

CITY OF MUNISING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Munising Housing Commission, which represent 51 percent, 68 percent, and 68 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, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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 individual major governmental fund schedules of revenues, expenditures and changes in fund balance – budget and actual, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual major governmental fund schedules of revenues, expenditures and changes in fund balance – budget and actual, and the combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual major governmental fund schedules of revenues, expenditures and changes in fund balance – budget and actual, and the combining and individual

City Council of the
City of Munising, Michigan

nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, 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, 2014

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, 2014. 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 decreased by \$309,876 as a result of this year's operations. Net position of our business-type activities decreased by \$242,521 or 3 percent, and net position of our governmental activities decreased by \$67,455 or 2 percent.
- During the year, the City had expenses for governmental activities that were \$2,593,497 and generated \$2,292,732 in general revenues and other program sources (excluding transfers).
- The City's business-type activities had expenses of \$2,306,669 and generated \$2,177,558 in revenues (excluding transfers).
- The General Fund reported a net increase in fund balance of \$10,461.

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, 2014 and 2013.

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$1,382,851 | \$2,108,499 | \$2,043,488 | \$2,065,091 | \$3,426,339 | \$4,173,590 |
| Capital assets, net | <u>7,775,680</u> | <u>6,705,505</u> | <u>18,996,952</u> | <u>19,388,138</u> | <u>26,772,632</u> | <u>26,093,643</u> |
| Total Assets | <u>9,158,531</u> | <u>8,814,004</u> | <u>21,040,440</u> | <u>21,453,229</u> | <u>30,198,971</u> | <u>30,267,233</u> |
| Deferred outflows of resources | - | - | - | - | - | - |
| Current liabilities | 94,665 | 91,337 | 55,302 | 15,086 | 149,967 | 106,423 |
| Non-current liabilities | <u>5,009,604</u> | <u>4,600,950</u> | <u>12,155,985</u> | <u>12,366,569</u> | <u>17,165,589</u> | <u>16,967,519</u> |
| Total Liabilities | <u>5,104,269</u> | <u>4,692,287</u> | <u>12,211,287</u> | <u>12,381,655</u> | <u>17,315,556</u> | <u>17,073,942</u> |
| Deferred inflows of resources | - | - | - | - | - | - |
| Net Position: | | | | | | |
| Net investment in capital assets | 2,912,057 | 2,225,004 | 6,885,952 | 7,071,138 | 9,798,009 | 9,296,142 |
| Restricted | 1,067,692 | 1,555,014 | 860,393 | 948,053 | 1,928,085 | 2,503,067 |
| Unrestricted | <u>74,513</u> | <u>341,699</u> | <u>1,082,808</u> | <u>1,052,383</u> | <u>1,157,321</u> | <u>1,394,082</u> |
| Total Net Position | <u>\$4,054,262</u> | <u>\$4,121,717</u> | <u>\$8,829,153</u> | <u>\$9,071,574</u> | <u>\$12,883,415</u> | <u>\$13,193,291</u> |

Net position of the City's governmental activities stood at \$4,054,262. *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 \$74,513.

The \$74,513 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 \$8,829,153. 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 2014 and 2013.

Table 2
Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$454,727 | \$446,312 | \$2,173,986 | \$1,931,095 | \$2,628,713 | \$2,377,407 |
| Operating grants and contributions | 532,169 | 406,183 | - | - | 532,169 | 406,183 |
| Capital grants and contributions | - | - | - | - | - | - |
| General Revenues: | | | | | | |
| Property taxes | 1,021,760 | 1,007,968 | - | - | 1,021,760 | 1,007,968 |
| Unrestricted | 260,534 | 244,618 | - | - | 260,534 | 244,618 |
| Investment earnings | 1,835 | 1,781 | 3,572 | 4,011 | 5,407 | 5,792 |
| Gain on sale of capital assets | - | - | - | - | - | - |
| Miscellaneous | 21,707 | 6,599 | - | - | 21,707 | 6,599 |
| Total Revenues | <u>2,292,732</u> | <u>2,113,461</u> | <u>2,177,558</u> | <u>1,935,106</u> | <u>4,470,290</u> | <u>4,048,567</u> |
| Program Expenses: | | | | | | |
| Legislative | 12,675 | 13,165 | - | - | 12,675 | 13,165 |
| General government | 596,248 | 516,272 | - | - | 596,248 | 516,272 |
| Public safety | 485,792 | 455,476 | - | - | 485,792 | 455,476 |
| Public works | 1,008,794 | 929,222 | - | - | 1,008,794 | 929,222 |
| Parks and recreation | 325,874 | 287,483 | - | - | 325,874 | 287,483 |
| Debt service | 164,114 | 105,132 | - | - | 164,114 | 105,132 |
| Sewer | - | - | 1,361,822 | 1,336,521 | 1,361,822 | 1,336,521 |
| Water | - | - | 845,077 | 816,580 | 845,077 | 816,580 |
| Marina | - | - | 99,770 | 120,053 | 99,770 | 120,053 |
| Total Expenses | <u>2,593,497</u> | <u>2,306,750</u> | <u>2,306,669</u> | <u>2,273,154</u> | <u>4,900,166</u> | <u>4,579,904</u> |
| Excess (deficiency) before transfers | (300,765) | (193,289) | (129,111) | (338,048) | (429,876) | (531,337) |
| Transfers | <u>233,310</u> | <u>323,574</u> | <u>(113,310)</u> | <u>(201,154)</u> | <u>120,000</u> | <u>122,420</u> |
| Increase (decrease) in net position | (67,455) | 130,285 | (242,421) | (539,202) | (309,876) | (408,917) |
| Net position, beginning, as restated | <u>4,121,717</u> | <u>3,991,432</u> | <u>9,071,574</u> | <u>9,610,776</u> | <u>13,193,291</u> | <u>13,602,208</u> |
| Net Position, Ending | <u>\$4,054,262</u> | <u>\$4,121,717</u> | <u>\$8,829,153</u> | <u>\$9,071,574</u> | <u>\$12,883,415</u> | <u>\$13,193,291</u> |

The City's total revenues and transfers were \$4,590,290. The total cost of all programs and services was \$4,900,166, leaving a decrease in net position of \$309,876. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The decrease in net position is primarily attributable to an increase in the total primary government expenses. Property taxes and other general revenues increased slightly, while transfers in from

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

other funds decreased from the previous year. The combination of all these factors caused the net position from governmental activities to decrease by \$67,455.

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 | \$596,248 | \$548,460 |
| Public safety | 485,792 | 476,145 |
| Public works | 1,008,794 | 474,641 |
| Parks and recreation | 325,874 | (69,434) |

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 \$1,141,774, a decrease of \$630,900 from the beginning of the year.

General Fund Budgetary Highlights

Over the course of the year, budget revisions were required. The most significant adjustments occurred in the major funds, the General Fund, Major Street Fund, Local Street Fund, and Capital Projects Fund.

The largest budget revision occurred in the Capital Projects Fund related to the construction in progress. Construction in progress are several projects that have not been completed as of year end. These additions are relating to the Cox Construction Project and the Energy Bond Construction Project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2014, the City had \$26,772,632 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

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

| | Governmental Activities | Business-Type Activities | Total Primary Government | |
|----------------------------|----------------------------|-----------------------------|--------------------------|-----------|
| | 2014 | 2014 | 2014 | 2013 |
| Land | \$20,000 | \$12,275 | \$32,275 | \$12,275 |
| Construction in progress | 2,150,093 | - | 2,150,093 | 742,154 |
| Land Improvements | 161,823 | - | 161,823 | 171,240 |
| Buildings and improvements | 3,391,415 | - | 3,391,415 | 3,491,550 |

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

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

| | Governmental Activities | Business-Type Activities | Total Primary Government | |
|-----------------------------------|----------------------------|-----------------------------|--------------------------|---------------------|
| | 2014 | 2014 | 2014 | 2013 |
| Infrastructure | \$1,352,478 | \$- | \$1,352,478 | \$1,416,900 |
| Equipment and furnishings | 699,871 | - | 699,871 | 883,661 |
| Sewer plant and equipment | - | 12,116,318 | 12,116,318 | 12,550,881 |
| Water plant and equipment | - | 5,914,008 | 5,914,008 | 6,111,426 |
| Marina and Harbor Master building | - | 954,351 | 954,351 | 713,556 |
| Total | <u>\$7,775,680</u> | <u>\$18,996,952</u> | <u>\$26,772,632</u> | <u>\$26,093,643</u> |

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

Debt

At year end, the City had \$16,379,623 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 | |
|-----------------------------|----------------------------|---------------------------------|--------------------------|---------------------|
| | 2014 | 2014 | 2014 | 2013 |
| General obligation bonds | \$3,718,350 | \$- | \$3,718,350 | \$3,812,350 |
| Revenue bonds | - | 12,111,000 | 12,111,000 | 12,317,000 |
| Notes and contracts payable | 550,273 | - | 550,273 | 668,151 |
| Total | <u>\$4,268,623</u> | <u>\$12,111,000</u> | <u>\$16,379,623</u> | <u>\$16,797,501</u> |

New debt was incurred during the 2013-2014 fiscal year for an energy 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

The City's elected and appointed officials considered many factors when setting the fiscal year 2014-2015 budget.

The City continues to look at several means to raise revenue in the face of relatively flat or declining state revenue sharing. The City has actually lowered the tax rate and is on a continuing course to stabilize the water and sewer rates. Although this goal appears to some as contrary to the funding dilemma, City officials believe it is important to continue to create an atmosphere of affordable opportunity for growth. The City continues to recognize the need to draw more business and residential growth.

The City experienced continued reductions in state revenue sharing and increased costs for services. To remedy these shortfalls, the City will continue to work with State, Federal, corporate, and non-profit agencies to partner in funding mechanisms needed for accommodating future growth.

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, 2014

| | Primary Government | | | Component Units |
|-----------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 669,932 | \$ 742,947 | \$ 1,412,879 | \$ 187,597 |
| Investments | - | - | - | 143,971 |
| Receivables, net | 141,150 | 271,570 | 412,720 | 27,467 |
| Primary government internal balances | - | - | - | - |
| Other current assets | 165,158 | 14,600 | 179,758 | 4,988 |
| Non-current Assets: | | | | |
| Restricted assets | 406,611 | 1,014,371 | 1,420,982 | 40,435 |
| Long-term receivable to DDA | - | - | - | 595,000 |
| Capital Assets: | | | | |
| Land and construction in progress | 2,170,093 | 12,275 | 2,182,368 | 139,622 |
| Other capital assets, net | 5,605,587 | 18,984,677 | 24,590,264 | 1,037,380 |
| TOTAL ASSETS | 9,158,531 | 21,040,440 | 30,198,971 | 2,176,460 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Cash overdrafts | 3,459 | 42,391 | 45,850 | - |
| Accounts payable | 26,940 | 10,512 | 37,452 | 12,449 |
| Accrued liabilities | 56,795 | 2,399 | 59,194 | 54 |
| Other current liabilities | 7,471 | - | 7,471 | 38,323 |
| Non-current Liabilities: | | | | |
| Portion due or payable within one year: | | | | |
| Bonds payable | 100,000 | 213,000 | 313,000 | - |
| Contracts and notes payable | 116,179 | - | 116,179 | - |
| Long-term payable to DDA | - | - | - | - |
| Employee benefits | 6,000 | 12,000 | 18,000 | 10,144 |
| Portion due or payable after one year: | | | | |
| Bonds payable | 3,618,350 | 11,898,000 | 15,516,350 | - |
| Contracts and notes payable | 434,094 | - | 434,094 | 595,000 |
| Long-term payable to DDA | 595,000 | - | 595,000 | - |
| Employee benefits | 139,981 | 32,985 | 172,966 | 23,939 |
| TOTAL LIABILITIES | 5,104,269 | 12,211,287 | 17,315,556 | 679,909 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | 2,912,057 | 6,885,952 | 9,798,009 | 1,177,002 |
| Restricted | 1,067,692 | 860,393 | 1,928,085 | 12,672 |
| Unrestricted | 74,513 | 1,082,808 | 1,157,321 | 306,877 |
| TOTAL NET POSITION | \$ 4,054,262 | \$ 8,829,153 | \$ 12,883,415 | \$ 1,496,551 |

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, 2014

| Function / Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|-----------------------------------------------|---------------------|----------------------|------------------------------------|---------------------------------------------------|-------------------------|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Component Units |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Legislative | \$ 12,675 | \$ - | \$ - | \$ - | \$ (12,675) | \$ - | \$ - |
| General government | 596,248 | 47,788 | - | - | (548,460) | - | - |
| Public safety | 485,792 | 63 | - | - | (476,145) | - | - |
| Public works | 1,008,794 | 44,818 | 9,584 | - | (474,641) | - | - |
| Parks and recreation | 325,874 | 362,058 | 489,335 | - | 69,434 | - | - |
| Debt service | 164,114 | - | 33,250 | - | (164,114) | - | - |
| Total Governmental Activities | 2,593,497 | 454,727 | 532,169 | - | (1,606,601) | - | - |
| Business-Type Activities: | | | | | | | |
| Sewer | 1,361,822 | 1,078,807 | - | - | - | (283,015) | - |
| Water | 845,077 | 716,020 | - | - | - | (129,057) | - |
| Marina | 99,770 | 379,159 | - | - | - | 279,389 | - |
| Total Business-Type Activities | 2,306,669 | 2,173,986 | - | - | - | (132,683) | - |
| TOTAL PRIMARY GOVERNMENT | \$ 4,900,166 | \$ 2,628,713 | \$ 532,169 | \$ - | (1,606,601) | (132,683) | - |
| Component Units: | | | | | | | |
| Downtown Development Authority | 119,598 | - | - | - | - | - | (119,598) |
| Landfill Authority | 13,590 | 13,225 | - | - | - | - | (365) |
| Housing Commission | 673,456 | 275,508 | 256,531 | 82,405 | - | - | (59,012) |
| TOTAL COMPONENT UNITS | \$ 806,644 | \$ 288,733 | \$ 256,531 | \$ 82,405 | - | - | (178,975) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 1,021,760 | - | 281,786 |
| Unrestricted intergovernmental sources | | | | | 260,534 | - | - |
| Interest and investment earnings | | | | | 1,835 | 3,572 | 1,843 |
| Gain on sale of capital assets | | | | | - | - | (326) |
| Miscellaneous | | | | | 21,707 | - | 36,829 |
| Transfers | | | | | 233,310 | (113,310) | (120,000) |
| TOTAL GENERAL REVENUES & TRANSFERS | | | | | 1,539,146 | (109,738) | 200,132 |
| CHANGE IN NET POSITION | | | | | (67,455) | (242,421) | 21,157 |
| Net position, beginning of year, as restated | | | | | 4,121,717 | 9,071,574 | 1,475,394 |
| NET POSITION, END OF YEAR | | | | | \$ 4,054,262 | \$ 8,829,153 | \$ 1,496,551 |

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

City of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2014

| | General Fund | Major Street Fund | Local Street Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---------------------------------------------------------------------------|-------------------|-------------------|-------------------|-----------------------|--------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 15,760 | \$ 106,294 | \$ 11,794 | \$ 317,021 | \$ 39,559 | \$ 490,428 |
| Cash and cash equivalents-restricted | 100,899 | - | - | 305,712 | - | 406,611 |
| Accounts receivable | 8,592 | - | - | - | - | 8,592 |
| Other receivables | 11,329 | - | - | - | - | 11,329 |
| Due from other governments | 79,312 | 31,889 | 8,555 | - | - | 119,756 |
| Due from other funds | 1,473 | - | - | - | - | 1,473 |
| Prepaid expenses | 53,140 | - | - | - | 93,000 | 146,140 |
| TOTAL ASSETS | 270,505 | 138,183 | 20,349 | 622,733 | 132,559 | 1,184,329 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | - | - |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 270,505 | \$ 138,183 | \$ 20,349 | \$ 622,733 | \$ 132,559 | \$ 1,184,329 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 24,087 | \$ - | \$ - | \$ - | \$ - | \$ 24,087 |
| Accrued liabilities | 8,794 | 155 | 16 | - | - | 8,965 |
| Accrued sick and vacation leave | - | - | - | - | - | - |
| Due to other funds | 2,032 | - | - | - | - | 2,032 |
| Due to others | 7,471 | - | - | - | - | 7,471 |
| TOTAL LIABILITIES | 42,384 | 155 | 16 | - | - | 42,555 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - | - | - |
| FUND BALANCE | | | | | | |
| Non-spendable | 53,140 | - | - | - | 93,000 | 146,140 |
| Restricted | 100,899 | 138,028 | 20,333 | 622,733 | 39,559 | 921,552 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | 74,082 | - | - | - | - | 74,082 |
| TOTAL FUND BALANCE | 228,121 | 138,028 | 20,333 | 622,733 | 132,559 | 1,141,774 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 270,505 | \$ 138,183 | \$ 20,349 | \$ 622,733 | \$ 132,559 | \$ 1,184,329 |

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, 2014

| | |
|---------------------------------------------------|---------------------|
| Total Fund Balances for Governmental Funds | \$ 1,141,774 |
|---------------------------------------------------|---------------------|

*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 | \$ 2,150,093 | |
| Capital assets being depreciated | 5,374,363 | |
| Accumulated depreciation | <u>(1,336,920)</u> | 6,187,536 |

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>1,341,507</u> | 1,341,507 |
|--------------|------------------|-----------|

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 notes and contracts payable | 63,160 | |
| Current portion of bonds payable | 100,000 | |
| Current portion of early retirement incentive | 6,000 | |
| Current portion of long-term payable to DDA | - | |
| Accrued interest on bonds | 47,555 | |
| Compensated absences | 128,835 | |
| Long-term early retirement incentive | 6,000 | |
| Long-term contracts and notes payable | 51,655 | |
| Long-term bonds payable | 3,618,350 | |
| Long-term payable to DDA | <u>595,000</u> | <u>(4,616,555)</u> |

| | |
|------------------------------------------------|----------------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 4,054,262</u> |
|------------------------------------------------|----------------------------|

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, 2014

| | General Fund | Major Street Fund | Local Street Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------|-------------------|-------------------|-------------------|-----------------------|--------------------------|--------------------------|
| REVENUES: | | | | | | |
| Property taxes | \$ 1,018,430 | - | \$ - | \$ - | \$ 3,330 | \$ 1,021,760 |
| Licenses and permits | 27,963 | - | - | - | - | 27,963 |
| Intergovernmental revenues | 269,445 | 291,891 | 97,209 | - | 673 | 659,218 |
| Charges for services | 362,558 | - | - | - | - | 362,558 |
| Fines and forfeits | 63 | - | - | - | - | 63 |
| Interest income | 1,536 | 268 | - | - | 31 | 1,835 |
| Other revenues | 102,628 | 8,236 | 8,236 | 100,235 | - | 219,335 |
| TOTAL REVENUES | 1,782,623 | 300,395 | 105,445 | 100,235 | 4,034 | 2,292,732 |
| EXPENDITURES: | | | | | | |
| Current operations: | | | | | | |
| Legislative | 12,675 | - | - | - | - | 12,675 |
| General government | 552,862 | - | - | - | - | 552,862 |
| Public safety | 440,847 | - | - | - | 1,296 | 442,143 |
| Public works | 340,846 | 376,678 | 205,639 | 1,427,505 | 4,238 | 2,354,906 |
| Parks and recreation | 295,106 | - | - | - | - | 295,106 |
| Debt service: | | | | | | |
| Principal retirement | 45,000 | - | - | - | 110,251 | 155,251 |
| Interest and fiscal charges | 10,606 | - | - | - | 138,795 | 149,401 |
| TOTAL EXPENDITURES | 1,697,942 | 376,678 | 205,639 | 1,427,505 | 254,580 | 3,962,344 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 84,681 | (76,283) | (100,194) | (1,327,270) | (250,546) | (1,669,612) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Proceeds from DDA | - | - | - | 595,000 | - | 595,000 |
| Transfers in | 160,469 | - | 110,469 | 160,417 | 247,046 | 678,401 |
| Transfers (out) | (234,689) | - | - | - | - | (234,689) |
| TOTAL OTHER FINANCING SOURCES (USES) | (74,220) | - | 110,469 | 755,417 | 247,046 | 1,038,712 |
| CHANGE IN FUND BALANCE | 10,461 | (76,283) | 10,275 | (571,853) | (3,500) | (630,900) |
| Fund balance, beginning of year | 217,660 | 214,311 | 10,058 | 1,194,586 | 136,059 | 1,772,674 |
| FUND BALANCE, END OF YEAR | \$ 228,121 | \$ 138,028 | \$ 20,333 | \$ 622,733 | \$ 132,559 | \$ 1,141,774 |

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (630,900)

*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. Includes Internal Service Funds depreciation expense of \$199,781.

| | | |
|----------------------|------------------|-----------|
| Capital outlays | \$ 1,407,940 | |
| Depreciation expense | <u>(157,984)</u> | 1,249,956 |

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 155,336 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Proceeds from the DDA are an other financing source in the funds, but a debt issue increases to long-term liabilities in the statement of net position. | (595,000) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| In the statement of activities, federal grant for the sewer project is recorded as contributed capital in the Sewer fund, whereas in the governmental funds the federal grants are an other financing source. | - |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (14,798) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Some expenses reported in the statement of activities, such as compensated absences are not reported as expenditures in governmental funds. | (22,217) |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|

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 | <u>(209,832)</u> |
|------------------------|------------------|

| | |
|----------------------------------------------------------|----------------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (67,455)</u></u> |
|----------------------------------------------------------|----------------------------------|

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

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENTS OF NET POSITION

June 30, 2014

| | Business- Type Activities Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|-----------------------------------------|-----------------------------------------------|---------------------|---------------------|---------------------|------------------------------------------------------------|
| | Sewer Fund | Water Fund | Marina Fund | Total | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 412,643 | \$ - | \$ 330,304 | \$ 742,947 | \$ 179,504 |
| Accounts receivable | 174,199 | 97,371 | - | 271,570 | - |
| Due from other governmental units | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Prepaid expenses | 9,548 | 4,443 | 609 | 14,600 | 19,018 |
| Non-current Assets: | | | | | |
| Restricted Assets: | | | | | |
| Construction | 29 | 11,318 | - | 11,347 | - |
| Operations and maintenance | 49,059 | 112,790 | - | 161,849 | - |
| Bond and interest redemption | 134,600 | 65,088 | - | 199,688 | - |
| Bond reserves | 270,500 | 124,360 | - | 394,860 | - |
| Repair, replacement, and maintenance | 176,560 | 70,067 | - | 246,627 | - |
| Capital Assets: | | | | | |
| Land and construction in progress | - | 12,275 | - | 12,275 | 20,000 |
| Other capital assets, net | 12,116,318 | 5,914,008 | 954,351 | 18,984,677 | 1,568,144 |
| TOTAL ASSETS | 13,343,456 | 6,411,720 | 1,285,264 | 21,040,440 | 1,786,666 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | - |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Cash overdrafts | - | 42,391 | - | 42,391 | 3,459 |
| Accounts payable | 7,143 | 3,369 | - | 10,512 | 821 |
| Accrued salaries | 1,129 | 979 | 291 | 2,399 | 275 |
| Due to other funds | - | - | - | - | - |
| Non-current Liabilities: | | | | | |
| Portion due or payable within one year: | | | | | |
| Bonds payable | 116,000 | 97,000 | - | 213,000 | - |
| Contracts and notes payable | - | - | - | - | 53,019 |
| Employee Benefits | 6,000 | 6,000 | - | 12,000 | - |
| Portion due or payable after one year: | | | | | |
| Bonds payable | 8,082,000 | 3,816,000 | - | 11,898,000 | - |
| Notes and contracts payable | - | - | - | - | 382,439 |
| Employee Benefits | 10,988 | 21,997 | - | 32,985 | 5,146 |
| TOTAL LIABILITIES | 8,223,260 | 3,987,736 | 291 | 12,211,287 | 445,159 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 3,918,318 | 2,013,283 | 954,351 | 6,885,952 | 1,152,686 |
| Restricted for: | | | | | |
| Construction and maintenance | 220,394 | 65,089 | - | 285,483 | - |
| Debt service and reserves | 381,882 | 193,028 | - | 574,910 | - |
| Unrestricted | 599,602 | 152,584 | 330,622 | 1,082,808 | 188,821 |
| TOTAL NET POSITION | \$ 5,120,196 | \$ 2,423,984 | \$ 1,284,973 | \$ 8,829,153 | \$ 1,341,507 |

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, 2014

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|----------------------------------------------------|----------------------------------------------|---------------------|---------------------|---------------------|------------------------------------------------------------|
| | Sewer Fund | Water Fund | Marina Fund | Total | |
| OPERATING REVENUES: | | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ 261,031 | \$ 261,031 | \$ - |
| Charges for services | 1,052,406 | 709,795 | 115,323 | 1,877,524 | - |
| Rents and royalties | - | - | - | - | 529,430 |
| Other operating revenue | 26,401 | 6,225 | 2,805 | 35,431 | 2,470 |
| TOTAL OPERATING REVENUES | 1,078,807 | 716,020 | 379,159 | 2,173,986 | 531,900 |
| OPERATING EXPENSES: | | | | | |
| Transmission and distribution | - | 441,828 | - | 441,828 | - |
| Sewer maintenance/treatment | 543,123 | - | - | 543,123 | - |
| Personnel services | - | - | - | - | 87,606 |
| Services and supplies | - | - | - | - | 92,747 |
| Administrative and general | 45,590 | 42,374 | 72,024 | 159,988 | 80,126 |
| Repairs and maintenance | - | - | 1,962 | 1,962 | 53,892 |
| Depreciation | 434,563 | 197,418 | 25,784 | 657,765 | 199,780 |
| TOTAL OPERATING EXPENSES | 1,023,276 | 681,620 | 99,770 | 1,804,666 | 514,151 |
| OPERATING INCOME (LOSS) | 55,531 | 34,400 | 279,389 | 369,320 | 17,749 |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Interest income | 2,233 | 808 | 531 | 3,572 | 473 |
| Interest expense | (338,546) | (163,457) | - | (502,003) | (17,652) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (336,313) | (162,649) | 531 | (498,431) | (17,179) |
| INCOME (LOSS) BEFORE TRANSFERS | (280,782) | (128,249) | 279,920 | (129,111) | 570 |
| Transfers in | 70,000 | 30,000 | - | 100,000 | 131,437 |
| Transfers (out) | (184,793) | (28,517) | - | (213,310) | (341,839) |
| CHANGE IN NET POSITION | (395,575) | (126,766) | 279,920 | (242,421) | (209,832) |
| Net position, beginning of year | 5,515,771 | 2,550,750 | 1,005,053 | 9,071,574 | 1,551,339 |
| NET POSITION, END OF YEAR | \$ 5,120,196 | \$ 2,423,984 | \$ 1,284,973 | \$ 8,829,153 | \$ 1,341,507 |

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, 2014

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|----------------------------------------------------------------------------------------------------|------------------------------------------------------|-----------------------|------------------------|-------------------|-----------------------------------------------------------------------|
| | Sewer Fund | Water Fund | Marina Fund | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from fees and charges for services | \$ 1,045,621 | \$ 661,109 | \$ 376,354 | \$ 2,083,084 | \$ 529,951 |
| Other operating revenues | 26,401 | 6,225 | 2,805 | 35,431 | 2,470 |
| Cash payments to employees for services | (323,152) | (308,401) | (25,278) | (656,831) | (82,170) |
| Cash payments for payroll taxes | (14,062) | (11,000) | (1,638) | (26,700) | (3,831) |
| Cash payments to suppliers for goods and services | (259,863) | (163,697) | (49,966) | (473,526) | (243,221) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 474,945 | 184,236 | 302,277 | 961,458 | 203,199 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | |
| (Increase) decrease in due from other funds | - | - | - | - | - |
| Increase (decrease) in due to other funds | - | - | - | - | - |
| Payments from (to) other funds | (114,793) | 1,483 | - | (113,310) | (210,402) |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | (114,793) | 1,483 | - | (113,310) | (210,402) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Acquisition and construction of capital assets | - | - | (266,579) | (266,579) | (20,000) |
| Net book value of asset disposals | - | - | - | - | - |
| Gain (loss) on sale of fixed assets | - | - | - | - | - |
| Capital contributions | - | - | - | - | - |
| Net proceeds from borrowings | - | - | - | - | - |
| Principal payments on revenue bonds and notes payable | (111,000) | (95,000) | - | (206,000) | (56,542) |
| Interest paid on revenue bonds and notes payable | (338,546) | (163,457) | - | (502,003) | (17,652) |
| NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES | (449,546) | (258,457) | (266,579) | (974,582) | (94,194) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest income | 2,233 | 808 | 531 | 3,572 | 473 |
| (Increase) decrease in restricted assets - net | (64,263) | (2,055) | - | (66,318) | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | (62,030) | (1,247) | 531 | (62,746) | 473 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (151,424) | (73,985) | 36,229 | (189,180) | (100,924) |
| Cash and cash equivalents, beginning of year | 564,067 | 31,594 | 294,075 | 889,736 | 276,969 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 412,643 | \$ (42,391) | \$ 330,304 | \$ 700,556 | \$ 176,045 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 55,531 | \$ 34,400 | \$ 279,389 | \$ 369,320 | \$ 17,749 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation | 434,563 | 197,418 | 25,784 | 657,765 | 199,780 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in accounts receivable | (6,785) | (48,686) | - | (55,471) | 521 |
| (Increase) decrease in prepaid expenses | (1,543) | (1,245) | (609) | (3,397) | (17,277) |
| Increase (decrease) in accounts payable | 7,143 | 3,369 | - | 10,512 | 821 |
| Increase (decrease) in accrued salaries | (5,635) | (4,765) | (2,287) | (12,687) | (1,710) |
| Increase (decrease) in compensated absences | (8,329) | 3,745 | - | (4,584) | 3,315 |
| NET ADJUSTMENTS | 419,414 | 149,836 | 22,888 | 592,138 | 185,450 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 474,945 | \$ 184,236 | \$ 302,277 | \$ 961,458 | \$ 203,199 |

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

City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2014

| | Private-Purpose Trust Fund <hr/> Substandard Housing <hr/> | Agency Funds <hr/> |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 30,996 | \$ 23,815 |
| Due from others | - | - |
| Due from other funds | 2,032 | - |
| | <hr/> | <hr/> |
| TOTAL ASSETS | 33,028 | \$ 23,815 |
| | <hr/> | <hr/> |
| LIABILITIES: | | |
| Due to others | - | \$ 22,342 |
| Due to other funds | - | 1,473 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | - | \$ 23,815 |
| | <hr/> | <hr/> |
| NET POSITION: | | |
| Held in trust for individuals, organizations, and other governments | 33,028 | |
| | <hr/> | |
| TOTAL NET POSITION | \$ 33,028 | |
| | <hr/> | |

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, 2014

| | Private-Purpose Trust Fund Substandard Housing |
|----------------------------------------------|-------------------------------------------------------------------|
| ADDITIONS: | |
| Contributions: | |
| Gifts, bequests and endowments | <u>\$ -</u> |
| Total Contributions | <u>-</u> |
| Investment Income: | |
| Interest and dividends | <u>16</u> |
| Net Investment Income (Loss) | <u>16</u> |
| TOTAL ADDITIONS (DEDUCTIONS) | <u>16</u> |
| DEDUCTIONS: | |
| Payments in accordance with trust agreements | <u>2,447</u> |
| TOTAL DEDUCTIONS | <u>2,447</u> |
| CHANGE IN NET POSITION | <u>(2,431)</u> |
| Net position, beginning of year | <u>35,459</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 33,028</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, 2014

| | Downtown Development Authority | Landfill Authority | Housing Commission | Total |
|-----------------------------------------|-----------------------------------------------|-------------------------------|-------------------------------|---------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 113,273 | \$ 9,576 | \$ 64,748 | \$ 187,597 |
| Cash and cash equivalents-restricted | 3,714 | 1,094 | 35,627 | 40,435 |
| Investments | - | - | 143,971 | 143,971 |
| Receivables, net | 25,388 | - | 2,079 | 27,467 |
| Prepaid expenses | - | - | 4,988 | 4,988 |
| Non-current Assets: | | | | |
| Long-term receivable to DDA | 595,000 | - | - | 595,000 |
| Capital Assets: | | | | |
| Land and construction in progress | 81,050 | - | 58,572 | 139,622 |
| Other capital assets, net | 246,819 | - | 790,561 | 1,037,380 |
| TOTAL ASSETS | 1,065,244 | 10,670 | 1,100,546 | 2,176,460 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | - | - | 12,449 | 12,449 |
| Accrued liabilities | 54 | - | - | 54 |
| Due to other governments | - | - | 13,136 | 13,136 |
| Tenant security deposits | - | - | 22,955 | 22,955 |
| Unearned revenue | - | - | 2,232 | 2,232 |
| Non-current Liabilities: | | | | |
| Portion due or payable within one year: | | | | |
| Compensated absences | - | - | 10,144 | 10,144 |
| Portion due or payable after one year: | | | | |
| Bond payable | 595,000 | - | - | 595,000 |
| Compensated absences | - | - | 23,939 | 23,939 |
| TOTAL LIABILITIES | 595,054 | - | 84,855 | 679,909 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | 327,869 | - | 849,133 | 1,177,002 |
| Restricted | - | - | 12,672 | 12,672 |
| Unrestricted | 142,321 | 10,670 | 153,886 | 306,877 |
| TOTAL NET POSITION | \$ 470,190 | \$ 10,670 | \$ 1,015,691 | \$ 1,496,551 |

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, 2014

| Function / Programs | 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 | \$ 119,598 | \$ - | \$ - | \$ (119,598) | \$ - | \$ - | \$ (119,598) |
| Landfill Authority Operations | 13,225 | - | - | - | (365) | - | (365) |
| Housing Commission Operations | 673,456 | 256,531 | 82,405 | - | - | (59,012) | (59,012) |
| TOTAL COMPONENT UNITS | \$ 806,644 | \$ 256,531 | \$ 82,405 | (119,598) | (365) | (59,012) | (178,975) |
| General Revenues: | | | | | | | |
| Property taxes | | 281,786 | | | - | - | 281,786 |
| Interest and investment earnings | | 824 | | | 33 | 660 | 1,517 |
| Miscellaneous | | 10,794 | | | - | 26,035 | 36,829 |
| Transfers | | (120,000) | | | - | - | (120,000) |
| TOTAL GENERAL REVENUES | | 173,404 | | 173,404 | 33 | 26,695 | 200,132 |
| CHANGE IN NET POSITION | | 53,806 | | 53,806 | (332) | (32,317) | 21,157 |
| Net position, beginning of year, as restated | | 416,384 | | 416,384 | 11,002 | 1,048,008 | 1,475,394 |
| NET POSITION, END OF YEAR | | \$ 470,190 | | \$ 470,190 | \$ 10,670 | \$ 1,015,691 | \$ 1,496,551 |

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

CITY OF MUNISING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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 no items that qualifies for reporting in this category.

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 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.

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

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, 2014, 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.

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 | \$1,412,879 | \$187,597 | \$54,811 | \$1,655,287 |
| Restricted assets | 1,420,982 | 40,435 | - | 1,461,417 |
| Cash overdrafts | (45,850) | - | - | (45,850) |
| Investment | - | 143,971 | - | 143,971 |
| TOTALS | \$2,788,011 | \$372,003 | \$54,811 | \$3,214,825 |

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 \$3,070,854 and the bank balance was \$3,362,650. Of the bank balance, \$606,059 or approximately 18% was covered by federal depository insurance according to FDIC regulations.

Investments

As of June 30, 2014, the City had the following investments.

| | Investment in Maturities (In years) | | | | |
|--------------------------|-------------------------------------|--------------------|------------|-------------|---------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> |
| COMPONENT UNIT: | | | | | |
| Certificate of deposits | \$143,971 | \$143,971 | \$- | \$- | \$- |
| TOTAL INVESTMENTS | \$143,971 | \$143,971 | \$- | \$- | \$- |

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, 2014 is \$91,008.

The restricted balance for the Playground Project as of June 30, 2014 is \$9,891.

Capital Projects Fund

Restricted Cash – The Energy Project construction restricted balance as of June 30, 2014 is \$75,309. The Cox Addition construction restricted balance as of June 30, 2014 is \$46,580 for sewer infrastructure and \$8,123 for water infrastructure. The City started two new contingency accounts as of June 30, 2014: a \$150,000 contingency restriction for upcoming projects and a \$25,700 bike path restriction.

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, 2014 | |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| | | Required Balance | Actual Balance |
| I. | Construction Accounts: These accounts are used to receive loan/grant proceeds and pay construction costs. | | |
| | (a) 2008 Sewer Bonds | \$- | \$29 |
| | (b) 2008 Water Bonds | - | 11,318 |
| 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 and operation. | 49,059 | 49,059 |
| | (b) Water Bond, sum sufficient to provide for payment of next quarter's expenses of administration and operation. | - | 112,790 |
| 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. | 108,312 | 131,530 |
| | (b) 2009 Sewer Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year. | 3,070 | 3,070 |

NOTE D – RESTRICTED ASSETS (Continued):

| | | June 30, 2014 | |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| | | Required Balance | Actual Balance |
| (c) 1999 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year. | | \$15,260 | \$15,260 |
| Bond Interest and Redemption Accounts: | | | |
| (d) 2008 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year | | 46,607 | 46,606 |
| (e) 2009 Water Bond, ½ of interest due on next payment due and not less than ¼ of the principal due the next year. | | 3,222 | 3,222 |
| 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 | 264,000 | 264,000 |
| | (b) 2009 Sewer Bond, \$1,300 per year up to \$13,000 | 6,500 | 6,500 |
| | (c) 2008 Water Bond, \$19,060 per year up to \$190,600 | 114,360 | 114,360 |
| | (d) 2009 Water Bond, \$1,400 per year up to \$14,000 | 10,000 | 10,000 |
| 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 | 144,000 | 149,225 |
| | (b) 2009 Sewer Bond, \$5,467 per year | 27,335 | 27,335 |
| | (c) 2008 Water Bond, \$7,000 per year | 42,000 | 43,399 |
| | (d) 2009 Water Bond, \$5,333 per year | 26,668 | 26,668 |
| | Sewer Subtotal | 602,276 | 630,748 |
| | Water Subtotal | 258,117 | 383,623 |
| | Total | <u>\$860,393</u> | <u>\$1,014,371</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:

NOTE E – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE (Continued):

| Type | Governmental Activities | | | | | | Business-Type Activities | | | Total |
|-------|-------------------------|-------------------|-------------------|-----------------------|-----------------|------------------------|--------------------------|------------|-------------|-----------|
| | General Fund | Major Street Fund | Local Street Fund | Capital Projects Fund | Non-Major Funds | Internal Service Funds | Sewer Fund | Water Fund | Marina Fund | |
| A* | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| B* | 8,592 | - | - | - | - | - | 174,199 | 97,371 | - | 280,162 |
| C* | 79,312 | 31,889 | 8,555 | - | - | - | - | - | - | 119,756 |
| D* | - | - | - | - | - | - | - | - | - | - |
| E* | 11,329 | - | - | - | - | - | - | - | - | 11,329 |
| F* | - | - | - | - | - | - | - | - | - | - |
| Total | \$99,233 | \$31,889 | \$8,555 | \$- | \$- | \$- | \$174,199 | \$97,371 | \$- | \$411,247 |

A* Property Taxes – Current

B* Other

C* Due From Other Government Units

D* Loans Receivable

E* Delinquent Property Taxes

F* Federal Grants Receivable

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

| DUE FROM OTHER FUNDS | | | | | | |
|----------------------|----------------------------|------------|------------|----------------|---------------------|--------------------------|
| DUE TO OTHER FUNDS | General Fund | Sewer Fund | Water Fund | Tax Collection | Substandard Housing | Total Due To Other Funds |
| | General Fund | \$- | \$- | \$- | \$2,032 | \$2,032 |
| | Tax Collection | 1,473 | - | - | - | 1,473 |
| | Sewer Fund | - | - | - | - | - |
| | Water Fund | - | - | - | - | - |
| | Substandard Housing | - | - | - | - | - |
| | Total Due From Other Funds | \$1,473 | \$- | \$- | \$2,032 | \$3,505 |

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.

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

The interfund transfers for the year are as follows:

| | TRANSFERS OUT TO OTHER FUNDS | | | | | |
|--------------------------|------------------------------|------------------|-----------------|------------------------|------------------|--------------------|
| | General Fund | Sewer Fund | Water Fund | Internal Service Funds | Component Units | Total Transfers In |
| General Fund | \$- | \$15,000 | \$15,000 | \$110,469 | \$20,000 | \$160,469 |
| Major Street Fund | - | - | - | - | - | - |
| Local Street Fund | 110,469 | - | - | - | - | 110,469 |
| Capital Projects Fund | 10,417 | 150,000 | - | - | - | 160,417 |
| Other Governmental Funds | 20,303 | 19,793 | 13,517 | 193,433 | - | 247,046 |
| Sewer Fund | - | - | - | - | 70,000 | 70,000 |
| Water Fund | - | - | - | - | 30,000 | 30,000 |
| Internal Service Funds | 93,500 | - | - | 37,937 | - | 131,437 |
| Component Units | - | - | - | - | - | - |
| Total Transfers Out | <u>\$234,689</u> | <u>\$184,793</u> | <u>\$28,517</u> | <u>\$341,839</u> | <u>\$120,000</u> | <u>\$909,838</u> |

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 07/01/13 | Additions | Disposals | Balance at 6/30/14 |
|---------------------------------------|------------------------|--------------------|------------|-----------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$- | \$20,000 | \$- | \$20,000 |
| Construction in progress | 742,154 | 1,407,939 | - | 2,150,093 |
| Capital assets being depreciated: | | | | |
| Land improvements | 219,148 | - | - | 219,148 |
| Buildings and improvements | 4,445,411 | - | - | 4,445,411 |
| Infrastructure | 1,773,983 | - | - | 1,773,983 |
| Equipment and vehicles | 2,669,510 | - | - | 2,669,510 |
| Total Capital Assets | <u>9,850,206</u> | <u>1,427,939</u> | <u>-</u> | <u>11,278,145</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (47,908) | (9,417) | - | (57,325) |
| Buildings and improvements | (953,861) | (100,135) | - | (1,053,996) |
| Infrastructure | (357,083) | (64,422) | - | (421,505) |
| Equipment and vehicles | (1,785,849) | (183,790) | - | (1,969,639) |
| Total Accumulated Depreciation | <u>(3,144,701)</u> | <u>(357,764)</u> | <u>-</u> | <u>(3,502,465)</u> |
| Capital Assets, net | <u>\$6,705,505</u> | <u>\$1,070,175</u> | <u>\$-</u> | <u>\$7,775,680</u> |

NOTE G – CAPITAL ASSETS (Continued):

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

| | |
|----------------------------------------------------|------------------|
| Governmental Activities: | |
| General governmental | \$21,169 |
| Public works | 62,398 |
| Parks & recreation | 30,768 |
| Public safety | 43,649 |
| Internal service funds charged to above activities | 199,780 |
| Total Depreciation Expense | <u>\$357,764</u> |

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

| | Balance at 07/01/13 | Additions | Disposals | Balance at 6/30/14 |
|---------------------------------------|------------------------|--------------------|------------|-----------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$12,275 | \$- | \$- | \$12,275 |
| Construction in progress | - | - | - | - |
| Capital assets being depreciated: | | | | |
| Sewer plant and equipment | 16,927,434 | - | - | 16,927,434 |
| Water plant and equipment | 9,088,478 | - | - | 9,088,478 |
| Marina and Harbor Master building | 1,364,236 | 266,579 | - | 1,630,815 |
| Total Capital Assets | <u>27,392,423</u> | <u>266,579</u> | <u>-</u> | <u>27,659,002</u> |
| Less accumulated depreciation: | | | | |
| Sewer plant and equipment | (4,376,553) | (434,563) | - | (4,811,116) |
| Water plant and equipment | (2,977,052) | (197,418) | - | (3,174,470) |
| Marina and Harbor Master building | (650,680) | (25,784) | - | (676,464) |
| Total Accumulated Depreciation | <u>(8,004,285)</u> | <u>(657,765)</u> | <u>-</u> | <u>(8,662,050)</u> |
| Capital Assets, net | <u>\$19,388,138</u> | <u>(\$391,186)</u> | <u>\$-</u> | <u>\$18,996,952</u> |

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

| | |
|----------------------------|------------------|
| Business-Type Activities: | |
| Sewer system | \$434,563 |
| Water system | 197,418 |
| Marina | 25,784 |
| Total Depreciation Expense | <u>\$657,765</u> |

A summary of Component Unit's capital assets as of June 30, 2014 is as follows:

| | Downtown Development Authority | Landfill Authority | Housing Commission | Total |
|---------------------------------------|--------------------------------------|-----------------------|-----------------------|-----------|
| COMPONENT UNITS: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$81,050 | \$- | \$58,572 | \$139,622 |
| Construction in progress | - | - | - | - |
| Capital assets being depreciated: | | | | |
| Land improvements | 31,955 | - | - | 31,955 |
| Buildings and improvements | 50,394 | - | 4,199,836 | 4,250,230 |

NOTE G – CAPITAL ASSETS (Continued):

| | Downtown Development Authority | Landfill Authority | Housing Commission | Total |
|--------------------------------|--------------------------------------|-----------------------|-----------------------|-------------|
| Infrastructure | 262,359 | - | - | 262,359 |
| Equipment and vehicles | - | - | 220,557 | 220,557 |
| Total Capital Assets | 425,758 | - | 4,478,965 | 4,904,723 |
| Less accumulated depreciation: | | | | |
| Land improvements | (\$4,212) | \$- | \$- | (\$4,212) |
| Buildings and improvements | (1,260) | - | (3,445,660) | (3,446,920) |
| Infrastructure | (92,417) | - | - | (92,417) |
| Equipment and vehicles | - | - | (184,172) | (184,172) |
| Total Accumulated Depreciation | (97,889) | - | (3,629,832) | (3,727,721) |
| Capital Assets, net | \$327,869 | \$- | \$849,133 | \$1,177,002 |

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

| | |
|--------------------------------|------------------|
| Component Units: | |
| Downtown Development Authority | \$11,603 |
| Landfill Authority | - |
| Housing Commission | 140,255 |
| Total Depreciation Expense | <u>\$151,858</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 \$1,385,357. The total costs incurred through June 30, 2014 amount to \$2,030,897.

Cox Addition

During 2013, the City began water and sewer infrastructure improvements to the Cox Addition area of the City. Current year expenditures relating to the project were \$22,583 and are being accounted for in the Capital Projects Fund. The total costs incurred through June 30, 2014 amount to \$119,166.

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, 2014:

NOTE I – LONG-TERM DEBT (Continued):

| Description | Balance July 1, 2013 | Additions | Reductions | Balance June 30, 2014 | Due Within One Year |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------|--------------------|--------------------------|------------------------|
| PRIMARY GOVERNMENT: | | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| 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% | \$200,000 | \$- | (\$45,000) | \$155,000 | \$50,000 |
| State Infrastructure Bank Note Payable, payable in ten annual installments of \$58,615 and bearing interest of 3.00% | 112,159 | - | (55,251) | 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% | 697,350 | - | (19,000) | 678,350 | 20,000 |
| 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. | 1,465,000 | - | (30,000) | 1,435,000 | 30,000 |
| 1999-2000 Fire truck loan payable bearing interest of 4.75% | 6,000 | - | (6,000) | - | - |
| 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 | - | - | 1,450,000 | - |
| 2009-2010 Street Sweeper loan payable bearing interest of 4.375% | 103,500 | - | (6,501) | 96,999 | 7,000 |
| 2009-2010 Snowplow loan payable bearing interest of 4.375% | 157,000 | - | (9,001) | 147,999 | 10,000 |
| Streetlight loan payable bearing interest of 4.25% | 63,992 | - | (6,085) | 57,907 | 6,252 |
| Grader loan payable bearing interest of 2.7625% | 225,500 | - | (35,040) | 190,460 | 36,019 |
| Subtotal | 4,480,501 | - | (211,878) | 4,268,623 | 216,179 |
| Employee Benefits: | | | | | |
| Compensated absences | 120,449 | 21,641 | (8,109) | 133,981 | - |
| Early retirement incentive | - | 33,000 | (21,000) | 12,000 | 6,000 |
| Subtotal | 120,449 | 54,641 | (29,109) | 145,981 | 6,000 |
| TOTAL GOVERNMENTAL ACTIVITIES | \$4,600,950 | \$54,641 | (\$240,987) | \$4,414,604 | \$222,179 |
| BUSINESS-TYPE ACTIVITIES: | | | | | |
| 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% | \$280,000 | \$- | (\$45,000) | \$235,000 | \$45,000 |
| Sewage Disposal System Junior Lien Revenue Bond, Series 2008 – Construction Draw Downs | 8,029,000 | - | (106,000) | 7,923,000 | 111,000 |
| Water Supply System Junior Lien Revenue Bond, Series 2008 – Construction Draw Downs | 3,425,000 | - | (45,000) | 3,380,000 | 47,000 |
| Sewage Disposal System Junior Lien Revenue Bond, Series 2009 – Construction Draw Downs | 280,000 | - | (5,000) | 275,000 | 5,000 |
| Water Supply System Junior Lien Revenue Bond, Series 2009 – Construction Draw Downs | 303,000 | - | (5,000) | 298,000 | 5,000 |
| Subtotal | 12,317,000 | - | (206,000) | 12,111,000 | 213,000 |

NOTE I – LONG-TERM DEBT (Continued):

| Description | Balance July 1, 2013 | Additions | Reductions | Balance June 30, 2014 | Due Within One Year |
|---------------------------------------|-------------------------|-----------------|--------------------|--------------------------|------------------------|
| Employee Benefits: | | | | | |
| Compensated absences | 16,569 | 16,416 | - | 32,985 | - |
| Early retirement incentive | 33,000 | - | (21,000) | 12,000 | 12,000 |
| Subtotal | 49,569 | 16,416 | (21,000) | 44,985 | 12,000 |
| TOTAL BUSINESS-TYPE ACTIVITIES | \$12,366,569 | \$16,416 | (\$227,000) | \$12,155,985 | \$225,000 |

COMPONENT UNITS:

Downtown Development Authority:

2013-2014 Downtown Development Bonds maturing serially to 2029 in annual variable amounts and bearing interest 3.70%

| | | | | |
|---|---------|---|---------|---|
| - | 315,000 | - | 315,000 | - |
|---|---------|---|---------|---|

2013-2014 Downtown Development Bonds maturing serially to 2028 in annual variable amounts and bearing interest 4.40%

| | | | | |
|---|---------|---|---------|---|
| - | 280,000 | - | 280,000 | - |
|---|---------|---|---------|---|

Landfill Authority:

None

| | | | | |
|---|---|---|---|---|
| - | - | - | - | - |
|---|---|---|---|---|

Housing Commission:

Compensated absences

| | | | | |
|--------|-------|---|--------|--------|
| 27,954 | 6,129 | - | 34,083 | 10,144 |
|--------|-------|---|--------|--------|

| | | | | | |
|------------------------------|-----------------|------------------|------------|------------------|-----------------|
| TOTAL COMPONENT UNITS | \$27,954 | \$601,129 | \$- | \$629,083 | \$10,144 |
|------------------------------|-----------------|------------------|------------|------------------|-----------------|

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2014 (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 |
| 2015 | \$216,179 | \$157,865 | \$213,000 | \$493,330 | \$- | \$23,975 |
| 2016 | 197,044 | 148,740 | 219,000 | 484,364 | 30,000 | 23,368 |
| 2017 | 220,357 | 140,487 | 226,000 | 475,023 | 35,000 | 22,060 |
| 2018 | 174,711 | 134,390 | 239,000 | 465,367 | 35,000 | 20,660 |
| 2019 | 187,107 | 127,401 | 246,000 | 455,135 | 35,000 | 19,260 |
| 2020-2024 | 898,377 | 544,565 | 1,109,000 | 2,137,067 | 195,000 | 73,198 |
| 2025-2029 | 1,135,498 | 364,726 | 1,355,000 | 1,893,497 | 235,000 | 30,012 |
| 2030-2034 | 706,000 | 177,403 | 1,652,000 | 1,596,068 | 30,000 | 555 |
| 2035-2039 | 443,350 | 69,054 | 2,014,000 | 1,232,951 | - | - |
| 2040-2044 | 90,000 | 3,600 | 2,459,000 | 789,300 | - | - |
| 2045-2049 | - | - | 2,379,000 | 247,395 | - | - |
| Totals | <u>\$4,268,623</u> | <u>\$1,868,231</u> | <u>\$12,111,000</u> | <u>\$10,269,497</u> | <u>\$595,000</u> | <u>\$213,088</u> |

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 | \$- | \$- | \$10,144 |

NOTE I – LONG-TERM DEBT (Continued):

| | Governmental Activities | Business-type Activities | Component Unit |
|-----------------------------|----------------------------|-----------------------------|-------------------|
| Long-term portion | 133,981 | 32,985 | 34,083 |
| Early retirement incentive: | | | |
| Current portion | 6,000 | 12,000 | - |
| Long-term portion | 6,000 | - | - |
| Total employee benefits | <u>\$145,981</u> | <u>\$44,985</u> | <u>\$34,083</u> |

NOTE J – LONG-TERM PAYABLE TO DDA:

During the year ended June 30, 2014, the DDA secured bonds in the amount of \$315,000 and \$280,000. The bonds are 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. A payable to the DDA is recorded in the Capital Projects fund and a corresponding receivable is recorded in the DDA for the balance of the debt at year end. The Payable and corresponding receivable is recorded in the DDA for the balance of the debt at year end. The payable and corresponding receivable will be reduced in conjunction with the DDA's principal payments on the debt, which begins in 2016. As of June 30, 2014 the amount recorded as a payable to the DDA (the outstanding principal on the DDA's bonds) was \$595,000.

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

As of June 30, 2014, 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.

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, 2014, 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 | \$53,140 | \$- | \$- | \$- | \$93,000 | \$146,140 |
| Restricted: | | | | | | |
| Landfill Post Closure | 91,008 | - | - | - | - | 91,008 |
| Transportation Funds | - | 138,028 | 20,333 | - | - | 158,361 |
| Playground Project | 9,891 | - | - | - | - | 9,891 |

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

| | General Fund | Major Street Fund | Local Street Fund | Capital Projects Funds | Other Governmental Funds | Total Governmental Funds |
|--------------------------|------------------|----------------------|----------------------|------------------------------|--------------------------------|--------------------------------|
| Capital Projects | - | - | - | 622,733 | - | 622,733 |
| Police Training | - | - | - | - | 2,875 | 2,875 |
| Brownfield Redevelopment | - | - | - | - | 1,669 | 1,669 |
| Cemetery Trust | - | - | - | - | 35,015 | 35,015 |
| Committed | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | 74,082 | - | - | - | - | 174,981 |
| Total fund balances | <u>\$228,121</u> | <u>\$138,028</u> | <u>\$20,333</u> | <u>\$622,733</u> | <u>\$132,559</u> | <u>\$1,141,774</u> |

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 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

NOTE L – CONTINGENT LIABILITIES (Continued):

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:

The following information is based upon the latest available actuarial valuation (as of December 31, 2013).

Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department along with all other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended June 30, 2014, the City's annual pension cost of \$191,952 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 37 years.

NOTE M – DEFINED BENEFIT PENSION PLAN (Continued):Three -Year Trend Information

| Analysis of Funding Progress | | | |
|-----------------------------------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 |
| Actuarial Value of Assets | \$5,432,222 | \$5,440,839 | \$5,558,808 |
| Actuarial Accrued Liability | 6,992,867 | 7,106,913 | 7,413,661 |
| Unfunded AAL | 1,560,645 | 1,666,074 | 1,854,853 |
| Funded Ratio | 78% | 77% | 75% |
| Covered Payroll | 836,949 | 877,462 | 784,978 |
| UAAL as a Percentage of Covered Payroll | 186% | 190% | 236% |

| Schedule of Employer Contributions | | | | |
|------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------|------------------------------|
| Fiscal Year Ending June 30, | Valuation Date December 31, | Annual Required Contribution (ARC) | Percentage of APC Contributed | Net Pension Obligation |
| 2012 | 2009 | \$166,474 | 100% | \$- |
| 2013 | 2010 | 178,335 | 100% | - |
| 2014 | 2011 | 191,952 | 100% | - |

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 – 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, 2014.

NOTE P – 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 66: 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)

Effective for fiscal years beginning after 12/15/2013 (City's fiscal year 2015)

This standard was issued to eliminate 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.

We do not expect GASB 66 to have any significant impact on the City at this time.

GASB 67: Financial Reporting for Pension Plans

Effective for fiscal years beginning after 06/15/2014 (City's fiscal year FY 2015)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information.

The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

GASB 68: Accounting and Financial Reporting for Pensions

Effective for fiscal years beginning after 06/15/2015 (City's fiscal year FY 2016)

This standard 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 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. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 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

NOTE P – UPCOMING STANDARDS (Continued):

the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69: Government Combinations and Disposals of Government Operations *Effective for fiscal years beginning after 12/15/2014 (City's fiscal year FY 2016)*

This standard 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.

NOTE Q – 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, 2014 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

| | |
|------------------------------|---------|
| General Fund: | |
| Public Safety | \$8,666 |
| Public Works | 209 |
| Parks and Recreation | 3,391 |
| Police Training Fund: | |
| Public Safety: | 396 |

NOTE R – RESTATED NET POSITION

During the year ended December 31, 2013, restatements in the amount of \$85 and (\$16) were necessary to properly account for the understatement of accounts receivable and understatement of amounts due to HUD in the Statement of Net Position. The errors have been corrected and had the following effect on the beginning net position:

| | |
|----------------------------------------------|--------------------|
| Beginning net position, as previously stated | \$1,047,939 |
| Adjustment for accounts receivable | 85 |
| Adjustment for due to HUD | (16) |
| Beginning net position, as restated | <u>\$1,048,008</u> |

REQUIRED SUPPLEMENTAL INFORMATION

City of Munising, Michigan

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

DEFINED BENEFIT CONTRIBUTION

ANALYSIS OF FUNDING INFORMATION

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date December 31, | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability | (b - a) Unfunded Accrued Liability | (a / b) Funded Ratio | (c) Annual Covered Payroll | [(b - a) / c] UAAL as a Percentage of Covered Payroll |
|---------------------------------------------------|----------------------------------------|------------------------------------------|---------------------------------------------|----------------------------|-------------------------------------|-------------------------------------------------------------------|
| 2004 | \$ 4,537,779 | \$ 5,532,121 | \$ 994,342 | 82% | \$ 997,790 | 107% |
| 2005 | 4,660,740 | 5,722,209 | 1,061,469 | 81% | 922,609 | 118% |
| 2006 | 4,868,274 | 5,892,259 | 1,023,985 | 83% | 934,139 | 114% |
| 2007 | 5,130,660 | 6,305,104 | 1,174,444 | 81% | 972,804 | 122% |
| 2008 | 5,218,584 | 6,736,840 | 1,518,256 | 77% | 954,253 | 159% |
| 2009 | 5,250,653 | 6,496,434 | 1,245,781 | 81% | 966,597 | 129% |
| 2010 | 5,364,142 | 6,594,468 | 1,230,326 | 81% | 930,838 | 132% |
| 2011 | 5,432,222 | 6,992,867 | 1,560,645 | 78% | 836,949 | 186% |
| 2012 | 5,440,839 | 7,106,913 | 1,666,074 | 77% | 877,462 | 190% |
| 2013 | 5,558,808 | 7,413,661 | 1,854,853 | 75% | 784,978 | 236% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ending June 30, | Valuation Date December 31, | Annual Required Contribution (ARC) | Percentage of ARC Contributed | Net Pension Obligation |
|-----------------------------------|--------------------------------|---------------------------------------------|-------------------------------------|---------------------------|
| 2005 | 2002 | \$ 159,144 | 100% | \$ - |
| 2006 | 2003 | 157,092 | 100% | - |
| 2007 | 2004 | 174,468 | 100% | - |
| 2008 | 2005 | 199,308 | 100% | - |
| 2009 | 2006 | 185,172 | 100% | - |
| 2010 | 2007 | 180,288 | 100% | - |
| 2011 | 2008 | 183,252 | 100% | - |
| 2012 | 2009 | 166,474 | 100% | - |
| 2013 | 2010 | 178,335 | 100% | - |
| 2014 | 2011 | 191,952 | 100% | - |

Notes to Required Schedule

The required contribution has been calculated to increase at the same rate as the projected increase in annual cost of living adjustments (4.5% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 25 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

City of Munising, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------------------------------|-------------------|-------------------|-------------------|------------------|
| | Original | Final | GAAP | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Property taxes | \$ 1,019,798 | \$ 1,017,138 | \$ 1,018,430 | \$ 1,292 |
| Licenses and permits | 33,500 | 33,500 | 27,963 | (5,537) |
| Intergovernmental revenues | 261,984 | 265,020 | 269,445 | 4,425 |
| Charges for services | 313,750 | 313,750 | 362,558 | 48,808 |
| Fines and forfeits | 1,500 | 1,500 | 63 | (1,437) |
| Interest and rents | 1,550 | 1,550 | 1,536 | (14) |
| Other revenues | 114,360 | 113,360 | 102,628 | (10,732) |
| TOTAL REVENUES | 1,746,442 | 1,745,818 | 1,782,623 | 36,805 |
| EXPENDITURES: | | | | |
| Legislative | 13,189 | 13,100 | 12,675 | 425 |
| General government | 586,292 | 565,893 | 552,862 | 13,031 |
| Public safety | 429,647 | 432,181 | 440,847 | (8,666) |
| Public works | 330,827 | 340,637 | 340,846 | (209) |
| Parks and recreation | 265,484 | 291,715 | 295,106 | (3,391) |
| Debt service | 55,606 | 55,606 | 55,606 | - |
| TOTAL EXPENDITURES | 1,681,045 | 1,699,132 | 1,697,942 | 1,190 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 65,397 | 46,686 | 84,681 | 37,995 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 213,825 | 213,825 | 160,469 | (53,356) |
| Transfers (out) | (282,734) | (284,834) | (234,689) | 50,145 |
| TOTAL OTHER FINANCING SOURCES (USES) | (68,909) | (71,009) | (74,220) | (3,211) |
| CHANGE IN FUND BALANCE | (3,512) | (24,323) | 10,461 | 34,784 |
| Fund balance, beginning of year | 217,660 | 217,660 | 217,660 | - |
| FUND BALANCE, END OF YEAR | \$ 214,148 | \$ 193,337 | \$ 228,121 | \$ 34,784 |

City of Munising, Michigan

MAJOR SPECIAL REVENUE FUNDS

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2014

| | MAJOR STREET FUND | | | | LOCAL STREET FUND | | | |
|---------------------------------------------------------|-------------------|------------------|-------------------------|---------------------------------------------------------|-------------------|------------------|-------------------------|---------------------------------------------------------|
| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
| | Original | Final | | | Original | Final | | |
| REVENUES: | | | | | | | | |
| Intergovernmental revenue | \$ 260,000 | \$ 269,300 | \$ 291,891 | \$ 22,591 | \$ 97,000 | \$ 96,200 | \$ 97,209 | \$ 1,009 |
| Interest income | 350 | 350 | 268 | (82) | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| Other revenues | - | 8,300 | 8,236 | (64) | - | 8,236 | 8,236 | - |
| TOTAL REVENUES | 260,350 | 277,950 | 300,395 | 22,445 | 97,000 | 104,436 | 105,445 | 1,009 |
| EXPENDITURES: | | | | | | | | |
| Public works | 283,451 | 395,042 | 376,678 | 18,364 | 260,806 | 260,752 | 205,639 | 55,113 |
| TOTAL EXPENDITURES | 283,451 | 395,042 | 376,678 | 18,364 | 260,806 | 260,752 | 205,639 | 55,113 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (23,101) | (117,092) | (76,283) | 40,809 | (163,806) | (156,316) | (100,194) | 56,122 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | - | - | - | - | 163,825 | 163,825 | 110,469 | (53,356) |
| Transfers (out) | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - | 163,825 | 163,825 | 110,469 | (53,356) |
| CHANGE IN FUND BALANCE | (23,101) | (117,092) | (76,283) | 40,809 | 19 | 7,509 | 10,275 | 2,766 |
| Fund balance, beginning of year | 214,311 | 214,311 | 214,311 | - | 10,058 | 10,058 | 10,058 | - |
| FUND BALANCE, END OF YEAR | \$ 191,210 | \$ 97,219 | \$ 138,028 | \$ 40,809 | \$ 10,077 | \$ 17,567 | \$ 20,333 | \$ 2,766 |

City of Munising, Michigan

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---------------------------------------------------------|---------------------|-------------------|-------------------|------------------|
| | Original | Final | GAAP | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Intergovernmental revenues | \$ - | \$ - | \$ - | \$ - |
| Interest income | - | - | - | - |
| Other revenues | - | 84,850 | 100,235 | 15,385 |
| TOTAL REVENUES | - | 84,850 | 100,235 | 15,385 |
| EXPENDITURES: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | 1,420,567 | 1,427,505 | (6,938) |
| Parks and recreation | - | - | - | - |
| TOTAL EXPENDITURES | - | 1,420,567 | 1,427,505 | (6,938) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (1,335,717) | (1,327,270) | 8,447 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from borrowing | - | 595,000 | 595,000 | - |
| Transfers in | - | 152,100 | 160,417 | 8,317 |
| Transfers (out) | (20,000) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (20,000) | 747,100 | 755,417 | 8,317 |
| CHANGE IN FUND BALANCE | (20,000) | (588,617) | (571,853) | 16,764 |
| Fund balance, beginning of year | 1,194,586 | 1,194,586 | 1,194,586 | - |
| FUND BALANCE, END OF YEAR | <u>\$ 1,174,586</u> | <u>\$ 605,969</u> | <u>\$ 622,733</u> | <u>\$ 16,764</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, 2014

| | <u>Final Budget</u> | <u>Actual GAAP Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|----------------------------------|-------------------------|----------------------------------|-------------------------------------------------------------------|
| REVENUES: | | | |
| Property Taxes: | | | |
| Property taxes | \$ 983,798 | \$ 983,666 | \$ (132) |
| Penalties, interest and fees | 33,175 | 34,604 | 1,429 |
| Trailer taxes | 165 | 160 | (5) |
| Total Property Taxes | <u>1,017,138</u> | <u>1,018,430</u> | <u>1,292</u> |
| Licenses and Permits: | | | |
| Business licenses and franchises | 32,000 | 25,973 | (6,027) |
| Other licenses and permits | 1,500 | 1,990 | 490 |
| Total Licenses and Permits | <u>33,500</u> | <u>27,963</u> | <u>(5,537)</u> |
| Intergovernmental Revenue: | | | |
| Payments in lieu of taxes | 13,136 | 19,140 | 6,004 |
| State revenue sharing | 182,384 | 181,370 | (1,014) |
| Federal grants | 9,500 | 8,911 | (589) |
| Other | 60,000 | 60,024 | 24 |
| Total Intergovernmental Revenue | <u>265,020</u> | <u>269,445</u> | <u>4,425</u> |
| Charges for Services: | | | |
| Industrial park leases | 2,100 | 2,575 | 475 |
| Tourist park fees | 271,150 | 315,165 | 44,015 |
| Solid waste disposal tags | 40,500 | 44,818 | 4,318 |
| Total Charges for Services | <u>313,750</u> | <u>362,558</u> | <u>48,808</u> |
| Fines and Forfeits: | | | |
| Fines and forfeits income | 1,500 | 63 | (1,437) |
| Total Fines and Forfeits | <u>1,500</u> | <u>63</u> | <u>(1,437)</u> |
| Interest and Rents: | | | |
| Interest income | 1,550 | 1,536 | (14) |
| Total Interest and Rents | <u>1,550</u> | <u>1,536</u> | <u>(14)</u> |
| Other Revenues: | | | |
| Special assessments | - | - | - |
| Cemetery lots | 15,000 | 17,250 | 2,250 |
| Private contributions | 50,000 | 32,000 | (18,000) |
| Local contributions | 100 | 1,250 | 1,150 |
| Other | 48,260 | 52,128 | 3,868 |
| Total Other Revenues | <u>113,360</u> | <u>102,628</u> | <u>(10,732)</u> |
| TOTAL REVENUES | <u>1,745,818</u> | <u>1,782,623</u> | <u>36,805</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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|----------------------------|-----------------|-------------------------|---------------------------------------------------------|
| EXPENDITURES: | | | |
| LEGISLATIVE: | | | |
| Personnel services | \$ 2,974 | \$ 2,985 | \$ (11) |
| Supplies | 25 | - | 25 |
| Other services and charges | 10,101 | 9,690 | 411 |
| TOTAL LEGISLATIVE | 13,100 | 12,675 | 425 |
| GENERAL GOVERNMENT: | | | |
| Executive: | | | |
| Personnel services | 75,183 | 74,179 | 1,004 |
| Supplies | 700 | 666 | 34 |
| Other services and charges | 24,610 | 23,613 | 997 |
| Capital outlay | 950 | 943 | 7 |
| Total Executive | 101,443 | 99,401 | 2,042 |
| Elections: | | | |
| Personnel services | 1,200 | 388 | 812 |
| Supplies | 1,679 | 763 | 916 |
| Other services and charges | 400 | 388 | 12 |
| Total Elections | 3,279 | 1,539 | 1,740 |
| Legal and Accounting: | | | |
| Supplies | 10,502 | 10,502 | - |
| Other services and charges | 33,298 | 32,747 | 551 |
| Total Legal and Accounting | 43,800 | 43,249 | 551 |
| Assessor: | | | |
| Personnel services | 11,920 | 12,007 | (87) |
| Supplies | 40 | - | 40 |
| Other services and charges | 7,708 | 7,205 | 503 |
| Total Assessor | 19,668 | 19,212 | 456 |
| Clerk: | | | |
| Personnel services | 89,043 | 90,556 | (1,513) |
| Supplies | 2,210 | 2,209 | 1 |
| Other services and charges | 28,200 | 28,126 | 74 |
| Capital outlay | 1,030 | 1,028 | 2 |
| Total Clerk | 120,483 | 121,919 | (1,436) |

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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|------------------------------------------|-----------------|-------------------------|---------------------------------------------------------|
| Board of Review: | | | |
| Personnel services | \$ 460 | \$ 460 | \$ - |
| Supplies | - | - | - |
| Other services and charges | 340 | 340 | - |
| Capital outlay | - | - | - |
| Total Board of Review | <u>800</u> | <u>800</u> | <u>-</u> |
| Treasurer: | | | |
| Personnel services | 71,737 | 72,948 | (1,211) |
| Supplies | 300 | 299 | 1 |
| Other services and charges | 13,505 | 13,455 | 50 |
| Capital outlay | <u>1,030</u> | <u>1,028</u> | <u>2</u> |
| Total Treasurer | <u>86,572</u> | <u>87,730</u> | <u>(1,158)</u> |
| Cemetery: | | | |
| Personnel services | 40,405 | 38,489 | 1,916 |
| Supplies | 995 | 757 | 238 |
| Other services and charges | 17,999 | 17,492 | 507 |
| Capital outlay | <u>-</u> | <u>(80)</u> | <u>80</u> |
| Total Cemetery | <u>59,399</u> | <u>56,658</u> | <u>2,741</u> |
| Other General Government: | | | |
| Insurance | 20,520 | 20,504 | 16 |
| Other miscellaneous services and charges | <u>109,929</u> | <u>101,850</u> | <u>8,079</u> |
| Total Other General Government | <u>130,449</u> | <u>122,354</u> | <u>8,095</u> |
| TOTAL GENERAL GOVERNMENT | <u>565,893</u> | <u>552,862</u> | <u>13,031</u> |
| PUBLIC SAFETY: | | | |
| Police Department: | | | |
| Personnel services | 317,273 | 324,913 | (7,640) |
| Supplies | 4,305 | 4,294 | 11 |
| Other services and charges | 35,115 | 34,504 | 611 |
| Capital outlay | <u>1,020</u> | <u>1,013</u> | <u>7</u> |
| Total Police Department | <u>357,713</u> | <u>364,724</u> | <u>(7,011)</u> |
| Fire Department: | | | |
| Personnel services | 47,017 | 51,427 | (4,410) |
| Supplies | 3,100 | 2,696 | 404 |
| Other services and charges | 22,657 | 20,308 | 2,349 |
| Capital outlay | <u>680</u> | <u>679</u> | <u>1</u> |
| Total Fire Department | <u>73,454</u> | <u>75,110</u> | <u>(1,656)</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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|----------------------------------------|-----------------|-------------------------|---------------------------------------------------------|
| Planning: | | | |
| Personnel services | \$ - | \$ - | \$ - |
| Supplies | - | - | - |
| Other services and charges | 1,014 | 1,013 | 1 |
| Total Planning | <u>1,014</u> | <u>1,013</u> | <u>1</u> |
| TOTAL PUBLIC SAFETY | <u>432,181</u> | <u>440,847</u> | <u>(8,666)</u> |
| PUBLIC WORKS: | | | |
| Public Works Department: | | | |
| Personnel services | 126,619 | 126,946 | (327) |
| Supplies | 3,590 | 3,575 | 15 |
| Other services and charges | 160,491 | 160,479 | 12 |
| Capital outlay | 1,028 | 1,028 | - |
| Total Public Works Department | <u>291,728</u> | <u>292,028</u> | <u>(300)</u> |
| Sanitation and Refuse Collection: | | | |
| Personnel services | - | - | - |
| Other services and charges | 48,909 | 48,818 | 91 |
| Total Sanitation and Refuse Collection | <u>48,909</u> | <u>48,818</u> | <u>91</u> |
| TOTAL PUBLIC WORKS | <u>340,637</u> | <u>340,846</u> | <u>(209)</u> |
| PARKS AND RECREATION: | | | |
| Parks and Recreation Department: | | | |
| Personnel services | 51,647 | 57,325 | (5,678) |
| Supplies | 1,500 | 821 | 679 |
| Other services and charges | 30,564 | 30,452 | 112 |
| Capital outlay | - | - | - |
| Total Parks and Recreation Department | <u>83,711</u> | <u>88,598</u> | <u>(4,887)</u> |
| Tourist Park: | | | |
| Personnel services | 2,603 | 2,543 | 60 |
| Supplies | 500 | 462 | 38 |
| Other services and charges | 120,029 | 118,660 | 1,369 |
| Capital outlay | - | - | - |
| Total Tourist Park | <u>123,132</u> | <u>121,665</u> | <u>1,467</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, 2014

| | <u>Final Budget</u> | <u>Actual GAAP Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------------------------|--------------------------|----------------------------------|-------------------------------------------------------------------|
| Ice Arena: | | | |
| Supplies | \$ 84,872 | \$ 84,843 | \$ 29 |
| Other services and charges | - | - | - |
| Capital outlay | - | - | - |
| Total Ice Arena | <u>84,872</u> | <u>84,843</u> | <u>29</u> |
| TOTAL PARKS AND RECREATION | <u>291,715</u> | <u>295,106</u> | <u>(3,391)</u> |
| DEBT SERVICE: | | | |
| Principal payments | 45,000 | 45,000 | - |
| Interest and fiscal charges | <u>10,606</u> | <u>10,606</u> | <u>-</u> |
| TOTAL DEBT SERVICE | <u>55,606</u> | <u>55,606</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>1,699,132</u> | <u>1,697,942</u> | <u>1,190</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>46,686</u> | <u>84,681</u> | <u>37,995</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 213,825 | 160,469 | (53,356) |
| Transfers (out) | <u>(284,834)</u> | <u>(234,689)</u> | <u>50,145</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(71,009)</u> | <u>(74,220)</u> | <u>(3,211)</u> |
| CHANGE IN FUND BALANCE | <u>(24,323)</u> | <u>10,461</u> | <u>34,784</u> |
| Fund balance, beginning of year | <u>217,660</u> | <u>217,660</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 193,337</u></u> | <u><u>\$ 228,121</u></u> | <u><u>\$ 34,784</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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------|------------------|-------------------------|---------------------------------------------------------|
| REVENUES: | | | |
| Intergovernmental revenue | \$ 269,300 | \$ 291,891 | \$ 22,591 |
| Interest income | 350 | 268 | (82) |
| Other revenues | 8,300 | 8,236 | (64) |
| TOTAL REVENUES | 277,950 | 300,395 | 22,445 |
| EXPENDITURES: | | | |
| Public Works: | | | |
| Construction | 91,276 | 91,272 | 4 |
| Routine maintenance | 23,698 | 17,945 | 5,753 |
| Street/catch basin cleaning | 9,749 | 7,730 | 2,019 |
| Traffic services maintenance | 3,075 | 2,467 | 608 |
| Winter maintenance | 150,592 | 152,119 | (1,527) |
| General and administrative | 1,975 | 1,338 | 637 |
| Highway M-28 | 114,677 | 103,807 | 10,870 |
| Total Public Works | 395,042 | 376,678 | 18,364 |
| TOTAL EXPENDITURES | 395,042 | 376,678 | 18,364 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (117,092) | (76,283) | 40,809 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| CHANGE IN FUND BALANCE | (117,092) | (76,283) | 40,809 |
| Fund balance, beginning of year | 214,311 | 214,311 | - |
| FUND BALANCE, END OF YEAR | \$ 97,219 | \$ 138,028 | \$ 40,809 |

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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------|------------------|-------------------------|---------------------------------------------------------|
| REVENUES: | | | |
| Intergovernmental revenue | \$ 96,200 | \$ 97,209 | \$ 1,009 |
| Interest income | - | - | - |
| Other revenues | 8,236 | 8,236 | - |
| TOTAL REVENUES | 104,436 | 105,445 | 1,009 |
| EXPENDITURES: | | | |
| Public Works: | | | |
| Routine maintenance | 34,642 | 34,059 | 583 |
| Street/catch basin cleaning | 17,699 | 9,765 | 7,934 |
| Traffic services maintenance | 2,125 | 310 | 1,815 |
| Winter maintenance | 204,886 | 160,334 | 44,552 |
| General and administrative | 1,400 | 1,171 | 229 |
| TOTAL EXPENDITURES | 260,752 | 205,639 | 55,113 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (156,316) | (100,194) | 56,122 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | 163,825 | 110,469 | (53,356) |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 163,825 | 110,469 | (53,356) |
| CHANGE IN FUND BALANCE | 7,509 | 10,275 | 2,766 |
| Fund balance, beginning of year | 10,058 | 10,058 | - |
| FUND BALANCE, END OF YEAR | \$ 17,567 | \$ 20,333 | \$ 2,766 |

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, 2014

| | <u>Final Budget</u> | <u>Actual GAAP Basis</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|-------------------------------------------------|--------------------------|----------------------------------|-------------------------------------------------------------------|
| REVENUES: | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - |
| Interest income | - | - | - |
| Other | <u>84,850</u> | <u>100,235</u> | <u>15,385</u> |
| TOTAL REVENUES | <u>84,850</u> | <u>100,235</u> | <u>15,385</u> |
| EXPENDITURES: | | | |
| Capital Outlay: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | 1,420,567 | 1,427,505 | (6,938) |
| Parks and recreation | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Capital Outlay | <u>1,420,567</u> | <u>1,427,505</u> | <u>(6,938)</u> |
| TOTAL EXPENDITURES | <u>1,420,567</u> | <u>1,427,505</u> | <u>(6,938)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(1,335,717)</u> | <u>(1,327,270)</u> | <u>8,447</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from borrowing | 595,000 | 595,000 | - |
| Transfers in | 152,100 | 160,417 | 8,317 |
| Transfers (out) | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>747,100</u> | <u>755,417</u> | <u>8,317</u> |
| CHANGE IN FUND BALANCE | <u>(588,617)</u> | <u>(571,853)</u> | <u>16,764</u> |
| Fund balance, beginning of year | <u>1,194,586</u> | <u>1,194,586</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 605,969</u></u> | <u><u>\$ 622,733</u></u> | <u><u>\$ 16,764</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, 2014

| | Special Revenue Funds | Debt Service Funds | Permanent Funds Cemetery Trust Fund | Total |
|-------------------------------------------------------------------------------|-----------------------------|--------------------------|----------------------------------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,544 | \$ - | \$ 35,015 | \$ 39,559 |
| Cash and cash equivalents-restricted | - | - | - | - |
| Accounts receivable, net | - | - | - | - |
| Due from other governments | - | - | - | - |
| Due from other funds | - | - | - | - |
| Prepaid expenses | - | 93,000 | - | 93,000 |
| TOTAL ASSETS | <u>4,544</u> | <u>93,000</u> | <u>35,015</u> | <u>132,559</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 4,544</u> | <u>\$ 93,000</u> | <u>\$ 35,015</u> | <u>\$ 132,559</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - | - |
| Due to other funds | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | | |
| Non-spendable | - | 93,000 | - | 93,000 |
| Restricted | 4,544 | - | 35,015 | 39,559 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCE | <u>4,544</u> | <u>93,000</u> | <u>35,015</u> | <u>132,559</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u>\$ 4,544</u> | <u>\$ 93,000</u> | <u>\$ 35,015</u> | <u>\$ 132,559</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, 2014

| | Special Revenue Funds | Debt Service Funds | Permanent Fund Cemetery Trust Fund | Total |
|---------------------------------------------------------|-----------------------------|--------------------------|---------------------------------------------|-------------------|
| REVENUES: | | | | |
| Property taxes | \$ 3,330 | \$ - | \$ - | 3,330 |
| Intergovernmental revenue | 673 | - | - | 673 |
| Interest income | 7 | - | 24 | 31 |
| Other revenues | - | - | - | - |
| TOTAL REVENUES | 4,010 | - | 24 | 4,034 |
| EXPENDITURES: | | | | |
| Current Operations: | | | | |
| Public safety | 1,296 | - | - | 1,296 |
| Public works | 4,238 | - | - | 4,238 |
| Capital outlay | - | - | - | - |
| Debt Service: | | | | |
| Principal retirement | - | 110,251 | - | 110,251 |
| Interest and fiscal charges | - | 138,795 | - | 138,795 |
| TOTAL EXPENDITURES | 5,534 | 249,046 | - | 254,580 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,524) | (249,046) | 24 | (250,546) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from borrowing | - | - | - | - |
| Transfers in | - | 247,046 | - | 247,046 |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 247,046 | - | 247,046 |
| CHANGE IN FUND BALANCE | (1,524) | (2,000) | 24 | (3,500) |
| Fund balance, beginning of year | 6,068 | 95,000 | 34,991 | 136,059 |
| FUND BALANCE, END OF YEAR | \$ 4,544 | \$ 93,000 | \$ 35,015 | \$ 132,559 |

City of Munising, Michigan

NON-MAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 2014

| | Police Training Fund | Brownfield Redevelopment Authority Fund | Total |
|-------------------------------------------------------------------------------|----------------------------|--------------------------------------------------|------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,875 | \$ 1,669 | \$ 4,544 |
| Accounts receivable | - | - | - |
| Due from other governments | - | - | - |
| Due from other funds | - | - | - |
| Prepaid expenses | - | - | - |
| TOTAL ASSETS | <u>2,875</u> | <u>1,669</u> | <u>4,544</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 2,875</u></u> | <u><u>\$ 1,669</u></u> | <u><u>\$ 4,544</u></u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued liabilities | - | - | - |
| Due to other funds | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE | | | |
| Non-spendable | - | - | - |
| Restricted | 2,875 | 1,669 | 4,544 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCE | <u>2,875</u> | <u>1,669</u> | <u>4,544</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | <u><u>\$ 2,875</u></u> | <u><u>\$ 1,669</u></u> | <u><u>\$ 4,544</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, 2014

| | Police Training Fund | Brownfield Redevelopment Authority Fund | Total |
|---------------------------------------------------------|----------------------------|--------------------------------------------------|-----------------|
| REVENUES: | | | |
| Property taxes | \$ - | \$ 3,330 | \$ 3,330 |
| Intergovernmental revenue | 673 | - | 673 |
| Interest income | - | 7 | 7 |
| Other revenues | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 673 | 3,337 | 4,010 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Current Operations: | | | |
| Public safety | 1,296 | - | 1,296 |
| Public works | - | 4,238 | 4,238 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 1,296 | 4,238 | 5,534 |
| | <hr/> | <hr/> | <hr/> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (623) | (901) | (1,524) |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| CHANGES IN FUND BALANCE | (623) | (901) | (1,524) |
| | <hr/> | <hr/> | <hr/> |
| Fund balance, beginning of year | 3,498 | 2,570 | 6,068 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE, END OF YEAR | \$ 2,875 | \$ 1,669 | \$ 4,544 |
| | <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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|------------------------|-------------------------|---------------------------------------------------------|
| REVENUES: | | | |
| Intergovernmental revenue | \$ 900 | \$ 673 | \$ (227) |
| Other | - | - | - |
| TOTAL REVENUES | <u>900</u> | <u>673</u> | <u>(227)</u> |
| EXPENDITURES: | | | |
| Public Safety: | | | |
| Other services and charges | <u>900</u> | <u>1,296</u> | <u>(396)</u> |
| TOTAL EXPENDITURES | <u>900</u> | <u>1,296</u> | <u>(396)</u> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | - | (623) | (623) |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | - | (623) | (623) |
| Fund balance, beginning of year | <u>3,498</u> | <u>3,498</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 3,498</u></u> | <u><u>\$ 2,875</u></u> | <u><u>\$ (623)</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, 2014

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|------------------------------------------------------|-----------------|-------------------------|---------------------------------------------------------|
| REVENUES: | | | |
| Property taxes | \$ 3,152 | \$ 3,330 | \$ 178 |
| Intergovernmental revenue | - | - | - |
| Interest income | 10 | 7 | (3) |
| Other | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 3,162 | 3,337 | 175 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | |
| Public Works: | | | |
| Other services and charges | 4,238 | 4,238 | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 4,238 | 4,238 | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | (1,076) | (901) | 175 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| CHANGE IN FUND BALANCE | (1,076) | (901) | 175 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance, beginning of year | 2,570 | 2,570 | - |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE, END OF YEAR | \$ 1,494 | \$ 1,669 | \$ 175 |
| | <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, 2014

| | Energy Debt Service Fund | Building Construction Debt Service Fund | Road Construction Debt Service Fund | Total |
|---------------------------------------------------------|--------------------------------|--------------------------------------------------|----------------------------------------------|-----------|
| REVENUES: | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - |
| Interest income | - | - | - | - |
| Other revenues | - | - | - | - |
| TOTAL REVENUES | - | - | - | - |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| Principal | - | 49,000 | 61,251 | 110,251 |
| Interest and other | 48,276 | 84,437 | 6,082 | 138,795 |
| TOTAL EXPENDITURES | 48,276 | 133,437 | 67,333 | 249,046 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (48,276) | (133,437) | (67,333) | (249,046) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 48,276 | 131,437 | 67,333 | 247,046 |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 48,276 | 131,437 | 67,333 | 247,046 |
| CHANGES IN FUND BALANCE | - | (2,000) | - | (2,000) |
| Fund balance, beginning of year | - | 95,000 | - | 95,000 |
| FUND BALANCE, END OF YEAR | \$ - | \$ 93,000 | \$ - | \$ 93,000 |

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 and WATER FUNDS. 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 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, 2014

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013

| | 2014 | | | |
|-----------------------------------------------|---------------------|-------------------------|---------------------------------------------------------|---------------------|
| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) | 2013 |
| OPERATING REVENUES: | | | | |
| Charges for services: | | | | |
| Sales to customers | \$ 1,255,905 | \$ 1,049,366 | \$ (206,539) | \$ 1,146,707 |
| Repairs, taps and permits | 3,800 | 3,040 | (760) | 3,760 |
| Sewer improvements | - | - | - | - |
| Other operating revenue | 20,400 | 26,401 | 6,001 | 897 |
| TOTAL OPERATING REVENUES | <u>1,280,105</u> | <u>1,078,807</u> | <u>(201,298)</u> | <u>1,151,364</u> |
| OPERATING EXPENSES: | | | | |
| Sewer Collection: | | | | |
| Personnel services | 25,138 | 24,086 | 1,052 | 16,080 |
| Supplies | - | - | - | - |
| Professional services | 1,205 | 1,203 | 2 | 4,144 |
| Other services and charges | 17,381 | 16,258 | 1,123 | 6,105 |
| Equipment rental | 9,000 | 8,412 | 588 | 2,511 |
| Total Sewer Collection | <u>52,724</u> | <u>49,959</u> | <u>2,765</u> | <u>28,840</u> |
| Sewer Treatment: | | | | |
| Personnel services | 262,620 | 275,701 | (13,081) | 252,913 |
| Supplies | 19,300 | 13,922 | 5,378 | 24,750 |
| Professional services | 42,000 | 39,298 | 2,702 | 35,168 |
| Other services and charges | 178,690 | 164,243 | 14,447 | 174,788 |
| Equipment rental | 1,000 | - | 1,000 | 990 |
| Total Sewer Treatment | <u>503,610</u> | <u>493,164</u> | <u>10,446</u> | <u>488,609</u> |
| Administrative and General: | | | | |
| Personnel services | 23,714 | 23,463 | 251 | 23,250 |
| Supplies | 2,900 | 3,089 | (189) | 2,757 |
| Professional services | 8,860 | 8,929 | (69) | 5,064 |
| Other services and charges | 121,304 | 10,109 | 111,195 | 7,128 |
| Total Administrative and General | <u>156,778</u> | <u>45,590</u> | <u>111,188</u> | <u>38,199</u> |
| Depreciation | 440,000 | 434,563 | 5,437 | 438,014 |
| TOTAL OPERATING EXPENSES | <u>1,153,112</u> | <u>1,023,276</u> | <u>129,836</u> | <u>993,662</u> |
| OPERATING INCOME (LOSS) | <u>126,993</u> | <u>55,531</u> | <u>(71,462)</u> | <u>157,702</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 2,500 | 2,233 | (267) | 2,393 |
| Interest expense | (338,586) | (338,546) | 40 | (342,859) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(336,086)</u> | <u>(336,313)</u> | <u>(227)</u> | <u>(340,466)</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>(209,093)</u> | <u>(280,782)</u> | <u>(71,689)</u> | <u>(182,764)</u> |
| Transfers in | 70,000 | 70,000 | - | 70,000 |
| Transfers (out) | (183,877) | (184,793) | (916) | (177,527) |
| CHANGE IN NET POSITION | <u>(322,970)</u> | <u>(395,575)</u> | <u>(72,605)</u> | <u>(290,291)</u> |
| Net position, beginning of year | <u>5,515,771</u> | <u>5,515,771</u> | <u>-</u> | <u>5,806,062</u> |
| NET POSITION, END OF YEAR | <u>\$ 5,192,801</u> | <u>\$ 5,120,196</u> | <u>\$ (72,605)</u> | <u>\$ 5,515,771</u> |

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, 2014
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013

| | 2014 | | | |
|-----------------------------------------------|---------------------|-------------------------|---------------------------------------------------------|---------------------|
| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) | 2013 |
| OPERATING REVENUES: | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - |
| Charges for Services: | | | | |
| Sales to customers | 767,641 | 709,627 | (58,014) | 646,417 |
| Repairs, taps and permits | 3,500 | 168 | (3,332) | 5,037 |
| Water improvements | - | - | - | (42) |
| Other operating revenue | 3,500 | 6,225 | 2,725 | 4,669 |
| TOTAL OPERATING REVENUES | 774,641 | 716,020 | (58,621) | 656,081 |
| OPERATING EXPENSES: | | | | |
| Transmission and Distribution: | | | | |
| Personnel services | 277,881 | 294,918 | (17,037) | 264,838 |
| Supplies | 11,350 | 11,797 | (447) | 7,585 |
| Professional services | 12,500 | 10,922 | 1,578 | 7,339 |
| Other services and charges | 92,342 | 85,685 | 6,657 | 91,607 |
| Equipment rental | 39,000 | 38,506 | 494 | 30,490 |
| Total Transmission and Distribution | 433,073 | 441,828 | (8,755) | 401,859 |
| Administrative and General: | | | | |
| Personnel services | 24,024 | 23,463 | 561 | 23,265 |
| Supplies | 3,650 | 3,097 | 553 | 2,724 |
| Professional services | 8,150 | 7,896 | 254 | 4,951 |
| Other services and charges | 8,682 | 7,918 | 764 | 7,246 |
| Total Administrative and General | 44,506 | 42,374 | 2,132 | 38,186 |
| Depreciation | 210,744 | 197,418 | 13,326 | 209,211 |
| TOTAL OPERATING EXPENSES | 688,323 | 681,620 | 6,703 | 649,256 |
| OPERATING INCOME (LOSS) | 86,318 | 34,400 | (51,918) | 6,825 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 500 | 808 | 308 | 1,059 |
| Interest expense | (258,151) | (163,457) | 94,694 | (167,324) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (257,651) | (162,649) | 95,002 | (166,265) |
| INCOME (LOSS) BEFORE TRANSFERS | (171,333) | (128,249) | 43,084 | (159,440) |
| Transfers in | 30,000 | 30,000 | - | 30,000 |
| Transfers (out) | (27,629) | (28,517) | (888) | (123,627) |
| CHANGE IN NET POSITION | (168,962) | (126,766) | 42,196 | (253,067) |
| Net position, beginning of year | 2,550,750 | 2,550,750 | - | 2,803,817 |
| NET POSITION, END OF YEAR | \$ 2,381,788 | \$ 2,423,984 | \$ 42,196 | \$ 2,550,750 |

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, 2014

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013

| | 2014 | | Variance with | |
|------------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Final | Actual | Final Budget | |
| | Budget | GAAP | Positive | 2013 |
| | | Basis | (Negative) | |
| OPERATING REVENUES: | | | | |
| Intergovernmental revenue | \$ 261,031 | \$ 261,031 | \$ - | \$ - |
| Charges for Services: | | | | |
| Dock fees | 65,700 | 72,239 | 6,539 | 67,569 |
| Boat ramp fees | 10,000 | 10,225 | 225 | 10,890 |
| Gas sales and other | 36,100 | 32,859 | (3,241) | 42,003 |
| Other operating revenue | 2,000 | 2,805 | 805 | 3,188 |
| TOTAL OPERATING REVENUES | 374,831 | 379,159 | 4,328 | 123,650 |
| OPERATING EXPENSES: | | | | |
| Administrative and General: | | | | |
| Personnel services | 23,126 | 24,629 | (1,503) | 23,443 |
| Supplies | 31,400 | 25,968 | 5,432 | 37,889 |
| Other services and charges | 289,318 | 21,427 | 267,891 | 31,645 |
| Total Administrative and General | 343,844 | 72,024 | 271,820 | 92,977 |
| Repairs and maintenance | 1,500 | 1,962 | (462) | 1,292 |
| Depreciation | 52,000 | 25,784 | 26,216 | 25,784 |
| TOTAL OPERATING EXPENSES | 397,344 | 99,770 | 297,574 | 120,053 |
| OPERATING INCOME (LOSS) | (22,513) | 279,389 | 301,902 | 3,597 |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 400 | 531 | 131 | 559 |
| TOTAL NONOPERATING REVENUES | 400 | 531 | 131 | 559 |
| CHANGE IN NET POSITION | (22,113) | 279,920 | 302,033 | 4,156 |
| Net position, beginning of year | 1,005,053 | 1,005,053 | - | 1,000,897 |
| NET POSITION, END OF YEAR | \$ 982,940 | \$ 1,284,973 | \$ 302,033 | \$ 1,005,053 |

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, 2014

| | Motor Pool Fund | Municipal Building Authority Fund | Total |
|-----------------------------------------|---------------------|--------------------------------------------|---------------------|
| | <u>Fund</u> | <u>Fund</u> | <u>Total</u> |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 179,504 | \$ - | \$ 179,504 |
| Accounts receivable | - | - | - |
| Prepaid expenses | 19,018 | - | 19,018 |
| Non-current Assets: | | | |
| Capital Assets: | | | |
| Land and construction in progress | - | 20,000 | 20,000 |
| Other capital assets, net | 1,519,010 | 49,134 | 1,568,144 |
| TOTAL ASSETS | <u>1,717,532</u> | <u>69,134</u> | <u>1,786,666</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Cash overdraft | - | 3,459 | 3,459 |
| Accounts payable | 821 | - | 821 |
| Accrued salaries | 259 | 16 | 275 |
| Long-term Liabilities: | | | |
| Portion due or payable within one year: | | | |
| Contracts and notes payable | 53,019 | - | 53,019 |
| Compensated absences | - | - | - |
| Portion due or payable after one year: | | | |
| Contracts and notes payable | 382,439 | - | 382,439 |
| Compensated absences | 5,146 | - | 5,146 |
| TOTAL LIABILITIES | <u>441,684</u> | <u>3,475</u> | <u>445,159</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,083,552 | 69,134 | 1,152,686 |
| Unrestricted | 192,296 | (3,475) | 188,821 |
| TOTAL NET POSITION | <u>\$ 1,275,848</u> | <u>\$ 65,659</u> | <u>\$ 1,341,507</u> |

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, 2014

| | Motor Pool Fund | Municipal Building Authority Fund | Total |
|------------------------------------------------|---------------------|--------------------------------------------|---------------------|
| OPERATING REVENUES: | | | |
| Rents and royalties | \$ 441,248 | \$ 88,182 | \$ 529,430 |
| Other operating revenue | 2,470 | - | 2,470 |
| TOTAL OPERATING REVENUES | 443,718 | 88,182 | 531,900 |
| OPERATING EXPENSES: | | | |
| Personnel services | 74,269 | 13,337 | 87,606 |
| Services and supplies | 79,925 | 12,822 | 92,747 |
| Administrative and general | 38,324 | 41,802 | 80,126 |
| Repairs and maintenance | 48,356 | 5,536 | 53,892 |
| Depreciation | 198,521 | 1,259 | 199,780 |
| TOTAL OPERATING EXPENSES | 439,395 | 74,756 | 514,151 |
| OPERATING INCOME (LOSS) | 4,323 | 13,426 | 17,749 |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Interest income | 470 | 3 | 473 |
| Interest expense | (17,652) | - | (17,652) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (17,182) | 3 | (17,179) |
| INCOME (LOSS) BEFORE TRANSFERS | (12,859) | 13,429 | 570 |
| Transfers in | - | 131,437 | 131,437 |
| Transfers (out) | (209,436) | (132,403) | (341,839) |
| CHANGE IN NET POSITION | (222,295) | 12,463 | (209,832) |
| Net position, beginning of year | 1,498,143 | 53,196 | 1,551,339 |
| NET POSITION, END OF YEAR | \$ 1,275,848 | \$ 65,659 | \$ 1,341,507 |

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, 2014
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013

| | 2014 | | | |
|------------------------------------------------|---------------------|-------------------------|---------------------------------------------------------|---------------------|
| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) | 2013 |
| OPERATING REVENUES: | | | | |
| Rents and royalties | \$ 457,900 | \$ 441,248 | \$ (16,652) | \$ 412,145 |
| Other operating revenue | 2,000 | 2,470 | 470 | 5,129 |
| TOTAL OPERATING REVENUES | 459,900 | 443,718 | (16,182) | 417,274 |
| OPERATING EXPENSES: | | | | |
| Personnel services | 73,034 | 74,269 | (1,235) | 78,493 |
| Services and supplies | 77,720 | 79,925 | (2,205) | 78,172 |
| Administrative and general | 38,324 | 38,324 | - | 36,406 |
| Repairs and maintenance | 45,000 | 48,356 | (3,356) | 32,606 |
| Depreciation | 218,000 | 198,521 | 19,479 | 189,436 |
| TOTAL OPERATING EXPENSES | 452,078 | 439,395 | 12,683 | 415,113 |
| OPERATING INCOME (LOSS) | 7,822 | 4,323 | (3,499) | 2,161 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 400 | 470 | 70 | 480 |
| Federal grants | - | - | - | 18,000 |
| Interest expense | (75,495) | (17,652) | 57,843 | (12,020) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (75,095) | (17,182) | 57,913 | 6,460 |
| INCOME (LOSS) BEFORE TRANSFERS | (67,273) | (12,859) | 54,414 | 8,621 |
| Transfers in | - | - | - | 53,846 |
| Transfers (out) | (262,864) | (209,436) | 53,428 | (204,875) |
| CHANGE IN NET POSITION | (330,137) | (222,295) | 107,842 | (142,408) |
| Net position, beginning of year | 1,498,143 | 1,498,143 | - | 1,640,551 |
| NET POSITION, END OF YEAR | \$ 1,168,006 | \$ 1,275,848 | \$ 107,842 | \$ 1,498,143 |

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, 2014
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2013

| | 2014 | | | |
|------------------------------------------------|------------------|-------------------------|---------------------------------------------------------|------------------|
| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) | 2013 |
| OPERATING REVENUES: | | | | |
| Rents and royalties | \$ 88,175 | \$ 88,182 | \$ 7 | \$ 91,183 |
| Other operating revenue | 2,500 | - | (2,500) | 2,500 |
| TOTAL OPERATING REVENUES | 90,675 | 88,182 | (2,493) | 93,683 |
| OPERATING EXPENSES: | | | | |
| Personnel services | 24,919 | 13,337 | 11,582 | 22,049 |
| Services and supplies | 37,000 | 12,822 | 24,178 | 26,210 |
| Administrative and general | 42,700 | 41,802 | 898 | 41,051 |
| Repairs and maintenance | 6,500 | 5,536 | 964 | 3,681 |
| Depreciation expense | - | 1,259 | (1,259) | - |
| TOTAL OPERATING EXPENSES | 111,119 | 74,756 | 36,363 | 92,991 |
| OPERATING INCOME (LOSS) | (20,444) | 13,426 | 33,870 | 692 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest income | 25 | 3 | (22) | 19 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 25 | 3 | (22) | 19 |
| INCOME (LOSS) BEFORE TRANSFERS | (20,419) | 13,429 | 33,848 | 711 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 137,237 | 131,437 | (5,800) | 133,365 |
| Transfers (out) | (137,608) | (132,403) | 5,205 | (133,365) |
| CHANGE IN NET POSITION | (20,790) | 12,463 | 33,253 | 711 |
| Net position, beginning of year | 53,196 | 53,196 | - | 52,485 |
| NET POSITION, END OF YEAR | \$ 32,406 | \$ 65,659 | \$ 33,253 | \$ 53,196 |

COMPLIANCE SECTION



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**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, 2014, 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, 2014.

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. However, material weaknesses may exist that have not been identified. 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 2014-01.

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 2014-02.

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, 2014

COMMUNICATIONS SECTION

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City of Munising, Michigan
Report to Management Letter
For the Year Ended June 30, 2014

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, 2014, 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 DEFICIENCY**2014-01 – 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 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

2014-02 – 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.

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, 2015

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, the City Council, and others within the organization, 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, 2014

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City of Munising, Michigan*Communication with Those Charged with Governance**For the Year Ended June 30, 2014*

December 22, 2014

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, 2014. 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 July 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. 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 estimates affecting the City's financial statements were:

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.

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

The disclosure of Defined Benefit Retirement Plan in Note M to the financial statements includes significant actuarial assumptions used in calculating the valuation. Municipal Employees' Retirement System of Michigan was responsible for preparation of the annual actuarial valuation. The disclosures made in Note M were based on information included their report.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination

of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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 the accompanying *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* 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. However, material weaknesses may exist that have not been identified. 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 2014-01.

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 Report to Management Letter as item 2014-02.

Other Matters

We applied certain limited procedures to supplementary information, which are required supplementary information (RSI) 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.

With respect to the supplementary information accompanying the financial statements, 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.

City Council of the
City of Munising, Michigan

Restriction on Use

This information is intended solely for the use 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