

**City of Rose City  
Ogemaw County, Michigan**

**Financial Report  
with Supplemental Information  
June 30, 2014**

City of Rose City

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Rose City  
Rose City, Michigan 48654

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rose 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 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 of material misstatement.

An audit includes 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, each major fund, and the aggregate remaining fund information of the City of Rose 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 on pages 3 through 8 and page 28 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

Robertson & Carpenter CPAs, P.C.  
Rose City, Michigan  
December 29, 2014

See accompanying notes which are an integral part of the financial statements.

## Management's Discussion and Analysis

As management of City of Rose City (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

### Financial Highlights

- The assets of City of Rose City exceeded its liabilities at the close of the most recent fiscal year by \$3,741,509 (*net position*). Of this amount, \$146,396 (*governmental activities unrestricted net position*) may be used to finance day-to-day operations of the City.
- The City's total net position decreased by \$9,369. Governmental activities net position increased by \$38,351. Business-type activities net position decreased by \$47,720.
- As of the close of the current fiscal year, the City's General Fund reported an ending fund balance of \$168,437, a decrease of \$25,294 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$148,596 or 31% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

**The *statement of activities*** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

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

The government-wide financial statements can be found on pages 9-10 of this report.

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

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

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

The City of Rose City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, Local Street Fund, Municipal Street Fund and DDA Fund. Data from the other two non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Rose City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Major Street Fund, Local Street Fund, Municipal Street Fund and DDA Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

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

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

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

The basic fiduciary fund financial statements can be found on page 17 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-27 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City’s budgetary comparison schedules for major governmental funds. Required supplementary information can be found on pages 28 to page 32 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining fund statements can be found on pages 33-34 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded its liabilities by \$3,741,509 at the close of the most recent fiscal year.

The most significant portion of the City’s net position (\$2,938,030, or 79%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, vehicles, and equipment). The City uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

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

#### City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 450,236	\$ 509,395	\$ 374,574	\$ 392,150	\$ 824,810	\$ 901,545
Capital Assets, Net	1,361,873	1,266,566	1,576,157	1,606,586	2,938,030	2,873,152
Total Assets	<u>1,812,109</u>	<u>1,775,961</u>	<u>1,950,731</u>	<u>1,998,736</u>	<u>3,762,840</u>	<u>3,774,697</u>
Current Liabilities	15,817	18,020	5,514	5,799	21,331	23,819
Total Liabilities	<u>15,817</u>	<u>18,020</u>	<u>5,514</u>	<u>5,799</u>	<u>21,331</u>	<u>23,819</u>
Net Position:						
Invested in Capital						
Assets	1,361,873	1,266,566	1,576,157	1,606,586	2,938,030	2,873,152
Restricted	288,023	297,284	-	-	288,023	297,284
Unrestricted	146,396	194,091	369,060	386,351	515,456	580,442
<b>Total Net Position</b>	<b><u>\$ 1,796,292</u></b>	<b><u>\$ 1,757,941</u></b>	<b><u>\$ 1,945,217</u></b>	<b><u>\$ 1,992,937</u></b>	<b><u>\$ 3,741,509</u></b>	<b><u>\$ 3,750,878</u></b>

The City’s net position decreased by \$9,369 during the current fiscal year as discussed below.

**City's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program Revenue:						
Charges for						
Services	\$ 174,078	\$ 161,932	\$ 141,343	\$ 137,717	\$ 315,421	\$ 299,649
Operating Grants	79,530	73,498	-	-	79,530	73,498
Capital Grants	-	8,187	1,800	1,130	1,800	9,317
General Revenue:						
Property Taxes	257,736	261,658	-	-	257,736	261,658
State-Shared						
Revenues	70,634	68,696	-	-	70,634	68,696
Interest Earnings	1,050	1,478	1,135	1,390	2,185	2,868
Other	13,574	6,512	1,319	602	14,893	7,114
Total Revenue	<u>596,602</u>	<u>581,961</u>	<u>145,597</u>	<u>140,839</u>	<u>742,199</u>	<u>722,800</u>
Expenses:						
General Government	125,456	124,052	-	-	125,456	124,052
Public Safety	87,913	89,451	-	-	87,913	89,451
Public Works	307,705	294,853	-	-	307,705	294,853
Recreation and						
Culture	17,890	20,202	-	-	17,890	20,202
Community						
Development	19,287	21,014	-	-	19,287	21,014
Other	-	-	-	-	-	-
Sewer and Water	-	-	193,317	204,455	193,317	204,455
Total Expenses	<u>558,251</u>	<u>549,572</u>	<u>193,317</u>	<u>204,455</u>	<u>751,568</u>	<u>754,027</u>
Excess (deficiency)						
before transfers	<u>38,351</u>	<u>32,389</u>	<u>(47,720)</u>	<u>(63,616)</u>	<u>(9,369)</u>	<u>(31,227)</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease)						
in net position	<u>38,351</u>	<u>32,389</u>	<u>(47,720)</u>	<u>(63,616)</u>	<u>(9,369)</u>	<u>(31,227)</u>
Net Position,						
Beginning of Year	<u>1,757,941</u>	<u>1,725,552</u>	<u>1,992,937</u>	<u>2,056,553</u>	<u>3,750,878</u>	<u>3,782,105</u>
<b>Net Position,</b>						
<b>End of Year</b>	<u><b>\$ 1,796,292</b></u>	<u><b>\$ 1,757,941</b></u>	<u><b>\$ 1,945,217</b></u>	<u><b>\$ 1,992,937</b></u>	<u><b>\$ 3,741,509</b></u>	<u><b>\$ 3,750,878</b></u>

**Governmental activities.** Governmental activities increased the City's net position by \$38,351, accounting for 100% of the total growth in net position of the City. Revenues increased by \$14,641 compared to the previous fiscal year. Revenues in the previous year included state grant revenue of \$8,187 to reimburse capital outlay expenditures. Expenses increased by \$8,679 compared to the previous fiscal year.

**Business-type activities.** Business-type activities decreased the City's net position by \$47,720. Revenues increased by \$4,758. Sewer and Water fund expenses decreased by \$11,138 compared to the previous fiscal year.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$436,619, a decrease of \$47,525 in comparison with the prior year. Approximately 34% of this total amount (\$148,596) constitutes *unassigned fund balance* in the General Fund. The fund balance amounts in special revenue funds consists of \$35,077 in the Major Street Fund, \$5,529 in the Local Street Fund, \$74,793 in the Municipal Street Fund, \$147,344 in the DDA Fund, \$691 in the Parks & Recreation Fund and \$4,748 in the All Ages Recreation Fund.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance and total fund balance of the General Fund were \$148,596 and \$168,437, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance and total fund balance represent approximately 31% and 35% of total General Fund expenditures.

The fund balance in the General Fund decreased by \$25,294 during the current fiscal year.

The fund balance in the Major Street Fund decreased by \$51,173 during the current fiscal year.

The fund balance in the Local Street Fund decreased by \$10,136 during the current fiscal year.

The fund balance in the Municipal Street Fund increased by \$18,238 during the current fiscal year.

The fund balance in the DDA Fund increased by \$18,458 during the current fiscal year.

**Proprietary funds.** The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer and Water Fund at the end of the year totaled \$369,060. The total decrease in net position for the year was \$47,720. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The City's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year, revising functional categories as needed. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various City programs.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities and business-type activities as of June 30, 2014, amounted to \$1,361,873 and \$1,576,157, respectively (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, buildings, vehicles and equipment. Governmental activity additions totaled \$199,175, including paving and sidewalk construction of \$109,671, land improvements of \$63,240, building improvements of \$1,488 and equipment purchases of \$24,776. Business-type activity additions for the year totaled \$46,549.

### City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 91,839	\$ 91,839	\$ -	\$ -	\$ 91,839	\$ 91,839
Infrastructure	820,556	766,477	-	-	820,556	766,477
Land improvements	129,459	74,401	-	-	129,459	74,401
Buildings and improvements	141,069	146,068	-	-	141,069	146,068
Furniture and improvements	178,950	187,781	-	-	178,950	187,781
Sewer and water systems	-	-	1,576,157	1,606,586	1,576,157	1,606,586
<b>Net Capital Assets</b>	<b>\$ 1,361,873</b>	<b>\$ 1,266,566</b>	<b>\$ 1,576,157</b>	<b>\$ 1,606,586</b>	<b>\$ 2,938,030</b>	<b>\$ 2,873,152</b>

Additional information on the City's capital assets can be found in note 5 on page 24 and 25 of this report.

### Factors Bearing on the City's Future

The following factors were considered in preparing the City's budget for the 2014-2015 fiscal year:

- For 2013-2014, the City received a total of \$69,017 in state shared revenue, representing 15% of the revenues in the General Fund. This amount was an increase of \$2,160 compared to the preceding year. The City's share of sales tax distributions decreased by \$1,161 compared to the preceding year. This decrease was partially offset by an increase of \$1,000 in revenue for participating in the Economic Vitality Incentive Program. The amounts of state shared revenues for future periods are uncertain and will affect the City's budgets. Total property tax revenue for all City funds was \$257,736, compared to \$261,658 for the preceding fiscal year. Future property tax revenues will be affected by any changes in taxable values resulting from changes in property values. Our budgets were prepared with these factors in mind and will need to be revised as needed.

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Rose City  
City Hall  
410 N. Williams  
Rose City, Michigan 48654

City of Rose City  
Statement of Net Position  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 425,400	\$ 326,103	\$ 751,503
Receivables	1,350	48,471	49,821
Due from governmental units	23,157	-	23,157
Due from fiduciary fund	329	-	329
Capital assets-net	1,361,873	1,576,157	2,938,030
Total assets	1,812,109	1,950,731	3,762,840
 <b>Liabilities</b>			
Accounts payable	9,073	5,514	14,587
Accrued and other liabilities	4,849	-	4,849
Unearned revenue	1,895	-	1,895
Total liabilities	15,817	5,514	21,331
 <b>Net Position</b>			
Invested in capital assets	1,361,873	1,576,157	2,938,030
Restricted for:			
Restricted for Major Street operations	35,077	-	35,077
Restricted for Local Street operations	5,529	-	5,529
Restricted for Municipal Street operations	74,793	-	74,793
Restricted for DDA operations	147,344	-	147,344
Restricted for Parks & Recreation operations	691	-	691
Restricted for Recreation program	4,748	-	4,748
Restricted for Police Salvage	19,841	-	19,841
Unrestricted	146,396	369,060	515,456
Total net position	\$ 1,796,292	\$ 1,945,217	\$ 3,741,509

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 125,456	\$ 51,523	\$ -	\$ -	\$ (73,933)	\$ -	\$ (73,933)
Public safety	87,913	15,555	-	-	(72,358)	-	(72,358)
Public works	307,705	107,000	79,530	-	(121,175)	-	(121,175)
Community development	17,890	-	-	-	(17,890)	-	(17,890)
Recreation and culture	19,287	-	-	-	(19,287)	-	(19,287)
Other	-	-	-	-	-	-	-
Total governmental activities	558,251	174,078	79,530	-	(304,643)	-	(304,643)
Business-type activities:							
Sewage Disposal System	126,566	103,343	-	-	-	(23,223)	(23,223)
Water System	66,751	38,000	-	1,800	-	(26,951)	(26,951)
Total business-type activities	193,317	141,343	-	1,800	-	(50,174)	(50,174)
Total primary government	751,568	315,421	79,530	1,800	(304,643)	(50,174)	(354,817)
General Revenues:							
Taxes:							
General purpose					198,796	-	198,796
Public works					36,495	-	36,495
Community development					22,445	-	22,445
State-shared revenues					70,634	-	70,634
Interest and investment earnings					1,050	1,135	2,185
Other					13,574	1,319	14,893
Transfers					-	-	-
Total general revenues and transfers					342,994	2,454	345,448
<b>Change in Net Position</b>					38,351	(47,720)	(9,369)
<b>Net Position - Beginning of Year</b>					1,757,941	1,992,937	3,750,878
<b>Net Position - End of Year</b>					\$ 1,796,292	\$ 1,945,217	\$ 3,741,509

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Governmental Funds  
Balance Sheet  
June 30, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 168,103	\$ 27,013	\$ 2,708	\$ 74,793	\$ 147,344	\$ 5,439	\$ 425,400
Accounts receivable	1,350	-	-	-	-	-	1,350
Due from other funds	329	-	-	-	-	-	329
Due from other governmental units	11,616	8,720	2,821	-	-	-	23,157
Total assets	<u>\$ 181,398</u>	<u>\$ 35,733</u>	<u>\$ 5,529</u>	<u>\$ 74,793</u>	<u>\$ 147,344</u>	<u>\$ 5,439</u>	<u>\$ 450,236</u>
<b>Liabilities</b>							
Accounts payable	\$ 8,417	\$ 656	\$ -	\$ -	\$ -	\$ -	\$ 9,073
Accrued and other liabilities	2,649	-	-	-	-	-	2,649
Unearned revenue	1,895	-	-	-	-	-	1,895
Total liabilities	<u>12,961</u>	<u>656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,617</u>
<b>Fund balances</b>							
Restricted for Major Street operations	-	35,077	-	-	-	-	35,077
Restricted for Local Street operations	-	-	5,529	-	-	-	5,529
Restricted for Municipal Street operations	-	-	-	74,793	-	-	74,793
Restricted for DDA operations	-	-	-	-	147,344	-	147,344
Restricted for Parks & Recreation operations	-	-	-	-	-	691	691
Restricted for Recreation program	-	-	-	-	-	4,748	4,748
Restricted for Police Salvage	19,841	-	-	-	-	-	19,841
Unassigned - General Fund	148,596	-	-	-	-	-	148,596
Total fund balances	<u>168,437</u>	<u>35,077</u>	<u>5,529</u>	<u>74,793</u>	<u>147,344</u>	<u>5,439</u>	<u>436,619</u>
Total liabilities and fund balances	<u>\$ 181,398</u>	<u>\$ 35,733</u>	<u>\$ 5,529</u>	<u>\$ 74,793</u>	<u>\$ 147,344</u>	<u>\$ 5,439</u>	<u>\$ 450,236</u>
<b>Fund Balances - Total Governmental Funds</b>							436,619
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 are not reported in the funds.							
The cost of capital assets is							2,200,523
Accumulated depreciation is							(838,650)
Long term liabilities are not due and payable in the current period and are not reported in the fund statements							
Compensated absences							(2,200)
<b>Net Position of Governmental Activities</b>							<u>\$ 1,796,292</u>

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2014

	General Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	DDA Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes and fees	\$ 198,796	\$ -	\$ -	\$ 36,495	\$ 22,445	\$ -	\$ 257,736
Licenses and permits	1,105	-	-	-	-	-	1,105
Federal grants	-	-	-	-	-	-	-
State grants	70,634	55,413	21,181	11,123	-	-	158,351
Charges for services	18,055	-	-	500	-	-	18,555
Fines and forfeits	1,493	-	-	-	-	-	1,493
Interest and rentals	49,420	66	20	120	441	6	50,073
Reimbursements	106,500	-	-	-	-	-	106,500
Other	6,421	-	-	-	100	4,455	10,976
<b>Total revenues</b>	<u>452,424</u>	<u>55,479</u>	<u>21,201</u>	<u>48,238</u>	<u>22,986</u>	<u>4,461</u>	<u>604,789</u>
<b>Expenditures</b>							
Current:							
General government	117,656	-	-	-	-	-	117,656
Public safety	76,169	-	-	-	-	-	76,169
Public works	175,722	31,424	26,894	-	-	-	234,040
Community development	13,362	-	-	-	4,528	-	17,890
Recreation and culture	4,555	-	-	-	-	2,829	7,384
Capital outlay	89,504	75,228	34,443	-	-	-	199,175
<b>Total expenditures</b>	<u>476,968</u>	<u>106,652</u>	<u>61,337</u>	<u>-</u>	<u>4,528</u>	<u>2,829</u>	<u>652,314</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(24,544)	(51,173)	(40,136)	48,238	18,458	1,632	(47,525)
<b>Other Financing Sources (Uses)</b>							
Transfers in (out)	(750)	-	30,000	(30,000)	-	750	-
<b>Total other financing uses</b>	<u>(750)</u>	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>750</u>	<u>-</u>
<b>Change in Fund Balance</b>	(25,294)	(51,173)	(10,136)	18,238	18,458	2,382	(47,525)
<b>Fund Balances-Beginning of Year</b>	<u>193,731</u>	<u>86,250</u>	<u>15,665</u>	<u>56,555</u>	<u>128,886</u>	<u>3,057</u>	<u>484,144</u>
<b>Fund Balances-End of Year</b>	<u>\$ 168,437</u>	<u>\$ 35,077</u>	<u>\$ 5,529</u>	<u>\$ 74,793</u>	<u>\$ 147,344</u>	<u>\$ 5,439</u>	<u>\$ 436,619</u>

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
 Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (47,525)

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
 in the statement of activities these costs are allocated  
 over their estimated useful lives as depreciation.

Depreciation expense	\$	(103,868)	
Capital outlay		199,175	95,307

Increase in compensated absences are reported as expenditures when financial resources are used in governmental funds.			(1,244)
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Reimbursement due for capital project is recorded in the fund in the current year when collectible; the revenue was recorded in the statement of activities when the amount was determined			(8,187)
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**Change in Net Position of Governmental Activities** \$ 38,351

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Enterprise Funds		
	Major Fund	Major Fund	Total- Enterprise Funds
	Sewer System	Water System	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 311,776	\$ 14,327	\$ 326,103
Accounts receivable	36,525	11,946	48,471
Due from other funds	25,903	-	25,903
Total current assets	374,204	26,273	400,477
Noncurrent assets:			
Capital assets	997,255	578,902	1,576,157
Total noncurrent assets	997,255	578,902	1,576,157
Total assets	1,371,459	605,175	1,976,634
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,095	1,419	5,514
Due to other funds	-	25,903	25,903
Unearned revenue	-	-	-
Total current liabilities	4,095	27,322	31,417
Total liabilities	4,095	27,322	31,417
<b>Net Position</b>			
Invested in capital assets	997,255	578,902	1,576,157
Unrestricted	370,109	(1,049)	369,060
Total net position	\$ <u>1,367,364</u>	\$ <u>577,853</u>	\$ <u>1,945,217</u>

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2014

	Enterprise Funds		
	Major Fund	Major Fund	Total Enterprise Funds
	Sewer System	Water System	
<b>Operating Revenue</b>			
Customer billings	\$ 103,343	\$ 38,000	\$ 141,343
Miscellaneous	1,319	-	1,319
Total operating revenue	104,662	38,000	142,662
<b>Operating Expenses</b>			
Contracted services	6,052	-	6,052
Utilities	16,858	5,702	22,560
Insurance	5,761	-	5,761
Repairs and maintenance	41,194	30,033	71,227
Supplies	4,140	3,546	7,686
Miscellaneous	-	2,950	2,950
Depreciation	52,561	24,417	76,978
Total operating expenses	126,566	66,648	193,214
<b>Operating Income (Loss)</b>	(21,904)	(28,648)	(50,552)
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	1,101	34	1,135
Tap fees	-	1,800	1,800
Interest expense	-	(103)	(103)
Total nonoperating revenues (expenses)	1,101	1,731	2,832
<b>Change in Net Position</b>	(20,803)	(26,917)	(47,720)
<b>Net Position - Beginning of Year</b>	1,388,167	604,770	1,992,937
<b>Net Position - End of Year</b>	\$ 1,367,364	\$ 577,853	\$ 1,945,217

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2014

	Enterprise Funds		
	Major Fund	Major Fund	Total Enterprise Funds
	Sewer	Water	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 102,455	\$ 36,817	\$ 139,272
Cash from other sources	1,319	-	1,319
Payments to suppliers	(72,946)	(43,575)	(116,521)
Net cash provided by operating activities	<u>30,828</u>	<u>(6,758)</u>	<u>24,070</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from (to) other funds	482	(482)	-
Net cash provided by noncapital financing activities	<u>482</u>	<u>(482)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of capital assets	(42,000)	(4,549)	(46,549)
Capital contributions	-	1,800	1,800
Interest paid on loans	-	(103)	(103)
Net cash used in capital and related financing activities	<u>(42,000)</u>	<u>(2,852)</u>	<u>(44,852)</u>
<b>Cash Flows from Investing Activities -</b>			
Interest received on investments	<u>1,101</u>	<u>34</u>	<u>1,135</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(9,589)	(10,058)	(19,647)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>321,365</u>	<u>24,385</u>	<u>345,750</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 311,776</u>	<u>\$ 14,327</u>	<u>\$ 326,103</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and cash equivalents	<u>\$ 311,776</u>	<u>\$ 14,327</u>	<u>\$ 326,103</u>
Total cash and cash equivalents	<u>311,776</u>	<u>14,327</u>	<u>326,103</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income (loss)	(21,904)	(28,648)	(50,552)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	52,561	24,417	76,978
Changes in assets and liabilities:			
Receivables	(889)	(1,183)	(2,072)
Due from other funds	1	-	1
Accounts payable	<u>1,059</u>	<u>(1,344)</u>	<u>(285)</u>
Net cash provided by (used in) operating activities	<u>\$ 30,828</u>	<u>\$ (6,758)</u>	<u>\$ 24,070</u>

See accompanying notes which are an integral part of the financial statements.

City of Rose City  
Fiduciary Funds  
Statement of Net Position  
June 30, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Cash	\$ <u>329</u>
Total assets	\$ <u><u>329</u></u>
 <b>Liabilities</b>	
Due to other funds	<u>329</u>
Total liabilities	<u>329</u>
 <b>Net Position</b>	\$ <u><u>0</u></u>

See accompanying notes which are an integral part of the financial statements.

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Rose City ("the City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Rose City, Michigan:

**Reporting Entity**

The City of Rose City, Michigan is governed by six elected City Council members and an elected mayor. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the City's reporting entity, and which organizations are legally separate, component units of the City. Based on the application criteria, the financial statements present the City as the primary government. The City does not contain any component units.

**Joint Area Fire Board** - The City is a participant in the joint venture known as the Rose City Area Fire Board, along with the townships of Rose, Cumming, and Klacking. The Rose City Area Fire Board provides fire protection services to the residents of its members.

In the event of the withdrawal of one member, the withdrawing member shall receive 50% of the withdrawing member's share of the Fire Board's assets (as appraised) less any liabilities. In the event of the withdrawal of two or more members, all property shall be disposed of in any manner upon which all parties can agree as provided in the Fireboard agreement.

The most recent available information from the Fire Board's audited financial statements as of December 31, 2012:

Total Assets	\$ 196,197	Total Revenues	\$ 128,752
Total Liabilities	3,661	Total Expenditures	239,985
Total Equity	191,536	(Decrease) in fund balance	(111,233)

Payments to the Fire Board by the City of Rose City for the year ended June 30, 2014 were \$14,405. Financial information for the Fire Board can be obtained from the City Clerk at the City Hall in Rose City.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis for Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absence expenditures are recorded only when payment is due.

The City reports the following major governmental funds:

- General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- Major Street Fund** - The Major Street Fund is used to account for state grants and other revenues restricted for use maintaining and improving the Major Street highway system.
- Local Street Fund** - The Local Street Fund is used to account for state grants and other revenues restricted for use maintaining and improving the Major Street highway system.
- Municipal Street Fund** - The Municipal Street Fund is use to account for property taxes levied for maintaining City Streets.
- DDA Fund** - The DDA Fund is used to account for property taxes restricted for use in the downtown development district of the City.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage collection system.

**Water Fund** - The Water Fund accounts for the activities of the water system.

Additionally, the City reports the following funds:

**Agency Funds** - Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer function of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts, if applicable.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Property Taxes** - Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The City's 2013 ad valorem tax is levied and collectible on July 1, 2013, and is recognized as revenue in the year ended June 30, 2014 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$12,140,302, on which ad valorem taxes levied consisted of 14.6348 mills for operating purposes, 1.0000 for fire protection purposes, and 3.0000 for City streets. The tax levies resulted in \$178,161 for operating purposes, \$12,164 for fire protection purposes and \$36,495 for City streets. The City's DDA Fund captured \$22,445 of taxes for DDA purposes. These amounts are recognized in the respective General and Special Revenue funds.

**Inventories and Prepaid items** - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

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

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds as they come due for payment, generally when there are employee terminations as of year end. Employees do not receive a payoff of unused sick and personal business days.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (receipts) until that time. The City does not have any deferred inflows of resources.

**Fund Balance** - Governmental funds report *nonspendable fund balances* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. A formal resolution of the City Council is required to establish, modify or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the General Fund.

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

Comparative Data/Reclassifications - Comparative data is not included in the City's financial statements.

The fund financial statements focus on major funds rather than fund types.

**Note 2 - Stewardship, Compliance and Accountability**

**Budgetary Information** - The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the City Council for consideration. Public hearings are held to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the City Council.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the City Council is the activity level. During the year, the budgets were amended in a legally permissible manner.

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City incurred expenditures in excess of budgeted amounts as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>General Fund:</u>			
Legislative	\$ 9,120	\$ 9,347	\$ 227
Public works	175,173	175,722	549
Recreation and culture	4,509	4,555	46
Capital outlay	81,815	89,504	7,689
<u>Major Street Fund- Public works</u>	31,226	31,424	198
<u>Local Street Fund- Public works</u>	26,080	26,894	814
<u>DDA Fund-Community/Economic Development</u>	4,527	4,528	1

**Note 3 - Deposits and Investments**

At June 30, 2014, the City of Rose City's deposits were reported in the basic financial statements (including a General Fund petty cash fund of \$125) in the following categories:

	<u>Governmental Activities</u>	<u>Enterprise Funds</u>	<u>Fiduciary Funds</u>	<u>City Total</u>
Cash and cash equivalents	\$ 425,400	\$ 326,103	\$ 329	\$ 751,832
Total	<u>\$ 425,400</u>	<u>\$ 326,103</u>	<u>\$ 329</u>	<u>\$ 751,832</u>

**Investment and deposit risk:**

**Interest rate risk**

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the City's cash requirements.

**Credit risk**

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The City has no investments for which ratings are required.

**Custodial credit risk - deposits**

In the case of deposits, there 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 policy for custodial credit risk. At June 30, 2014, \$160,768 of the City's bank balances of \$767,649 (Book balance of \$751,832) was exposed to custodial credit risk because it was uninsured and uncollateralized. The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City is authorized by statute and to invest surplus funds in the following:

- a. Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States with remaining maturities of two years or less.
- b. Certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation.
- c. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services.

The City's deposits are in accordance with statutory authority.

City of Rose City  
Notes to Financial Statements  
June 30, 2014

**Note 4 - Receivables**

The following is the detail of the receivables of the governmental activities due from other governmental units at June 30, 2014:

	General Fund	Major Street Fund	Local Street Fund	Total
State of Michigan	\$ 11,616	\$ 8,720	\$ 2,821	\$ 23,157
Less: Allowance for uncollectibles	-	-	-	-
Total receivables	<u>\$ 11,616</u>	<u>\$ 8,720</u>	<u>\$ 2,821</u>	<u>\$ 23,157</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
General Fund - rent paid in advance	\$ -	\$ 1,895
Totals	<u>\$ 0</u>	<u>\$ 1,895</u>
Total unearned revenue		<u>\$ 1,895</u>

**Note 5 - Capital Assets**

Capital asset activity of the City's governmental and business-type activities were as follows:

**Governmental Activities**

<u>Assets</u>	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Capital assets not being depreciated - Land	\$ 91,839	\$ -	\$ -	\$ 91,839
Capital assets being depreciated:				
Infrastructure	1,017,530	109,671	-	1,127,201
Land improvements	156,919	63,240	-	220,159
Buildings	260,634	1,488	-	262,122
Furniture and equipment	490,682	24,776	16,256	499,202
Subtotal	<u>2,017,604</u>	<u>199,175</u>	<u>16,256</u>	<u>2,200,523</u>
<u>Accumulated Depreciation</u>				
Infrastructure	251,053	55,592	-	306,645
Land improvements	82,518	8,182	-	90,700
Buildings	114,566	6,487	-	121,053
Furniture and equipment	302,901	33,607	16,256	320,252
Subtotal	<u>751,038</u>	<u>103,868</u>	<u>16,256</u>	<u>838,650</u>
Net capital assets being depreciated	<u>1,266,566</u>	<u>95,307</u>	<u>-</u>	<u>1,361,873</u>
Net capital assets	<u>\$ 1,266,566</u>	<u>\$ 95,307</u>	<u>\$ 0</u>	<u>\$ 1,361,873</u>

City of Rose City  
Notes to Financial Statements  
June 30, 2014

**Note 5 - Capital Assets (Continued)**

**Business-type Activities**

<u>Assets</u>	<u>Balance 7/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/14</u>
Capital assets being depreciated				
Sewer system	\$ 2,073,060	\$ 42,000	\$ -	\$ 2,115,060
Sewer system-buildings	77,925	-	-	77,925
Sewer system-equipment	88,368	-	-	88,368
Water system	<u>887,047</u>	<u>4,549</u>	-	<u>891,596</u>
Subtotal	3,126,400	46,549	-	3,172,949
 <u>Accumulated Depreciation</u>				
Sewer system	1,141,755	42,771	-	1,184,526
Sewer system-buildings	38,399	3,525	-	41,924
Sewer system-equipment	51,383	6,265	-	57,648
Water system	<u>288,277</u>	<u>24,417</u>	-	<u>312,694</u>
Subtotal	1,519,814	76,978	-	1,596,792
Net capital assets being depreciated	<u>1,606,586</u>	<u>(30,429)</u>	-	<u>1,576,157</u>
 Net capital assets	 <u>\$ 1,606,586</u>	 <u>\$ (30,429)</u>	 <u>\$ 0</u>	 <u>\$ 1,576,157</u>

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

Governmental activities:	
General government	\$ 7,800
Public safety	10,126
Public works	74,039
Recreation	11,903
Total governmental activities	<u>\$ 103,868</u>
 Business-type activities - Sewer	 <u>\$ 52,561</u>
 Business-type activities - Water	 <u>\$ 24,417</u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 329	Fiduciary Funds	\$ 329
Total	\$ 329	Total	\$ 329
<u>Transfer In</u>		<u>Transfer Out</u>	
All Ages Recreation Fund	\$ 750	General Fund	\$ 750
	\$ 750		\$ 750

An operating transfer was made from the General Fund to the All Ages Recreation Fund to support the summer recreation program.

**Note 7 - Risk Management**

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets: errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan)**

**Plan Description**

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan administered by the MERS Retirement Board that covers substantially all full-time employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants of MERS. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing MPERS, P.O. Box 30171, Lansing, MI 48909-7611, by calling (517) 322-5103 or on the State of Michigan website at [www.Michigan.gov](http://www.Michigan.gov).

**Funding Policy** - The City is required to contribute at an actuarially determined rate; the current rate is 5% of annual covered payroll. City employees are required to contribute 5% of their annual covered payroll. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City. The City's current year covered payroll and its total current year payroll for all employees amounted to \$115,705 and \$162,825 respectively. Required employer and employee contributions for the fiscal year were \$2,384 and \$5,786, respectively.

**Note 8 - Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan)**  
**(Continued)**

**Annual Pension Costs** - For the year ended June 30, 2014, the City's annual pension cost of \$2,384 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2013, using the entry age normal actuarial funding method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0%-13.0% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, are amortized as a level percent of payroll over a period of 25 years. The City of Rose City does not have an unfunded liability.

Three year trend information as December 31, 2013 follows:

	2011	2012	2013
Annual Pension Cost	\$ 6,414	\$ 6,960	\$ 13,608
Percent of APC Contributed	100%	100%	100%
Actuarial Value of Assets	602,807	620,218	611,846
Actuarial Accrued liabilities	541,143	580,757	666,565
Overfunded (Underfunded) Actuarial Liability	61,664	39,461	(54,719)
Funded Ratio	111%	106%	92%
Covered Payroll	134,248	130,876	115,705
UAL as a Percentage of Covered Payroll	0%	0%	47%

**Note 9 - Commitment - Cumming Township**

On November 6, 1997, the City Council executed an agreement with Cumming Township, whereby the Township is authorized to connect its wastewater collection system to the City's wastewater treatment system. The Township will be allowed to utilize up to 13% of the wastewater treatment system's capacity. The Township will pay all costs of connection.

Additionally, the Township agrees to pay the City for each user of the Township Collection System at rates enumerated in the City's sewer rate ordinance.

The City agrees to operate and maintain the Township's facility. The Township shall reimburse the City for the effort at its prevailing hourly rates for labor and equipment.

## **Required Supplemental Information**

City of Rose City  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes and fees	\$ 206,762	\$ 198,472	\$ 198,796	\$ 324
Licenses and permits	1,200	1,105	1,105	-
State grants	69,589	70,071	70,634	563
Charges for services	24,170	17,375	18,055	680
Fines and forfeits	3,000	1,700	1,493	(207)
Interest and rentals	52,554	49,364	49,420	56
Reimbursements	103,760	105,297	106,500	1,203
Other	18,600	6,420	6,421	1
Total revenues	<u>479,635</u>	<u>449,804</u>	<u>452,424</u>	<u>2,620</u>
<b>Expenditures</b>				
General government:				
Legislative	9,900	9,120	9,347	(227)
Chief executive	2,468	2,622	2,616	6
Elections	2,547	5,376	5,376	-
Assessor	8,805	8,143	7,731	412
Clerk	79,639	79,684	79,522	162
Board of review	2,171	1,948	1,948	-
Treasurer	10,525	10,368	10,169	199
Cemetery	911	947	947	-
Subtotal - general government	<u>116,966</u>	<u>118,208</u>	<u>117,656</u>	<u>552</u>
Public safety	79,958	77,449	76,169	1,280
Public works	163,508	175,173	175,722	(549)
Community & economic development	13,230	18,898	13,362	5,536
Recreation and culture	57,669	4,509	4,555	(46)
Capital outlay	42,000	81,815	89,504	(7,689)
Total expenditures	<u>473,331</u>	<u>476,052</u>	<u>476,968</u>	<u>(916)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	6,304	(26,248)	(24,544)	1,704
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(750)	(750)	(750)	-
Total other financing sources (uses)	<u>(750)</u>	<u>(750)</u>	<u>(750)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	5,554	(26,998)	(25,294)	1,704
<b>Fund Balances - Beginning of Year</b>	<u>198,461</u>	<u>198,461</u>	<u>193,731</u>	<u>(4,730)</u>
<b>Fund Balances - End of Year</b>	<u>\$ 204,015</u>	<u>\$ 171,463</u>	<u>\$ 168,437</u>	<u>\$ (3,026)</u>

City of Rose City  
 Budgetary Comparison Schedule - Major Street Fund  
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	54,200	55,315	55,413	98
Interest earnings	75	65	66	1
Other	-	-	-	-
Total revenues	<u>54,275</u>	<u>55,380</u>	<u>55,479</u>	<u>99</u>
<b>Expenditures</b>				
Public works	24,404	31,226	31,424	(198)
Capital outlay	45,000	75,228	75,228	-
Total expenditures	<u>69,404</u>	<u>106,454</u>	<u>106,652</u>	<u>(198)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(15,129)	(51,074)	(51,173)	(99)
<b>Other Financing Sources (Uses)</b>				
Transfer in (out)	15,000	-	-	-
Total other financing sources (uses)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(129)	(51,074)	(51,173)	(99)
<b>Fund Balances - Beginning of Year</b>	<u>54,211</u>	<u>54,211</u>	<u>86,250</u>	<u>32,039</u>
<b>Fund Balances - End of Year</b>	<u>\$ 54,082</u>	<u>\$ 3,137</u>	<u>\$ 35,077</u>	<u>\$ 31,940</u>

City of Rose City  
 Budgetary Comparison Schedule - Local Street Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
State grants	\$ 16,900	\$ 21,110	\$ 21,181	\$ 71
Interest earnings	30	20	20	-
Total revenues	<u>16,930</u>	<u>21,130</u>	<u>21,201</u>	<u>71</u>
<b>Expenditures</b>				
Public works	14,419	26,080	26,894	(814)
Capital outlay	30,000	34,444	34,443	1
Total expenditures	<u>44,419</u>	<u>60,524</u>	<u>61,337</u>	<u>(813)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(27,489)	(39,394)	(40,136)	(742)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	30,000	30,000	30,000	-
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	2,511	(9,394)	(10,136)	(742)
<b>Fund Balances - Beginning of Year</b>	<u>16,849</u>	<u>16,849</u>	<u>15,665</u>	<u>(1,184)</u>
<b>Fund Balances - End of Year</b>	<u><u>\$ 19,360</u></u>	<u><u>\$ 7,455</u></u>	<u><u>\$ 5,529</u></u>	<u><u>\$ (1,926)</u></u>

City of Rose City  
 Budgetary Comparison Schedule - Municipal Street Fund  
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes and fees	\$ 38,138	\$ 36,495	\$ 36,495	\$ -
State grants	2,950	11,123	11,123	-
Charges for services	-	500	500	-
Interest earnings	35	120	120	-
Other	-	-	-	-
Total revenues	<u>41,123</u>	<u>48,238</u>	<u>48,238</u>	<u>-</u>
<b>Expenditures</b>				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	41,123	48,238	48,238	-
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	-
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	11,123	18,238	18,238	-
<b>Fund Balances - Beginning of Year</b>	<u>26,358</u>	<u>26,358</u>	<u>56,555</u>	<u>30,197</u>
<b>Fund Balances - End of Year</b>	<u>\$ 37,481</u>	<u>\$ 44,596</u>	<u>\$ 74,793</u>	<u>\$ 30,197</u>

City of Rose City  
 Budgetary Comparison Schedule - DDA Fund  
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Taxes and fees	\$ 22,445	\$ 22,445	\$ 22,445	\$ -
State grants	-	-	-	-
Interest earnings	500	272	441	169
Other	-	100	100	-
Total revenues	<u>22,945</u>	<u>22,817</u>	<u>22,986</u>	<u>169</u>
<b>Expenditures</b>				
Community & economic development	14,550	4,527	4,528	(1)
Capital outlay	30,000	-	-	-
Total expenditures	<u>44,550</u>	<u>4,527</u>	<u>4,528</u>	<u>(1)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(21,605)	18,290	18,458	168
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	(15,000)	-	-	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(36,605)	18,290	18,458	168
<b>Fund Balances - Beginning of Year</b>	<u>127,875</u>	<u>127,875</u>	<u>128,886</u>	<u>1,011</u>
<b>Fund Balances - End of Year</b>	<u>\$ 91,270</u>	<u>\$ 146,165</u>	<u>\$ 147,344</u>	<u>\$ 1,179</u>

## **Other Supplemental Information**

City of Rose City  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2014

	Special Revenue Funds		
	Parks & Recreation	All Ages Recreation	Total Special Revenue
<b>Assets</b>			
Cash and investments	\$ 691	\$ 4,748	\$ 5,439
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
	-	-	-
Total assets	\$ 691	\$ 4,748	\$ 5,439
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-
Due to other funds	-	-	-
	-	-	-
Total liabilities	-	-	-
 <b>Fund Balances:</b>			
Unreserved	691	4,748	5,439
Total fund balance	691	4,748	5,439
Total liabilities and fund balances	\$ 691	\$ 4,748	\$ 5,439

City of Rose City  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Year Ended June 30, 2014

	Special Revenue Funds		
	Parks & Recreation	All Ages Recreation	Total Special Revenue
<b>Revenue</b>			
Taxes and fees	\$ -	\$ -	\$ -
State grants	-	-	-
Charges for services	-	-	-
Interest and rentals	1	5	6
Other	215	4,240	4,455
	<hr/>	<hr/>	<hr/>
Total revenue	216	4,245	4,461
<b>Expenditures</b>			
Culture and recreation	-	2,829	2,829
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	2,829	2,829
	<hr/>	<hr/>	<hr/>
<b>Excess of Revenues Over (Under) Expenditures</b>	216	1,416	1,632
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	-	750	750
Total other financing sources (uses)	<hr/>	<hr/>	<hr/>
	-	750	750
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	216	2,166	2,382
<b>Fund Balances - Beginning of Year</b>	<hr/>	<hr/>	<hr/>
	475	2,582	3,057
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - End of Year</b>	<u>\$ 691</u>	<u>\$ 4,748</u>	<u>\$ 5,439</u>



# ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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*Other office: Mio, Michigan*

Rodney C. Robertson, CPA  
Robert J. Carpenter, CPA

December 29, 2014

To the City Council  
City of Rose City  
Rose City, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Rose 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 City of Rose City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 deficiency in the City's internal control to be a significant deficiency:

**Lack of adequate controls to produce full-disclosure GAAP basis financial statements.**

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

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

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

*Effect:* The result of this condition is that the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

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

This significant deficiency is a repeat comment from our letter to you dated December 24, 2013.

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

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants  
Rose City, Michigan



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Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

December 29, 2014

To the City Council  
City of Rose City  
Rose City, Michigan 48654

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rose 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, 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 31, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Rose City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation expense is based on estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures in the financial statements 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 29, 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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedules, 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.

We were engaged to report on the Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances which accompany the financial statements but are not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

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

Very truly yours,

Robertson & Carpenter CPAs, P.C.  
Certified Public Accountants