Year Ended June 30, 2015***

December 22, 2015

To the City Council of the  
City of Munising, Michigan  
301 E. Superior Street  
Munising, Michigan 49862

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 the City of Munising, Michigan (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 August 27, 2015. 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 the City are described in the notes to the financial statements. As described in Note Q to the financial statements, the City changed accounting policies related to pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting of Pensions* and Statement of Governmental Accounting Standards (GASB Statement) No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in fiscal year 2014-2015. Accordingly, the cumulative effect of the new accounting changes as of the beginning of the year is reported as a prior period adjustment on the Statement of Activities as enumerated upon in Note S to the financial statements. We noted no transactions entered into by the City 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(s) affecting the City's financial statements were:



To the City Council of the  
City of Munising, Michigan

Management's estimate of accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the key factors and assumptions used to develop the City's Net Pension Liability, based on information provided by the CBIZ Retirement Plan Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of the City's Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. CBIZ Retirement Plan Services was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2014.

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.

To the City Council of the  
City of Munising, Michigan

### *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 December 22, 2015.

### *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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our consideration of internal control was for the limited purpose described in a separate letter 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management Letter that we consider to be significant deficiencies reported as item 2015-001.

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management Letter as item 2015-002.

To the City Council of the  
City of Munising, Michigan

### Other Matters

We applied certain limited procedures to the required supplementary information (RSI) as listed in the table of contents that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Other Supplementary Information as listed on the table of contents, which accompany 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 Members of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants